

Local Government Financing in Some Asian Cities

Md. Abdul Quader Miah

Rapid urbanization, especially in developing countries, is a major concern. The big cities are growing even faster. The concern about urban growth is largely due to lack of concomitant increase in the provision of urban service. The latter in turn lags behind because mainly of resource constraints. This leads to a deterioration in the environmental condition. The planners are finding it increasingly difficult to plan for urban services because the urban problems are multiplying at an alarming rate.

The problems are enormous. They are becoming more acute in Asian cities because of fast urban growth. Given the continued increase of urbanization, the underlying concern is provision and management of city services to cope with the increased number of people in the cities. Two things are necessary to handle the problem: one is strengthening the institutional capabilities of the respective governments, more specifically the city authorities and the other is raising enough financial resource and their efficient utilization. Although these two are interrelated in a number of ways, it is in the financial aspects in which the weakness is rather obvious. Indeed the resource constraints have played and will continue to play the critical role in provision and management of urban services.

Existing Revenue Systems

A. *Types of Organizations Operating in Cities*

Three types of organizations appear to be in operation in cities for managing the city affairs. These are as follows:

- 1) Line departments of higher level governments. These are departments of provincial or national governments and they carry out mainly the development or capital outlay works in the cities side by side in other areas. Public Works Department in Dhaka is an example of such an organization. This type of organization operates in cities as a part of nation wide activities.
- 2) Special purpose bodies created for working in the cities for some specialized works and services. One example of this type of organization is Metropolitan Waterworks and Sewerage System (MWSS) in Metro Manila. The main feature of special purpose agencies is their specialized functions within the cities. Some of these organizations raise their own revenue. Others get their revenue from higher level governments.
- 3) The municipalities or local governments. The municipalities operate within the respective cities. They have their own institutional set-up, raise their own revenue at least partly and run their important city services. Responsibilities of this type of organizations vary from city to city. The local authority in Kandy is responsible for public health, public utility services, public thoroughfares, public welfare covering such components as streets, drainage, sanitation, solid waste disposal, recreation and welfare services. The local authority in Kuala Lumpur, the "City Hall" is responsible not only for the administration of the city but also acts as an agent in implementing devel-

opment projects on behalf of the Federal Government such as construction of low cost housing, construction of roads within the city, providing public amenities and so forth.

In the category of local authorities there is another system of authorities, especially in case of metropolitan cities. Bombay Metropolitan Authority are examples of this category. These are also local authorities established under certain Acts. Coordination of activities of individual municipalities as well as those higher level government departments and special purpose agencies operating within the cities, is the main function of such metropolitan governments. The metropolitan authorities in fact, are the mid-tiers between national government and local government.

B. Existing Sources of Finance of Local Authorities

The sources of local government revenue can broadly be classified into three categories. These are 1) revenue raised by the local governments from their own sources better called locally levied revenue, 2) revenue given by higher level governments in the form of grants, and 3) loans obtained from higher level governments, financial institutions and international funding agencies.

1. Local Revenue

Local revenue is the revenue raised by the local authorities out of their own sources. It is the single most important source of revenue of many of the cities. Table 1 shows the proportions of total revenue of various cities raised against this head. Typically most of the cities raise about 60% - 90% of their total revenue from local sources. Bangkok, Bombay, Chittagong, Karachi, Metro Manila, Penang and Sydney are also in a better position because their local revenue constitutes 80% or more of the total revenue. Nagoya, although an industrial and prosperous city, raises only 31.11% of its total revenue locally.

2. Grants from Higher Level Governments

For some of the cities (e.g. Nagoya, Colombo, Lae) grants from higher level governments constitute significant proportions of their total income (Table 1). But for some other cities this does not play a significant role (e.g., Bombay, Karachi and Sydney). Provision of grants varies from city to city. For Dhaka grants are provided by the Central Government through Annual Development Programme for specific projects. Kuala Lumpur local authority gets grants from higher level government to finance various projects such as infrastructure, housing, roads and others.

3. Loans

In most of the cities (Table 1) loans do not constitute a significant proportion of local government revenue. Sometimes loans are obtained by the local authorities from higher level governments and financial institutions. The international funding agencies such as the World Bank and the Asian Development Bank also sometimes provide loans. But these loans are not meant for general service activities of the city authorities. Rather these are mainly for some capital outlay

works or for some special purpose projects. Access to loans by city authorities is guided by provisions in the respective Acts.

Table 1: Sources of Finance of Local Authorities

Name of City	Proportions of Revenue (percent of total)			Reference Years
	Local Revenue	Grants	Loans	
Bangkok ¹	82.84	17.16	-	1981
Bombay ²	98.19	1.81	-	1979-80
Busan ³	58.60	28.30	13.10	1982
Chittagong ²	83.00	17.00	-	1980-81
Colombo ⁴	49.00	37.00	14.00	1987
Karachi ²	86.00	2.00	n.a.	1981-82
Kuala Lumpur ⁴	73.40	-----26.60-----		1985
Lae ⁴	64.00	36.00	-	1986
Metro Manila ⁴	80.00	20.00	n.a.	1986
Nagoya ⁴	31.11	68.90	-	1984
Penang ⁴	82.93	17.07	-	1980
Port Moresby ⁴	n.a.	n.a.	n.a.	1981
Seoul ³	68.50	20.60	10.90	1982
Sydney ⁴	89.50	7.00	3.50	1986
Yokohama ²	74.00	15.80	10.20	1979

Sources:

- 1) **Regional Development Dialogue**, 7(1986)2.
- 2) Respective City Monographs prepared and submitted to the Regional Congress of Local Authorities for Development of Human Settlements in Asia and the Pacific, held in Yokohama, June 1982.
- 3) **World Bank Discussion Paper**, Report no. UDD-64.
- 4) Respective City Monographs prepared and submitted to the Second Congress of Local Authorities for Development of Human Settlements in Asia and the Pacific, held in Nagoya, July 1987.

C. Important Features of Local Revenue

Various income heads have been explored by different local authorities to raise revenue locally. These may broadly be grouped into such categories as property tax, octroi, user/utility charges, business tax, fees, licence, fines, rents, and other taxes.

1. Property Tax

The quantum of property tax varies greatly from city to city (Table 2). For the cities under study, the proportions of property tax vary from about one tenth to

three fourths of the total local revenue. In the upper bracket, the cities are Kuala Lumpur, Sydney and Penang where the proportions of property tax are within the range of 60% to 75%. On the other hand, Bombay, Busan, Karachi and Seoul raise as small a proportion as about ten percent of total local revenue from property tax. For Dhaka and Chittagong property tax constitutes the major part of local revenue. The local authority of Metro Manila, the Metro Manila Commission is highly dependent on property tax and contribution by the lower level local government units.

**Table 2: Proportion of Property Tax and Utility Charge
(Percent of total local revenue)**

Name of City	Proportion of Property Tax	Proportion of Utility Charge	Reference Years
Bangkok	n.a.	n.a.	-
Bombay ²	10.60	35.22	1979-80
Busan ³	10.09	30.77	1982
Chittagong ²	major part	n.a.	1986
Colombo ⁴	27.00	n.a.	1987
Dhaka ⁴	major part	n.a.	1986
Karachi ²	10.00	13.00	1981-82
Kuala Lumpur ⁴	73.4	n.a.	1986
Metro Manila ⁴	33.50	n.a.	1986
Nagoya	n.a.	n.a.	-
Penang ⁴	61.91	n.a.	1980
Port Moresby ⁴	major part	n.a.	1986
Seoul ³	8.56	31.55	1982
Sydney ⁴	65.00	n.a.	1986
Yokohama ²	34.50	2.50	1979

Sources: See Table 1.

2. Octroi

Although octroi is not a component of local government revenue for many of the cities, it plays a significant role in cases of some of the cities. In case of Karachi the total amount of local revenue on account of octroi constitutes as high as 56 % of the total local revenue. This means Karachi Metropolitan Corporation generates more than half of its local revenue from this single source, which is totally neglected by many other city authorities. In case of Bombay, the local authority generated 22% of its total local revenue from octroi in 1979-80. The city authority of Chittagong collected 44.65% of the total municipal income from octroi during the period from 1975-76 to 1980-81.

3. *User/Utility Charges*

Revenue raised by city authorities for direct use and consumption of utilities is grouped under this head. This includes water and electricity charges, conservancy charges i.e. charges for handling wastes and waste disposal, charges for supplying natural gas for domestic and industrial fuel and so forth. Many of the cities levy charges on this account. The quantum of such charges/revenues are significant (Table 2) in case of some cities such as Bombay, Busan, Karachi and Seoul. But in case of other cities (Yokohama) these are not.

In case of Dhaka, Chittagong and Sydney utility charges on account of water supply, sewerage treatment, electricity and gas supply do not come to the municipal fund. These utilities are run by special purpose bodies and the rates are also collected by those bodies.

4. *Business Tax*

Depending on the business turn-over this tax is levied on the business enterprises operating within the city. In case of some cities it serves as a predominant source of revenue. The collection procedure varies. In Bangkok, this tax is collected by Customs and Revenue Department, but later distributed to the local authority according to certain proportion.

5. *Fees, Licence, Fines and Similar Items*

Quite a few city authorities use fees, licence, fines and others as sources of their local revenue. In some cities these sources contribute a significant proportion of local revenue. Expressed as percentages of local revenue, these sources account for 25% for Lae, 10.9% for Colombo and 2.1% for Penang. In Busan licence tax constituted 2.6 % and in Seoul it constituted 2.3% of local revenue in 1982.

6. *Other Miscellaneous Sources*

There are various other components which are utilized to raise local government revenue. In Bombay traffic earning constitutes 14.70% of its local revenue. In Penang this proportion is 1.42%. In Lae internal transport charges constitute 15% of total revenue. In Dhaka rents on markets and shops generate appreciable amount of revenue for the local government. Rents and fees constituted 6.2% and 3.7% of general account revenues in Busan and Seoul respectively in 1982. Other sources which these two Korean cities mobilize for resources are acquisition tax, registration tax, automobile tax, butchery tax, horse race tax, farm land tax, city planning tax, public facility tax, and workshop tax.

In Bangkok prevalent miscellaneous sources for revenue are slaughter tax, signboard tax, surcharge on some items such as liquor, alcoholic beverages, non-alcoholic beverages, entertainment and gambling and rice export tax. In Colombo rents accrued 14.90% of the total revenue in 1980. Karachi Metropolitan authority generated 2.00% of its revenue from rent and 1.00% each from fire tax, betterment tax and advertisement tax. In Yokohama miscellaneous components generated 8.10% of its local revenue in 1979. The City Hall of Kuala Lumpur levies parking charges, development charges, rentals and compound fees for raising revenue. For Penang municipal government, rents and expenditure recharged also contribute to revenue. Sales tax and retail tax are sources of revenue in Lae. In Sydney there are mandatory contributions towards recreation facilities and some other works.

Analytical Facts of Local Government Finance

A. Per Capita Property Tax

Property tax is one of the important components of local revenue. As presented in Tabel 3 per capita property tax in Yokohama is very high as compared to other cities under study. It is a little over US\$ 200. If however, the case of Yokohama city is left aside in view of better economic base of the dwellers, per capita property taxes of other cities also vary. But these variations are not so high.

Table 3: Per Capita Local Revenue and Grants (US\$)

Name of City	Property Tax	Octroi	Utility Charge	Total Local Revenue	Grants	Reference Years
Bangkok	n.a.	-	n.a.	27.92	-	1981
Bombay	4.42	9.17	14.69	41.70	0.77	1979-80
Busan	20.95	-	41.32	229.40	51.28	1982
Chittagong	n.a.	-	-	4.02	0.80	1981
Colombo	6.60	n.a.	n.a.	24.45	18.47	1987
Karachi	0.62	4.02	0.80	6.18	n.a.	1981-82
Kuala Lumpur	39.14	x	-	53.32	n.a.	1985
Lae	n.a.	-	-	10.02	5.63	1986
Metro Manila	n.a.	-	-	n.a.	-	-
Nagoya	n.a.	-	-	1,295.15	2,864.21	1984
Penang	7.82	x	n.a.	12.64	2.60	1980
Seoul	26.23	x	59.47	188.47	56.68	1982
Yokohama	208.42	x	15.10	604.11	128.99	1979

Source: Computed.

B. Per Capita Octroi Charge

Data in respect of Bombay and Karachi only were available for octroi charges. Per capita octroi charges in Bombay is about US\$ 10.00 and that in Karachi is US\$ 4.00. Octroi charges in Bombay are higher even than per capita property taxes of a few cities such as Colombo and Penang. This implies that these two cities are harnessing much of their local revenue from this source, which many cities could possibly explore.

C. Per Capita Utility Charges

The utility charges do not vary so greatly as property taxes. However, the differences are appreciable. Yokohama although a city of high income residents, does

not show the highest per capita utility charges (Table 3). It is only US\$ 15.10. In case of Seoul per capita utility charges are as high as about US\$ 50.00. In Bombay it is about US\$ 15.00 and in Busan it is about US\$ 40.00. But in case of Karachi the per capita utility charges are very low. This city is possibly poorly harnessing the revenue from this source.

D. Per Capita Total Local Revenue

This is a useful indicator of self financing of local governments. Taxation on different components (property tax, octroi and utility charges etc.) may vary from city to city due to local conditions. But total local revenue on per capita basis should serve as a useful basis for comparison. Except Yokohama and Nagoya, whose per capita total local revenue is over US\$ 600.00, the per capita local revenue varies within about US\$ 200 (Table 3). Around US\$ 200 Busan and Seoul are the two cities. Per capita local taxes of Bombay and Kuala Lumpur vary between US\$ 40-60. Penang and Lae may be bracketed together because their per capita local taxes are very close to each other, a little over US\$ 10. Colombo and Bangkok are closer to each other so far their per capita local taxes are concerned. These figures are closer to US\$ 25.00. The financing seems to be very poor in case of Chittagong and Karachi because their local per capita tax is only about US\$ 5.00. The high per capita local taxes of Nagoya and Yokohama are due to better economic condition of the residents. It is interesting to note that even per capita local revenue of 10 other cities added together are less than that of a single city of Yokohama or Nagoya.

The comparison of per capita total local revenue should be seen in the context of economic conditions of the city dwellers and the standard of services provided by different city authorities. Out of the cities under study if the extreme high and low cases of per capita local revenue are considered, the economic condition of the people of Nagoya is far better than that of Chittagong. In respect of standard of services also, Nagoya provides much higher standard of services to its people than Chittagong does.

E. Per Capita Grants and Loans

In this case also the per capita grants in case of Nagoya as well as Yokohama are very high so far they are concerned in absolute figures (Table 3). For Nagoya it is as high as US\$ 2,864.21 and that for Yokohama it is US\$ 128.99. For the rest of the cities under study per capita grants are within US\$ 20.00, except Busan and Seoul whose figures are over US\$ 50.00. In case of Bombay, Chittagong and Penang the per capita grant is less than US\$ 5.00.

Figures were available in cases of Busan, Seoul and Yokohama only for loans. The quantum of loan is quite small as compared to other sources of revenue for local authorities. In fact many of the cities do not use this as resource means. Some of the cities are not even allowed by higher level governments to obtain loans.

The lower the quantum of grants and loans, the lower is the dependence of city authorities on higher level governments or outside agencies for financing their urban services.

F. Tax Sharing

Taxes are collected by local governments, state or provincial governments and national governments according to Acts of respective cities. Where the taxes collected by local governments are not sufficient to meet the demand, the higher level governments sometimes spare for local governments, part of the taxes collected by them. This process is sharing of taxes between higher level governments and local governments. The local shared taxes are more or less grants given to local governments by higher level governments.

The proportion of the shared taxes depends upon many considerations and they vary from city to city. In Nagoya the national, prefectural and city taxes accounted for 68.9%, 15.5% and 15.6% respectively in 1984. But after sharing of taxes local shares accounted for 70.3% of all tax revenue. This shows a very high proportion of shared taxes in case of Nagoya and consequently much dependence on the higher level government.

In Metro Manila the local authority considers tax sharing as a major innovation on local financial administration. There are mainly two categories of taxes which are shared in Metro Manila. One is called Specific Tax Allotment and the other National Tax Allotment. The former aims at stimulating the spending on infrastructure projects. As earmarked, the municipalities and city authorities share with the National Government 30% and 50% respectively, of specified taxes on a variety of petroleum products. In the National Tax Allotment category the local governments receive 5% of the Bureau of Internal Revenue, over and above 20% set aside for general allotment.

In case of Lae city the higher level governments consider land rates as grants. In 1986 the provincial government gave the local government an amount of US\$ 0.45 million in lieu of land rates which go directly to the provincial government. The provincial government terms this as "obligatory service grant". The national government also paid an amount of US\$ 0.42 million to Lae city local government in lieu of land rates.

Tax sharing is also in practice in Colombo. In 1980 the central government paid to Colombo local government US\$ 0.53 million, US\$ 0.04 million and US\$ 0.25 million in lieu of business turn-over tax, motor vehicles duty and water rate respectively. These although termed as central government grants, are in fact sharing of taxes.

For Karachi Municipal Corporation the provincial government pays 85% of its receipts from property tax and betterment tax and 50% from fines and penalties on municipal offences. The provincial government also pays 85% of its receipts for minor minerals and fisheries to Karachi Municipal Corporation. Sharing of taxes is also in practice in case of Dhaka and Chittagong.

In case of Bangkok the sharing of taxes seems to be more rational. The local governments are entitled to add a surcharge upto 10% to the national taxes on such items as business, liquor and beverage, entertainment, gambling, and petroleum products refined in Thailand. These are collected by the local representatives of the central government and then paid to the local authorities after deduction of a fee of 5% on account of administrative cost. Local authorities also receive all or part of the receipts from shared taxes from export duty and road vehicle tax.

In Busan, Seoul and other Korean cities the taxes to be shared by the local governments are determined according to some mathematical formulae. There is another shared tax. It is called special shared tax. It comprises 1/11 of total local shared taxes. This is given to the local government to meet fiscal demands that can not be satisfied by ordinary shared taxes. This is also applicable to meet demands of special nature arising out of disasters and the accompanying loss. Above the ordinary and special shared taxes, the Ministry of Home Affairs can also transfer additional shared taxes in case of emergency. In the particular year of 1982, Busan received 4 % of total general account revenue from shared taxes. But during the same year Seoul did not receive any shared tax. This is presumably due to its self sufficiency and ability.

G. Local Tax Burden

Local tax burden is the ratio of local taxes paid by the citizens to their income and mathematically may be expressed as

$$B = \frac{T}{I} \quad \text{where,}$$

$B =$ tax burden ratio,
 $T =$ per capita local taxes by citizens and
 $I =$ per capita income.

The tax burden ratio is a useful indicator of city people's tax paying burden on account of local governments taxation on them.

Tax burden for the citizens of Colombo is the highest among the cities under study (Table 4). Colombo citizens pay about one fourth of their income as local taxes. The citizens of Bombay pay about one fifth of their income as local taxes. For the citizens of Nagoya the tax burden is around 10%. In Bangkok, Chittagong, Karachi, Metro Manila, Penang and Yokohama the citizens' tax burden is around 5% or less of their income. For the citizens of Penang the tax burden is the lowest (around 1%) among the cities under study. It is interesting to note that the citizens of Nagoya and Yokohama having very high income, have tax burden lesser than that in some other cities under study.

H. Dependency of Local Governments on Higher Level Governments

In case of Korean cities (Busan, Seoul), the dependency of local governments are resolved according to certain guidelines. As can be seen from the analysis shown in section F, the gap between the expressed needs and demands are met out of the total resources on some rational basis. In the Japanese context, the situation of local governments' dependence on higher level governments is unique. It has been shown earlier (Table 3) that per capita revenue of Yokohama on local revenue, grants and loans together is US\$ 604.11 and that for Nagoya is US\$ 1,295.15. These are very high as compared to all other cities under study. But quite interestingly dependency of these two cities are completely reversed from that of other cities. During 1983 total tax collection was US\$ 243.02 billion. Of this 36.7% was contributed by local taxes and 63.3% was contributed by national

taxes. But after re-allocation local authorities share was 70.3% and national government share was 29.7%. This situation shows that the local authorities have no sufficient financial resources and are highly dependent on the national government.

Table 4: Tax Burden and Dependency Ratios

Name of City	Tax Burden Ratio (in percentage)	Dependency Ratio (in percentage)	Reference Years
Bangkok	2.98	20.71	1981
Bombay	19.54	1.81	1979-80
Busan	n.a.	n.a.	-
Chittagong	2.82	16.99	1981
Colombo	25.04	51.00	1980
Karachi	3.27	14.00	1981-82
Kuala Lumpur	2.69	26.60	1986
Lae	n.a.	36.00	1986
Metro Manila	4.57	20.00	1981
Nagoya	8.95	68.89	1984
Penang	1.12	17.07	1980
Port Moresby	n.a.	100.00	1981
Seoul	n.a.	31.50	1982
Sydney	n.a.	10.50	1986
Yokohama	6.89	26.00	1979

Source: Computed.

Dependency ratio is an indicator of the degree to which a local government is dependent on its higher level government. Dependency ratio may be defined as the difference between the total revenue and the locally raised revenue divided by the total revenue of a local government. This ratio serves to explain usefully how much the local governments are dependent on their respective higher level governments for resources in the wake of their necessity in providing increased and improved services to the urban dwellers. Nevertheless too much dependence on higher level governments for resources restrict the ability and efficiency of the local governments in delivery of urban services to the city dwellers.

Port Moresby local government depends entirely on its central government for its resources (Table 4). Colombo city authority depends directly on the central governments for about one half of its revenue. In Bangkok, Chittagong, Karachi, Lae, Seoul, Kuala Lumpur and Metro Manila the situation is not very good in this context. While about one third of the resources of Seoul and Lae come from higher level government, about one fifth to one sixth resources of Bangkok, Chittagong, Kuala Lumpur, Karachi, Metro Manila and Penang local governments come from their higher level governments.

The dependency of Bombay and Sydney local governments is slightly less as compared to other city authorities analyzed hitherto. Dependency ratios of these city governments are within 10%. In case of Bombay reliance of the local governments on higher level governments seem to be negligible as this city authority raises substantial proportions of its revenue locally and consequently depends on the national government only for small fraction of their revenue.

I. Per Capita Tax and Per Capita Citizen Income Comparison

Table 5 summarizes the per capita tax, per capita income and their proportions in respect of a few selected cities whose data were available.

In Bombay one fifth and in Nagoya over one fourth of per capita income are equivalent to per capita revenue of the local governments. This is quite high as compared to other cities. In Kuala Lumpur and Yokohama, the per capita taxes are about one tenth of the per capita income. In Karachi, Metro Manila and Bangkok per capita tax is equivalent to about 5% of the per capita income. But in case of Chittagong and Penang the proportions are very low, less than 3%.

This analysis indicates that the revenue bases on the whole is good in cases of Bombay, Kuala Lumpur, Nagoya and Yokohama so far the economic condition of the city people is concerned.

Table 5: Per Capita Tax and Per Capita Citizen Income

Name of City	Tax (local + grants + loan) US\$/Cap/ Reference		Income US\$/Cap/ Reference		Proportion of Tax (tax as % of income)
	Year	Year	Year	Year	
Bangkok	33.70	1981	936.00	1986	3.60
Bombay	42.47	1979-80	213.38	1979	19.90
Busan	391.47	1982	n.a.	-	-
Chittagong	4.84	1981	176.37	1982	2.74
Colombo	49.90	1980	n.a.	1987	-
Karachi	7.19	1981-82	188.74	1981	3.81
Kuala Lumpur	72.64	1986	716.62	1986	10.14
Lae	15.66	1986	n.a.	-	-
Metro Manila	10.92	1981	239.20	1987	4.57
Nagoya	4,163.13	1984	14,467.00	1983	28.78
Penang	15.24	1980	1,124.21	1986	1.36
Seoul	275.14	1982	n.a.	-	-
Yokohama	816.36	1979	8,770.00	1981	9.31

Source: Computed.

J. Efficiency of Revenue Collection

Not only the local authorities should be prompt and wise in levying taxes, but they should also be efficient in collecting the same. Collection of taxes is rather more important in the sense that collection ultimately determines the quantum of resources available to the local governments for spending in needed areas. Examples of two cities whose data were available, are illustrated hereafter to show the importance and problems in collection of taxes.

The Korean cities (Seoul, Busan) showed in 1982 a 99.1% collection of taxes levied by them. Not only in 1982, but starting from 1977 the collection has been more than 95% of the levied amount. In direct jurisdiction cities like Seoul, farm land tax as an individual tax item however, showed the lowest rate of collection. In 1982 it was 88%. This does not however, mean too much because farm land tax constitutes only about 1%. On an average, collection efficiency in Seoul, Busan and other Korean cities has been very high.

In case of Chittagong the situation is completely reverse. Collection efficiency in this city is possibly the lowest. In 1980-81 only 19% of the demanded municipal taxes was collected and 79% fell arrear. From the fiscal year 1975-76 onward the local authority could not collect more than 21% of the demand. So it is a mayor problem for the city authority.

Concluding Remarks

Local governments in the cities of Asian countries will continue to face the increased demand for urban services and efficient management thereof. But their resource constraints will remain the central issue. The cross-city study shows a variety of resource bases of the city governments. But nowhere the bases are sufficient to manage the urban service. On the one hand the local authorities are expected to render efficient services to the city dwellers and on the other hand they have to depend increasingly on higher levels of government for resource. Even the cities with a very high per capita local taxes and tax burden, face high dependency ratio. To overcome the situation some dynamic and innovative approaches will have to be adopted by the local authorities which will include among others, harnessing of untapped resources. While the major areas of taxation such as property tax, will have to be considerably improved by overcoming underassessment, low assessment level, low assessment rate, improper record keeping, the lack in information system, too many exemptions and adequate collection procedure, new and minor areas such as octroi, rents, private automobiles, betterment tax and the like will have to be explored. All these will have to be coined with incentives to the tax payers for timely payment and a credible system of penalties for the delinquents.

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