

# **Fiscal decentralization and strengthening local government capacities : the Mozambique Experience**

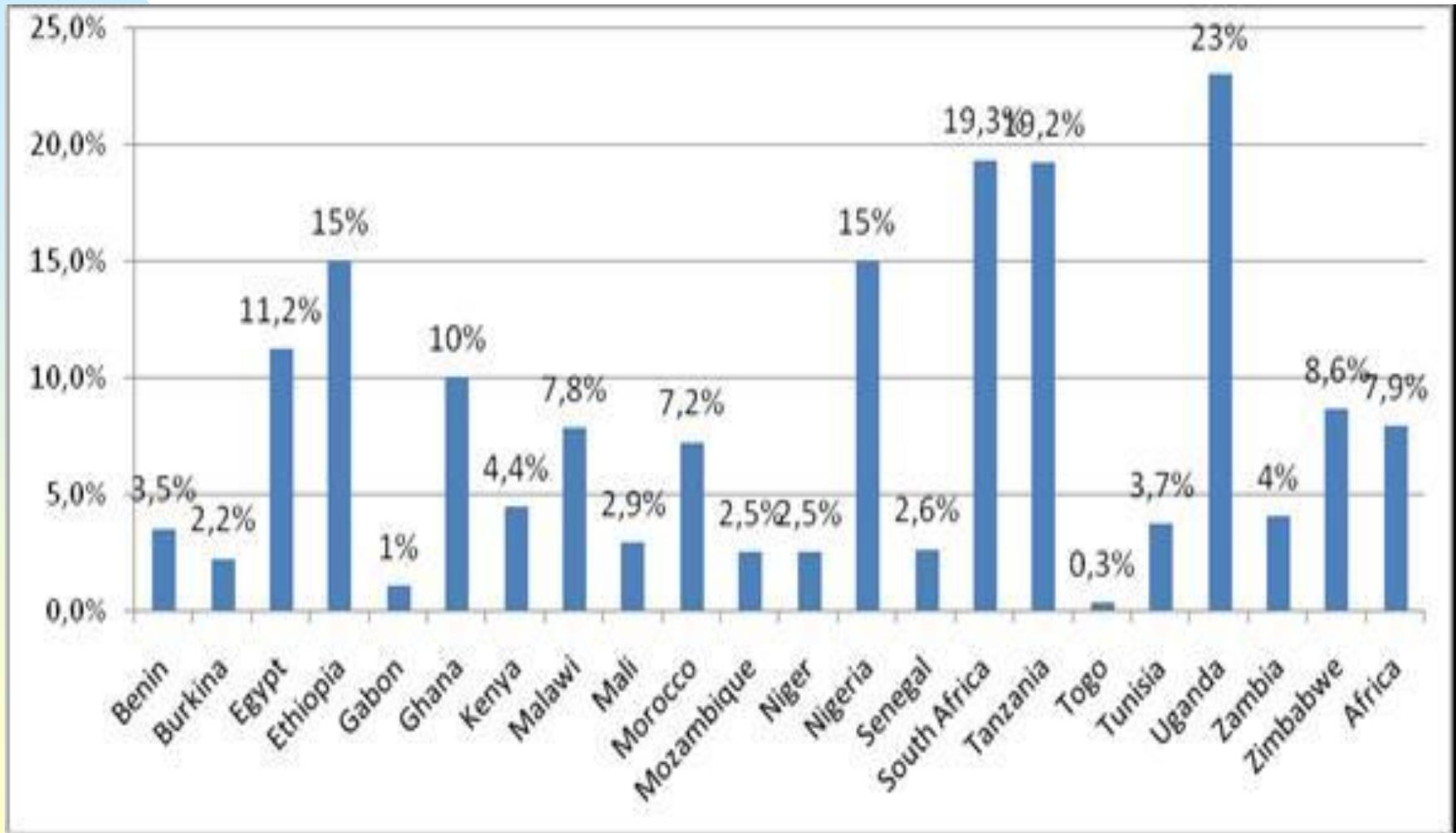
Maputo, november 7 2011

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**GOLD II Report on fiscal decentralization in Africa : Main issues raise on expenditures, revenue and transfers**

**François Paul Yatta PhD**

## Local expenditure as a percentage of total public expenditure in 21 African countries, 2006



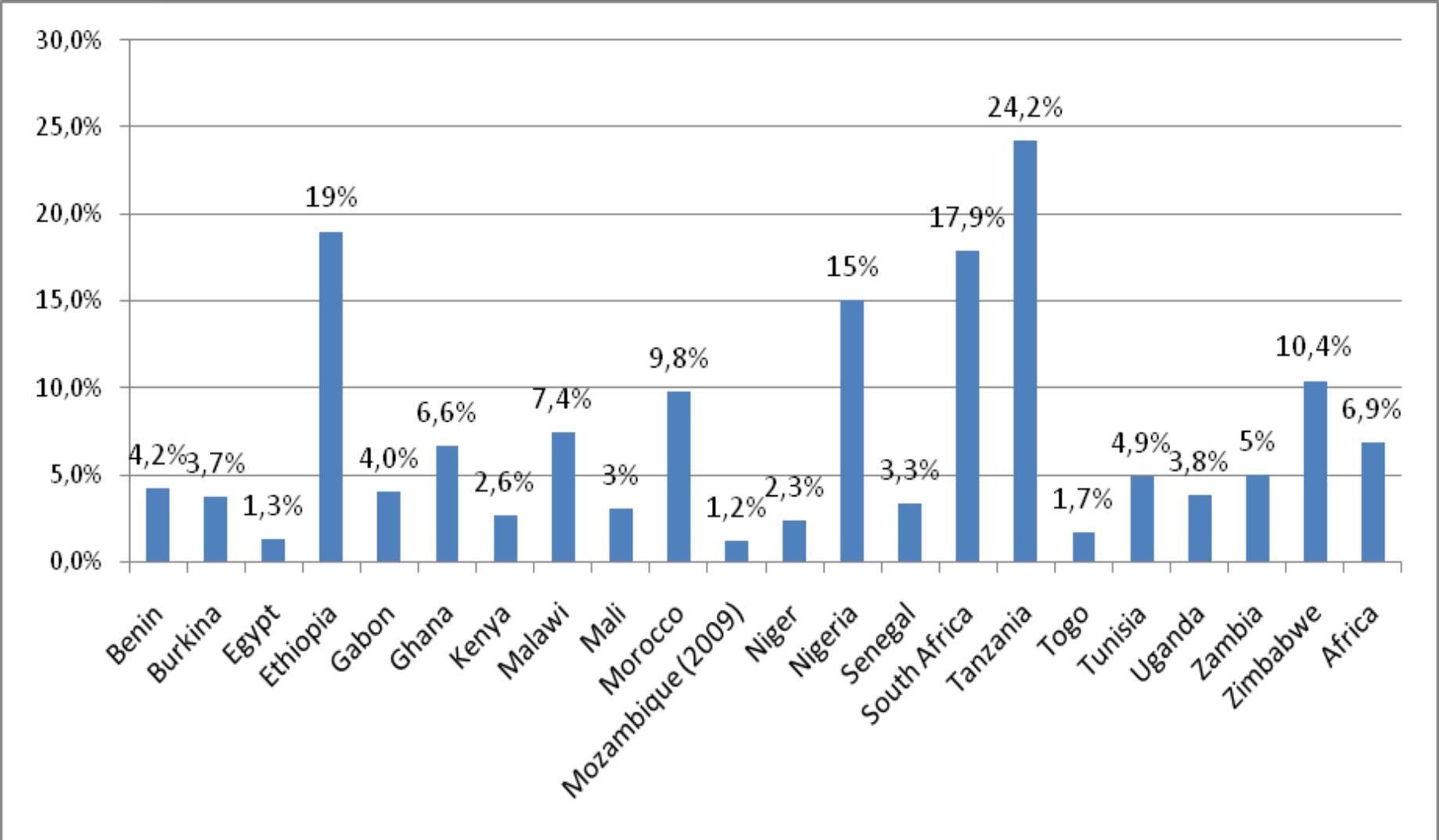
# **How to move forward on expenditures side ?**

**The implementation of the principals of subsidiarity dictates that local governments have, through the responsibilities devolved to them, a significant share in the implementation of public expenditures**

**In a 10-15 year horizon, local governments should be able to reach the world average (around 25%) of public expenditure disbursed by local governments**

**National associations of local governments must have at their disposal precise indicators to be able to estimate their share of the public expenditure and follow its evolution**

# The weight of local authorities in total public revenue, Africa, 21 countries, 2007



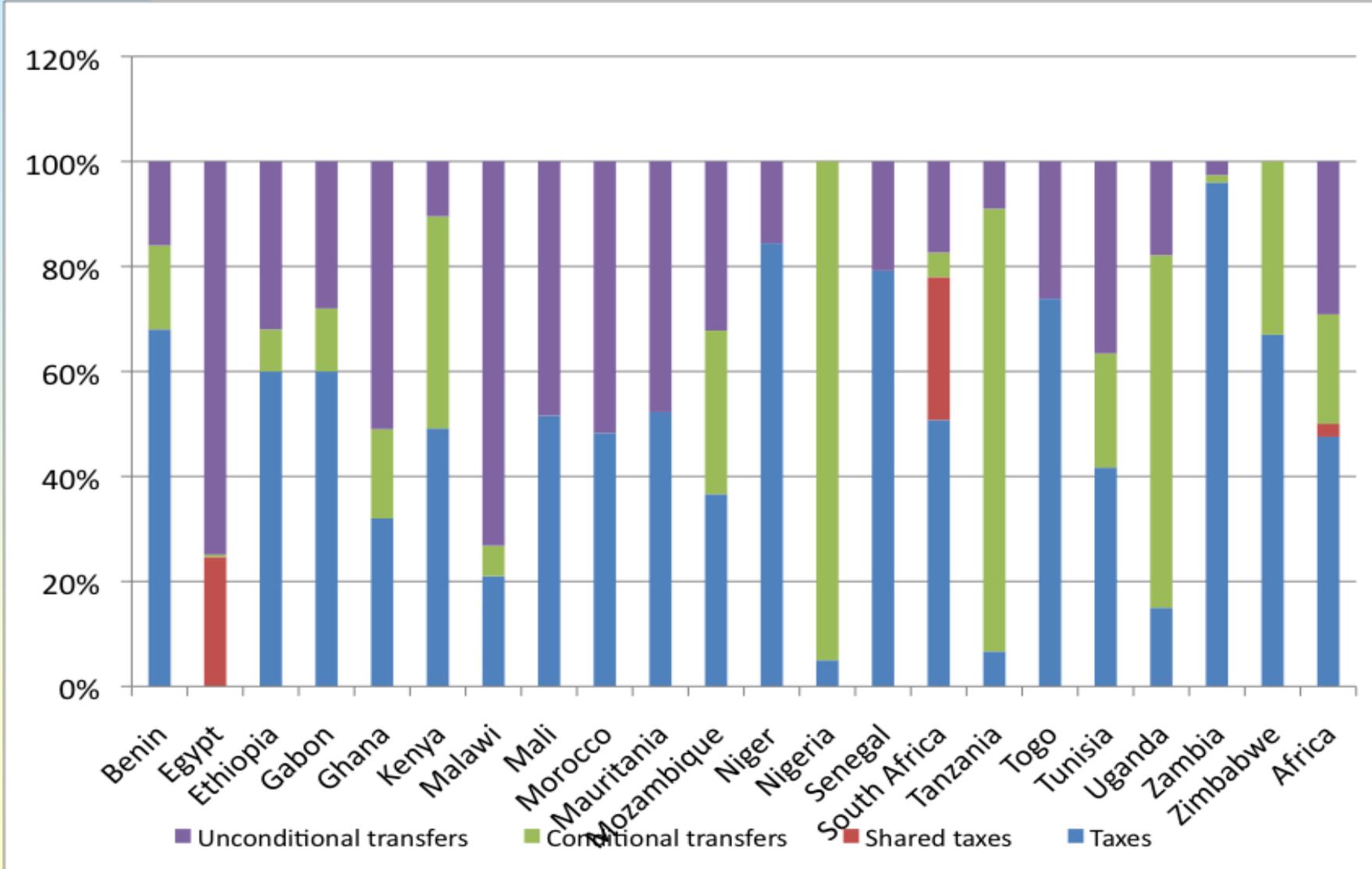
# How to move forward on revenue side ?

In all cases, to be efficient in the field of local taxation, local authorities need to have a good knowledge of local fiscal potential and of the best way of mobilizing it.

A first improvement could be to establish performance contracts between the State service and the local authorities in order to identify taxpayers and collect local taxes

Dialogue to avoid unexpected situations such as the Budget Law withdrawal of tax base which led to a considerable negative impact on the revenues of local authorities

# Structure of local revenues, Africa, twenty-one countries, 2007



# How to move forward on transfers side ?

Urgent action is needed to implement the launching of a systematic evaluation of the cost of transferred responsibilities by listing, ministry by ministry, the spending assignment allocated when these were direct

In lot of Countries transfers never arrive (fully) at their intended destination despite their having been voted in Parliament and written in the budget law (loi des finances). Jurisdictional recourse can be a solution to avoid irregularity and unpredictability of transfers

The rules that govern the organization of these transfers must be as transparent and legible as possible, in order to ensure the traceability of transfers from the State, as well as predictability for local authorities