

Signing Ceremony of  
Local Governance Support Project (LGSP)  
Wednesday, June 28, 2006

Speech by Ms. Christine I. Wallich, Country Director,  
World Bank Office, Dhaka

The Chief Guest, Honourable Mr. Abdul Mannan Bhuiyan, Minister for Local Government Rural Development and Cooperatives, Mr. Zabihullah, Secretary, Economic Relations Division, Mr. SM Jahrul Islam, Secretary, Local Government Division, Mr. Motahar Hossain, Additional Secretary, Economic Relations Division, Dr. Hussain Zillur Rahman, Chairperson, PPRC, representatives of Union Parishad chairperson association, representatives of development partners, civil society and media, distinguished guests, ladies and gentlemen.

After considerable public debate over the last decade, including two Local Government commissions, and several pilots funded by Government and donors, Government of Bangladesh, under the leadership of Minister Bhuyian, undertook an important step in 2004 to introduce a block grant system to Union Parishads.

Simple in its construct, this policy instrument is very strategic in its vision:

First, by empowering the UPs -- historically the most established tier of local government in Bangladesh -- Government has taken an important step to bring the state closer to communities. Indeed, the emergence of effective local governments can create a space for broader political participation and bring with it a chance for greater accountability of the state to citizens.

Second, Bangladesh is global leader in community based systems of delivery. It is now increasingly recognized that the scaling up and sustainability of public services at the local level requires that communities have an effective local state as a partner. A strong and accountable local government system offers that opportunity.

This strategic framework that underscored Government's decision to implement the block grant system was endorsed in the PRSP as an important approach for reducing poverty and enhancing local service delivery through institutions of local governance. It is also a cornerstone of the World Bank Country Assistance Strategy

The Local Governance Support Project supported by the World Bank, UNDP/UNCDF and EU is a phased but systemic approach to supporting government's own efforts to strengthen local governance, by expanding the autonomy and capacity of local governments while strengthening mechanisms to hold local governments accountable. The system of governance in Bangladesh is continuing to evolve. To date, the missing link in this evolution has been the voice of elected LGs and communities. This project will strengthen these voices in the debates on local governance that is expected to grow in the coming years. It will also strengthen a tier of government that can act as a coordinating point for the delivery of local services.

The LGSP represents an exciting new direction in the development partnership between Government and various development partners. There are a number of innovations that are contained in this project:

- It is the first time that World Bank resources are being provided directly to UPs for them to spend on community development priorities
- The LGSP blends both Government and World Bank resources together and disbursed directly to UPs through Government's budgetary system under a common set of rules through a single, streamlined channel.
- The project will strengthen and streamline existing government mechanisms for oversight rather than introduce parallel systems. For example, emphasis is placed on strengthening the UP budget process, the financial management and the procurement system and, in addition, the Comptroller and Auditor General (CAG) will play a key role in the oversight process through the annual audit process
- Finally, and perhaps most importantly, as part of the budget process, UPs will hold community open houses to elicit their preferences in determining expenditure priorities and report back to them on the progress of the expenditures and outcomes achieved. UPs will also have to formally and publicly disclose the information to communities. The formal audit process will assess the operations of these open houses and the annual fiscal transfers will be contingent on ensuring that the mechanisms of community participation in UP decision-making are formally working

The approach is an incremental one, but strategic in its incrementalism: the project is not providing final answers to the challenges of sub-national governance in Bangladesh, but supporting an on going effort in Bangladesh to strengthen local governance as a step towards improving overall governance. The project will be complemented by a range of research work, in addition to the support to policy development in GoB.

The project is designed to ensure that all UPs become eligible for the expanded block grant over a period of 5 years. The first year of project implementation will be dedicated entirely towards building basic administrative capacity in UPs, specifically related to financial management and procurement, as well as capacity of communities for holding UPs accountable. The expanded block grant will only be available to the first set of eligible UPs (about 25%) from the 2007/08 financial year. Capacity building will be targeted to lagging UPs and every year another 25% of UP will join. At the end of 5 years, all 4488 will receive expanded grant.

The implementation of LGSP may face many challenges, but judging by the exceptional dedication and commitment demonstrated across government in the preparation of this project, I am confident that these challenges will be overcome. Let me take this opportunity to thank the Minister, the officials in the Ministry of Local Government, the Planning Commission and the Finance Ministry for their dedicated support to have this project approved in record time.

The development partners also face an important challenge. It will be critical for us to coordinate our efforts to support the evolution of the local governance system. Too much money, transferred too quickly, through too many channels, run the risk of undermining Bangladesh's emerging system of local governments. Let us therefore commit to invest in local

development through the nexus defined by UPs and their communities which is at the heart of the LGSP.

I have personally seen the role that UPs play and the potential they can have in promoting local development and in enhancing service delivery. Whether it is in pioneering the Total Sanitation Movement, improving the birth registration system, or supporting the eradication of child marriage and violence against women, UPs have a critical role to play in Bangladesh.

I hope that the leaders of the UPs as elected people's representatives meet the ever growing expectations that citizens of Bangladesh have for a better future. LGSP is premised on this one hope.

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