

FISCAL DECENTRALISATION SUB-GROUP

I CONTEXT

Since the beginning of the 1990s, African countries have initiated a general process of decentralisation, the institutional framework of which, completed by the holding of regular local elections, currently allows the local communities to function. This decentralisation has been accompanied by transfers of relative competencies in the basic services to the populace, who confer on the local communities a vital role in the reduction of poverty and in implementing the Millennium Development Goals (MDG). The institutional reorganisation produces exchanges in an environment of liberalisation and the putting into place of Economic Partnership Agreements, which thereby provoke a lowering of tariffs on resources.

In this environment, the issue of financial means placed at the disposal of the local communities in order to ensure their objectives, constitutes a vital question. Three principal sources of finance supply the local budgets: financial transfers from central government, loans and local taxes. The following is to be noted concerning these three sources:

- that the provisions from the state, even if they can progress significantly in certain countries, very often reveal shortfalls, irregularities and delayed payments,
- that for them the means of borrowing are still somewhat subject to availability,

Thus, in order to allow the local communities to rely on perennial and regular funds, granting them a real system of local taxation seems unavoidable.

II WORKING OBJECTIVES OF THE SUB-GROUP

The objective of the deliberations to take place within the sub-group aims at:

- analysing the fiscal contextual elements of countries in which our collaborations are active, relying essentially on the different studies that the members of the sub-group have been able to carry out in the field, and allowing a shared state of play with the local taxation system,
- proposing recommendations that allow the harmonisation of our co-operative politics in the field,
- formulating opinions, both in regulation and in fiscal administration with the aim of simplification, concerning optimisation of the systems for setting up, and of appointing of the means of local taxation.

II WORKING METHOD OF THE SUB-GROUP

As its first step, the constituted sub-group will indulge in a census of work, studies, and analyses carried out on the subject. As step two, the group will organise its work on the basis of the census documentary in order to produce notes of its thoughts on the elements set out below.

III POINTS COVERED BY THE REFLECTIONS

The work of the sub-group will aim to address the following points, the list of which shall not be exclusive:

1) Proceed to a shared state of play:

- Appreciating the level of income of the local communities, according to the kind of funding, both in comparison with the GDP of the countries and with regard to all their public deductions.
- Evaluating and commenting on the fiscal potential in terms of the local taxation system.
- Reflecting on taking account of the characteristics and differences between rural and urban districts;
- Analysing the effective legislation and regulations by setting out to appreciate the relevance of output criteria, of effectiveness and of justice.
- Evaluating the ability to commission administrations, especially on the level of human resources (expenses/output effectiveness, role of the national government in the management of the local taxation, training of personnel ...);
- Taking stock of the situation regarding the organisation of the collection of taxes;

2) Identifying new angles likely to improve the raising of funds from local taxation:

- Identifying the elements of a legal and organisational sphere for decisive taxation to allow the local communities to lead politics of development of decentralised government effectively;
- Identifying the elements that allow the guarantee of coherence of the whole group and especially good communication of the proposed systems with the system of central taxation;
- What possible choices in the matter of systems of taxation should combine simplicity, justice and yield?
- What is the place for property tax and what recommendations are there for putting it into effect better the census of taxable assets, and the determination of the basis of assessment?
- How better to define a population liable to tax, with limited expenses;
- What is the administration of the local tax, and what are the advantages and disadvantages, between national and local levels, of the procedures for distributing the levy?
- Until the improvement, what is the role of the municipal administration in the management of the tax and its collection;
- How to reinforce consent to the tax;
- What account has been taken of the difference between rural and urban districts?