1. NORTH AFRICA (Morocco and Algeria)

(A) COUNTRY: MOROCCO[1]		
1	Country Overview[2]	Morocco has a population of over 32 million people. Arabic is the official language and the capital city is Rabat. About 57% of the population reside in urban areas. The overall life expectancy for women is 73,9 years and 71,4 years for men. Morocco is a multi-party parliamentary Constitutional Monarchy. The constitution was adopted in 1962 and the latest modifications were in 1996. King Mohammed VI appoints the Prime Minister who presides over a Council of Ministers. The country has 1574 local authorities that comprise of regions, prefectures, provinces and municipalities.
2	Approach to Decentralisation	The 1962 Constitution enshrines decentralisation, which are now captured in Articles 100, 101 and 102 of the current 1996 Constitution. The constitution indicates that "*the local authorities of the Kingdom are the regions, the prefectures, the provinces and the municipalities. Any other local authority is created by law*." Three levels of decentralisation, comprising a mixture of devolution and deconcentration, coexist in Morocco: a. Regions: 16 b. Prefectures (urban) and Provinces (rural): 61 c. Municipalities (communes): 1497 • Urban: 199 • Rural: 1298 In 2002 new legislation was enacted regarding prefectures, provinces and municipalities. The distinction between prefectures and provinces is that the rural zones are managed by the latter and urban zones are managed by prefectures. The communes are considered the core of local democracy. Since 2002 enormous progress has been made regarding decentralisation. Key features of the legislation included an increase in power for local leaders and a corresponding decrease in trusteeship. A new Municipal Charter was also adopted in 2002. Regions, prefectures and provinces all have State appointed governors (wali), but elected assemblies. Only in the case of the municipalities is the President of the local Council an elected official.
3	System of Fiscal	The local authorities are allowed by law to raise taxes (e.g. urban infrastructure tax whose rate is set at 10%), but have no real

[1] General source: UCLG (2007) *UCLG Country Profiles: Kingdom of Morocco*, UCLG
[2] Zito, P (2011) **Socio-Economic Context in the Ivory Coast, Morocco and Peru: Comparative Report**, Eloise, Turin, EU Funded Project

	Decentralisation: *local government's share of national revenue and/or public expenditure*	power to set the taxable rate. Since 1996 the State has transferred 30% of VAT to local authorities. At the same time the local taxes do not represent more than 30% of local authority budgets. Key indicators of fiscal decentralisation and equalisation are: • Between 2003 and 2004, local expenditure as a percentage of national expenditure increased marginally from 10,75% to 11%; • State subsidies / transfers represent 40% of the total revenue / income of local authorities; • Local taxes represent about 40,8% of local income; and • Borrowing represents about 8% of local income.
4	Fiscal Decentralisation and Equalisation Instruments[3]	The main fiscal decentralisation source of funding from the State to local authorities is the portion of nationally raised Value Added Tax (VAT) which is re-distributed to local authorities. In 2003 the breakdown of state grants to local authorities was as follows: • Provinces and Prefectures: 68% • Urban municipalities: 10% • Rural municipalities: 36%
5	Fiscal Equalisation Parameters and Criteria[4]	The detailed parameters used to transfer subsidies and the designated portion of VAT is unclear. However, in a recent 2010 study on the MENA region, which included Morocco, it was argued that the criteria used by some countries are aimed at reducing spatial inequalities and disparities between municipalities. At the same time the study argued that in most instances the transfers were arbitrary and occurred in an arbitrary manner. A separate 2003 report indicates that two broad sets of criteria were used to allocate this funding in Morocco: a. 70% is distributed among local authorities as a function of pre-defined criteria; and b. 30% is assigned to the expenses relating to the responsibilities transferred by the State to inter-municipality spending

[3] Sources:
- Belghazi, A (2003) *Local Governance, Development and Service Delivery: Thematic Paper*, Arab States Local Governance Forum, Sana'a Yemen, December 2003, UNDP
- Bergh, SI (2010) *Decentralisation and Local Governance in the MENA Region*, Panorama

[4] Belghazi, A (ibid)

		and to a "re-adjustment fund" that covers exceptional circumstances. It is assumed that the State considers some of the key legislated responsibilities of local authorities regarding basis services, which include: a. Education b. Health c. Access to water d. Access to electricity e. Mobility f. Housing g. Places of worship h. Communication services i. Credit and financial services j. Cultural and sporting facilities.
6	Assessment	A recent study on public management in North Africa and the Middle East[5] argues that Morocco has chosen a comprehensive but incremental path to reform of its financial governance system and that significant progress has been made. However more needs to be done to complete reforms on financial controls, and to expand the Medium Term Expenditure Framework (MTEF) across government and extend expenditure authority at the sub-ministerial level. It has also been noted that despite the key progress on decentralisation since 2002, the real fiscal power of local authorities is still limited. A positive feature is the number of taxes that local authorities can levy, such as tax on construction operations, tax on street vendors, tax on non-constructed urban land, licences for taxis and fees for swimming pools, tax on mineral and table waters, and taxes on sea fishing and hunting permits.

[5] OECD (2010**) Progress in Public Management in the Middle East and North Africa: Case Studies on Policy Reform**, OECD

(B) COUNTRY: ALGERIA[6]		
1	Country Overview[7]	Algeria has a population of about 35,5 million people. The capital city is Algiers and the official language is Arabic. The People's Republic of Algeria is headed by President Abdelazzi Bouteflicka. The country has 48 provinces (wilaya) that are headed by governors. Each province is divided into dairas, which in turn are sub-divided into communes. The dairas and communes are governed by elected assemblies. Unemployment is estimated to be about 10%, the greater majority being young people. 67% of population is urban and life expectancy is estimated to be between 72 - 75 years.
2	Approach to Decentralisation: *local government's share of national revenue and/or public expenditure*	Since 1984 Algeria has 48 provinces (wilayas), 160 dairas (districts / constituencies) and 1541 communes (municipalities). The province is the intermediary between the state and the wilaya. There are two types of local and regional authority: a. Wilayas / Districts: A local governor performs the role of State representative as well as executive of the wilaya assembly. This governor (wali) is not elected, and is the designated government representative by Presidential decree; and b. Commune: This is the smallest administrative division and has an elected assembly.
3	System of Fiscal Decentralisation	From a financial perspective, local authorities cannot generate their own resources as this is an exclusive legislative power. Local authorities are financed by local taxes, which they do not control, and State subsidies. The majority of communes are heavily dependent on the State.

[6] The key sources was:
- UCLG Country Profiles: Algeria (www.uclg.org)

[7] Sources used:
- 2009/210 Profile of Algeria: www.unfpa.org/countries/
- Medstat // Euromed: www.enpi-info.eu/file_static/DZ-Profil_Stat_EN.pdf
- www.theafricareport.com
- www.bti-project.de

		Regarding the functional responsibilities of the communes the Ministry of Interior has developed codes for wilayas and communes that addresses their powers and responsibilities. It has been argued that the communes are covered by a general clause whereby they can undertake municipal public services to fulfil the needs of citizens. Furthermore, the formulation of these codes is regarded as being very broad in that it covers many sectors for which the State is also responsible. The State allocates between 10% - 15% of its revenue to the 1451 communes.
4	Fiscal Decentralisation and Equalisation Instruments	Local authorities receive funds from tax instruments, subsidies and from the Local Authorities Common Fund (FCCL). The tax on professional activity (TAP) is the main source of revenue for local authorities. The Local Authorities Common Fund (FCCL) has two funds: • Solidarity Fund: this focuses on financial equalisation; and • Guarantee Fund: this is a capital and investment subsidy.
5	Fiscal Equalisation Parameters and Criteria	The functional powers and responsibilities assigned to communes and wilayas include the following: • Irrigated agriculture; regional development; support to associations (e.g. youth, cultural and sport); local development; education; environment; finance; management; housing; hygiene; infrastructure; tourism; urban planning; planning etc. Revenue is allocated in varying degrees to local authorities: a. Tax on professional activity (the entire amount is allocated to municipal budgets & the FCCL); b. Payroll tax (the entire amount is allocated to municipal budgets & the FCCL); c. Property ownership tax (the entire amount is allocated to municipal budgets & the FCCL); d. Sanitation tax (the entire amount is allocated to municipal budgets & the FCCL); e. Value added tax (partially allocated to municipal budgets); f. Animal slaughtering tax (partially allocated to municipal budgets); g. Estate tax (of this amount 20% is allocated to municipal budgets); and h. Motor vehicle tax (80% is distributed to the FCCL). *Solidarity Fund:* The actual parameters informing the Solidarity Fund are driven by the objective of reducing inequalities between the communes and wilayas. A key consideration is that local authorities' whose ratio of wealth is higher or equal to the national balance ratio to

		not benefit from equalisation. More than 1000 communes are characterised by a wealth index per capita that is lower than the average balance index; they logically benefit from the equalisation fund. A total of 40% of the Solidarity budget is allocated for capital subsidies that focuses on electrification, drinking water supply and sanitation etc. *Guarantee Fund:* This fund seeks to offset the loss in recorded tax value, regarding tax estimates with respect to tax revenue to both wilayas and communes.
6	Assessment	Key observations by some studies suggest that, a. Algerian decentralisation is administrative and local and regional authorities are highly dependent on the State; b. A system of “trusteeship supervision” is operational in this decentralised system; c. Decentralisation is anchored in Articles 15 and 16 of the Constitution;

2. WEST AFRICA (Ghana and Senegal)

(C) COUNTRY: GHANA		
1	Country Overview	Ghana is regarded by the World Bank as a Middle Income Country where 27% of the population lives on less than 1.25 US Dollars per day. English is the official language and the capital city is Accra. Ghana is a democratic country. Mr John Mahama is the current President[8]. The 1993 constitution established Ghana as the Fourth Republic that provided a basic charter for the republican democratic government. The country is divided into 10 administrative regions. The population is marginally mostly urban at 51% and the general life expectancy is 63 years.
2	Approach to Decentralisation	In 1982 a plan was announced to decentralize government from Accra to the regions, the districts, and local communities. In 1988 further major reforms in local government were undertaken that were aimed at creating an environment for the attainment of national and sub-national goals. The 1992 Constitution makes provision for local government. This was followed by a Local Government Act in 1993. Based on this Act, local government structures consist of two main layers: • Regional Coordinating Councils (RCCs): 10, and • District Assemblies (MMDAs – Metropolitan, Municipal and District Assemblies): 138[9]. The Regional Coordinating Councils are headed by a government appointed regional Minister. The 138 District Assemblies are made up of 3 metropolitan assemblies, 5 municipal assemblies; and 130 district assemblies. The District Assemblies are empowered as the sole taxing authority and empowered to deliver 86 functions, 22 of which are central government functions.
3	System of Fiscal Decentralisation: local government's share of national revenue and/or public expenditure	Current fiscal decentralization reforms are aimed at ensuring the transfer of adequate financial resources from the central government to the regions and districts for the provision of infrastructure and services, and the putting in place of district composite budgets. Chapter 20 of the 1992 Constitution states that there shall be established for each government unit a sound financial base with adequate and reliable revenue. The Constitution and the 1993 legislation makes provision for a District Assemblies Common Fund (DACF) that provides that not less than 5% of national revenue should be allocated to District Assemblies. By 2007, this had increased to 7.5%. The legislation also outlines the ten categories of internally generated funds, the borrowing framework and the financial management system.

[8] Presidential elections are due on the 7th December 2012.
[9] It has been stated in the a 2011 study that the number has now been increased to 170 district assemblies (Boachie-Danquah in: Alam, M & Koranteng, R (eds), (2011:p82), *Decentralization in Ghana*, Commonwealth Secretariat, London)

		At the end of 2008, 21% of revenue was derived from District Assemblies' own sources[10]; in 2004 internally generated funds accounted for 16%. It is clear that districts are heavily dependent on external resources. In 2007 local government revenue was split as follows: central government transfers – 69%, own taxes – 22%, and user fees and charges – 9%.[11] It is estimated that sub-national government's share of national expenditure in Ghana is between 12% – 15%[12]. Ghana has an Inter-governmental Fiscal Framework which provides the principles, goals and strategies for fiscal decentralisation in the country.
4	Fiscal Decentralisation and Equalisation Instruments	The District Assemblies Common Fund (DACF) is the most important source of local government finance. The legislation that governs this fund allows the Ministers of Local Government and Finance to determine the portions of the approved development plan that should be funded by the Common Fund. Provision is also made for special transfers separate from the Common Fund, such as Stool Land Revenue / Timber Royalties, the Mineral Development Fund or other funding that the municipality may enjoy based on government policy.[13] A Highly Indebted Poor Country (HIPC) Fund also exists. The Local Government Act 462 (1993) provides for the above funds, a borrowing framework and 10 categories of Internally Generated Funds (IGF), e.g. entertainment duty, casino revenue, betting tax, income tax, gambling tax, rates and levies, various fees, various licenses. The Decentralisation Policy of Ghana noted in 2007 that *"… in 2004, the Internally Generated Funds constituted about 16% of total local government revenue and increased slightly to 18% in 2005, resulting in a high MMDA dependency on central government transfers of 82% in 2005."* These funds are the only ones which local governments have complete control over. A new District Development Fund (DDF) was also established in 2008 to fund MDDAs that will be pooled from government and other development partners. It has a performance incentive element and attempts to provide a more systemic approach to development and capacity building.
5	Fiscal Equalisation Parameters and	The main parameters and areas of focus used by the various funds such as the DACF, Ministries Departments and Agencies Fund and other Specialised Revenues include[14]:

[10] www.ghanadistricts.com

[11] UCLG / King SR (2007) Republic of Ghana: *UCLG Country Profiles*
[12] USAID (2010) **Comparative Assessment of Decentralisation in Africa**, USAID
[13] www.ghanadistricts.com
[14] Ministry of Local Government, Rural Development and Environment (Ghana) (2008), *Intergovernmental Fiscal Decentralisation Framework*, Accra, Ghana

	Criteria	a. Water and sanitation; b. Education; c. Health; d. Agriculture; e. Roads; f. Investment; g. Capacity building; h. Personnel and administrative needs; and i. Performance Incentive. The DACF formula for disbursement is approved by parliament. About 50% of DACF resources are earmarked by central government for specific MMDA purposes. This fund also has a small incentive component to MMDAs to improve on their IGF collections. The Stool Lands Revenue is distributed to District Assemblies, Traditional Authorities and other on a 55%, 25%, and 20% basis respectively.
6	Assessment	Key observations and challenges regarding the fiscal decentralisation and local government finance and revenue system in Ghana include the following[15]: a) Various reform initiatives in fiscal decentralization are not fully linked or coordinated; b) The operational fiscal strategy needs to be linked to the overall decentralization policy; c) Reform of local government funding arrangements to match new functional assignments; d) Integration of sector departments under the local government structure under the Local Government Act regarding expenditure assignments and accountability; e) Weak capacities at the local level for valuation of properties; and f) Inadequate monitoring of revenue collectors. On a positive note a number of enabling factors have been noted that support Ghana's decentralization reforms[16]: a) The enactment of enabling laws and regulations for local government; b) The presence and roles of champions of decentralization; c) The setting up of the District Assemblies Common Fund to provide a financial base and reliable source of revenue; d) The introduction of planning guidelines by the National Planning Commission to involve sector departments, sub-district structures and communities in the decentralized planning process; and e) The harmonization of donor-supported projects and programs in the district assemblies and the institutionalization of joint donor coordination at a central level.

[15] Boachie-Danquah in: Alam, M & Koranteng, R (eds), (2011), *Decentralization in Ghana*, Commonwealth Secretariat, London

[16] Korateng in: Alam, M & Koranteng, R (eds), (2011), *Decentralization in Ghana*, Commonwealth Secretariat, London

(D) COUNTRY:SENEGAL		
1	Country Overview	Senegal has a population of 13 million people. French is the official language and the capital city is Dakar. The HE Macky Sall is the President of the multi-party democratic state of Senegal. The country is divided into 14 regions, 34 departments and 320 rural councils. About 58% of the population is rural. According to the World Bank poverty was estimated in 2005 to be 50.8%. Life expectancy is 59.7 years.
2	Approach to Decentralisation	In 1996 a new phase of decentralization commenced with the adoption, on 22 March 1996, of Law 96–06, dealing with Local Government Code, and of Law 96–07, dealing with the transfer of powers to regions, communes, and rural communities. It is argued that Senegal has a long democratic tradition as well as a long experience of decentralization and that historically, fiscal and financial decentralization preceded political decentralization.[17] Not only did the 1996 law establish a third category of local government, the region, but is also transferred important functions and powers for the benefit of local governments, as well as the lessening the supervision that had been in place. Since 1996 the regions have had both elected and appointed bodies. They are governed by a regional council, which elects its own president; the region also has a governor who serves as a representative of the state and who works alongside the elected council. In principle, the governor only monitors politics a posteriori, with the elected regional council making the majority of political decisions attributed to this level of government. Following the 1996 reforms there were 434 local governments: 11 regions; 103 communes (comprising of legal and district communes); and 320 rural communes.[18] In 2007 there were 14 regions divided into 34 départments and arrondissements. Each région is administered by a governor whose role is coordinative. The powers of Regional assemblies were increased in 1996. In each département a prefect represents the republic. Local governments (collectivités locales) are elected and take two forms: the municipality (commune) in urban areas and the rural community (communauté rurale) in the countryside.
3	System of Fiscal Decentralisation: *local government's*	A key milestone to decentralize fiscally and financially occurred with the Law 96-06 of 22 March 1996, dealing with local governments, which turns the region into a collectivity, thus giving all the local governments of the country financial autonomy and an assembly elected by universal suffrage. The 1996 law affirmed the key principles of the balance between decentralization and deconcentration and the distribution of functions between local governments based on the subsidiarity principle.

[17] Wahab Ba, A (2007) *Implications Of Fiscal And Financial Decentralization In Senegal* in: Eyoh, D & Stren, R (eds) (2007), **Decentralization And The Politics Of Urban Development In West Africa**, Comparative Urban Studies Project, Woodrow Wilson International Scholars Project

[18] Ndegwa SN & Levy, B (2003) *The Politics of Decentralisation in Africa: A Comparative Analysis*, presented at Regional Workshop on Governance and Public Management organised by the Word Bank Institute

	share of national revenue and/or public expenditure	After the 2001 Constitution, other important milestones included local tax reform in 2004. One implication of this for local governments was to ensure that the distribution of central government revenues between the state and local governments does not translate into loss of revenues for them. For the 2005 fiscal year, the distribution ratio was 60 % for local governments and 40 % for the central state. However, it was estimated for the year 2000 that the combined expenditure of these funds was under 3% of total public expenditure.[19] In 2005, the total of the two main funds to local government (i.e. FDD and FECL) transfers reached 18.6 billion francs CFA; this was 1.56 % of the national budget.[20] It is argued that local governments in Senegal enjoy financial autonomy in terms of the power of conception, adoption, and execution of their budgets within the framework of the Local Government Code.
4	Fiscal Decentralisation and Equalisation Instruments	The financing of the decentralised responsibilities is derived from transfers from the state through: • The Fonds de Dotation à la Decentralisation (FDD) / Decentralisation Fund: set up to finance the transferred powers and provide revenue for operations by local governments, and • The Fonds d'Equipement des Collectivités locales (FECL): for the investment revenues (the financing of infrastructure) of local governments. There have been moderate increases of these transfers to local government.
5	Fiscal Equalisation Parameters and Criteria	The broad criteria of central government transfers is captured in the two funds outlined above, i.e. to support local governments' decentralised functions *and* local infrastructure and investment. The specific municipal services that central government is expected to factor into the above grants fall into two categories[21]. • Administrative public services, and industrial and commercial public services. • Services managed directly by the municipality (local government control) and services managed by operators outside the municipality. As a general rule, the local government has freedom of choice when it comes to the management of its public services, which must absolutely be managed directly: municipal roads, social assistance, and education. Some public services cannot be delegated by the local

[19] Ndegwa SN & Levy, B (2003) *The Politics of Decentralisation in Africa: A Comparative Analysis*, presented at Regional Workshop on Governance and Public Management organised by the Word Bank Institute

[20] Wahab Ba, A (ibid)

[21] Diop, M (2207) *The Role And Place Of Mayors In The Process Of Decentralization And Municipal Management In Senegal* in: Eyoh, D & Stren, R (eds) (2007), **Decentralization And The Politics Of Urban Development In West Africa**, Comparative Urban Studies Project, Woodrow Wilson International Scholars Project

		government: all the functions related to justice, police, defense, or foreign relations. By contrast, some services must absolutely be contracted out: water, electricity, and gas distribution.
6	Assessment	Key observations made by some authors[22] on the system of fiscal decentralisation in Senegal include: a. The necessary political architecture for decentralisation is in place; b. Critical challenges have been the slow process of transferring funds, the low level of transfers, the impossibility to predict the amounts and the allocations of transfer funds, and insufficient revenues to cover the functioning expenses; c. The issue of the increasing the abilities to generate internal resources becomes important in every strategy intended to diversify sources of financing; this diversification itself is made necessary by the growing scarcity of the resources allocated to development aid; and d. Fiscal decentralization seems a preferred way to allocate Central Government resources to local governments, therefore to reduce their strong dependence on various grants and transfers from the central state.

[22] Wahab Ba, A (ibid) and Ndewgwa et al (ibid)

3. CENTRAL AFRICA (Niger and Cameroon)

(E) COUNTRY: NIGER[23]		
1	Country Overview[24]	Niger has a population of between 16 million people. The official language is French and Niamey is the capital city. A new constitution was adopted in 1999[25]. Under the Fifth Republic, since 2011 the HE Mr Mahamadou Issoufou is the current President of Niger. The country comprises of regions, departments (sub-provinces); and municipalities. Niger is one of the poorest countries in the world where about 10% of the population live in urban areas. The life expectancy for males is 52,1 years and for females it is 55,1 years.
2	Approach to Decentralisation	Following the new constitution the Poverty Reduction Strategy Document was adopted in 2000 that focused on, among other things, "*the promotion of good governance, strengthening human and institutional capacity and decentralisation*". A Decentralisation law was adopted as early 1961, i.e. Law No. 61/30. Subsequently, in the peace agreements of 1995 between the government and the rebel groups decentralisation principles were included.[26] The country has three levels of decentralisation: a. Regions: 8, b. Departments (sub-provinces): 36; and c. Municipalities (265) • Urban Communities: 52; • Rural municipalities: 213. The above all have deliberative bodies / councils with executive organs. Parallel to the above system is a deconcentrated trusteeship system comprising of Governors and Prefects who are appointed by the State, except for the Mayors at a municipality level who are locally elected leaders.

[23] UCLG (2007) *UCLG Country Profiles: Republic of Niger*, UCLG

[24] See:
- web.worldbank.org (World Bank Country Profiles)
- www.indexmundi.com (Niger demographic profile)

[25] The 2010 UCLG Gold II Report on *Local Government Finance: Challenges of the 21st Century* states that Niger and Tunisia do not have the responsibilities of local governments written into their constitutions and laws

[26] Mahamam A & Tidjani S (undated) *Decentralisation in Niger: An Attempted Approach*

3	System of Fiscal Decentralisation: *local government's share of national revenue and/or public expenditure*	Municipalities have two sources of funding: • Allocations from the State; and • Taxes. The law provides that the State should transfer taxes to local authorities. This means that the State provides all or a part of taxes and duties when all or part of the services are carried out by the local authorities. There are also shared taxes where local authorities receive the congruent amount. Municipalities can also add tax surcharges on State taxes. The overall collection rate for local revenue is way below what local authorities require for their needs and responsibilities. This collection rate rarely goes beyond 32%. As noted earlier in 1996, the estimated local government revenue as a percentage of central government revenue in Niger was 6,4% and in 2002 the World Bank study estimated that less that 3% of public expenditure was controlled by local authorities. By 2007 in Niger local authorities' share of total public expenditure was 2% and their local share of pubic revenue was 7%.
4	Fiscal Decentralisation and Equalisation Instruments	The specific inter-governmental funding instruments whereby the relevant portion of taxes is transferred from the State to local authorities are not known.
5	Fiscal Equalisation Parameters and Criteria	The law does not specify a set amount for State allocations to local authorities. The actual allocation criteria used are not known.
6	Assessment	Key observations about decentralisation in Niger include: a. It has been argued that Niger partially endorsed decentralisation in response to regional claims for regional autonomy[27]; b. The 2004 municipal elections are regarded as decisive push forward for democracy and decentralisation in Niger; c. By 2006 Niger was characterised as a country with average decentralisation[28]; and d. It has been noted that there have been delays in effecting the allocations to local authorities.

[27] UCLG (2007) **Decentralisation and Local Democracy in the World: 2007 First Global Report**, UCLG
[28] Utomo TWT (2009) *Balancing Decentralisation and Deconcentratioin: Emerging Need for Asymmetric Decentralisation in Unitary States*, Discussion Paper No. 174, Graduate School of International Development, Nagoya University

(F) COUNTRY: CAMEROON		
1	Country Overview[29]	Cameroon has a population of 20 million people. The capital city is Yaoundé and the official languages are French and English. The HE Paul Biya is the President of the unitary parliamentary Republic of Cameroon. The country comprises of 10 regions with elected Regional Councils and is headed by a Governor. These regions in turn comprise of 58 divisions (departments) which are headed by Prefets. These divisions are further made up of sub-divisions (arrondissements). The smallest administrative units are districts. In addition to these administrative structures, there are 374 urban and rural local governments. Cameroon has a very young population. Overall poverty is estimated at 30% and the life expectancy is 51 years. About 58.4% of the population reside in urban areas.
2	Approach to Decentralisation[30]	In 1996 the adoption of a revised Constitution saw the creation of unitary decentralised state in Cameroon. Key functional responsibilities were decentralised, such as education, health, social and cultural activities. The system of decentralisation is based on a number of concurrent responsibilities between central and local government. The legal framework recognised deconcentration as a step towards devolution. Key pieces of legislation affecting local government have been enacted following the revised 1996 constitution. Law 2004/017, Law 2004/018, and Law 2004/019 are crucial pieces of legislation that outline the approach to decentralisation and the main rules and duties of municipalities and regions. Presently there are 374 urban and rural municipalities which comprise of: • 14 urban metropolitan areas; • 45 urban municipalities; and • 315 rural municipalities. The overall governance institutional framework is based on central and deconcentrated authority exercised at a regional level, and elected mayors in rural and urban municipalities.

[29] Sources include:

- BTI Cameroon Country Report (www.bti-project.de)
- CLGF Country Profile: Cameroon 2011-2012 (www.clgf.org.uk)

[30] World Bank (2011) **Cameroon: Path to Fiscal Decentralisation**, Poverty Reduction and Economic Management Africa Region, World Bank

3	System of Fiscal Decentralisation: *local government's share of national revenue and/or public expenditure*	The fiscal decentralisation system in Cameroon is based on the principles of:
		• Subsidiarity;
		• Progressiveness; and
		• Complementarity.
		
		This decentralised fiscal system is based on assignments that are both deconcentrated to administrative regions and those that are devolved to decentralised regions and local governments. A central government transfer system is in place and provision has been made for local taxes (legislation adopted in 2009) and user fees / charges. Local tax revenues make up about 18% of total municipal revenue, however this ranges from 1% to 88% across the regions[31].
		
		Monies transferred to local governments are managed through various transfer instruments (see below). The CAC transfer share transferred to municipalities is the largest share of local government budgets and revenue. CAC funds are allocated as follows[32] (*this breakdown is confirmed below by another author –see footnote 45*):
		a. 10% to central government for administrative costs;
		b. 20% for the capital expenditure pool (FEICOM);
		c. 70% for local governments (of this 40% goes to Douala and 36% to Yaounde, and the balance to other councils).
		
		Notwithstanding the above formal allocation, in practice recent the 2011 World Bank study argues the implementation of the CAC, based on gross tax paid by the firm / individual, appears to be shared as follows[33]:
		a. 91% to central government; and
		b. 9% to be shared between the state and local governments; this is further subdivided as follows:
		    • 10% to state;
		    • 20% for FEICOM loans;
		    • 40% to Douala and Yaoundé; and
		    • 60% is shared among all local governments.
		
		It has also been noted that 29% of councils are incapable for self-financing.[34]

[31] World Bank (2011) **Cameroon: Path to Fiscal Decentralisation**, Poverty Reduction and Economic Management Africa Region, World Bank
[32] World Bank (ibid)
[33] World Bank (bid:p61)
[34] Edou, E (undated) *Implementation of Decentralisation in Cameroon: Problems, Challenges and Strategies*

4	Fiscal Decentralisation and Equalisation Instruments	The CAC (Centimes Additionannels Communaux) is the main revenue sharing instrument that focuses on financing local spending and is key to the overall transfer system. CAC is a 10% levy on certain categories of national taxation specifically destined for council finance. FEICOM (Fonds special d'equipement et d'intervention intercommunale / Special Council Fund for Mutual Assistance) was operationalized in 1977 and is the second important instrument. Its objectives include the following: a. To ensure mutual assistance between councils though solidarity contributions and cash advances; b. Finance council and inter-council investment projects; c. To centralise and redistribute council additional taxes; and d. Cover charges related to the training of council personnel and civil status staff. FEICOM provides both loans and grants to municipalities. The grant element is especially important to municipalities. FEICOM is guaranteed funding from the CAC. The RFA (Redevance Forestiere Annuelle) is a centralised forestry taxation system based on 1994 legislation. Its main objectives are to: • Make a consistent contribution to the State budget; • Contribute to poverty alleviation; and • Enhance equity in the redistribution of forest-related resources. CONAFIL (Comite National des Finances Locale) has also been established to monitor and optimise local government's revenue mobilisation and efficient management of local finances.
5	Fiscal Equalisation Parameters and Criteria	The key competencies of decentralised regions and/or municipalities are: a. Economic development; b. Environment and natural resources; c. Planning, regional development, city planning and housing; d. Health and social action; e. Education, elimination of illiteracy, and vocational training; f. Youth, sports, and recreation; g. Culture, and promotion of national languages; h. Urban metropolitan areas These functional assignments all influence the transfers made by central government.

		In Cameroon there is considerable emphasis on equality in the design of the allocation of the CAC. The main criterion is *per capita equality of transfers*; this is regarded as easy to understand and is a proxy for service provision. Here population and demographic statistics are the main considerations in the design of transfers to local governments. Until June 2010, local governments received 40% of RFA resources. In 2010 this was revised such that 20% was allocated to FEICOM, or any other body in charge of equalisation, and 20% to municipalities and 10% to rural villages. The main parameters used by FEICOM to provide loans to municipalities the following considerations: • Income generating projects (commercial facilities, utility equipment, and social projects); • Non-income generating projects (e.g. public facilities); and • Operational loans.
6	Assessment[35]	Some of the key observations made about the system of fiscal decentralisation and fiscal equalisation include the following: a. In the Cameroon governance system there is a tension between subsidiarity and concurrent functions; b. Since population figures are the basis of the CAC transfers there are concerns about the accuracy of the figures used to allocate funding; c. It has been argued that "*The CAC does not equalise. The authorities may wish to provide a more modern system of "equalisation" and the objective could be to "provide resources so that local governments could provide equal standards of service levels at equal levels of tax effort*""; d. The extent to which the allocation criteria takes into account the higher cost of providing services in remote rural areas and dense urban areas has also been flagged as an issue; e. An explicit bailout clause for local governments destroys hard budget constraints and introduces adverse incentives on local government behaviour; and f. There have been instances where FEICOM has not transferred monies to municipalities that have expected funding.

[35] World Bank (2011) **Cameroon: Path to Fiscal Decentralisation**, Poverty Reduction and Economic Management Africa Region, World Bank

4. EASTERN AFRICA (Uganda, Kenya and Ethiopia)

(G) COUNTRY: UGANDA[36]		
1	Country Overview	Uganda has over 34 million people. The official languages are English and Swahili. The Republic of Uganda is a multi-party government that is headed by President Yoweri Museveni. The capital city is Kampala. About 37% of people live on less than $1.25 per day. Life expectancy is 46.8 years[37].
2	Approach to Decentralisation	A decentralisation process commenced in the early 1990s that focused on "*empowerment of local populations via democratization, participation, accountability, responsibility, efficiency and effectiveness*".[38] Local government is enshrined in Schedule 6 of the Constitution of Uganda and in the Local Government Act of 1997. Uganda has a local government system of 79 districts covering four administrative regions. Under the districts are sub-counties (900) and town councils (87). In urban areas the local governments comprise of the City Council (1), Municipal Councils (13) and municipal divisions (34).
3	System of Fiscal Decentralisation: *local government's share of national revenue and/or public expenditure*	Transfers to local government started in 1993/94. An incremental approach was adopted to benefit various districts with the transfer of block grants. By 1996/97 all 39 districts at the time were receiving block grants from central government. The 1995 constitutional provision made it mandatory for central government to fund all decentralised services and for parliament to determine the allocation criteria. Most local government budgets are composed of 80-85% conditional grants. By 2012 it was estimated that central government grants to local governments are as high as 95% of the local governments' budgets[39]. Conditional grants are the largest (about 88%) in comparison to the other transfers from central government to local government.

[36] Most of the information is drawn from the following source: UCLG / Kasumba, G (2007), *Republic of Ghana: Country Profile*, UCLG
[37] UCLG / Kasumba, G (ibid)
[38] UCLG / Kasumba (ibid)
[39] Ndifuna, Z (2012) *Financing Decentralisation in Uganda*, AMCOD Roundtable in Yaounde, Cameroon, 6-7 April 2012

		Unconditional grants account for 11% of central government transfers to local governments, while conditional grants constitute 88%.[40] Of the total transfers (i.e. including conditional, unconditional and equalisation grants) to local governments between 1997/98 and 2004/5: a. The share of the unconditional grant has decreased from 24.1% to 10.9%; b. The share of the conditional grant has increased from 75.9% to 88.7%; and c. The share of the equalisation grant has fluctuated from 0% in 1997/98, to 0.8% in 2000/1 to 0.4% in 2004/5. The total percentage of locally generated revenue against local government budgets has generally decreased between 1997/98 and 2002/3 from 30% to 11% respectively. By 2012, this figure is estimated to be less than 5%.[41] Major local revenue sources include Graduated Tax, Property Tax, business licenses and Market dues etc. These sources have contributed over 80% of local revenue for rural local governments and about 30% for urban local governments. In some local governments locally generated revenue account for as little as 3% of the total budget. Local public expenditure, as a percentage of national public expenditure has varied from 13.4% in 2004, to 25.5% in 2005, to 21% in 2006. In a 2010 USAID report, sub-national government's expenditure as a percentage of national expenditure was estimated to be as high as 40%.[42] A Local Government Commission has been established to address issues of local revenue and develop policy proposals.
4	Fiscal Decentralisation and Equalisation Instruments	The fiscal transfer system has four pillars: a. Unconditional grants: these are block grants that fund decentralised service and operations, e.g. 72% of these grants fund local wage bills[43]; b. Conditional recurrent grants; c. Conditional (sectoral and non-sectoral) development grants; and

[40] UNDP (2010) **Local Governments in Eastern Africa**, UNDP Regional Service Centre, Johannesburg, South Africa
[41] Ndifuna, Z (ibid)
[42] USAID (2010) **Comparative Assessment of Decentralisation in Africa**, USAID
[43] UNDP (2010) **Local Governments in Eastern Africa**, UNDP Regional Service Centre, Johannesburg, South Africa

		d. Equalisation grants. A Fiscal Decentralisation Strategy has been adopted to allow local governments some flexibility to reallocate monies between sectors.
5	Fiscal Equalisation Parameters and Criteria	In general the conditional grant transfers to local government are aimed at financing the transferred responsibilities to this level of government and key sectors such as[44]: a. Education; b. Health; c. Water; d. Sanitation; e. Environment; f. Agriculture; and g. Roads. The unconditional grant has a wage and non-wage component, which includes the funding of the salaries for local government staff and politicians. The main purpose of the non-wage component is used to fund the overhead costs of local governments. The equalisation grant is comparatively a small grant (about 1% of total transfers), where the neediest municipalities are targeted. Specifically those municipalities that are lagging behind national standards and development targets in the areas of education, roads, water, health, and agricultural extension.
6	Assessment	A notable achievement of the fiscal decentralisation system is that "*Ugandan local governments receive a substantial portion of national government revenues (35% in 2009/10) through intergovernmental transfers, and they are also allowed to raise a variety of own-sources revenues intended to help them to meet the service needs of their constituents*"[45]. Other key observations from key studies noted of the inter-governmental transfer system in Uganda include the following: a. Grants have grown nominally over the last 10 years resulting in some decentralised services being un-/under-funded;

[44] Ndifuna, Z (ibid)
[45] USAID / Smoke, P et al (2010) **Comparative Assessment of Decentralisation in Africa: Ugandan Desk Study**, USAID

		b. Much more emphasis has been given to developing intergovernmental transfers than to improving local revenues, and there are no adequate incentives in the transfer formulae to encourage the latter; c. These local government grants have not shared in the growth of national revenues; d. Legal provisions have not adequately encouraged the size of grant transfers and the grant system funds wages; e. Given increased conditions on the use of transfers and the lack of own-source revenues, local governments have a limited ability to respond directly to citizens, and revenues that are available often get captured by local elites and used for patronage; f. The increase in the number of districts and fragmentation of conditional grants have both been complicating factors; g. Local revenues have performed poorly—grants still dominate (typically above 80 % of local revenues outside a few municipalities), and lower levels (parish and village) have few revenues; h. More attention to these matters could have helped develop a more robust local-revenue system and helped local governments to more effectively exercise their autonomy; and i. Although progress has been made in the quality of analysis as LGFC capacity improved, there are serious questions about the clarity of objectives and the accuracy of data in the transfer formulae.

(H) COUNTRY: KENYA		
1	Country Overview	Kenya has a population of over 43 million people. The capital city is Nairobi and the official languages are English and Swahili. The HE Mwai Kibaki is the President of the multi-party democratic republic. In 2010 Kenya adopted a new constitution that provides for 47 county governments that will be headed by Governors. Previously Kenya had 8 provinces that were divided into 69 districts. The city of Nairobi was granted the status of full province under the previous constitution. Kenya is among the world's poorest 30 countries. Over 75% of people live in the rural areas and general life expectancy was estimated around 55 years in 2009. About 46% of people live below the poverty line.[46]
2	Approach to Decentralisation	Kenya has in terms of the new 2010 Constitution adopted a system of devolved government and a new era of decentralisation based on devolution. A Transitional Authority has been established to guide and advise on the establishment of the new system of county governments. In 2012 the County Governments Act was adopted. Elections for county governments will be held in 2013. A total of 47 county governments will have the power to decentralise services to various units: urban areas and cities; sub-counties; wards; villages; and other units determined by central government.
3	System of Fiscal Decentralisation: *local government's share of national revenue and/or public expenditure*	In terms of the new Constitution a Commission on Revenue Allocation (CRA) has been established to make recommendations concerning the basis for the equitable sharing of revenue raised by the national government. The CRA is the only institution that has a legal mandate to provide revenue sharing recommendations to parliament. The constitution requires that county governments shall receive not less than 15% of the national revenue. For the 2010/11 financial year, county government's share of national revenue was 33%. County governments may raise their own funds through: • Taxation (e.g. property rates, entertainment taxes etc.); • Fees and Charges (e.g. agricultural and livestock fees, house rents, business permits, service delivery charges etc); and • Borrowing under certain conditions.

[46] www.unicef.org

4	Fiscal Decentralisation and Equalisation Instruments	Kenya's new constitution provides for the following inter-governmental transfers: • General Purpose / Block Transfers; • Equalisation Grant; • Conditional Grants; and • Unconditional grants. There are about 12 decentralised funding instruments in Kenya that include: Local Authorities Trust Fund, Constituency Development Fund, Community Development Trust Fund, Youth Enterprise Development Fund, Women Development Fund etc. The constitution stipulates that the following principles must inform all vertical and horizontal allocations to county governments: a. National interest; b. Public debt and other national obligations; c. Needs of national government; d. Ability of county governments to perform their allocated functions; e. Fiscal capacity and efficiency of county governments; f. Developmental and other needs of counties; g. Economic disparities within and between counties; h. Need for affirmative action in respect of disadvantaged areas or groups; i. Need for economic optimisation of each county and to provide incentives for each county to optimise its revenue generation; j. Desirability for stable and predictable allocations of revenue; and k. Need for flexibility in responding to emergencies and other temporary needs.
5	Fiscal Equalisation Parameters and Criteria	The key parameters and weightings used by the CRA to propose its vertical and horizontal share of national revenue for county governments include[47]: a. Population (45%) b. Poverty (20%); c. Land size (8%); d. Fiscal responsibility (2%);

[47] CRA (2012) *Presentation on Revenue Sharing to the Induction of the Transitional Revenue Authority on the 8th August 2012*, Mombasa

		e. Equalisation (25%) The CRA has argued that good principles of revenue sharing must be based on the following: a. Be as simple as possible ; b. Be based on available official data ; c. Have incentives for efficient fiscal management; d. Minimise inequalities among counties; and e. Give effect to the provisions of the constitution. The specific criteria for the horizontal allocation between county governments includes the following six parameters: a. The county's revenue share; b. The county's share of population component; c. The county's share of poverty component; d. The county's share of land area component; e. The county's equal share component; and f. The county's share of fiscal responsibility component.
6	Assessment	One of the main conclusions of the report of the Task Force on Devolved Government (2011) was that legislation should be enacted on revenue sharing that covers both vertical and horizontal sharing. Also separate legislation on county taxation was proposed. Clearly the new system of devolved county government is still in the starting blocks and the accompanying system of fiscal decentralisation will need to be closely monitored.

(I) COUNTRY: ETHIOPIA[48]		
1	Country Overview	The Federal Republic of Ethiopia has a population of 84 million people and is the second most populous country in Sub-Saharan Africa. The capital city is Addis Ababa and Amharic is the official language. The HE Girma Wolde-Giorgis is the President of Ethiopia. Since 1996 the country is comprised of 9 ethnically-based and politically autonomous regional states (i.e. killoch) and two cities, i.e. Addis Ababa and Dire Dawa. The regional states are divided into 68 zones and 550 woredas. Ethiopia is one of the world's poorest countries where the majority of people reside in rural areas. Poverty was estimated to be 30% in 2010/11[49]. Life expectancy is 53 in urban areas and 48 in rural areas.
2	Approach to Decentralisation	Post 1993/4 a federal system of government was established. In 2010 there were 11 regional states (including the two cities), 550 rural districts[50] (woredas) and city administrations. This was followed by the adoption of a new constitution in 1995. Of significance, the new constitution grants regions the right to secede. The districts / woredas are not entrenched in the federal constitution, but the regions have made provision for them in their own constitutions and laws. Woreda decentralisation commenced in 2001/2 and was largely simultaneous across regions, although asymmetrical in nature with the first adoption in the three most populated regions of Oromia, Amhara and SNNPR.
3	System of Fiscal Decentralisation: *local government's share of national*	Ethiopia has undertaken considerable fiscal decentralisation. A fiscal federalist model has been adopted. The fiscal transfers are legally guaranteed and substantial. In all regional states finance roughly follows functions. After the big push for decentralisation in the early 1990s, a substantial amount of resources were allocated to regions (which included resources for districts), i.e. 40% of the government budget.

48 The main references for this profile are:

- USAID / Dickovick, JT et al (2010) **Comparative Assessment of Decentralisation in Africa: Ethiopia Desk Study**, USAID
- Ministry of Finance and Economic Development, Ethiopia (2010), *Fiscal Decentralisation in Ethiopia*, IMF East AFRITAC Regional Workshop on Fiscal Decentralisation, March 2010, Arusha, Tanzania

49 www.worldbank.org

50 Another author estimates the number of rural woredas to be 770: Ministry of Finance and Economic Development, Ethiopia (2010), *Fiscal Decentralisation in Ethiopia*, IMF East AFRITAC Regional Workshop on Fiscal Decentralisation, March 2010, Arusha, Tanzania

	revenue and/or public expenditure	The estimated revenue from own sources for regional states varies between 45% - 80%, and for districts / woredas between 80% - 90%[51].
4	Fiscal Decentralisation and Equalisation Instruments	Ethiopia has two types of federal inter-governmental transfers. A general purpose unconditional grant is the dominant transfer from the federal government to regional states and from these states to districts and urban centres. There is also a specific purpose grant whose purpose is to fulfil national priorities and encourage performance improvement. A Regional State – Wereda Grant System also exists; the primary purpose is to empower the districts / wereda to decide on the use of their financial resources. This general purpose transfer is approved by regional Cabinets. A large share of expenditure is devolved, especially for social infrastructure, to local governments at a district level.
5	Fiscal Equalisation Parameters and Criteria	Actual resource allocation to districts is decided by elected constituents and the regional Cabinets. It is expected that the districts should implement the policies of the regional states. These regional responsibilities include: a. Water resource development and protection; b. Human capital development; c. Inter- woreda and intra-regional roads; d. Vocational and technical training; and e. Hospitals and referral hospitals. The main expenditure responsibilities of districts / weredas are to implement regional policies, prepare district development plans, manage civil servants at their level, and maintain peace and security using police in the districts. Specific sector responsibilities include: a. Primary schools; b. Primary health care; c. Rural roads; d. Coordinating agricultural development; and e. Increasing access to drinking water. A transparent formula is used to transfer resources among level of governments, i.e. for the General Purpose Grant. Key

[51] USAID (2010) **Comparative Assessment of Decentralisation in Africa**, USAID

		parameters and considerations of the Special Purpose Grant include the following: a. Building and ensuring minimum capacity of sub-national governments; b. Food security; c. Pilot capital investments at the local level; and d. Capital investments for urban local governments.
6	Assessment	Key observations made regarding the decentralisation and fiscal decentralisation process include: a. The political, fiscal and administrative decentralisation processes at the regional level have accompanied each other; b. The country has a relatively decentralised fiscal regime for sub-national government; c. However, there are conflicting views on the extent of “expenditure autonomy” of the regions and woredas; d. Sub-national governments are constrained by the lack of own-sources and they rely heavily on inter-governmental transfers; and e. An incentive mechanism has a very important role to play in improving service delivery.

5. SOUTHERN AFRICA (Malawi and South Africa)

(J) COUNTRY: MALAWI[52]		
1	Country Overview	Malawi has a population of 15 million people and is among the world's least-developed and most-densely populated countries. English and Chichewa are the official languages and the capital city is Lilongwe. The commercial centre is Blantyre. The President is HE Bingu wa Mutharika. The country is 80% rural. Malawi has a low life expectancy rate (53 years) and a high infant mortality rate (82%). Malawi is composed of three regions (the Northern, Central and Southern regions), which are divided into 28 districts, and further into 250 traditional authorities and 110 administrative wards.
2	Approach to Decentralisation	Malawi adopted a new Constitution in 1995, which recognised the need for a strong local governance system. The country adopted the National Decentralisation Policy (NDP) in October, 1998. This was followed by the subsequent enactment of the Local Government Act (LGA) 1998 that provided the legal framework for implementation of the Policy. The form of Decentralisation that was adopted by Malawi was devolution where Government devolves decision making, finance, and management of functions to quasi-autonomous units of local government that have a corporate status. In 2012 there are thirty four (34) local government authorities in Malawi made up of twenty eight (28) District Councils, two (2) Municipal Councils and four (4) City Councils.
3	System of Fiscal Decentralisation: *local government's share of national revenue and/or public expenditure*	The four main sources of finance for local governments are defined both in the National Decentralisation Policy and the Local Government Act, 1998. These include the following: a) Central Government grants; b) Locally generated revenue comprising property rates, ground rent, fees and licences, commercial undertakings and service charges; c) Donor Funds; and d) Ceded revenue. While local government authorities are accessing the first three forms of revenue, they are yet to access ceded revenue. In the current 2012-13 fiscal year (running from July to June), the total revenue budget of the local government authorities is MK28 billion (USD100 million). Of the total revenue budget, Central Government grants are accounting for MK18 billion (USD64 million), locally generated revenue MK7.4

[52] Most of this section is drawn from a paper by: Mbewe, S (2012) **Financing Decentralisation Public Service Delivery And Local Development In Africa : Issues, Challenges And Possibilities - Case Of Malawi**, National Local Government Finance Committee, Malawi

		billion (USD27 million) and Donor Financing MK2.6 billion (USD9 million). This means that central government provides 64% of local government revenue and local governments' raise 27% of their total revenue. The National Decentralisation Policy stipulates that Central Government must transfer an equivalent of at least 5% of the net national revenue to local governments as an unconditional grant to finance service delivery and local development. The unconditional grant transferred to local governments in the form of the General Resource Fund (GRF) has been well below the 5% of net national revenue as stipulated in the Decentralisation Policy. In the 2012-13 budget for example, the GRF allocation is at 1% of the net national revenue. A National Local Government Finance Committee (NLGFC) has been established by the constitution to act a financial management oversight regulator of local governments. This body prepares the formula for inter-governmental grants to local governments for parliament to approve and also spearheads the fiscal decentralisation process in Malawi.
4	Fiscal Decentralisation and Equalisation Instruments[53]	Central Government grants are in the form of conditional and unconditional grants. The main unconditional grant transferred to local governments is the General Resource Fund (GRF). The main forms of conditional grants are sector funds (in respect of sector devolved functions), Road Network Infrastructure Development Fund (for urban Councils) and the Constituency Development Fund (CDF). In 2008/9 the breakdown of funds to local governments was: sector grants (86%), General Resource Fund (5%), salary subsidy (2%), and chief's honorarium (7%)[54]. The devolution of budgets for devolved sector functions from Central Government to local governments began in the 2005-06 with the devolution of three (3) sector budgets of Health, Education and Agriculture. Local government's share of the total national sector budgets varies from 14% for agriculture, 50% for health, and 45% for education. A national Local Development Fund was established (2010/11) to pool resources from government and various development partners to support local development and service delivery. For example, in 2010/11 a total of 1000 primary school teacher's houses were constructed.
5	Fiscal Equalisation Parameters and Criteria	From the various funding instruments above, that key parameters used in central government transfers include, inter alia: a. Constituency development to support short-term projects; b. Local development and service delivery considerations (i.e. the GRF takes population size, level of development and poverty levels into account); c. Salary subsidy; d. Chiefs' honoraria; and

[53] For a critical appraisal of some of these instruments see: Chiweza AL (2010) **Review of the Malawi Decentralisation Process: Lessons from Selected Districts**, Joint Study of Ministry of Local Government and Rural Development and Concern Universal

[5454] www.clgf.org.uk

		e. A total of 14 sector considerations. The major ones are: • Infrastructure development (e.g. roads) considerations; • Health development considerations; • Agriculture development considerations; and • Education development considerations. Legislation and decentralisation policy gives responsibility to councils for a range of functions. Central governments play a key role in taking all these into account when funding local governments: education, science and technology; health, population and water development; transport and public works; land surveying and physical planning; agriculture and irrigation; gender, youth and community affairs; natural resources and environmental affairs; commerce and industry; and home affairs and internal security.
6	Assessment	Some of the key challenges regarding the fiscal decentralisation and equalisation process in Malawi includes: a. *Legislative Framework:* most Policy frameworks on Decentralisation make it obligatory for Central Government to transfer financing to local governments, however there are no corresponding legal provisions that stipulate the minimum size of the fiscal transfers. This therefore leaves the determination of fiscal transfers in a particular fiscal year at the discretion of Central Government. It has also been observed that at times, provisions on revenues assigned to local government authorities through their enabling Acts of Parliament do conflict with other sector enabling Acts. b. *Size of Devolved Sector Budgets*: While Central Government is in most cases willing to transfer expenditure responsibilities to local government authorities, the corresponding fiscal transfers are not commensurate with the level of expenditure responsibilities assigned to them. Further, in some instances, Central Government has only devolved the recurrent budget and not the development budget. c. *Multiple Development Financing Mechanisms:* It has been observed that in some instances, Development Partners have undermined country systems and ended up with multiple financing mechanisms for local development. Consequently, public service delivery and local development financing for local government authorities has been compromised. d. *Nature of Revenue Responsibilities for Local Authorities:* Often times, the local taxes that have been assigned to local governments have been those that have proved difficult to collect and enforce. e. *Revenue Collection Inefficiencies*: The revenue collecting efforts of local governments in some instances are not satisfactory. Where Central Government fiscal transfers have increased over time, local revenue collections have remained static or just marginally increased. f. *Weak Financial Management and Accountability Systems:* Financial management and accountability systems have remained weak in certain instances. This has compromised financing for local development as stakeholders have tended not to be willing to transfer more public service delivery and development financing to the local governments.

(K) COUNTRY: SOUTH AFRICA		
1	Country Overview[55]	South African is a middle income country with a population of 51,8 million people. South Africa is sovereign democratic republic. The President of the Republic is Mr JG Zuma. The administrative capital is Pretoria and the legislative capital is Cape Town. The economic hub is Johannesburg. Unemployment is estimated to be 25,5%. Approximately 52% of the population is female. Nearly 31% of the population is under 15 years. Life expectancy for females is 59,1 years and 54,9 years for males.
2	Approach to Decentralisation	The 1996 post-apartheid Constitution established the country as comprising of three spheres: national, provincial and local. These spheres of government are distinct, inter-related and inter-dependent and enjoined to work together in a system of cooperative governance and inter-governmental relations. The country has 9 provinces. In 1998 a White Paper on Developmental Local Government was adopted. In 2012 there are 278 municipalities comprising of 8 metropolitan, 46 districts, and 224 local municipalities. Local Government is constitutionally entrenched and there are a range of national laws that govern this sphere of local government.
3	System of Fiscal Decentralisation: local government's share of national revenue and/or public expenditure	The Constitution provides for the allocation of nationally raised funds to all three spheres of government. Annually a Division of Revenue Act is published that allocates funding between the three spheres of government. The latest division of nationally raised revenue (2012 – 2014) shows the following breakdown: a) National Government: 47% b) Provincial Government: 44% c) Local Government: 9% Other notable trends are: d) National government receives the greatest share of nationally raised revenue. e) General trend of municipalities becoming increasingly dependent on inter-governmental transfers. f) There has been a small but steady increase of funds transferred to local government: 6,3% in 2006/7 to 8,8% in 2012/13. g) In 2009/10 national transfers constituted 32.6% of the total revenue of local governments.
4	Fiscal Decentralisation and Equalisation	There are two broad revenue streams for municipalities[56]: a) Own Revenue: • Rates

[55] All statistics are from the government agency, Statistics South Africa (www.statssa.gov.za)
[56] National Treasury SA (2011) **Local Government Expenditure Report – 2011**, National Treasury, Pretoria, Government of South Africa

	Instruments	• Services Charges • Borrowing (only permitted for capital funding) b) Inter-Governmental Transfers (R70,6bn in 2011/12): • Unconditional Grants (Local Government Equitable Share: average annual growth of 16% from R21bn in 2009/10 to R33,4bn in 2012.13) • Conditional Grants (There are number of grants to local governments that include the Municipal Infrastructure Grant.
5	Fiscal Equalisation Parameters and Criteria	The different instruments and parameters for inter-governmental allocations to local governments are constantly under review and refinement. Over the last few years the main components to determine the allocations to municipalities through the unconditional Local Government Equitable Share Grant (largest transfer grant to municipalities) have been the following components: a. S-Grant: demographic, poor households and basic services considerations; b. I-Grant: institutional capacity considerations; c. N-component: nodal development areas; d. FBS-component: free basic services; e. RRC-component: revenue raising correction; and f. M-component: minimum guarantee. In addition to the above unconditional grant, other conditional grants aimed at municipalities use a range of specific criteria to meet their specific objectives: capacity building; municipal infrastructure; water and sanitation infrastructure; human settlements; transportation; environmental management; community public works etc.
6	Assessment	Key challenges of fiscal decentralisation and fiscal equalisation include: a. In general, there is an increasing grant dependency by non-metropolitan municipalities on the national fiscus. National transfers are the second largest source of revenue for local government in general. Municipalities do not spend all the conditional funds transferred to them. b. Revenue management is a critical challenge for many municipalities. Resource allocation does not sufficiently take spatial differences & realities into account.

		Main successes of the above system are: a. There has been a steady increase of resources and funding set aside for the local government sphere under the post-apartheid democratic regime. Between 1999/2000 and 2005/6, local government's share from the national fiscus rose from 2.7% to 4.4%[57]. Between 2006/7 and 2012/12 this same division of funds increased from 6.3% to 8.8%[58]. b. The unconditional grant component to local government has a strong redistributive purpose and is informed by a predictable formula comprising of various components. Between 2009/10 and 2012/13 the unconditional transfer to local government grew by an annual average of 16.6% per annum.[59] c. There are number of conditional grants to local government. All of these grants are closely monitored by national and/or provincial government. The largest is the Municipal Infrastructure Grant (MIG). Since 2006/7, this grant has grown by 13.5% per annum. Some of the other grants include the National Electrification Programme, Public Transport Infrastructure and Systems Grant, Neighbourhood Development Partnership Grant, Municipal Systems Improvement Grant, Community Work Programme, Financial Management Grant, Restructuring Grant, Water Services Operating Grant etc. d. Property taxes and user service charges are significant sources of own revenue especially for urban-based municipalities in South Africa. However, the local tax instruments for municipalities are very limited, i.e. mainly property rates. In 1996/97 property rates was the single most important local tax accounting for 20.34 % of local revenues. e. On the expenditure side local government's total operating expenditure increased in real terms by 11.8% between 2006/7 and 2009/10. When compared to the national and provincial spheres, it has been noted that local government expenditure constitutes almost one fifth (23%) of total government expenditure in 2012/13. f. Planning systems for fiscal decentralization and funding of local government are very transparent and predictable. At a national level, a Medium Term Expenditure Framework (MTEF) is published annually. g. There are robust procedures and mechanisms for accountability built into the fiscal decentralization system. h. Finally, there is a very robust support institutional environment that complements the inter-governmental fiscal regime.

[57] Wittenberg: M (2003), "Decentralization in South Africa", School of Economic and Business Sciences and ERSA, University of the Witwatersrand Johannesburg, South Africa

[58] National Treasury (ibid)

[59] [59] National Treasury: ibid