



Metropolitan Studies Program
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The Metropolitan Studies Program

For more than twenty years, the Metropolitan Studies Program has been involved in research and teaching about public finance, public administration, and regional studies. In the past several years, increased activity has focused on questions of public finance policy in developing countries. Two large grants from the United States Agency for International Development have funded much of the work. They are the Local Revenue Administration Project (LRAP) which began in 1979 and continues to the present, and the Jamaica Tax Structure Examination Project (JTSEP) which began in 1984 and will continue into 1986. In addition, individual researchers have received grants and contracts for independent activity in various countries.

In each issue of *Revenues* we will provide a detailed discussion of the findings from a particular project along with briefer updates on other projects and activities. We welcome queries about our work and comments on related research and projects that other institutions and individuals are undertaking.

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Findings and Recommendations from the Bangladesh Project

Under the auspices of the Local Revenue Administration Project, several Metropolitan Studies Program faculty and graduate students participated in a long-term research project in Bangladesh. The work was funded through the Zilla Roads Maintenance and Improvement Project of AID in Dhaka. Syracuse University involvement extended from fall 1981 until early 1984. In January 1985 an international seminar on decentralization and finance, took place; it is described in a separate section.

With an estimated gross domestic product of US\$140 per person, Bangladesh is one of the poorest countries in the world. Its population of 95 million occupies an area about the size of the state of Wisconsin in the United States, and the population density of 1700 people per square miles is one of the highest in the world. Furthermore, the population is growing rapidly and experts project a population of 130-140 million by the end of the twentieth century.

In 1981 the United States Agency for International Development mission in Bangladesh agreed with the Government of Bangladesh to fund a project involving training and technical assistance to maintain rural roads in the country. Such maintenance is the responsibility of local governments (at that time, zillas, thanas, and unions). The Zilla Roads Project involved engineering and training components, and a component devoted to the assessment of present and potential resources of various local government levels. Syracuse University had the responsibility for the local finance component with Professor Larry Schroeder the project director and other team members including Professor Roy Bahl, Professor James Alm (now at the University of Colorado), Dr. Barbara Miller, and three graduate students, Hasan Murshed, Muin Uddin and Showkat Khan. Research efforts extended over nearly two years. The research produced a series of twelve detailed interim reports on various aspects of local finance, and a final report containing a lengthy list of policy suggestions aimed at increasing local government fiscal autonomy through various measures.

The three major thrusts of the recommendations are in the direction of revision in the structure and administration of own-source revenues, especially land-based taxes, alteration and coordination of the intergovernmental grants system, and training needed at the local level.

One potentially important land-based levy is the land development tax now administered by the central government. There are strong arguments to be made that the land development tax should become a local levy. The pros and cons of this change were given serious consideration in the

final report. The tax on the sales of land and buildings also received attention as did the need for improved application of user charges for services such as roads and public markets.

Local governments in Bangladesh are highly dependent on grants from the central government, a situation which is unlikely to change soon. There are currently numerous, often cross-cutting grant programs. Recommendations focus on the rationalization and systematization of the current grant package to local governments. In the meantime several changes in certain programs have already been instituted by the Government of Bangladesh.

With or without new policies, training of local government officials is a necessary ingredient in improving the ability of local governments to raise and administer resources. Basic record-keeping is a problem and, moreover, there is a lack of understanding on the part of officials of how the records can be useful to them.

In these days of increasingly limited fiscal capacity at the central government level to provide necessary services to localities, decentralized finance becomes even more important. Realistically no one can expect local governments to become completely self-sufficient. The goal in Bangladesh is to prevent further erosion of local fiscal autonomy and to increase local efforts through an appropriate system of incentives. The Bangladesh research project contributed knowledge about the current local fiscal situation in a country where little was documented, and this knowledge has been put to the use of policy-makers in that country.

International Seminar in Bangladesh

One sequel of the Syracuse work in Bangladesh on local government finance was the organization of an international seminar on "Decentralization, Local Government Institutions and Resource Mobilization" held in Comilla, January 20-23, 1985. The seminar was sponsored by the Government of Bangladesh and USAID, and organized by the Bangladesh Academy for Rural Development (BARD) at Comilla. The focus of the seminar was to review recent developments related to development administration, and resource mobilization, and local participation in several Asian countries and to look forward to improved policy and implementation in Bangladesh.

Five keynote speakers presented papers on major themes to set the theoretical framework for discussion: Diana Conyers (University College of Swansea, UK), "Decentralization: A Framework for Discussion;" Norman Uphoff (Cornell University, US), "Local Institutions and Decentralization for Development;" Abhijit Datta (Indian Institute of Public Administration, India), "Resource Mobilization at the Local Level;" Harry Blair (Bucknell University, US), "Participatory Rural Development;" and Larry Schroeder (Syracuse University, US), "Role of Intergovernmental Grants." Country papers were presented by: M.A. Muttalib (Osmania University, India), Prachanda Pradhan (DRCG, Nepal), Raul deGuzman and Perfecto Padilla (University of the Philippines), Asoka Gunawardena (Institute of Public Administration, Sri Lanka). Finally, papers focusing on decentralization and local governments in Bangladesh were presented by Mohammed Faizulla (Cabinet Division, Bangladesh), Sadrel Reza (University of Dhaka, Bangladesh), S. Maqsood Ali (Public Administration Training Centre, Bangladesh with Sofia Hasna Jahan Ali (University of Dhaka, Bangladesh), M. Asaduzzaman (BIDS, Bangladesh), and M. Mohabbat Khan (University of Dhaka, Bangladesh).

Bangladesh Project Publications

A series of twelve reports and the final report (in two volumes) was produced from the Syracuse research on local public finance in Bangladesh: "Local Government Structure in Bangladesh," "Toll Roads as a Zilla Parishad Revenue Source," "The Immovable Property Transfer Tax," "The Land Development Tax: Insights from the 1978 Land Occupancy Survey," "Collecting Local Government Financial Data in Developing Countries: The Bangladesh Experience," "Local Voluntarism and Local Government Finance," "The Land Development Tax," "A Review of Bangladesh Zilla and Union Parishad Finances," "Upazila Parishads: Their Structure and Revenues," "Intergovernmental Grants," "Possibilities of Benefit Charges for Public Works," "Aspects of Public Finance in a Union Parishad: A Sociopolitical Case Study," and "A Plan for Increased Resource Mobilization by Local Governments in Bangladesh" (two volumes: Executive Summary and Final Recommendations).

For information on how to order copies of these publications, please contact the Publications Officer at the Metropolitan Studies Program.

Visits by Egyptians

Two groups from Egypt visited the Metropolitan Studies Program for a day each in November and December, 1984. Each group was composed of professionals and officials involved in rural development, local government, or public policy work in Egypt. While at the Maxwell School, they participated in a series of workshops on user charges, intergovernmental grants, credit, small community resource mobilization, budget and financial management, and property taxation. The visits were coordinated with the International Agriculture Program at Cornell University, and Professor Paul Eberts (Faculty Coordinator of the Egyptian Basic Villages Services Project at Cornell) has just informed us that the Egyptians gave a very positive evaluation to the entire program in upstate New York.

In Sri Lanka

Larry Schroeder spent two weeks in Sri Lanka during December working on urban government finance with the Ministry of Local Government, Housing and Construction, under the auspices of the World Bank. The objective was to outline and assess alternative short-term and long-term policy options which could strengthen the ability of local governments to mobilize additional resources. Schroeder's work involved interviews with central government personnel and visits to six different urban governments in the country.

In Thailand

Michael Wasylenko joined a World Bank mission in Bangkok during December. The mission was to update the continuing work on the macro economy in Thailand. Particular attention is being paid to the performance of certain macro variables such as inflation, real growth in GDP, employment growth, debt, and the fiscal situation and

policy. Mike was responsible for the fiscal portion of the work. This mission was particularly timely in that work commenced just after the Thai currency was devalued 14 percent against the US dollar. The devaluation will cause a series of macro changes such as a higher inflation rate, increased external debt service payments and somewhat larger fiscal deficits.

In Egypt

Roy Bahl and Larry Schroeder travelled to Egypt in March 1984 at the request of the AID mission there. During their stay they conducted a seminar with the AID decentralization staff on the question of local revenue generation and administration. The presentation focused on why fiscal decentralization is necessary, policies to strengthen local government revenue generation abilities in Egypt, and strategies for achieving such policies.

In Grenada

During several months in the latter half of 1984, the Local Revenue Administration Project sponsored a team effort coordinated by Roy Bahl to prepare recommendations for comprehensive fiscal reform in Grenada. LRAP was invited to Grenada to prepare a background piece on fiscal reform including recommendations on the personal income tax, indirect taxes, industrial and trade policy, taxation of tourism, customs administration, and tax incidence, as well as expenditure control and planning. A resident fiscal advisor, Jorge Martinez of Georgia State University, stayed on the island for two months conducting policy research. Several other experts visited for shorter periods including John Due of the University of Illinois, Michael Wasylenko of Syracuse University, George Whitehouse, resident advisor of the Syracuse project in Jamaica, and two private consultants, Kenneth Stacey and Irving Olson. Each expert was responsible for a specific aspect of public finance policy and each prepared briefs that were included in the final report.

Metro International Publications

Occasional Paper No. 78

Robert Buckley and Ranjana Madhusudhan wrote on "The Macroeconomics of Housing's Role in the Economy: An International Analysis" in Occasional Paper No. 78. Despite the fact that housing investment accounts for a considerable share of capital investment, little is known about why the share of housing investment varies so widely across countries. This paper estimates some of the possible relationships between financial conditions, the efficiency of the housing finance system and resource allocation to housing using a simple model and data on 36 countries.

Occasional Paper No. 81

Occasional Paper No. 81 in the Metropolitan Studies Program International Series, by James Wozny, is "Personal Taxes in African States." In this paper the author reviews the current use of personal taxes in a large number of African states. Included in the review are assessments of the rate structures of the tax, how it is administered, and the role it plays in both national and local revenue structures.

Monograph No. 13

"Local Revenue and Service Provision in Upper Volta: Phase I Final Report," based on the work of the entire LRAP Upper Volta Team, is written by Jerry Miner (project director) and Robert Hall (in-country team leader). The monograph reports on the findings of one of the major country studies of the Local Revenue Administration Project that was carried out in Upper Volta (now named Burkina Faso) from 1981 to 1983. The research focused on potentials for increased local revenue mobilization in this highly centralized country, as well as avenues for increased local participation in service delivery and management. The research in Phase I involved analysis of the geographic dispersal of services throughout the country and central government grants for service provision. In-depth field work was conducted in the Department of the East, one of the poorest areas of the country. Village-level data were gathered on tax administration and revenue effort. The report contains findings from the variety of data sources and perspectives employed, along with recommendations that will eventually be combined with the results of the Phase II research recently completed for a different region of the country.

Note: For information on how to order these and other publications of the Metropolitan Studies Program, please contact the Publications Officer, Metropolitan Studies Program.

Staff Publications

Mobilizing Local Resources

"Mobilizing Local Resources in Developing Countries" by Roy Bahl, Jerry Miner and Larry Schroeder, appeared in *Public Administration and Development*, 1984, Vol. 4, pp. 215-230. Local taxes, user charges and voluntary contributions are some of the mechanisms by which local governments can mobilize resources. Several, often competing objectives must be considered when evaluating fiscal instruments such as revenue-raising ability, economic efficiency, administrative feasibility, and equity. The authors review each of these objectives and show how numerous constraints including those imposed by the political/legal system, administrative structure, the economy, and the culture of a country must be recognized while devising a workable set of reforms. The key to fiscal reform is said to be the incentives or disincentives built into the revenue structure.

Resources from Local Social Organizations

"Local Social Organizations and Local Public Finance in Developing Countries" was written by Barbara Miller and published in the *Journal of Voluntary Action Research*, 1984, Vol. 13, No. 4, pp. 49-59. This paper explores the role and potential of nongovernmental organizations in financing public goods and services in developing countries. Local social organizations are defined and their fiscal aspects outlined. Varieties of local social organizations in two West African countries, Burkina Faso and Mali, are examined in terms of their fiscal capacities and potentials. Local social organizations do provide important services for the public in these two countries, and the conclusion of the article points to how such contributions might be enhanced.

Grants in the Philippines

Roy Bahl and Larry Schroeder's "Philippines Intergovernmental Grants: An Evaluation" was published in the *Asian-Pacific Tax and Investment Bulletin*, 1984, Vol. 2, No. 10, pp. 403-410. As in most countries throughout the world, local governments in the Philippines are dependent on the central government for a significant share of the financial resources at their disposal. This paper has three purposes: to outline how any intergovernmental grant system might be evaluated; to evaluate the system operating in the Philippines with special emphasis on the Bureau of Internal Revenue Allotment and the Specific Tax Allotment programs; and to suggest policy directions that might improve the system in the Philippines.

Staff News and Notes

Jerry Miner gave a public lecture on "Local Government Finance in Africa" sponsored by the Department of Public Administration at the University of Indiana in November 1984.

William Mangin presented a paper on "The Mayors of Cajamarca: Anthropology, Municipal Government and US Aid in Peru" at the 83rd Annual Meeting of the American Anthropological Association, Denver, Colorado, November 14-18, 1984. The panel was on "Anthropological Contributions to Development Projects."

Barbara Miller received a grant from the Smithsonian Institution that provided travel funds for sixteen scholars from the US to attend an international conference on "Women and the Household in Asia." The conference was held in New Delhi, India, January 26-31, 1985. Each of the participants delivered a paper at the conference.

At the annual meetings of the Allied Social Science Association, two papers were presented that were written by Metro faculty and research assistants: "The Macroeconomics of Housing's Role in the Economy: An International Analysis" by Robert Buckley and Ranjana Madhusudhan, and "Land Versus Property Taxation: A General Equilibrium Analysis" by James Follain and Emi Miyake. The meetings were held in Dallas in December 1984.

As of April 1984, the Committee on Women in Asian Studies, a standing committee of the national Association for Asian Studies, ended its two-year stay at the Metropolitan Studies Program. The chairship has passed from Barbara Miller to Victoria Cass, professor of Chinese language and literature at the University of Minnesota. While at Syracuse, the Committee initiated a quarterly newsletter and a monograph series.

During December 1984, Roy Bahl gave a presentation on "Financing Urban Government in Less Developed Countries" for the Department of Urban Studies and Planning, Massachusetts Institute of Technology.

Haeduck Lee, Metropolitan Studies Program research assistant, held an internship at the World Bank during the summer of 1984. He worked on the subject of housing finance in Korea.

In November 1984, Barbara Miller served as a member of a team invited to evaluate the role of the Center for Advanced Studies in International Development at Michigan State University.

Syracuse University

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