LOCAL GOVERNMENT FINANCIAL MANAGEMENT AND TAXATION IN AFRICA: THE CHALLENGES AND RECOMMENDED APPROACHES

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ABSTRACT

The part expected to be played by local governments in promoting efficient mobilization of domestic asset is becoming more conspicuous as a result of the lingering economic effect of some global disease outbreaks which have interrupted countries' traditional financial inflows. However, the local governments, particularly those in developing nations, do not seem to be meeting this expectation. With exploratory research design, this study has reviewed the literature on how the local government taxation and financial management are carried out in Africa. The cardinal aim was to highlight some important issues surrounding the mobilization of financial resource in the local governments, identify the major challenges and suggest the way forward. The findings of the research indicated that most local authorities in Africa do not collect sufficient taxes and other revenues necessary for executing their constitutional responsibilities. The reason for this is partly the absence of efficient fiscal decentralization in majority of African nations. In addition, the study observed that local governments in some African nations apparently raise whatever taxes, fees, and charges within their reach, often without being much perturbed concerning the economic distortions and distribution effects that those instruments might create. This work perceives the heightened necessity to improve tax administration and financial management practice in African sub-national governments through some relevant reforms.

Keywords: Local Government, Central Government, Decentralization, Financial management, Taxation, Africa.

INTRODUCTION

African nations have depended greatly on external fund to develop themselves economically. However, as noted by Coulibaly (2018) the region now faces a harsher external financing environment precisely at the moment when the need to finance economic development is on the increase (Murana, 2015). The situation is the same in all the nations of the universe. One opines that it might onerous for the local governments in Africa to bridge the funding gap enough for raising finance from outside without compromising macroeconomic stability, if significant efforts are not made along all corners to enhance their domestic saving rates.

According to Bird (2010), a sound financial system for local governments is an essential requirement for fiscal decentralization to succeed. Bird (2010) reports that the tax systems of central governments of most African countries are continuously being subjected to major

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reforms. Such changes have adapted tax laws to the specific peculiarities of countries as well as the evolving international environment during the past few years.

Contrary to what happens in federal governments, local tax systems in several African nations, especially those of them in Francophone Africa, have continued to be remained significantly what they have been since they gained independence. As observed by Fjeldstad et al. (2014), central taxation is focused upon as a result of some factors, namely (i) political factors; (ii) economic factors and (iii) administrative factors. In explaining those factors, Fjeldstad et al. (2014) assert that it is the fear of the central governments that has made them to resist or work against the decentralization process. Also, central governments, according to Fjeldstad & Heggstad (2012), have the belief that it is usually easier and cheaper to collect huge revenues through federal government taxes.

The constitutions and extant statutory laws in a number of countries in adopted a multi-tiered federation. Nevertheless, the consequential adoption of revenue sharing and administration arrangement among the tiers has led to many problems. The most recurrent, worrisome and significant among these problems faced by local government in African countries are finance and significant mismatch between their statutory responsibilities, the flow of financial resources available to them and the constraining limits of their tax-raising powers (Murana, 2015). Quite often, the degree of decentralization of expenditure is higher than the degree of decentralization of revenue – a situation that causes a great divergence between sources of revenue and functional expenditure in the local governments. Quite often, the extent to which decentralization of expenditure is carried out tends to exceed the extent to which revenue collection has been decentralized. According to Murana (2015), this situation creates a huge gap between available the revenue and expenditure needs in the sub-national governments. This study aims at highlighting some important issues surrounding the mobilization of financial resource in the local governments in African countries, identifying the major handicaps and suggesting the way forward.

It is envisaged that Agagu (1997) a study of this nature would have the potential of identifying the constraints and practices that can guide policy work and be employed as benchmarks for assessing actual

The remaining part of this study was arranged thus: Section 2 presents the review of related literature. Section 3 indicates the material and method employed in conducting this. Thereafter, Section 4 discusses decentralization as regards African countries. Section 5 concerns the global local government finance problems. Section 6 ex-rays the challenges of local government finance as it relates to African countries. Section 7 reports the programs and activities mounted to strengthen local taxation in Africa and other low-income countries. Section 8 provides the recommended approaches for tackling the challenges. Section 9 discusses the way forward while Section 10 concludes the paper.

REVIEW OF RELATED LITERATURE

Conceptual Review

Revenue

Two types of revenue exist in a typical local government system, namely narrowly defined revenue and own local revenue (Fjeldstad & Semboja, 2001).

Narrowly defined own local revenues

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Fjeldstad et al (2014) refers to narrowly defined own local revenues as tax and non-tax revenue directly generated by the local government authorities. According to Fjeldstad et al (2014), such revenues include:

1. Property taxes. These taxes are mainly based on urban residential and commercial buildings.
2. Rental income on property owned by the local government authority.
3. Per capita or poll tax. This is a residence tax which imposed annually on adults that.
4. Taxes on activities. These relate to various forms of business licenses and taxes that based on professional activities.
5. Local taxes or fees on utilities. These include local service charges on water.
6. Fees for the use of public facilities
7. Livestock or grazing fees imposed on pastoralists moving through the locality.
8. According to Bennett et al. (2016), evidence suggests that local revenue systems that include a mix of taxes and other sources perform better than grants from central government.

Own Local Revenues

Fjeldstad et al. (2014), assert that own local revenues comprise both the local government's share in taxes which has been collected by the central government through tax sharing and the narrowly defined own local revenues.

Total Local Revenues

This is made up of narrowly defined own local revenues and own local revenues. According to Fjeldstad et al. (2012), this includes own local revenues, transfers received by local government from the central government and external financial contributions such as donor funded projects/programs.

Local Government

An analysis on local government without demystifying its conceptual meaning would lead to mental paralysis other than enlightenment stimulation (Murana, 2015). However, conceptualizing local government, like others in the social sciences, is not easy; it is not easy to have a universally acceptable definition for the concept in the whole universe. Consequently, Ovwasa (1995) opines that the meaning attached to this term differs from country to country and, more frequently, it is now the essence for creating local government. Appadorai (1975) considers local government as an entity set up by the groups elected by the people who have the responsibility to carry out administrative and executive tasks in issues relating to the people residing a particular location. Local governments or sub-nationals are established through legislations to carry out specific duties within some delineated areas. A complex nation like Nigeria that has many ethnic groups within a divergent and diverse culture, need a great deal of decentralization, which they accomplish by creating local authorities. According to Ayo (2005), local government is a territorial community. It is not sovereign. However, it has the appropriate level of necessary organization that can empower it to arrange and determine its own matters. One can consider local government as a legal personality that has sufficient but limited authority to control over its staff and other logistics (Amao, 2002; Michael, 2013).

The definitions above bring out four key characteristics of local government:

1. Local government officials are elected.

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2. It is essential for the local government unit to possess a legal personality which is different from the state government and federal Governments.
3. The local government must possess well-defined powers to carry out a range of functions.
4. A local government must enjoy relative autonomy.

Theoretical Framework

Cannons of local taxation

Swianiewicz (2003) proposes some basic guidelines for local taxation as follows:- (i)The tax yields have to be earmarked in the same proportion as the functions of the local government are allocated to it (ii)The tax base ought to be distributed in a uniform pattern. (iii) Define the tax properly within the geographical space.(iv)The tax has to be reasonably visible.(v)Tax yields should have elasticity against inflation.(vi)The tax base should be relatively immobile.(vii)Efforts should be made to avoid the fragmentation and complication of the tax system.

Local taxation theories

Most productive sources of finance are assigned to the government in the centre (Bird, 1999). Bird (1999) acknowledges that this is the usual approach for assigning taxes in a multi-tier governmental structure. This pattern is obtainable in majority of the nations in the universe. With regard to fiscal decentralization, Kovács (n.d.) affirms that a particular slice of financial sources is often assigned directly or indirectly to the sub-national level. Kovács states some arguments in favor of levying taxes at local government or central government levels as follows:-

1. It is likely that making available and financing services at a local level would induce improvement in attitude to taxation.
2. If the central government levies tax that might cause a boost in economical return to scale as regards administration costs.
3. Higher tax revenue at local level might decrease the reliance of local governments on state budget support.

Musgrave (1989*)* established some guidelines for local taxation as follows:

1. Mobile tax bases should be left for the intermediate or lower level of government.
2. Local taxes should be insensitive to business-cycle fluctuation (recession or boom).
3. There is some need for benefit taxation is at all the tiers of government.

Oates (1996) opines that a lower level of government should be relied upon for levying and collecting benefit taxes on mobile economic units such as individuals and mobile factors of production. In addition, it is important to note that local governments should employ non- benefit taxes only on tax bases that are relatively fixed across local jurisdictions (Oates, 1996). Decentralization framework is expected to beef up scientific understanding.

The benefits principle of taxation

The benefits principle Buechler (1993) indicates that the people that make use of public service should defray its bill. The benefit principle is powerful it shows the correct manner for pricing services. In addition, it indicates the bright person to pay for services and how much of a service ought to be made available. The benefits principle is regarded as a classic answer to

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taxation at the local government level. Several federal countries (such as Nigeria, India, Pakistan or Switzerland) clearly distinguish what taxes should be imposed and collected at different tiers of government. In addition to financing the public service's needs, taxes may also be used as policy instruments to achieve other government objectives. Such policy instruments may be either income redistribution or macroeconomic stability. As UN-Habitat Global Activities Report (Kassim et al., 2015) has pointed out, what should be the major concern at the local government level should be on how efficiently the allocation is made while attempting to apply the benefit principle. Besides their suitability to approximate the benefit principle, there are several properties for all taxes which are also desirable at the local government level. According to UN-Habitat Global Activities Report (2015), they are:-

1. being buoyant, with revenues roughly changing in proportion to the economic base,
2. being horizontally equitable: providing equal treatment to tax payers in similar circumstances,
3. being relatively efficient, causing low distortions in economic activity,
4. being relatively low in administration and compliance costs, and
5. being politically acceptable.

One of the desirable characteristics of local government taxes which make them amenable to the benefit principle is their geographically neutrality. This implies that that local government taxes should not distort where the economic activity is located, interfere with domestic or international commerce or be exportable in such a manner that the burden is borne by residents of other jurisdictions, unless the taxes are matched by their benefits to non-residents.

Theoretical foundation of the study

The socio-political, expediency theory, resource mobilization theories and the resource dependent theory constitute the bedrock of this work. These theories were chosen as they have clear explanations on how taxes ought to be collected. In addition, they provide some understanding of how resources are to be mobilized as well as the mechanisms of self-reliance.

Socio-political theory

This theory was named after economist Adolph Wagner (1835–1917). According to Takwa et al. (2020), it is the law of rising government spending. Is the principle is that public spending for every nation continuously increases as tax growth increases. Adolph Wagner contends that the criteria for taking tax decisions are social and political priorities and not based on individualistic solution to the problem. Wagner contends that economic problems should be viewed from a holistic perspective and the appropriate solution ought to be looked for from social and political points of view.

Expediency theory

This theory suggests Crook (1998) that whatever is the plan for a tax should be subjected to the viability test. Validity is a criterion that should rank highest while selecting a tax plan with the authorities. In the contrary, the economic and social objectives of the State and the effects of a tax system should be regarded as irrelevant (Takwa et al., 2020). According to Takwa et al. (2020), this proposition is true. He argue that it is of no use having a tax which cannot be imposed and collected efficiently.

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Resource mobilization theory

This theory emphasizes on the capability of the members of a community to: obtain resources and to rally people around people to accomplish the aim of the movement (Beuchler, 1997). It assumes that individuals are reasonable enough to determine and compare the costs and benefits of community participation. They involve themselves in community projects only if they are convinced that the benefits derivable outweigh the costs to be incurred. Prominent among the authors that have written on resource mobilization theories are Jenkins (1983) as well According to as (McCarthy & Zald, 1977). According to Takwa et al. (2020), those authors have concluded a lot of studies on the genesis and progress of the resource mobilization theory.

Resource dependence theory

The resource dependence Ebel (2005) theory dwells upon the attitude of organizations and individuals that engage in a resource exchange relationship (Pfeffer & Salancik, 2003). It assumes that whenever this relationship exists, one group will be on the receiving end while the other will be on the giving end. Both groups would usually come together to drive development. The theory attempts to throw light on how organizations and individuals behave when they are trying to mobilize resources. Almost all resources needed for developmental purpose are generated from the environment. Consequently, the resources needed to carry out the agreed activities often come from either the neighboring or immediate environment. Whatever venture that emerges would require access to the relevant human and material resources (Gulati & Sytch, (2007). The fundamental assumption of the Resource Dependent theory is that organizations depend on the resources provided by their environments to achieve organizational goals (Gulati & Sytch, 2007). For this reason, the environment is the major provider of resources for development purposes. Takwa et al. (2020) indicate two aspects of the resource dependent theory which can be identified. They include the asymmetric dependence and the joint dependence. The joint dependence approach considers the interdependence between organizations as being positive and, possibly, a symbiotic relationship with both parties benefiting. Gulati & Sytch (2007) opine that the dependence of one organization on another organization may not all the time be in the ultimate interest of the stronger actor.

Empirical review

There has been a noticeable accompanying works that are related to local government finance (Bennett et al., 2016). For example, Balás-Kovács (1999) examined the properties of local tax groups levied on tax payers in Hungary. The author concluded that it is only value-based property tax that is capable of meeting all the requirements which are essential for an ideal local tax system. In addition, the result of study revealed that tourist tax and corporate communal tax possessed the highest number of disadvantages. Brosio (2002) examined decentralization in Africa. It dealt with two broad sets of issues. Initially, it discussed the realism of the very ambitious goals that proponents of decentralization in Africa have assigned to it, particularly the eradication of poverty through specific interventions and growth promoting policies. Thereafter, the study concentrated attention on model of territorial government that has been selected, the assignment of functions and the funding of the newly created units in Africa It discovered that in a situation where institutional capacity is not strong, democratic institutions are shaky and resources are limited, there is some necessity for caution. The reason is that

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interested individuals and the rich may easily capture the policies that are meant for the poor. Further, the study noticed that the interests of the poor are properly taken care of, and on a lasting basis, as decentralization perfects the provision of basic local services and begins to reduce the huge differences between the several areas of the same nation.

The findings of the study also showed that decentralization is changing the structure of governance in Africa. Williams & Kavanagh (2016) investigated forecast accuracy that is related with the forecast of 55 revenue data series of 18 sub-nationals. The authors Fajobi (2010) set aside last 18 months of the data to ensure accuracy in evaluation. The results of the study indicated that forecast software, damped trend methods, as well as simple exponential smoothing methods performed best when using monthly and quarterly data. The outcome of the study equally revealed that the use of monthly or quarterly data is marginally better than yearly data. Murana (2015) carried out a research on local government finance in Nigeria, through with Iwo Local Government as a case Study. The data for the study were obtained from face-to-face interview, records available in Iwo Local Government, text books, lecture notes, journals, reports, seminar presentation as well as internet materials. The data obtained were analyzed using descriptive statistics (simple percentage) and subjected to as content analysis. The paper explored several sources of funding local governments in Nigeria were explored the paper. The latter explained the financial relationship existing between Nigerian local government and State and Federal Government with the decentralization theory. In addition, the study explained financial management a practiced in Iwo Local Government.

The result obtained from the analysis indicated that financial transfers from federal government are the most efficacious and dependable source of local government revenue and that no capital project can be embarked on in the absence of Federal Allocation. Olantunji et al. (2009) studied local government finance in Nigeria. The study employed personal interviews, verbal interrogation, questionnaire, text books, and observations of several documents. The findings of the study showed that tax collectors encounter various types of problem all of which have negative impact on the revenue generation efforts of the Nigerian local governments. The study concluded in favor of maintaining development in agriculture in order to improve the living standard of the people of the state. Acey (2010) researched on municipal infrastructure financing and found that there are four different problems faced by municipal authorities, namely limited fiscal sharing of powers, inability of local governments to fully realize the potentials of own-source revenues, insufficient government transfers and inadequate resources for capital expenditure. Venkatachalam (2005) also carried out a study on municipal infrastructure financing. The author conducted some experiments ranging from Western models of municipal bonds and development banks to local municipal development funds often provided by donors. He observed that many sub-nationals have resorted to financing of public infrastructure privately under the pressure of urbanization and fiscal stress. Shresta (2002) presented International Working Paper of Georgia University regarding intergovernmental fiscal relation of Nepal which has practiced decentralization for almost forty years. The paper presented an overview of intergovernmental fiscal relations in Nepal and highlighted the issues and direction of reforms for the effective fiscal decentralization in the country. Krah & Mertens (2020) studied the level of financial transparency of local governments in one of the sub-Saharan African countries, Ghana. The authors sought to find out how financial transparency is affected by democracy in sub-Saharan Africa. The study Olaoye (2009) employed a panel regression model to the data retrieved from the public accounts of 43 local authorities from 1995 to 2014.

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Financial transparency was represented in the study by a transparency index. The study found an abysmal level of financial transparency among the local governments in Ghana which created information asymmetry within the agency framework of governance. In addition, the findings of the study suggested a strong positive connection between democracy and financial transparency in the local government. Iacuzzi (2022) engaged in a structured literature review that was centered on financial indicators for local governments. It sought to ascertain whether the literature on financial indicators has increased, investigate whether there is any consensus on the most appropriate indicators to use for assessing local government's financial condition, develop a critical reading of the literature as well as offer suggestions for future research and policy agenda. The results Olowu (2004) of the study revealed that the number of publications dealing with financial indicators had grown over the past ten years. However, no evidence of convergence towards a common set of indicators was discovered by the study. Takwa et al. (2020) sought to ascertain whether the local government councils in the Fako Division have access to all the sources of finance as contained in statute and to find out the challenges they encounter in exploiting the sources to finance their developmental plans. Both exploratory and descriptive research designs were adopted for the study. Using convenient sampling method, 4 out of the 6 councils in the Fako Division were chosen for investigation. The Finance and General Affairs officers were selected as the respondents for the study. Data were collected using semi-structured questionnaires and a checklist.

The collected data were descriptively analyzed with the help of tables and bar charts. Mean and the Relative Important index were used to rank in the order of importance the problems encountered by the councils in the revenue generation process and the options available to them to exploit. The results of the study showed that the councils had access to internal sources such as local taxes; fees, fines, and penalties, service charges, patents and business licenses, gifts and donations. The external sources were mostly intergovernmental transfers and council development funds. The study equally discovered that the most exploited options of finance by the local councils were INTERCOM while the least utilized options were tax adjustment and the saved up profit from investments and businesses. Igbinosa (2016) sought to determine how efficacious the tax administration in Delta State, Nigeria was as regards tax estimation, receipt and remittance. Igbinosa conducted a survey of the tax administration machinery. 125 copies of questionnaires were administered to analyze the opinions of the public servants that directly related to tax administration in the five local authorities Areas of Delta State (Northern Ughelli, South Ughelli, Ika, Sapele and Warri). The study suggested that the Delta State Government should be willing to establish a tax structure that will beef up the management of tax systems and leave tax collections in the possession of private organizations. In addition, they suggested the diversification of the revenue generation sources available for local governments. As a follow-up to the study of Afuberoh & Okoye (2014), Olasunkanmi et al. (2019) investigated tax revenue sources and their use in the Oyo State Local Government Area of Lagelu.

It identified the various obstacles associated with local tax mobilization in Lagelu Oyo State Local Government District. The study employed primary and secondary sources of data. A sample size of 170 was adopted for the study. The results of the study showed that Lagelu Local Government Area tax receipts were mostly extracted from fees and charges such as penalties, parking rights and Motor Park/market/Carriage. In addition, tax revenues were found to have been primarily used on the cost of staff, education, health and medicine. Different tax-related bottlenecks observed include lack of basic utilities, misappropriation of public funds and high

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level of tax evasion. Martinez & Martinez (2019) sought to determine the constraints that worked against the efficient financial performance of local governments in African countries, particularly Ghana. It also sought to Raich (2005) discover the latest financial and political problems confronting local governments in African nations using the Sekondi-Takoradi Municipal Assembly as case in point. To achieve those objectives, an in-depth assessment of the revenue instruments and strategies employed by local governments was carried out. It concluded that while revenue generation by local councils is important, the amount of revenue generated is inadequate for the continually increasing population to establish and provide the required services. Ambe (2019) looked into the legal instruments that outline Cameroon's statutory duty and substantive practice of collecting tax revenues.

The study addressed and analyzed the revenue collected from Cameroon’s residents, entities, and companies. It stated the position of Cameroonian law and other justifiable international laws and concluded that the Cameroonian fiscal laws had set up the different kinds of initiatives that can increase state revenue. After obtaining some financial assistance from the World Bank’s Public-Private Infrastructure Advisory Facility, PPIAF, RIAFCO, FMDV and UNCDF (2021) conducted four studies by institutions and development. The joint program focused on four sub-national funding institutions in the African region namely Cameroon’s Fonds Spécial d’Équipement et d’Intervention Intercommunale (Special Fund for Equipment and Inter-Municipal Intervention – FEICOM), Mali’s Agence Nationale d’Investissement des Collectivités Territoriales (Local Authorities National Investment Agency – ANIC), Madagascar’s Fonds de Développement Local (Local Development Fund – FDL), and Niger’s Agence Nationale de Financement des Investissements des Collectivités Territoriales (National Agency for Local Authority Funding – ANFICT).

The research was aimed at finding out the most effective ways to ensure that local government financing institutions’ financial resources are sustained and diversified so that they can be in a better position to support local authorities in the countries where they operate to mobilize their own financial resources. The authors found that all of the local government financing institutions which they investigated needed to enhance their human and organizational capacities to enable them to fully capitalize on the opportunities presented by climate funds, sectoral funds or equalization resources. In addition, the results of the study revealed that those financing institutions have to prove, through their performance on financial transfers, that they added value. In addition, the authors noted that these funds can be accessed only if governments were willing to place fiscal decentralization on a firm footing, and if local governments were willing to harness their own resources.

MATERIALS AND METHOD

This study sourced its materials from extant journals, conference papers, seminar papers, etc. An exploratory research design was adopted with attention being concentrated on the relevant literatures.

DECENTRALIZATION IN AFRICAN COUNTRIES

Clgf-Uncdf & Undp (2012) assert that decentralization offers many opportunities. However, they note that a decentralized system needs well - defined rules which have to be enforced for it to work properly. Otherwise, decentralization becomes a risky venture, more so in poor and developing countries like those in Africa. The danger in overburdening the newly

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created institutions is substantial. This applies also to implementing the specific poverty alleviating policies which are considered today as an important goal of decentralized governments. Clgf-Uncdf & Undp (2012) argue that while neither theory nor evidence proves conclusively that political and bureaucratic capture are greater at the local level than they are at the national level, they are rather context - specific -proponents of decentralization. Consequently, governments should not place too many demands on newly created local governments.

The interests of the poor are better protected and on a durable basis only when decentralization provides basic local services more efficiently and begins to fill the big disparities in their provision between the local government areas within the same country. The achievement of this goal requires that decentralization meets a large number of very demanding conditions. It should be gradual and closely monitored. African countries are currently choosing several kinds of institutional arrangements. Clgf-Uncdf Undp (2012) notes that too many layers have been created, particularly, in due consideration of the huge political and administrative costs of the newly created units. Furthermore, central governments have decentralized to satisfy demands for more autonomy, but are still very reluctant to cede power.

The assignment of limited responsibilities may be a signal of the intention to proceed gradually, but this interpretation is in some cases inconsistent with the excessive number of layers of government that have been created. African governments are also uniformly very reluctant to devolve taxing powers to the lower levels. This reduces accountability at the local level. The property tax is generally used for financing small area governments (i.e. municipalities), but it is very inefficiently collected. Wide area governments, such as regions, have no own revenue sources and are forced to rely on transfers from the central government.

In several sub-Saharan African countries, decentralization has recently received priority attention in their policy agenda. Many sub-Saharan African countries such as Lesotho, Liberia, Madagascar, Mali, Cameroon and Zambia, have implemented significant decentralization reforms. CLGF-UNCDF & UNDP (2012) considers finding appropriate tax sources for regional governments as one of the most urgent and challenging assignments for African decentralization processes.

Although the procedure of receiving grants has been recently improved upon in several nations by introducing formula- based allocation system, fiscal responsibility is still quite weak. The reason for this is the central importance of grants in the revenue system of decentralized governments. governments. CLGF-UNCDF & UNDP (2012) affirm that in order to have an effective co-ordination of local government efforts achieved, there is the need for local governments in African countries to cooperate with regional, continental and global bodies including African Union's All Africa Ministerial Conferesnce on Decentralization and Development(AMCOD), the East African Community(EAC) and the Southan African Development Community(SADC).

The Commonwealth Local Government Forum(CLGF) is another body that obtains items membership from several African countries at both state and local government levels. Hence, it is a sn important stakeholder. Further, RIAFCO, a network of financing institutions of African local governments was born as a platform of local government financing institutions throughout the African region. It held its first general meeting onn the 6th and 7th of November, 2014 in Yaounde, Cameroon. By 2017, RIAFCO possessed seven active members in Burundi, Cameroon, Côted' Ivoire, Gabon, Madagascar, Mali and Niger and Niger. RIAFCO wants to encourage the financing institutions to work in perfect harmony in every dimension of

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decentralization funding activity and to establish active togetherness among its members. This, it does by information dissemination and experience sharing.

In order to make fiscal decentralization effective, countries have to meet many important institutional preconditions (CLGF-UNCDF & UNDP, 2012). Doing so will be an assurance that regional/state and local/municipal governments are capable of establishing effective and decentralized allocation of expenditure and collection of revenue. If some preconditions are not met, fiscal decentralization can make public service delivery worse. According to Holtz and Ordu **(**2021), such preconditions include(i) stable political environments, (ii) effective autonomous local governments, (iii) institutional capacity at regional/state and local levels of government, (iv) government accountability, (v) effective democratic election infrastructure at all levels of government and (vi) capacity to raise adequate levels of revenue locally. In most federal systems, municipalities are integrated into the state governments (Laws, 2017). Argentina, Brazil, South Africa and Switzerland have adopted a three-tier federal structure in which exclusive legislative powers are given to local government, below state and provincial governments.

Granted that decentralization has the potential of improving accountability and giving greater voice to the users of services, the complex relationships among three levels of government may hinder effectiveness and efficiency. Moreover, devolving powers to the lowest possible level will only possibly improve results if the lowest level has sufficient capacity to exercise those powers. For example, Laws (2017) reports that in Argentina, municipalities' low levels of constitutional autonomy and decision-making authority have frustrated efforts to implement social policy through national-local policy collaboration. In contrast, however, the successful experience of social protection programs in Brazil shows that municipalities are capable of facilitating the social policy goals established by central government if national policies are implemented directly at the municipal level, without being captured by state governments.

In South Africa, many local governments have had to take on complex responsibilities even when they lack the technical and administrative competence to discharge them successfully. Because of this, South Africa has experienced a failure of policy and an erosion of good governance at local government level. Laws (2017) reports that Switzerland has initiated various reforms designed to improve co-operation between the provincial and municipal governments, whose complex relations have been regarded as opaque and inefficient. Because of this, South Africa has experienced a failure of police and absence of good governance at the local government level. As reported in Laws (2017), Switzerland has started various reforms designed to improve co-operation amidst provincial and local governments, whose complex relations are considered as opaque and inefficient. Most of the African governments now regard decentralization a step taken to mobilize local government resources and an initiative for national development.

Considering that neither the federal nor state governments can singularly guarantee development in the rural areas, it has become mandatory for power, authority and responsibility to be transferred from the central or state governments to local governments so as to boost development in the rural areas. This is essential owing to the remoteness of the federal government from the rural people.

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THE GLOBAL HANDICAPS IN LOCAL GOVERNMENT FINANCE

Martin & Smoke (2011) presented a report concerning the challenges faced by the world of the 21st century with regard to local government finance. The authors foresee necessity to establish many important aspects and meet certain fundamental principles before local governments can perform effectively.

According to Martin & Smoke (2011), those aspects include the assignment of local government autonomous revenues, appropriately structured intergovernmental transfers. Where appropriate, the aspects also include access to borrowing as well as other alternatives for mobilizing resources used for development expenditures. They noticed a very remarkable improvements across the globe as regards local government finance in the past decades in many countries. The progress in this direction boosted efficiency in public expenditures. It brought about some greater increase in revenue collection and innovations in public management.

Martin & Smoke (2011) remark that in spite of the improvements already recorded, some challenges are still being encountered in several countries- (i) Clarity in the assignment of expenditures in some regions especially in Africa, Asia, Eurasia and Latin America due to poorly drafted laws (ii) Funding expenditure mandates. The absence of clarity in functional assignment creates room for cost shifting among tires of often through unfunded local expenditure mandates that can be extremely burdensome. (iii) Budget approval and control by those authorities in the higher level. The federal or regional authorities assist with and closely oversee and ultimately may even approve the budgets prepared by the elected local government councils in several countries, especially those in Africa, Asia, Eurasia, Latin America and MEWA regions (iv) Local revenue generation and autonomy these are important to enable local governments to meet their expenditure responsibilities in an accountable and efficient way. (v) Vertical financial imbalance.

Quite often, the shift of responsibilities for expenditure to local governments has often not been followed by the shift of corresponding sources of revenue including intergovernmental transfers. In several regions, local government revenue lays an insignificant role in the nation's budgets. As a result, there are increasing financial pressures on the expenditure of local government. Even in the areas where resources are more adequate, there is greater reliance by the local government on fund transfers from the center. (vi) Revenue autonomy.

This is highly constrained in majority of countries like Africa, Asia, the Middle East and West Asia. The condition is better in Eurasia and Latin America, but not uniform in many regions. Local governments do not have much authority to introduce new taxes or take decision on some oral tax rates, fees, and user charges. (vii) Diversification of the local tax base Quite often, local tax base are narrow. This is so particularly because of the problem associated with heavy reliance on property tax. (viii) Local and central roles in revenue generation International practice changes as countries endeavors to maximize revenues while minimizing the administration and compliance costs. Inter-governmental Transfers a well-structured system of intergovernmental transfers is an important component of o local government finance system. (ix) Horizontal fiscal imbalances equalization transfer design whenever equalization schemes are in existence, the usually create some challenges. Examples of those problems are as follows:

1. It is only the differences in fiscal capacity or expenditure needs that are considered and not both of them.
2. Actual revenues, and not fiscal capacity, are measured. This creates disincentives for local revenue mobilization;
3. The pool of finance is neither stable nor well-defined.
4. The use of funds is determined by rigid conditions which make the equalization grants that are normally

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general-purpose grants without user restrictions, into conditional transfers.

(x) Conditional transfer design
Conditional grants from upper level governments are important elements of local fiscal frameworks.
(xi) Local government borrowing and access to financial markets. The most neglected aspect of local government finance in several regions of the universe is, perhaps, borrowing.
(xii) Access to credit. In many cases, especially in poor developing countries, local governments often have poor and unreliable access to credit.
(xiii) Special institutions. Special credit institutions established to lend money to local have rarely performed well.
(xiv) Central government practices. Several practices of central governments, such as weak appraisal mechanisms for loans from government- affiliated credit institutions, local government bailouts and automatic intercepts, have disrupted the normal development of local government credit markets.

THE CHALLENGES OF LOCAL GOVERNMENT FINANCING IN AFRICA

In every part of the universe, local governments play some increasingly essential role in rendering fundamental public services. Their importance notwithstanding, local authorities, especially those in Africa, encounter several handicaps that tend to limit the efficient performance of their responsibilities.

As noted by UN-HABITAT Global Activities Report (2015), some of the major challenges are as follows:

1. Majority of the local governments in the African increasingly encounter heavier challenges because of rapid and chaotic urbanization and the effects of frequent natural disasters caused by climate changes.
2. Quite often, financial management at local level lacks both the technological infrastructure and capacity, just as the windows for generating revenue are usually constrained by either insufficient regulatory frameworks or political structures that are disadvantageous.
3. Lagging government spending equally hampers urban efficiency and local government economic activity. Such situation brings about some vicious cycle of shortfalls in the budget as well as stagnation in the economy.
4. The huge gap that continues to exist and widen between the financial resources that are available and the expenditure needs of the local governments. The reason for the increase in fiscal gap is caused by the rapid growth of urban populations that creates some increasing request for new infrastructure and its maintenance.
5. Majority of local governments in Africa rely essentially on government transfers. Less revenue is sourced collected from property taxation and service charges. The central governments usually take over the collection of the more lucrative sources of revenue which are potentially more suitable for financing urban areas.
6. Where local authorities are capable of collecting revenues from property taxes and service charges, reasonable tax increases are sometimes either not permitted or they are delayed by the central government out of the fear that political support from the citizenry might be eroded. Sometimes such meaningful increases in taxes are even rejected by the local governments themselves based on the fear that doing so might cause an abrupt and violent political reaction from local government tax payers.
7. In majority of African nations, huge vertical imbalance exists at the central government level with regard to sharing responsibilities and the fiscal resources available.
8. Both environmental and resource crises, increase in urbanization and growing backlogs of infrastructure demands are issues that are likely to significantly worsen the financial challenges that are encountered by local governments.
9. Lack of sufficient infrastructure for newly incorporated areas that relate to fast growth.

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10. The presence of crime and gangs in the urban areas which further complicates the improvement the provision of services in the local government areas.
11. The tendency by policy makers in large local authorities to target the policies that will satisfy the needs of certain groups while they are not much inclined to make public goods available to others.

PROGRAMS FOR STRENGTHENING LOCAL TAXATION IN COUNTRIES WITH LOW INCOME

The Local Government Revenue Initiative (LoGRI), an initiative that is an arm of the International Center for Tax and Development (ICTD), is a leading global policy research network that is dedicated to improving the quality of tax policy as well as administration in the lower –income nations (Munk School, 2015). The group's objective is to improve the lives of humans by assisting local governments to generate the finances that they need to generate to enable them to improve local services and strengthen local governance. LoGRI recognizes that property taxes are in practice the major taxes least effectively collected in the lower-income countries. This situation is attributed to significant barriers inherent, such as incomplete property tax rolls, inconsistent ways of valuing properties, and mistrust and low tax compliance taxpayers. For this reason, LoGRI focuses particularly on supporting stronger property taxes that can make available the stable source of income which cities require for providing key services like sanitation, critical small-scale infrastructure and environmental services.

LoGRI put up a program aimed at partnering with governments in order to improve revenue collection, governance and public services in low-income countries (Munk School, 2022). Munk School (2022) explains this research initiative as an attempt to ameliorate publice services and governance in lower-income countries through more effective local taxation. According to Munk School (2022), LOGRI has been able to attract over 4 million dollars from a number of funders such as the Bill& Melinda Gates Foundation and the French Ministry of Economics, Finance and Recovery LoGRI is reported to be developing research and tools that are policy-relevant to help local governments in the sub-Saharan Africa to generate more local revenue in a more equitable and fair manner and in ways that would promote trust, transparency and accountability.

RECOMMENDED APPROACHES FOR ADDRESSING THE CHALLENGES OF LOCAL GOVERNMENT FINANCE IN AFRICA

This work recommends as follows:

1. A mechanism should be put in place for promoting transparency and accountability at every tier of government.
2. Particularly at the local government level, civil society organizations should be reoriented and empowered to hold elected officials accountable.
3. It is necessary to put in place some institutional arrangements with relevant legal and policy frameworks that will support decentralization of powers and duties to the lower levels of government which would be essential for effective local government financing.
4. Local government financing activities should be made to incorporate equity considerations of resource allocation.
5. Just as Martinez & Smoke (2011) warned, many aspects of fiscal systems must be put in place which will meet certain fundamental principles before local governments can perform effectively and efficiently. These aspects include the assignment of expenditure and management, local autonomous revenues, intergovernmental transfers that are properly structured, and, where appropriate, access to borrowing and other alternatives which will help in mobilizing resources for development expenditures.

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6. Local governments need to introduce more responsive and accountable practices of governance and ensure that public services are provided. If they do so, they would be enabled to address vertical fiscal imbalances and reasonably ensure that public services are efficiently and equitably delivered.
7. In order to ensure that the fiscal future is viable and responsible, the local governments in Africa should ensure efficient utilization of the critical sources of revenue and non-tax revenue that they collect through user charges and fees.
8. It necessary for the own revenues of the local governments to be adequate because it is only that that will guarantee an improved ability of the local governments to provide essential goods and services and reasonably accountable to their constituents. The own revenues of local governments ought to be complimented by intergovernmental transfers so as to address the gaps between expenditure needs and fiscal capacity across sub-national governments.

THE OUTLOOK AND WAY FORWARD FOR AFRICAN COUNTRIES

More than ever before, local governments are now regarded as important. They are currently granted autonomy in many countries around the Globe more than was the case before. Also, a lot more achievements are being expected from them now (Martinez & Smoke, 2011). Because this is happening in a challenging global environment with high level of urbanization, demographic shifts, climate change, and increasing risk, Martinez & Smoke (2011) consider it proper to devote more attention towards developing the fiscal architecture that constitutes a base for good local government performance. As reported in Martinez & Smoke (2011), some reasonable progress has taken place on many ways in many countries. However, there are still major deficiencies and hicops in many cases. This is not only as regards the elements of the fiscal system that are required to exist but also as regards the capacity of local governments to function effectively. Martinez & Smoke (2011) foresee serious dangers of social and economic decline in the more advanced economies. They anticipate a failure to meet important and increasingly urgent needs in developing countries, including poverty reduction targets and the Millennium Development Goals, if these challenges are not are confronted head on. Although a lot of peculiarities and diversity is enormous across countries, some challenges are shared in common.

For instance, clarity functional assignment in principle and practice is a problem in many developing nations, while unfunded mandates are more generalized problems. There is an urgent need in many countries to reassess the structure of local taxes and the extent of autonomy that local governments possess in defining and using them. In a number of instances, there might be some necessity to advance beyond traditional local revenue bases and to look for more appropriate distribution of transferred and own-source resources between central and local governments as well as among local governments in the context of the emergence of new tiers and new units at particular levels. As investment requirements grow, there will arise the necessity to expand local government access to capital increasingly through market-oriented and non-traditional methods. According to Martinez & Smoke (2011), it is also essential to develop more innovative methods for obtaining resources and delivering services. This will be done through new and expanded types of partnership with different actors (private sector and civil society). Martinez and Smoke advise all the countries in the world to make frantic efforts to improve their local government systems and not to forget some daunting short-term and longer-term challenges.

Nations encounter longer term challenges which cut in all tiers of government. Some of the problems are capable of having significant implications for local governments owing to the increasing role that local governments play as they provide social services, environmental control, etc. Some of the problems are common (global warming, energy crisis, etc.). However,

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others differ by region. For example, rapidly increasing urbanization, particularly in several developing countries in Africa, Asia, and Latin America, now creates complex demands with respect to the provision of public services and infrastructure, at a time when local governments in several countries in these regions lack the required authority and autonomy to meet those demands. In addition, too often, those local governments are unable to defray the operating costs of existing services, let alone taking care of the amounts involved in providing the substantial additional investments required. Martinez & Smoke (2011) reiterate some fundamental points regarding the approach to reform thus:

1. Each country is unique. Consequently, it is necessary to tailor the basic principles for reform to the economic, political, fiscal and realities of individual countries.
2. Consultation and collaboration among the different tiers of government and other actors are likely to be critical as the efforts to make the local government finance systems stronger advance each actor has an essential role to play but no particular actor can singularly do all that needs to be done.
3. While noting that political actors are important and that infeasible political reforms should not be embarked upon, it is also critical to make decisions concerning reform based on good information.
4. There is considerable value added from regional and global cooperation, sharing experiences, and learning by doing in pursuing local finance reform.

CONCLUSION

Local government authorities in Africa have responsibilities that mostly have to do with the welfare and living standards of large segments of country's population, especially the part of the population living in the rural areas. The fiscal autonomy of local governments in Africa has been severely compromised. Combined with other institutional and structural problems, these have rendered local governments functionally impotent in connection with revenue generation and effective service delivery. This study employed exploratory research design to examine how local government taxation and financial management are carried out in Africa. Specifically, the study attempted to highlight the important issues surrounding domestic revenue mobilization and tax administration in African local governments requiring greater attention, identify the critical challenges, suggest recommended approaches as well as the way forward. The findings of the study showed that the local governments in African countries collect adequate funds for carrying out their constitutional responsibilities. This situation arises partly due to lack of effective fiscal decentralization in majority of African countries. Also, it was found that some local governments in African countries are often tempted to collect whatever taxes, fees, and charges that are within their capacity, often without being much perturbed concerning the economic distortions and distribution effects that those instruments could create. Moreover, the methods adopted by the local governments for tax collection are hardly equitable and fair; they neither encourage trust nor promote transparency and accountability. Further, it was observed that co-ordination is virtually absent among the tiers of government in most African countries as regards tax collection. This work perceives the increased necessity to improve tax administration and financial management in the African local government system through some reforms. That is expected to enable them provide good public services and strengthen governance at the grass-root level.

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