



**LEDNA** LOCAL ECONOMIC DEVELOPMENT  
NETWORK OF AFRICA



UCLGA

# **Local public resource mobilization in a context of Fiscal Decentralization and intergovernmental fiscal relations in Africa**

Informal meeting of DefiNe members.

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# 1 – Fiscal Decentralization and the local level



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- Meeting basic objectives : Fiscal Decentralization and economic efficiency at the local level;
  - Allocative efficiency.
  - productive efficiency;
  - Fiscal efficiency ;
- So, to meet efficiency goals at the local level;
  - More local taxation ;
  - Less transfers

# 2 – Fiscal Decentralization and the national level



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- Meeting basic objectives : Fiscal Decentralization and macro-economic policies at the national level;
  - Macroeconomic stability.
  - Macroeconomic Redistribution
  - Economic continuity
- So, to meet macroeconomic goals at the national level ;
  - Less local taxation ;
  - More transfers

# 3 – Constraints on Fiscal decentralization : local taxes

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- National constraints;
  - Determination of local taxes by the legislative power namely the national assembly..
  - Instrumentation of local taxes by units of central governments
- Local constraints;
  - - Fiscal incivism due to major social and political crises in African countries as local taxation is direct ;
  - - Fiscal system generally very complex with a large number of taxes ; but in reality the tax system is on a small number of taxpayers

# 4 – Constraints on Fiscal

## Decentralization : national context

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- Upward accountability for regional integration ;
  - Convergence criteria : debt, inflation rate ; deficit.
- Fiscal transition in Africa ;
  - More indirect taxation ;
  - Not helpful for local taxation which is essentially direct
- Stability of African economy
  - Frequent national economic fluctuation ;
  - More budget to build anticyclical economic policy
  - So less fiscal decentralization ;

# 5 – Three goals of FD : limit the harmfulness of local taxation

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- Meeting macroeconomic objectives ;
  - The more local resource, the less central resource and more risk of ineffective macroeconomic policy .
- Impact on local economies ;
  - Can create economic distortions in a country;
  - Can hamper households expenditures
- Impact on social and spatial disparities
  - High disparity rates ;
  - The more centralize fiscal system, the more transfers from rich areas to poor areas ;

# 6 – Three goals of FD : Ensure the efficiency of public expenditure

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- Internalization of decentralization;
  - Allocative efficiency
  - Voting with feet.
  - Principal-agent problem
- But lack of capacity ; Asymmetric decentralization ;
  - More capacity, more competencies ;
  - Less capacity, less competencies

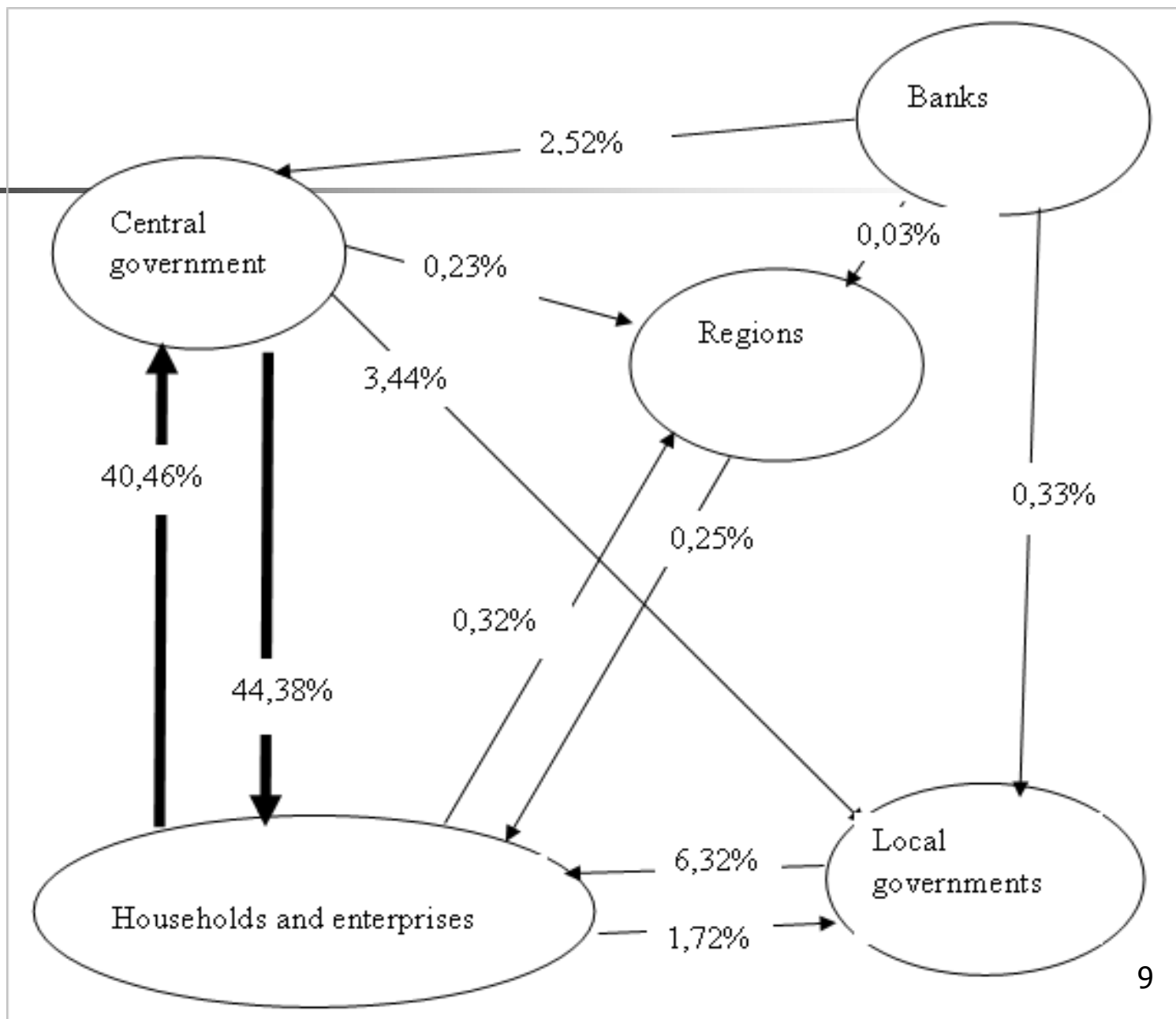
# 7 – Three goals of FD : balance resources at each tier of govt

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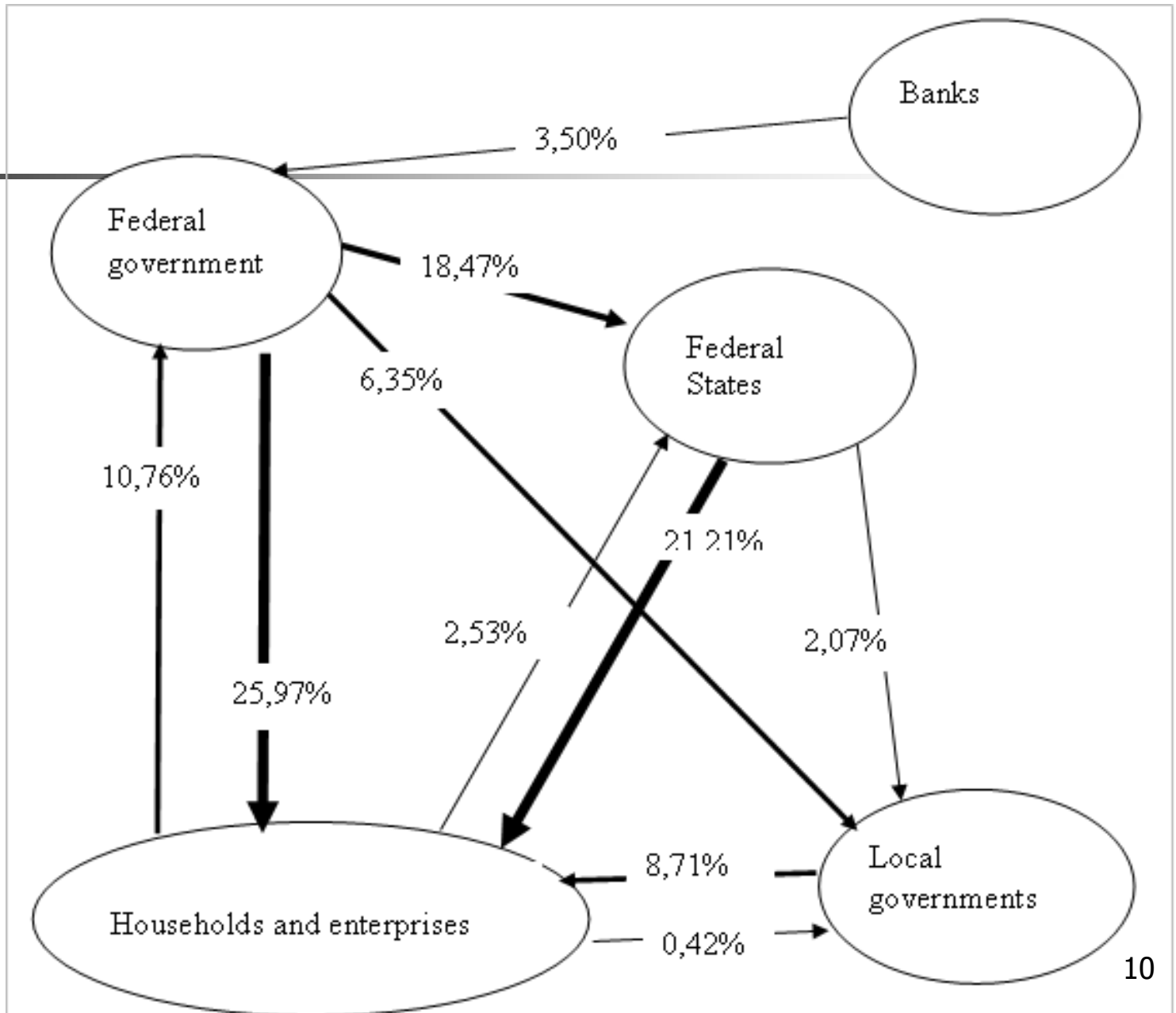
- Avoid fiscal imbalance for each local government;
  - Equality between spending and taxation, so we can meet :
    - > allocative efficiency ;
    - > and productive efficiency
- But fiscal imbalance in African countries is structural;
  - It's impossible to have a balance system ;
  - Stable and predictable transfers to local governments



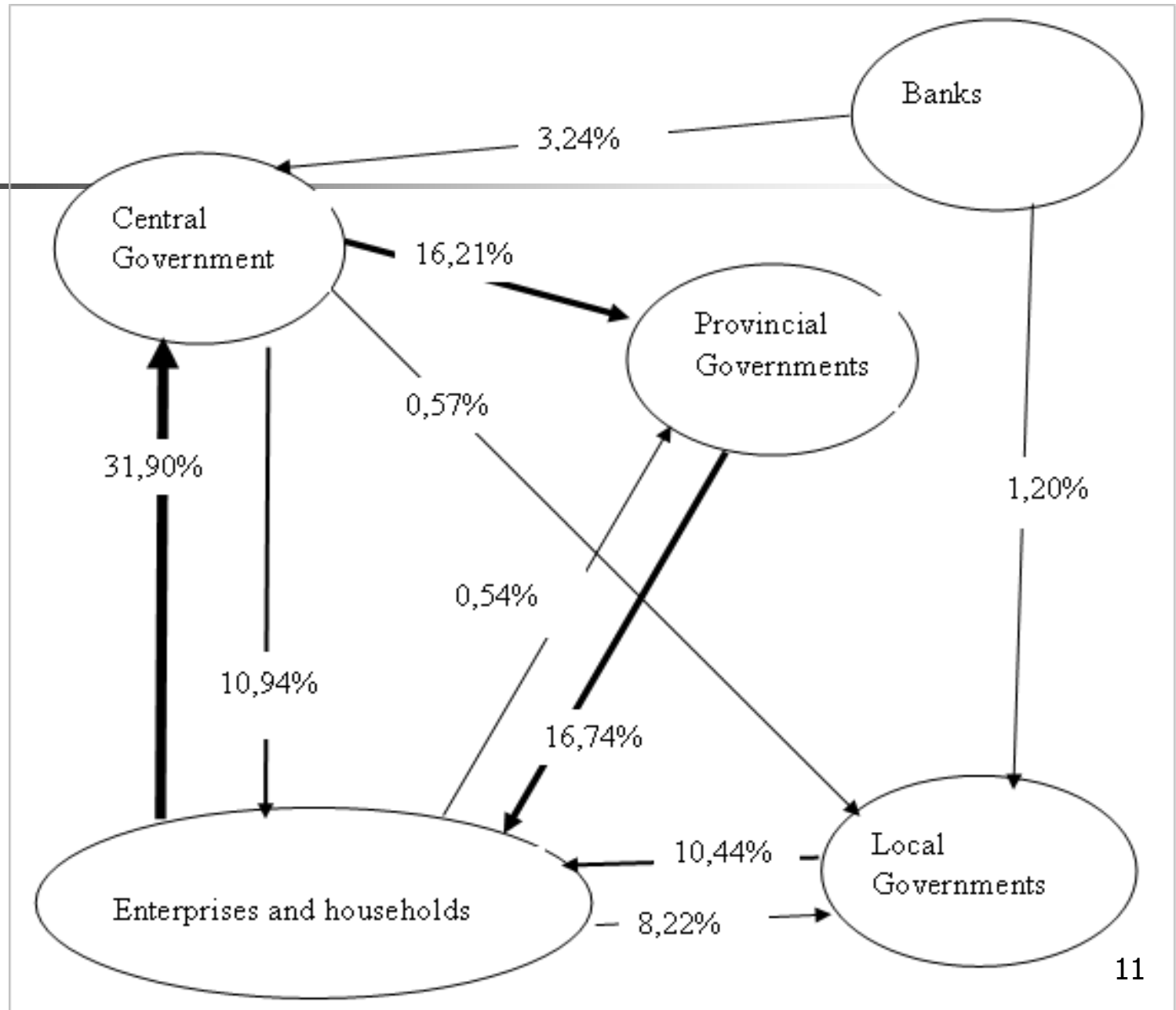
# Marocco



# Nigeria



# South Africa





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THANK YOU  
FOR YOUR ATTENTION