

Study on Fiscal Decentralisation for the DPWG-LGD

Call for Cooperation to the Members of the Development Partners Working Group on Local governance and Decentralisation

Information

As agreed during our last meeting, the Secretariat of the Development Partners Working Group on Local Governance and Decentralisation (DPWG-LGD) will commission a desk study in the area of Fiscal Decentralisation, which will be presented to our next meeting in May 2009 in Bratislava. After a limited international bidding, Ms. Nina Boschmann has been selected to conduct the study.

The consultant is an economist with 25 years of experience in development cooperation in more than 30 countries in different parts of the world. Her areas of expertise include Local Governance and decentralisation as well as policy-based lending, programmatic aid, public finance and cross-cutting issues (poverty alleviation, conflict prevention, gender...). She has been a Team Leader in many feasibility studies, surveys, and evaluations and is actively involved in the management of decentralisation programmes of German Financial Cooperation in Africa.

The study shall analyse intergovernmental fiscal relations in a number of countries, where DPWG-LGD members are active and produce recommendations on two levels: (i) Simplification and optimisation of fiscal systems and (ii) harmonisation of development partners' interventions. The study shall focus on local taxation, rather than other means of municipal finance and take into account rural as well as urban settings.

The consultant has presented a technical proposal including several suggestions on how to deal with those tasks outlined in the TORs. In addition to the tasks given, she has proposed the following:

1. She will include a general introduction on the topic of fiscal decentralisation and Intergovernmental Fiscal Relations in order to illustrate the place of local revenues.
2. While accepting a focus on Sub-Saharan Africa, the consultant opts to extend the study beyond the experience of least developed countries in Africa to other continents and countries with a longer and wider experience in decentralisation and municipal finance. She is open to discuss the selection of countries to be included.
3. With regard to the *local* sources of finance she will focus on the Real Property Tax and market fees and taxes as the most important sources of revenue to Local Governments
4. In order to adjust the scope of the study to the available time frame and financial resources, she has presented several options, of which we have chosen the Intermediate package (35 consulting days). According to this proposal, the study would include a general introduction on fiscal decentralisation *in different parts of the world* including explicit references to highly decentralised countries such as RSA, Colombia and India / Philippines. Up to 25 case studies from Africa as well as other countries would be analysed. Analysis of transfer systems would make reference to related reforms in Public Financial Management and Accounting as well as loan and bond financing in general terms.

Call for facilitating information relevant to the study

In order to be able to address the Working Groups priorities in terms of countries and topics to be considered, it is suggested that DPWG-LGD members facilitate studies, data, contacts, and other information under their command, which may be relevant to the study. The consultant will search for other cross-cutting material too.

It would be very helpful, if the following information from your side were provided to the consultant:

- Specific country case studies on intergovernmental decentralisation and fiscal decentralisation (preferably those, which deals with local revenues)
- Comparative studies, which compare fiscal decentralisation experience from several countries / regions
- Any project document, mid-term review or evaluation from any of your projects, which explicitly refers to fiscal decentralisation, preferably local revenues
- Budget review documents, which include meaningful sections on the revenue side of the budget and efforts to increase revenues
- Specific case studies on local fees and taxes, e.g. in the context of modernising real property tax management or analysis of market fees' potential
- Strategy documents / action plans / policy matrix, which have meaningful sections on local revenue generation
- Project documents, which deal specifically with the improvement of local revenues and related strategies
- Documents, which refer to the provision of municipal services by municipalities vs. utilities and the impact on local finance
- Experiences with local government loan and bond financing
- Names and contact data of program coordinators, advisors or consultants, which are working on the topic

We would kindly ask you to send the information to the consultant or to the secretariat by email up to **22 December 2008**. For any consultations on the issue you may refer to ninabosch1@aol.com (phone 0049 – 30 – 393 3546).

If you are particularly interested in a certain study / country to be taken into consideration as a best or worst practice, please make this clear to the consultant. In case you are not able to provide relevant input on any of these issues, a brief feedback to the consultant would still be helpful.