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DEPARTMENT OF BUSINESS STUDIES

**AN EVALUATION OF THE PROCESS OF FISCAL
DECENTRALISATION TO THE LOCAL GOVERNMENT OF
CAMEROON: CASE OF SELECTED COUNCILS IN THE SOUTH WEST
REGION**

A Thesis Submitted to the Department of Business Studies, in Partial
Fulfilment of the Requirements for the Award of a Master of Science
(M.Sc) degree in Accounting and Finance

By

**SIRRI AWASOM FRU
PAIDWA00103**

Supervisor
UWEM ESSIA (PhD)

BUEA, AUGUST 2016

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Matriculation Number of Student: PAIDWA00103

Title of the Thesis: An Evaluation of The Process of Fiscal Decentralisation to the Local Government Of Cameroon: Case of Selected Councils In The South West Region

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Signature of Student Submitting Thesis:.....

DEDICATION


This dissertation is dedicated to my Parents Professor Awasom Nicodemus Fru and Mrs. Awasom Susan.

CERTIFICATION

I, **Sirri Awasom Fru (PAIDWA00103)** hereby certify that I am the sole author of this dissertation titled **“An evaluation of the process of fiscal decentralisation to the local government of Cameroon: Case of selected Councils in the South West Region,”** and all sources of information used for this work have been acknowledged. This work was done with the counselling of my supervisor and that no part of this thesis has been published or submitted for publication.

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Supervisor



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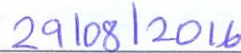
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I declare that this dissertation titled "An evaluation of the process of fiscal decentralisation to the local government of Cameroon: Case of selected Councils in the South West Region," is my work and that all sources of material used in the herein have been duly acknowledged. This dissertation has been submitted in partial fulfilment of a Master of Science degree in Accounting and Finance at PAID-WA Buea and is deposited at the Institutions library for it to be made available to the borrowers under the rules of the library.

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Sirri Awasom Fru
Student



Date



Dr. Uwem Essia
Supervisor



Date

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ABSTRACT

Many developing countries have embraced fiscal decentralisation as a reform agenda. This study evaluates Cameroon's experience of fiscal decentralisation; difficulties encountered and suggest how to ameliorate the process. The study covered a five year period 2009 to 2013. Data was obtained through key informant interviews and desktop review of related published and unpublished works. A total of 14 key informant interviews were conducted with council staff, mayors and government officials involved in the decentralisation process. The study found out that fiscal decentralisation is fraught with difficulties such as ambiguities in the legal framework, inadequate revenues for local governments, budgeting and accounting constraints, and poor fiscal coordination from the central government. On the bases of the findings, the study made some recommendations, among which was the setting up of a well monitored framework for tracking fiscal operations in council and training of the personnel concerned.

Keywords: *Fiscal decentralisation, Revenue assignment, intergovernmental transfers.*

RESUME

De nombreux pays en développement ont adopté la décentralisation fiscale comme un programme de réforme. Cette étude évalue l'expérience du Cameroun de la décentralisation fiscale, les difficultés rencontrées et suggère comment améliorer le processus. L'étude a porté sur une période de cinq ans de 2009 à 2013. Les données ont été obtenues au moyen d'entretiens auprès d'informateurs clés et l'examen des œuvres publiées et non publiées connexes. Un total de 14 entretiens avec des informateurs clés ont été menés avec les personnels communes, des maires et des responsables gouvernementaux impliqués dans le processus de décentralisation. L'étude a révélé que la décentralisation fiscale se heurte à des difficultés telles que les ambiguïtés du cadre juridique, des revenus pour les gouvernements locaux, des contraintes budgétaires et comptables, et une mauvaise coordination fiscale du gouvernement central inadéquats. Sur les bases des conclusions, l'étude a fait des recommandations, parmi les quels ce qui était la mise en place d'un cadre de suivi pour le suivi de l'opération financière des communes et de la formation du personnel concerné.

Mots-clés: décentralisation fiscale, affectation des recettes, les transferts intergouvernementaux.

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ACRONYMS AND ABBREVIATIONS

ACT:	Additional Council Taxes
CDI:	Local Divisional Tax Centre
CEFAM:	Local Government Training Centre
CFAF	CFA Franc
CIT:	Corporate Income Tax
DGI:	Directorate of taxation
FEICOM:	Mutual Support Fund for Local Councils
GDP:	Gross Domestic Product
GFMS:	Government Financial Management Information System
IGR:	Internally Generated Revenue
IMF:	International Monetary Fund
LGs:	Local Governments
MINATD:	Ministry of Territorial Administration and Decentralisation
MINFI:	Ministry of Finance
MT:	Municipal Treasurer
PNDP:	National Programme for Community-based Development

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

According to White (2011), decentralisation in its multi-facets, is a major feature of the global geopolitical landscape. According to the author, this widely lauded and often complicated process has been at the fore of political and academic discourse as far back as the 1950s in the developed world. Initiatives involving the transfer of responsibilities from central to local government with the objective of improving efficiency and accountability in public sector management, large-scale decentralisation only took centre stage in developing countries in the 1980s following the Structural Adjustment Programmes (Ribot, 2002). This neoliberal construct was marketed by its proponent, particularly the Bretton Woods Institution as a panacea for ineffective and inefficient governance, macroeconomic instability, and inadequate economic growth (Bird et al. 2002; Kee, 2003; White, 2011). By conviction or coercion, many African countries embarked on the decentralisation bandwagon as a means to reinforce the role of regional and local government in development (World Bank, 1996). These hitherto centralized governments have initiated to varying degree some reform agenda with the aim of transferring some powers, responsibilities and resources to regional governments and local authorities (Cheka, 2007). Cameroon is one of those countries.

Evidence of decentralisation dates as far back as 1922 with the British Cameroon and 1955 in the French Cameroon (Cheka, 2007; Edou, undated). However, large scale sweeping reforms took place in the 1980s and 1990s. The ongoing process of decentralisation draws its powers from Law No. 96/06 of 18 January 1996. Specifically, Article 55 postulates that the decentralized local entities of the Republic shall be Regions and the Councils. The Law recognizes the councils as legal entities that should enjoy administrative and financial autonomy, and be freely administered for the interest of the people by their elected representatives.

The trio decentralisation laws of 2004 marked another turning point by mapping more financial horizons for the councils in Cameroon. It allowed for the gradual promulgation

of an autonomous financial regime and fiscal system for collectivities. This became a reality after five years of progressive implementation of decentralisation machinery in Cameroon. However, World Bank (2012) notes that, to date, devolution of central power to departmental units of line ministries (i.e., de - concentration) has dominated over decentralisation from the line ministries to councils. Much of the benefits associated with fiscal decentralisation are yet to be realised.

The standard objectives for operations include; better representation of local preferences, tailoring service delivery to local conditions, and development of democratic institutions and oversight bodies at the grass root. These should generate better governance and eliminate corruption, and at the same time attract external support from multilateral agencies and bilateral donors (World Bank, 2003).

Financial responsibility is a core component of decentralisation. If local governments are to carry out functions properly, they must have sufficient level of revenues (raised locally or transferred from the central government), as well as the authority to make decisions about expenditures. To that end, fiscal decentralisation in Cameroon was concretized in 2009 and 2010 with an autonomous financial regime and a taxation system for councils, preceded by the first generation of resources transferred to councils in Cameroon. This commenced five years ago, yet councils' activities are still constrained by inadequate funds. Hence the need to evaluate how, fiscal decentralisation is contributing to effective local governance. The fundamental question here is whether the ongoing decentralisation is helping or hurting local council management, and how the process of fiscal decentralisation can be improved towards this.

1.2. Statement of the Problem

Financial constraints on local authorities and limited abilities of the performers and beneficiaries of devolved powers impede the decentralisation process. World Bank (2012) indicates that councils face challenges with implementing decentralisation. The biggest challenges include low internally generated revenue (IGR) and self-financing, and slow transfer of competencies. Additionally, the legal framework specifying

objectives, strategy and implementation rules are poorly defined, and the required capacity (human and material) to effectively manage the resources are limited.

These problems are compounded by weak capacity for budgeting and timely rendering of accounts. Besides, the councils still lack clearly defined expenditure responsibilities, a significant amount of taxing powers, budget making autonomy, and the capacity to implement resources transparently and realistically. The system is still unable to make the local councils live within their means, and the citizens to hold the elected council officials accountable for hard choices that they make. The activities of councils are still directed by the central government in a manner that may compromise the goals of decentralisation, and the fiscal resources transferred to the councils remains questionable with regards to their autonomy over financial issues

This suggests a number of questions as to how the process can be rendered more satisfactory: what challenges constrain the ongoing fiscal decentralisation process in Cameroon? How can the process be made more result oriented, such that the goal of making the councils become the foundation for grass root development is achieved with economy of effort and time.

This and similar questions remain largely unanswered in the current literature on fiscal decentralisation in Cameroon. This paucity of answers is even more acute in the South West region. This study, therefore, is an attempt to respond to these questions.

1.3. Objectives of the Study

1.3.1. Main Objective

The study has as main objective to evaluate the implementation of fiscal decentralisation for local Councils in Cameroon.

1.3.2. Specific Objectives

The specific objectives are;

- To examine the fiscal assignments, intergovernmental transfers and the legislations relating to decentralisation process in Cameroon.
- To determine the internal revenue generation capacity of the local councils.
- To evaluate the budgeting and accounting for fiscal transfers to council.

1.4. Research Questions

The following research questions are pertinent to carry out this study successfully:

- What are the fiscal assignments, expenditure responsibilities, intergovernmental transfers and the legislations relating to fiscal decentralisation?
- What is the internally generated revenue capacity of local councils in Cameroon?
- What are the budgeting and accounting issues in fiscal decentralisation?

1.5. Scope of Study

This research examines the implementation of fiscal decentralisation within five financial years beginning from 2009 to 2013. The fiscal assignments, budgeting and accounting procedures of selected Councils in the South West Region of Cameroon explored.

1.6. Significance of the Study

By addressing the above research questions, evaluating the practice and highlighting the challenges encountered, the researcher hopes to:

- Arm finance professionals in the public sector and stakeholders with appropriate background to appreciate fiscal decentralisation in local government institutions.
- Provide recommendations to government officials and other stakeholders on how to improve the design and implementation of fiscal decentralisation systems.
- Add value to the broad base of scientific knowledge curled from research findings in a Less Developing Country (LDC) like Cameroon, engaged in policy formulation processes and reforms through the decentralisation machinery.

1.7 Organization of the Study

This work is done in five different chapters. - Chapters one gives a background and introduces methodological issues of this research. Chapter two is a review of related theories and literature used within this work, gaps in the literature, and how the gaps identified would be filled. Chapter three focuses on in-depth methodological works, with emphasis on data collection techniques for both primary and secondary sources regarding the transfer and accounting for fiscal resources. Chapter four presents the findings, analyzes the data and presents results. Chapter five provides a summary of the findings, conclusion, and recommendations. Areas for further studies are also recommended.

1.8 Definition of Terms

For the purpose of understanding and clarity, this section attempts to define some peculiar terms used in this research work.

a) Decentralisation

This is broadly defined to include the transfer of authority from central to local governments and the control arrangements that relocate responsibilities away from the centre. Decentralisation can be visualized as “the transfer of authority or power on a geographic basis. This can take the form of de-concentration of administrative power to lower units of the same capacity or by political devolution of authority to local government units or by delegation to appropriate statutory bodies” (United Nations, 1996). Different forms of decentralisation exist, but this study focuses on fiscal decentralisation.

b) Fiscal Decentralisation

Fiscal decentralisation can be defined as the process of transferring budgetary authority from central government to elected sub-national governments in order to grant them power to make decisions regarding taxes and expenses. (Bahl & Roy, 2008). Fiscal decentralisation requires a level of resource reallocation to local government to enable them to function appropriately and finance allocated service delivery responsibility, with arrangements for resource allocation usually negotiated between local and central

authorities. The fiscal decentralisation policy would typically also address such issues as assignment of local taxes and revenue sharing through local taxation and user and market fees (Olsen, 2007).

c) De – concentration

De – concentration is a method of administrative organization by which staff and duties are spread within the same legal entity, from the central government to external services (PADDL/MINATD, 2013). This term contrast concentration which is an administrative system where decision-making power is at the helm of the state. De concentration aims to decongest the central services and speed up decision-making at local, as illustrated in this say by Odile Barrot “it is the same hammer that strikes, but we shortened the handle.” De-concentration is a system where power is delegated to lower levels without any corporate personality within the central government, whereas decentralisation powers are devolved upon local authorities endowed with legal status.

d) Local Governance

Originally the word governance comes for the Greek word “kybernetes” meaning to “pilot” a ship. Governance thus implies the steering and use of any mechanism to ensure consistent and transparent management of the society. Therefore, governance is a set of rules, procedures and of decision making – organs that determine the proper functioning of a State, a public institution, or a private structure (PADDL/MINATD, 2013). Hence, governance refers to new methods of management based on multi-stakeholder partnership and consultation. As a result of political governance, local governance relates to a set of coordinated interactions that involve many stakeholders; actions no longer refers to decisions taken by an autocratic authority – local or national but includes contributions by nongovernmental actors in the decision-making process. Consequently, local governance and decentralisation can be assumed to be concepts that often go hand in glove, but can be distinguished from one another. Decentralisation stands as a local governance tool in the sense that the two concepts have the following similar goals:

- Building local actors capacities to ensure that development policies are well balanced all over the national territory;

- Promoting local democracy by involving citizens in the management of local affairs;
- Giving priority to the local echelon to address people’s needs and improve their living standard.

e) Regional and Local Authorities (RLAs)

Local authorities are political and administrative authorities in Cameroon decentralized unitary State. As territorial units (constituencies in the geographical sense of the term), they are autonomous, decentralized, mostly participatory, and contribute to the implementation of regional development policies and management of public affairs. They are the framework for mobilization and people’s participation, to (or “intending to”) promote social, economic and cultural development. Local authorities, by the Constitution and the Law, were provided with powers whose exercise may be appealed to court, notably in relation to civil responsibility (PADDL/MINATD, 2013).

f) Unitary state

A unitary state is a state where all citizens are under the rule of one and the same power (PADDL/MINATD, 2013). It is the most widespread form of State all over the world. Conventionally, a unitary State contrasts with a federal State which is made up of federated entities and where sovereignty is shared between them and the central State. A unitary state can be centralized, decentralized or regionalized. In a Unitary State the state machinery only has full legal and political jurisdiction over the territory. In theory, the unitary State is centralized. Public services and sub – sovereign public authorities are directly managed from the capital. Therefore in a decentralized unitary state, responsibilities are devolved upon autonomous local communities, subject to State supervision.

g) Expenditure Responsibilities of Government

Assigning expenditure responsibilities refer to the distribution of functions among the different levels of government (de concentrated and decentralized entities). Financing should follow functions; it is important to define the assignment of expenditure

responsibilities clearly to enhance accountability (who is responsible for what), also to avoid duplication of authority and legal challenges (Feruglio & Anderson, Undated). A precise definition of the role of the public sector should, therefore, be established before expenditure responsibilities are assigned.

h) Revenue Assignments

This refers to the distribution of financial resources among different levels of government (Feruglio & Anderson, 2008). Revenues assignment is an important issue because it ensures sub – national autonomy, promotes accountability and ownership, realizes decentralisation efficiency gains and facilitates cash flow management.

i) Intergovernmental Transfers

The intergovernmental fiscal transfers refer to the transfer of finances from the central government to lower government levels (Feruglio & Anderson, 2008). The design for intergovernmental transfers is important because generally, the revenue never matches the expenditure needs, so intergovernmental transfers are often necessary to assure revenue adequacy. Transfers may take different forms depending on the purpose for which they are used. The forms of intergovernmental transfers include:

- General purpose unconditional transfers (transfers provided as a general budget support)
- Specific Purpose or conditional transfers (transfers provide to undertake specific activities)
- Revenue sharing (this is considered as transfers because the local government has no control on the tax base or the tax rate)

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Literature Review

2.1.1. Fiscal Decentralisation as a Reform Agenda

The devolution of spending and taxing powers to the local or lower levels of government has become a serious problem of governance in many developing countries in recent years (Devas, Crook and Manor, 1998; World Bank 1999). As a consequence, much dissatisfaction has been expressed with the effects of centralised economic planning. Reformers have turned to decentralisation to break the grip of central government and induce broader participation in democratic governance (Olowu, 2000). Being closer to the community, local authorities can quickly identify people's needs, and thus supply the appropriate level of public services (Enemuo, 2000). In turn, it is argued that communities are willing to pay local taxes where the amounts they contribute can be directly related to the services received (Livingstone and Charlton, 1998). The proponents of fiscal decentralisation argue that within this context, the level of tax revenue may increase without extreme public dissatisfaction. This approach as well as the results of decentralisation has varied widely between countries.

According to Smoke and Lewis (1996:1281), the limited success or failure is attributed to two main factors. Firstly, the decentralisation process has been resisted or undermined by central government institutions fearful of losing power and control. Secondly, many initiatives have been donor driven, over-ambitious, and not considering the complex institutional realities that govern the extent and the pace at which decentralisation can occur in a distinct country. Oates (1998) argues that the case for decentralisation has often been made in a very general way with little systematic empirical support. The argument for decentralisation has provoked a response from some observers who assert that the case for fiscal decentralisation is much overstated (Prud'homme, 1995). Kee (2003) concludes that fiscal decentralisation provides promise for those nations wishing

to encourage their sub-national governments to assume additional roles and responsibilities.

2.1.2 Evolution of Fiscal Decentralisation in Cameroon

The colonial heritage of fiscal decentralisation in Cameroon was experienced as early as 1992 with the British Cameroon indirect rule policy. The British colonial Native Authorities had the right to legislate and levy taxes under the control of District Officers. The French-speaking Cameroon later followed with the introduction of mixed councils in which the Mayor was appointed, and the Municipal Councillors elected. By 1955 decentralisation was institutionalized in the French-speaking Cameroon with two types of councils. These councils were legally distinguished as “Commune de plein exercice” (CPE) where the elected Municipal Councillors elected from within their Mayor and his Assistants; and “Commune de moyen exercice” (CME) whose Mayor and Assistants were appointed (Edou, Undated). The existence of councils with a deliberating body of councillors over budgetary and fiscal issues was evident during the colonial period.

The making of the 1972 constitution led to the unification of Cameroon and the standardization of the legislation of the former West Cameroon with East Cameroon, the council was defined as a decentralized local government, a legal person established to cater for public interest with legal personality and financial autonomy. With this background, more laws reinforcing the organization of councils 1974; the power of supervision over councils and municipal institutions 1977; conditions for the election of municipal councillors 1992; and a harmonized budget nomenclature for councils 1998, all underpinning perspectives in the fiscal decentralisation processes in Cameroon (See Appendix 2).

The 1996 constitution which is a revision of that of 1972, reiterates the administrative and financial autonomy of decentralized collectivities in Cameroon. This constitution introduced decentralisation as part of a democratic reform agenda reorganizing two other levels of government being local councils and region (GIZ, 2012). It equally conferred deliberating powers to the municipal council to ensure the economic, social, hygiene,

educational, sports and cultural development of regional and local authorities. In the implementation of these constitutional provisions, three important laws were passed in 2004, including the law on the orientation of decentralisation, which expands on the objectives, stakes, strategies, tools and the actors of decentralisation in Cameroon.

With cognizance of the fact that Councils were still dependent on the financial regime of the state, their supposed financial autonomy notwithstanding, the 2004 trio decentralisation laws announce the subsequent promulgation of financial and fiscal laws specific to councils. This became a reality in 2009, July for the financial regime of councils and December for the fiscal system. These legal provisions threw more light on fiscal issues with regards to budget revenue sources and spending assignments, as well as taxation distribution and taxation assignments. Shortly after these, the design of transfers of competencies with commensurate resources from the state to local collectivities became the next prerogative in the decentralisation machinery. The first and second generation of laws transferring more powers with corresponding resources endowed to councils, involving 17 ministries in 20 prime ministerial decrees, was enacted in 2010 and 2011 respectively. The harmonized budget nomenclature of 1998 for councils was consequently revised in 2010 to incorporate new items into the budget arising from the new decentralized resources earmarked in 2010 first generation of transferred resources.

2.1.3 Levers of fiscal decentralisation

According to Roy and Lin (2008), every fiscal decentralisation process must consider three pillars: fiscal or revenue assignment, inter-governmental transfers and expenditure responsibility.

2.1.3.1 Fiscal or revenue assignment

According to Roy (2008), fiscal or revenue assignment refers to the division of taxing powers among levels of government. He further argued that a properly structured revenue assignment system will make it clear which level of government is authorized to levy which taxes, and will specify the discretion that each level will have in collecting and administering the taxes.

Following the distinction of Musgrave (1959), the government has to perform three main tasks: provide public goods and correct the external effects of private economic behaviour; redistribute income to equalize income distribution, and stabilise the economic process to reduce business cycle fluctuations. The solution usually proposed is that redistribution and stabilization should be performed at a national level whereas, according to the “correspondence principle” stated by Oates (1972), the provision of public goods should be carried out at the lowest governmental level. This allows an approximate correspondence between those who benefit from their rule, those who pay, and those who decide on the amount provided. While the correspondence principle is accepted and is applied to the relation between national and supra-national governmental levels (e.g. to account for the existence of international public goods), the Swiss example shows that, under certain conditions, redistribution can also be successfully performed at the state (cantonal) level.

In Nigeria, the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) was established in 1999 to among other things to ensure the tax sharing powers between the various tiers of government (Arowolo, 2011). According to the latter, in 2001, this body made a draft proposal with this sharing method, the Federal Government took 41.3%, state governments had 31%, the local government received 16% and the special fund had 11.7%. This particular proposal however was nipped in the bud following the Supreme Court pronouncement on resource control in April 2002. By the year 2008, the fiscal body had a new plan for revenue sharing table before the National Assembly. It had proposed 53.69% for the federal government.

2.1.2 Intergovernmental Fiscal Transfers

The practice of fiscal decentralisation cannot do away with a structure that addresses the underlying problem of allocating expenditure and revenue responsibilities between levels of government, known as Intergovernmental fiscal relations (Porcelli, 2009). For instance, Bahl and Linn (1992: 82) argue that, the central government, if it deems necessary, can allow regional and local authorities play a larger role in regional policy

and yet still maintain control of the pattern of expenditure by making intergovernmental grants to regional and local authorities.

According to Musgrave (1983), local public functions should be financed by user charges and local taxes, especially by property taxes and consumption taxes. Equally, income taxes should accrue to the central government.

This division of revenues, however, implies that lower levels of government can end up with greater expenditure responsibilities than can be supported from their funds. Therefore, intergovernmental grants are necessary to close the revenue gap, and as a consequence funding system of sub-national government should be based on two main pillars: Firstly own tax revenues and secondly intergovernmental grants. Their correct mix is a big issue in the fiscal federalism/decentralisation literature: some argue that grants are essential to ensure an efficient and equitable system, while others advocate against this transfer. Although most of the literature agrees, however, that grants can be justified only from the efficiency point of view to compensate the sub-national government for benefit spill-overs, in practice most countries have a system of grants intended to equalise some concept of fiscal capacity (Bird, 1986).

In fact, according to Oates (1998), grants have two primary functions:

- 1) the internalization of spill-over benefits to other jurisdictions, and
- 2) Fiscal equalization across jurisdictions.

Accordingly, they can assume two general forms which are conditional grants in the form of matching grants whose magnitude should reflect the extent of the spill-overs; and unconditional grants in the form of revenue sharing that are the appropriate rationale for fiscal equalization purposes.

2.1.3 Expenditure Responsibilities of Governments

World Bank (2003) and Bahl & Linn (1983) have raised arguments along the lines of what the local government should do. These arguments dwelled on the grounds of

efficiency and states that, for efficiency reasons, governments should distinguish between services based on some characteristics. These components consist of:

- (i) Pure public goods, financed by user charges, and
- (ii) Externalities – funded by inter-governmental transfers.

Gandhi (1983) puts a challenge to this simplified classification of services. Gandhi argues the simplification of the classification has resulted in conflicts in its application. For example, clean water supply can be a public utility which has significant externalities. The public utility includes services like national defense, mosquito abatement, pollution control, disease control, etc. The common characteristics of these services are that once they are made available, separation of those who have paid from those who have not paid is impossible, and any number of people can consume the same good at the same time without diminishing the amount of goods available for anyone else to consume.

2.1.4. Financial Ratios in accessing Financial performance for Municipalities

According to Sinnet (2014), a set of financial ratios could be used to obtain the financial performance of local governments. These ratios cover aspects of internally generated revenue, local financial autonomy, and key initiatives to improve the mobilization of local resources. Some indicators used in calculating of these financial ratios include:

- Self-collected revenues: revenues collected by the council. This includes revenues from properties and services (chapter 72 of revenue budget) and self-collected tax proceeds (Article 713 of revenue budget);
- Owned revenues: they are revenues from the overall revenue capacity of the municipality. It includes council revenues collected itself through its services and tax proceeds collected by State tax services from taxpayers of the municipality (articles 710 and 711) and paid back to the council.
- Tax transfers: they are transfers of taxes, royalties, and rebates transferred to councils by the State (Additional council tax, local development tax, forest royalties and automobile Stamp duty). These are stable resources, and their process of calculation is precisely known;

- Stable resources are the total of owned revenues and tax transfers, which collection modalities are known and steady.
- Personnel expenses: These are all the expenditures recorded in chapter 62 of budgetary nomenclature;
- Administrative costs: personnel expenses and other charges incurred in consumption of various materials and supplies, transport, different services and functioning of various council committees;
- Financial interventions: recurrent costs incurred for the local community such as road maintenance, subsidies to schools and social centres, etc.
- The self-financing: it is the capacity of the council to auto-generate funds for financing its investment costs. It is the difference between recurrent revenues collected and recurrent expenditures paid. The evaluation of this self-financing is necessary as most financial partners require some available self-funding from councils that vary from 10% to 25% of the total cost of projects before any intervention.
- Self-administration capacity: it is the ability of the council to cover its administrative expenses (personnel expenses and other administrative costs); it is calculated as the owned revenues divided by the amount of administrative expenses. It is necessary that this ratio is > 1 , to ensure that the council running costs is financed by resources generated from its financial capacity that flow at least on a monthly basis. For more appraisals, this ratio is also calculated with self-collected revenues and with stable recurrent revenues.

The staff cost coverage capacity: This is the self-collected revenues over the personnel expenses. It expresses ability of the council to cover personnel costs from its self-collected revenues. It is necessary that this ratio is > 1 to ensure that the staff is paid with auto-generated revenues. For more appraisals, this ratio is also calculated with own-revenues and with stable recurrent revenue.

2.2. Theoretical Framework

Fiscal decentralisation is a two-dimensional policy institution that involves either decentralisation of a tax instrument when local governments have the power to raise

taxes, or decentralisation of expenditures when local governments bear the responsibility for implementing expenditure functions (Porcelli, 2009). Below is a review of various theories on the subject.

2.2.1 Fiscal Decentralisation and the Theory of Allocative Efficiency

Within the field of economics, the early contributions tend to provide a positive picture of fiscal decentralisation by emphasizing on its allocative superiority. Tiebout (1956) argues that if citizens are perfectly mobile, and an infinite number of jurisdictions exist, then each citizen can sort himself into the jurisdictions with the most preferred tax and public goods bundle. Oates (2005) develops the closely related decentralisation theorem. This famous theory states that decentralized countries can match the preferences of heterogeneous citizens better than centralized regimes.

Another potential advantage of decentralisation is that the incentives of sub national politicians and tax administrators to collect taxes are improved. Since the pool to which tax collections becomes smaller if the fiscal authority is devolved, the benefit principle of taxation is strengthened. As a result, resistance to taxation, either formally through political and legal channels or informally through tax evasion, will be lower. Due to the increased transparency of public budgets, decentralisation might also enhance the accountability of politicians, force them to spend and tax efficiently (Bahl, 1999). Again, there are certain prerequisites for this mechanism to work. Most important, the budgets of the various tiers of government are separated from each other. Hence, tax sharing arrangements, intergovernmental transfers, and horizontal equalization schemes might distort the incentives of policy makers, and lead to a worse outcome than centralization.

2.2.2. Fiscal Decentralisation and the Theory of Revenue Assignment

There is no accepted framework globally on revenue assignment between different levels of government. The various countries practice different systems in its assignment between different levels of government. The theory of revenue assignment, according to Bordignon and Ambrosanro (2006), is concerned with the optimal resolution of the vertical structure of taxation and tries to answer questions such as which level of

government should to be impose what taxes and at what level? And which one should define both the tax base and the tax rates? Finally, it also includes which one should enforce and administer the various tax tools. Furthermore, the authors identify two broad extreme arguments on the development of revenue assignment for the various levels of government. These are the traditional normative approach and the public choice approach. The Traditional Normative Approach was the first ever argument and was developed and championed by early writers such as Musgrave and Oates. The theory identifies three distinct fiscal functions of every government. These are resource allocation, income redistribution and macroeconomic stabilization (Musgrave, 1983). To share the three functions, Musgrave (1983) and Oates (1999) argue favouring the central government to be in charge of the role of income redistribution and macroeconomic stabilization whereas the local governments handle the resource allocation fiscal function. The argument in support for the distribution above between the central and local government is that because of spill-over effects which would be hard to internalize at the local level, the responsibility. Income redistribution and macroeconomic stabilization should be allowed to central government, whereas resource allocation could is being performed by all levels of government including the local government. The basis for this argument was on the assumption that optimal revenue assignment is strictly related to the optimal normative assignment of expenditure functions to levels of governments.

2.2.5. The Theory of Fiscal Federalism

The key contributors to the theory of federalism focused on information difficulties, moral hazard, and free riding among the different levels of government. For instance Weingast (1995) places emphasis on the reliance on local authorities' sources of income for the finance of decentralized budgets. They also distinguish between hard versus soft budget constraints: whereby soft budget constraints are ignored by the local authorities on the assumption that a bailout by the central government is likely. This became recognized as the difficulty of "raiding the fiscal commons." Rodden (2003) developed these ideas by suggesting that it is not decentralisation that matters per se but what form it takes. A decentralisation process with local governments relying on their own resources should be

more efficient than a decentralisation based on transfers which could also lead to perverse forms of decentralisation.

2.3. Gaps identified in the literature and attempts to close the Gap

According to White (2011), even though substantial research has been done, empirical evidence about decentralisation continues to be ambiguous and at best inconclusive. She emphasizes that these ambiguities in decentralisation research stem from the multi-dimensional character of decentralisation and the varying contextual factors and is even more evident in the fiscal dimension of decentralisation i.e. how and in what way expenditures and revenues are organized between and across different levels of government in the national polity (Sagoe, 2012).

Decentralisation has attracted a lot of research interest in the African continent (Smoke, 2003; USAID, 2010). Notable studies include Steffensen and Tideman (2004) in Kenya, Uganda, and Tanzania, Juul (2006) in Senegal and USAID (2010) in Botswana, Burkina Faso Ethiopia, Ghana, Mali, Mozambique, Nigeria South Africa, Tanzania, and Uganda. However, most of these researches have focused on political decentralisation. Very few works have paid attention to the financial or fiscal dimension of decentralisation. In a bi-jurial and bilingual unitary state like Cameroon, where decentralisation is still in its nascent stage, researchers, civil society, and development practitioners are yet to understand the mechanism and practice of fiscal decentralisation in Cameroon. Empirical works on the mechanisms of revenue and expenditure assignment, intergovernmental transfers and the legislations governing decentralisation in Cameroon are sparse in current literature. Furthermore, very few studies have paid attention to the mechanisms by which the devolved arms of the government generate revenue. Finally, there are also numerous challenges that undermine budgeting and accounting for fiscal decentralisation issues. This paucity of empirical works is, even more pronounced in Anglophone Cameroon given that most statutory provisions are being published in the French language. Consequently, therefore attempts to bridge the gap by addressing the issues mentioned above.

CHAPTER THREE

METHODOLOGY OF THE STUDY

This chapter describes the research model, research design used in the study including strategies, instruments, data collection and analyses procedures, and measures for validating the findings.

3.1 Model Specification

To assess the realization rate this study adopted the following model, explicitly stated as;

$$R = \frac{B}{E} \times 100$$

Where R is the realization rate, B is the budgeted resource and E is the executed resource. A similar model was used by Gruenke (2014) in a study of collection realisation rates.

3.2 Description of Variables in the Model

3.2.1 Dependent Variable

In this model, the dependent variable is realization rate. It is a performance indicator that measures the budgeted level of resources to its level of implementation.

3.2.2 Independent variable

In this model, the independent or explanatory variables are Budgeted and Executed Resources. The budget is an economic plan of action in monetary terms within one financial year (January to December); meanwhile, the executed resource is the realization of these schemes in monetary units within one a fiscal year.

3.3 Study Design

The study made use of a case study research design. In evaluating the implementation of fiscal decentralisation in Cameroon, the study chose three councils (cases) in the Southwest region.

3. 3.1 Sampling Strategy and sample population

The study adopted a multi-stage sampling strategy. At the first stage, three out of the five sub-divisions that make Fako Division were randomly selected using balloting. The selected subdivisions were Buea Sub-division, Limbe Subdivision, and Idenau Sub-divisions. The Buea Council and the Idenau Councils were chosen for Buea Sub-division and Idenau sub-divisions respectively. Given that Limbe Subdivision is made up of three councils, namely Limbe I, Limbe II and Limbe III Councils, random selection using balloting was carried out. At the end of this exercise, the Limbe II Council was chosen.

Table 3.1: Selected Councils in Fako Divisions

Subdivision	Council
Buea Sub-division	Buea Council
Limbe Sub-division	Limbe II Council
Idenau Sub-division	Idenau Council

Source: Field Work 2015

The sample population of the study consisted of mayors, finance officers, and council treasury staff.

3.3.2 Data collection

Primary Data

The study employed primary data. This data was collected using an interview guide containing open-ended questions about knowledge about decentralisation. A total of 13 key informant interviews were conducted. This choice of data collection was chosen because according to Robson (1993) most people are willing to talk in interviews than the case would be if they were asked to write or fill forms.

Secondary Data

The study also employed secondary. Secondary data was obtained from journal articles, books, newspaper articles, website publication, unpublished and published thesis,

magazine, council financials reports, legislations on decentralisation, prime ministerial decrees and laws, administrative accounts and tax code among others using a desktop review.

3.4. Analytical Approach

The quantitative data obtained mostly from secondary sources was analyzed using descriptive statistics. The descriptive statistics used were counts and percentages. The data collected were analyzed utilizing Microsoft Excel 2013.

The data obtained from the key informant interviews were transcribed and content analyzed for similarities and differences in the response using content and thematic analysis procedures. Charts and Tables were used to enhance explanations.

3.5 Validation of the Results

To ensure the validation of the results some measures were taken geared at ensuring the reliability of the data collection instruments, the trustworthiness of the responses and appropriateness of the statistical procedures. Triangulations were carried out for the truthfulness of respondent's answers. That is crossed referenced questions were inserted into the interviews to check the veracity of respondents answers to previously responded to questions.

To ensure the reliability of interview guides field test were done before the study. At the end of this field test, irrelevant, vague and incorrect questions were either rephrased for clarity or discarded altogether.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

This chapter presents finding and data analysis based on the research objectives. In evaluating the process of fiscal decentralisation, this section presents the data collected from interviews on (see structured interview guide appended), the constraints involved as well as the defined responsibilities for the local council. To better understand the financing capacity of councils a close study of council management and administrative accounts (revenue and expenditure components) for three councils (Buea, Limbe II, and Idenau) in the Fako Division of the South West Region were analyzed. A presentation of findings is also done on the various budgeting and accounting issues arising from fiscal decentralisation process in Cameroon.

4.1. Presentation of findings

4.1.1 Question 1: What are the fiscal assignments, expenditure responsibilities, intergovernmental transfers and the legislations relating to fiscal decentralisation?

Fiscal Assignments and Intergovernmental Transfers

According to the law no. 2009/019 of 15 December 2009 on the local fiscal system, the council raises revenue through a number fees, levies, and taxes (See Appendix 3). Some of these taxes are elaborated in the General Tax Code and the financial regime of the state. Although some taxes applied are quite meaningful, the legislation does not appear to achieve “desirable” model, and appropriately sequenced to achieve the stated goals for fiscal decentralisation as we shall see below.

Council taxes collected by state services

According to the 2009 law on the fiscal system, Municipalities can decide the tax rates, within the legally specified brackets, for three taxes; these taxes include;

Business license, Liquor licenses (including for liquor); and the Discharge tax (formerly known as global tax) at source on activities (produits de l’impôt libusératoire), prohibits VAT, and activities under patents and licenses which are managed by the central tax administration.

The challenge faced with these taxes is that apart from the Global tax which the council collects directly; the collection is done by the state treasury. The Treasury statements are labelled council revenue without specifying which revenue is for which tax.

A SWOT analysis done on taxes collected the divisional tax centre revealed the information in the tables below:

Table 2: SWOT Analysis on taxes collected at the divisional tax centre

Strengths	Weaknesses
<ul style="list-style-type: none"> • Existence of 3 council staff at this tax centre to collect and record council revenues • A register kept by council staff at the treasury <p>Municipalities can decide the tax rates, within the legally specified brackets, for three major taxes (Business licence, liquor licence and discharge tax)</p>	<ul style="list-style-type: none"> • Poor knowledge of taxes collected though this tax centre • Poor knowledge of the management procedures in this tax centre • Register kept by council staff not used for managerial purposes
Opportunities	Threats
<ul style="list-style-type: none"> • Existence of unexploited tax potentials for global tax, business license and property tax 	<ul style="list-style-type: none"> • Poor tax awareness in the local population • Law excluding the council from tax control

Source; Field work 2015

The other taxes collected by the tax centres include the sale of immovable property, games and lotteries, and taxes on cars. These taxes are only local taxes in a sense that the yields are attributed to local governments, but they are entirely managed by the centres who also fixes the tax rates.

Self-collected taxes

According to the administrative council accounts the self-collected taxes, represent a small portion of total revenue generated from councils. These fees and charges include: Building permit fees, advertisement taxes, communal stamp duties, cattle taxes, sanitary inspection taxes, proceeds from market stands, the temporary occupation of the public highway and parking lots and many others. (See figures in Appendix 3). Data about these taxes are as follows;

Table 3: SWOT Analysis on self collected taxes

Strengths	Weaknesses
<ul style="list-style-type: none">• Existence of dynamic staff with a good training who can contribute to design, review and implementation of tax policy in the council• Some management registers• Most council taxes are simply collected through printed receipts with face value	<ul style="list-style-type: none">• Poor awareness of local taxes• Insufficient documentation of revenue transactions that may open way for tax evasion
Opportunities	Threats
<ul style="list-style-type: none">• Good tax base potentials• Possible collection of council taxes at the taxation service	<ul style="list-style-type: none">• Poor tax awareness in local population

Source: Field work 2015

INTERGOVERNMENTAL TRANSFERS

The main transfer mechanisms for the councils are the revenue-sharing arrangements by FEICOM, the Additional Council Tax (ACT), as well as capital grants. However, using the population basis for transfers in the in the councils poses some significant challenges. While interviewing mayors, it was often not clear which estimate of the population should be used whether the information from the 1987 census or more recent estimates given the massive migratory movements and informal sector activity. From the administrative council accounts, we see that population figures cited by individual

municipalities are higher than those specified in the official data thus, a major source of dissatisfaction with the transfer.

Current Transfer Mechanisms

Twenty percent of the revenues of six local taxes and one local fee are attributed to FEICOM, for redistribution to municipalities or special (inter-communal) purpose district: patent; licenses; tax on immovable properties; and ACT, which is a shared tax on personal and corporate income and VAT; Parking fees, automobile registration. The tax revenues are centralized and redistributed to all decentralized local entities as follows: 70 percent of the ACT; 50 percent of the forestry license fee annually assigned to Local Governments (LGs). The redistribution patterns and formula are fixed through central regulation. However, the terms of the law are not very clear.

ACT (Additional Council Tax)

The ACT is based on a 10 percent share of the central taxes (PIT, CIT, and VAT), after deducting 10 percent of the collection as administrative costs, the remaining 9 percent is allocated to local governments, although the legal basis for the redistribution remains opaque. According to Article 116 of the 2009 law on the fiscal system, (i), 20 percent of the tax proceeds is collected for local government capital expenditure in the FEICOM; (ii) another 70 percent is earmarked for redistribution. 90 percent of 9 percent (taken into consideration 10 percent of administrative costs) is redistributed according to criteria other than the origin. However decree 2007-1139-PM stipulates that the Additional Council Tax (CAC) is to be allocated 10 percent to central government as administrative costs then 20 percent for the capital expenditure and 70 percent to be allocated to local governments with a formula not yet legally established. The sharing is actually done on an “equal” per capita distribution based on the population figures obtained from the last census. Exceptionally for Douala and Yaoundé whereby the distribution is not based on population perhaps as the result of a strategy to generate “growth centres”.

Annual Forest Royalties

The Annual Forest Royalties is considered in the list of local taxes but is a shared central tax. The sharing proportions have been changed by the centre since the crisis in 2009. According to the 2009/019 Law (art. 52), a share of 40 percent is allocated to municipalities, half (20 percent) according to the origin principle, and 20 percent to FEICOM for redistribution according to future regulation. The rest (that is, 60 percent) is controlled by and remains with the state as shown in the Cameroon General Taxation Code (GTC). Nevertheless, this is not clear from the 2009/019 Law, art. 52(2-3) which asserts that, the balance is to be centralized and distributed to all local governments according to rules and formulae fixed by central regulation. The content is complex, and the distinction between the 20 percent reallocated to councils by FEICOM and the 60 percent according to the Treasury is not clear. Besides, according to Article 116(2) of the 2009/019 Law, 50 percent of the forest license assigned to the local governments should be redistributed to all rural and urban municipalities. Given the ambiguous wording in Article 52, it is not clear which 50 percent is sanctioned by law: (1) half of the 40 percent assigned to councils – that is, half of 40 percent = 20percent, as above in art. 52(2); or (2) 50 percent of balance, that is, of the 60 percent. But Article 52(3) suggests that these 60 percents are to be distributed by a future law specified in Art. 52(2). Moreover, Joint Decision (Arrêté), 0520 of July 28, 2010 (Art. 2), says that 20 percent goes to producing councils, 20 percent to FEICOM for redistribution to the rest of the councils, and 10 percent to neighbouring village communities. The balance of 50 percent goes to the treasury. Although is regulated by the taxation code and is not mentioned in the Arrêté.

Automobile Stamp Duty

Another example of an inadequate assignment is on automobile registration whose revenue goes to FEICOM rather than the council area in which the automobile is registered. This is one of the simplest taxes handled at the disposal of local governments, and there is little justification for redistributing the revenues collected to other jurisdictions. Hence, there is no need to involve FEICOM in what should be a convenient local taxation base.

CAPITAL TRANSFERS

According to Decree no 2012/1065/PM of 23rd February 2010 the state finances projects through the Common Decentralisation Fund. According to the said law competencies of the various line ministries shall be transferred to the council in different domains. With this every year the state allocates funds through the single treasury account for projects. However during the interview, most mayors felt that decision to award projects comes from the centre, given that the projects allocated were not the local priorities and the projects were not sufficient for the growth of the municipality. Although there has been considerable work undertaken to define local preferences, appear not to be an explicit attempt to link these grants to the local priorities identified in the local development plans, for example.

In addition to the ACTs, FEICOM manages a lending window for local governments. These loans could have grant elements of up to 90 percent. It is hard to spot a model underlying the system of capital grants given that it is not linked to any “equalization” framework, nor do the transfers appear to be related to a growth and development strategy.

Expenditure responsibilities

In the interviews carried out with the municipalities, it was hard to pin down exactly what functions are the responsibilities of local governments. Moreover, most council officials felt that the transfer of competencies was at the discretion of the line ministries and that requisite financing was not made available. In the absence of adequate own-source revenues, the transferred functions become unfunded mandates, at such, it becomes hard to hold mayors accountable. Equally, it is worth noting that although the constitution states that competencies devolved to local governments shall be to promote the economic development, social, health, educational, cultural and sports capacities, these responsibilities are not expatiated or defined with clear boundaries, which paves the way to various interpretations. All these make local government responsibilities unclear.

4.1.2 Question 2. Are local governments able to raise revenues commensurate with their spending responsibilities?

In accessing the revenue situation of councils, it would be relevant to know how well councils can cover their operating cost and have a surplus for financing investments in the community. Table 2: shows a summary analysis of the funding capacity of councils, Table 3; Details of revenues collected and Table 4; details of expenditure components of councils. Table 5 finally presents a trend analysis of revenue gathered from the three councils over five years.

Statistics from management and administrative accounts for the past five years from three councils were analyzed to answer this question. Financial statements from FEICOM and the state treasury of the three councils were also studied for a clearer understanding.

The availability of funds would also be measured using the following indicators:

- 1) Percentage increase in self-collected taxes
- 2) Percentage increase in owned revenues
- 3) Percentage increase in stable resources;

Table 2 is an analysis of the financial capacity of councils. It shows the councils ability to cover up its recurrent operations by its recurrent revenues. Such activities include self-administrative capabilities and staff coverage capacity. For self-collected taxes inadequately financing administrative costs, the percentage should be above 50%. From the rates shown on three councils, over the years it is clear that self-collected revenues are unable to meet up with their administrative costs. For own revenues, Buea councils show quite a good performance from the percentages. The other councils like Idenau and Limbe II have lower resources as compared to Buea Council. This is an indication that Buea has more taxpayers than the other Idenau and Limbe II. These councils may have to improve their resource mobilisation strategy. For the councils, self-administrative capacity collected revenues the percentage drops over the years. For stables resources, in all the three councils, there is a percentage increase as compared to the other resources. This is an indication these resources form the primary source of income for councils.

Table 4: Summary Figures on Financial Analysis 2

	BUEA COUNCIL (average of 5 years)	IDENEAU COUNCIL (Average of 5 years)	LIMBE II COUNCIL (Average of 3 years)
Self-financing	(1,199,715)	48,337,495	(63,677,538)
Self-administration capacity			
by self-collected revenues	48.565%	1.97%	5.75%
by own revenues	57.452%	24.62%	11.17%
by Stable resources	57.452%	125.56%	17.14%
Staff cost coverage capacity			
by self-collected revenues	90.489%	6.94%	22.16%
by own revenues	107.048%	86.86%	43.07%
by Stable resources	107.048%	443.02%	66.09%

Source: Council Administrative Accounts: 2009 – 2013

Table three gives the average figures of the analysis done in table one. It could be seen that from the mean values in tables two only Idenau council has a positive value for self-financing. This is not because it generates more revenue than Buea Council, but because its expenditure components of Buea Council are heavier as compared to Idenau council. Secondly, there is an indication that councils heavily rely on stable resources to fund their recurrent expenses.

Tables three and four (see Appendices 4 and 5) are an analysis of council revenue and expenditure components. In tables three the revenue components are grouped into recurrent and investment revenues as stated in the budget of councils. The revenues are

analyzed based on revenues collected by the councils, taxes collected by government services and transferred to councils and finally transfers from the state which may either be for investment or recurrent activities. From the analysis, it can be understood that a great percentage of revenue from all three councils comes from collections through state services and transfers from the state. In tables, four expenditure components are shown and are classified into recurrent and investment costs. These different elements are used to do analysis in tables two above.

TREND ANALYSIS OF REVENUE COLLECTIONS

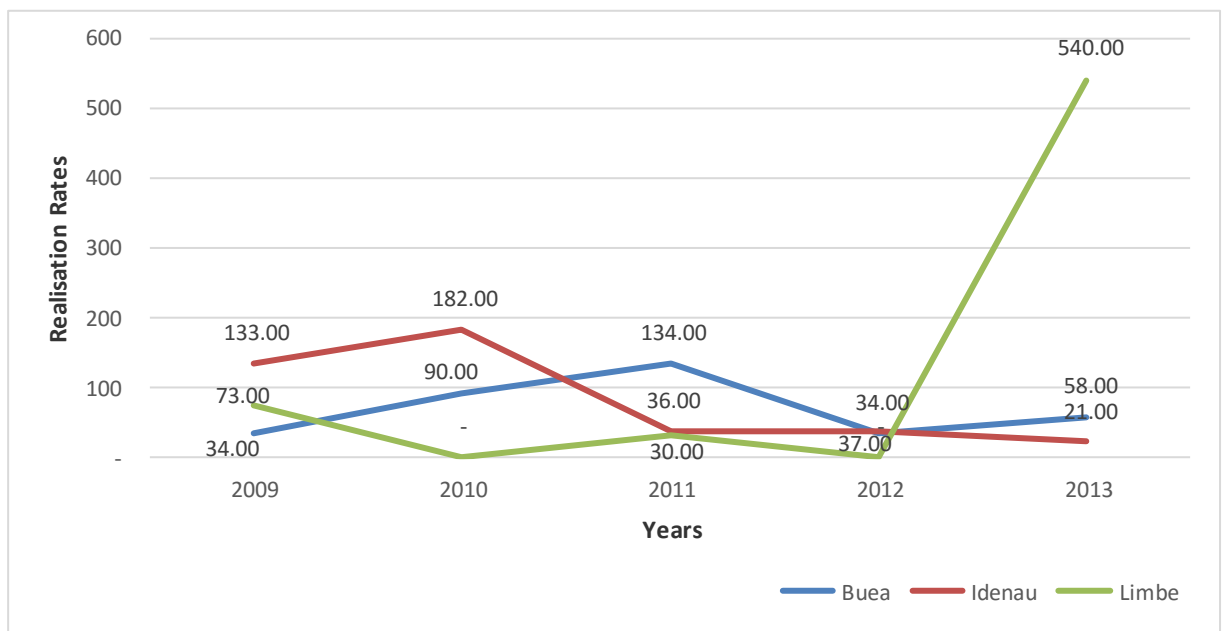


Figure 4.1: Trends in realization rates from revenues from self-collected resources in some Councils in Fako Division

Source; Council Budget and Administrative Accounts 2009-2013

In figure one, the trend of the revenue realization rates of self-collected resources are shown. The realization rates are a function of the amount budgeted and what was effectively raised. Self-collected resources are those taxes levied and collected by the council. The realization rates for the three councils have maintained a trend between 0 and 200% except in 2012 in Idenau Council where the revenues were high at 540%. The

realisation rates for all three councils for over the years are either too high or too low, indicating that some expertise knowledge is needed both in budgeting and accountability.

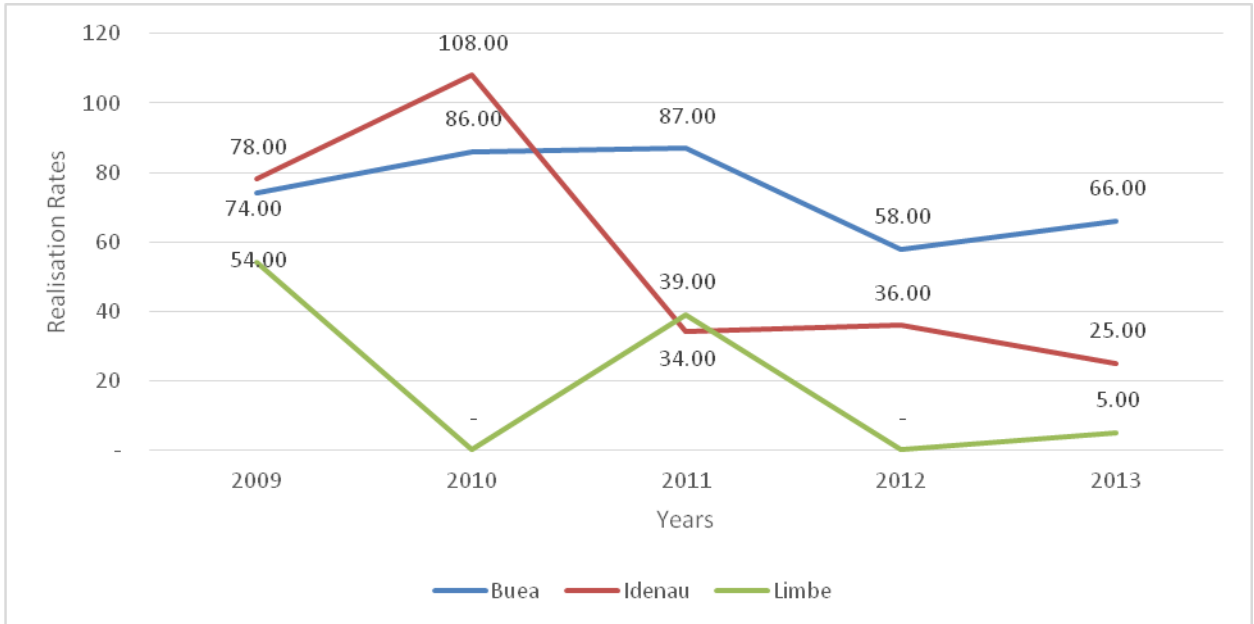


Figure 4. 2: Trends in realization rates from revenues from own fiscal resources collected by the State in some Councils in Fako Division.

Source: Council Budget and Admin accounts 2009-2013

Figure 4.2 shows trends in the realization rates from revenues collected by taxation services. From the figure above there is a high fluctuation over the years for all the three councils (Buea, Idenau, and Limbe II). For the case of Buea, there has been an increase from the years 2009 but a drop in 2012. This is so because in 2012 most large taxpayers in Buea were moved to the regional tax center. Idenau council has a similar experience. But for Limbe II council, the revenue realization rates highly fluctuate over the years indicating that the councils do not know what to expect from this sources and dot results to poor budgeting.

4.1.3 Question 3: What are the Budgeting and Accounting Issues in Fiscal Decentralisation?

Local governments are a tier of the Central government. They, therefore, prepare their budgets in line with the state plans. They also need to be accountable to various stakeholders such as the Central Government and communities since they provide a

variety of services and collect taxes, fees and charges. This section seeks to explain the various budgeting and accounting issues faced in the field during the research.

Budget Cycles: From the interviews with Municipal Treasurers, allocations from the state are known when local governments have already prepared their budget. This makes it difficult for the local government to plan its resources better. The council prepares their budget in early November. Meanwhile, the state makes in late November, and actual allocations to the council are done in February or March of the year which the spending is to be incurred. In the statistics gathered there is a significant disparity between the amounts budgeted and what was transferred to the common decentralisation fund. The realization revenue rate for this line is either too high or too low. These disparities are also reflected in trend analysis of realized revenues for the three councils (see Appendix 5). This makes the budget look weak and unrealistic.

Budgeting for Current Transfers; Tax Transfers from FEICOM are usually not on time. Councils are not particular of the net amount to be received and the total taxes to be reduced from the revenue from FEICOM. This also makes the budgeting unclear.

The system of Accounts: the law provides that councils should keep accounts on an accrual basis, but this is not actual situation of councils. The current cash-based system does not track debts, and even the accounts payable are generally not known by those who should take note of the magnitudes. Because of this assessment of indebtedness, subvention mobilisations, assets, and conventions with development partners are poorly recorded. Poor councils account statements from FEICOM that do not make it possible to account for debts redemption and corresponding interests.

The councils should be given clear accounting statements from tax centres using tax accounting software. This is not the case now, as they are issued statements that neither shows details of revenues collected, nor details about taxpayers, which make accrual accounting impossible. This could enable Councils to do proper accounting and play a complementary role in tax control.

The Audit Bench of the Supreme court Annual Report in 2013 show that the rate of submission of accounts by local councils for review has been disappointing. Out of the 374 accounts expected from local and city councils every annually, barely 31 were submitted in 2013, representing 8.3 per cent drop rate compared to the year 2012. This is an indication that there is a serious management problem with the local councils, the transfer of competences and resources to the local government would have to be accompanied by trained qualified staff to manage the process.

4.2. Implication of Results

Local governments have no significant autonomous sources of revenues (over which they control rates or base) and little scope for adjusting spending. The on-going transfer of competence provides resources that are already tailored to particular need/policy designed by the central government, leaving the councils practically with no options. It is, therefore, necessary for councils, while bargaining for adequate transfer of resources within the decentralisation framework, to carry out an exhaustive analysis of their capacities to generate owned resources for much more independence in their financial management.

1. Self-financing

The development of self-financing will be achieved not only through an increase in recurrent revenue but also with accompanying expenditure management policy. Self-financing for the period covered in this research is generally weak. Only Idenau council has a ratio greater than 1%. Councils may have to improve on their revenue mobilisation strategies and make use of an expenditure policy to meet up with this task.

2. Self-administration capacity

It is necessary that this ratio is at least 1. This ratio shows the ability of the council to cover up its administrative expenses with its internally generated revenue (self-collected revenues and proceeds from State tax centres). This ensures that the functioning of the council does not depend on external resources of any sort. Stable funds from inter-council solidarity (FEICOM) should be earmarked for council interventions and investments).

Administrative costs represent an overwhelming proportion of recurrent expenditures. Recurrent resources generated by the council are consumed at more than 95% by its functioning. This means that the councils depend on external resources for any financial intervention or any investment.

3. Staff cost coverage capacity

The realization of payroll expenses should be brought down to at most 35% of recurrent expenditure according to the fiscal law. This ratio should be 1 (or 100%) to ensure that personnel expenses be paid entirely by council self-collected revenues. This is not the case with all three councils as the percentages are not up to 100%. The revenue situation would need to be revamped.

The Actual Revenue Situation of Councils

The data collection had the following outcome:

1. For council self-collected revenues

From the statistics collected, it shows a flat collection of this category of revenues in all three councils (0.17% - 4.84% of recurrent revenues of councils). Insufficient knowledge of council taxes may also lead to the weak collection of some taxes (hygiene and sanitation penalties collected instead of the tax itself); the collection of certain taxes are done but charged to the wrong budgetary paragraph.

2. For revenues collected through taxation services

Insufficient accounting of proceeds from tax centers: these proceeds are grouped under the heading “Other fiscal proceeds”, making it impossible to assess the level of collection of most taxes from tax centres;

3. For investment revenues

Self-financing capacity in councils lacks due to inadequate budgeting and lack of expenditure management policy; Councils account statements from FEICOM, that don't make it possible to account for debts redemption and corresponding interests;

The above illustrations show that the local councils are bereft of useful own-sources of revenues. The primary sources of local revenues are still based on central revenue-sharing, supplemented by a myriad of taxes and fees that are likely to be relatively small compared with the effort needed to collect them. A great effort needs to be made to clarify and determine which heads of own-source revenues would be most appropriate to the councils.

The absence of complete, timely and accurate information on the fiscal operations of local government, as seen above, is a major problem for overall macroeconomic management. Complete, standardized and up-to-date information on the budget process, using both the economic and functional classifications, is essential for accountability. This should be mandatory for the decentralized organs as well as the de-concentrated parts of government so that a full picture of who spends what and where is available to the governments at each level, as well as local electorates.

4.3. Limitations of the Study

Collecting data was not an easy task. Fieldwork was conducted during the rainy season, and sometimes the heavy storms prevented the researcher from meeting appointments. In effect, most of the appointments had to be sometimes rescheduled more than once.

The time factor was a serious constrain given that the period could have been extended for a more detailed analysis. Availability of primary and secondary data was also a limitation. At Limbe II it is hard to obtain complete financial information.

The study is also limited in its scope and objectives. I acknowledge its narrow viewpoint (statistical analysis of only three councils in Fako Division) and recognize that this work can be developed further in the light of work in other fields, now or in the future.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

This study endeavoured to evaluate the implementation of fiscal decentralisation in Local councils of Cameroon. In summary, the findings of the study are outlined below;

Objective one: To examine the fiscal assignments, intergovernmental transfers and the legislations relating to decentralisation process in Cameroon.

Local governments generate revenues through a variety of taxes and levies. A greater share of these council taxes is managed by either the tax centre or transferred from the central government and as a consequence the councils have little control over these sources of revenue. Twenty percent of six local taxes and one local fee go to FEICOM for redistribution to councils. The basis for redistribution criteria are fixed by the centre and are not very clear in the law. In identifying the expenditure responsibilities of local governments, findings show that there is no clear cut between decentralised and deconcentrated functions. The legal framework appears therefore unclearly defined in aspects of fiscal decentralisation.

Objective two: To determine the internal revenue generation capacity of the local councils. The statistics gathered from council accounts (2009-2013) show that the councils lack sufficient sources of revenue. For the three councils studied only Idenau had a self-financing ratio above 1% which is a positive indicator. Meanwhile, Buea and Limbe II have less than 1%, a negative sign. Such poor self-financing will limit their ability to undertake investment projects in the community. However, these councils have to improve on resource mobilisation strategies to boost revenue collections.

Objective three: To evaluate the budgeting and accounting for fiscal transfers to council. Local governments equally face some budgeting and accounting problems such as the non correlation between state budgets and council budgets. Transfers are usually

not known when the council prepares its budget. This causes a disparity between the amount estimated, and that realised. The absence of software programs at the tax centres as well as in the councils makes it difficult for accounting analysis. There is equally the need to reinforce training to speed up the production of accounts.

5.2 Conclusion

This study is informed by the problems underpinning the decentralisation of fiscal policies to Local governments in Cameroon. It sets out to evaluate the implementation of fiscal decentralisation in Buea, Idenau, and Limbe II Council and highlights the challenges encountered. The study utilized qualitative and quantitative research methods to discern findings. Case study methodology is combined with content analysis of documents and the administration of structured interviews. Prior to this, a study of theories on fiscal decentralisation was done to gather empirical evidence that can justify the implementation of fiscal decentralisation in Buea, Idenau, Limbe II and Local governments in Cameroon in general.

The findings reveal that local governments hardly determine the rates and bases of their fiscal resources thus have little or no control over significant sources of revenue. There is equally little scope for adjusting spending, as expenditure responsibilities are sometimes difficult to define. Expenditure operations, for instance, are not clearly distinct from deconcentrated expenditure activities. The results from actual revenue and expenditure components of council indicate that all three councils are often not capable of self-financing. The absence of complete and timely information on the fiscal operations of governments as seen in this study is a major problem for overall macroeconomic management. This is because the information needed for such accounts spreads over institutions that do not appear to cooperate actually in the process, such as MINFI, FEICOM and the local governments themselves. Full information on spending and revenue circuits would be needed for a more efficient management of debt.

5.3. Recommendations

a) The State

Clarity in the Legal Framework; it would be important to “clean up” the legal framework to remove apparent contradictions and ambiguities. Equally of importance would be the promulgation of implementing regulations, to make the legislative intent more comprehensible for local officials.

Clarity in spending functions; Clarity in the functions devolved has to be supplemented by better and timelier information on whatever is spent and the results of the spending. This information is needed for strategic planning and timely decision-making by all council stakeholders and officials. Information on the use of council resources is a critical element in making the local governments more accountable to their electorates.

Enhancing revenue sources for local governments - an essential element in the political economy story is to permit local governments to control their taxes at the margin to meet local priorities. Some of the taxes that should be clearly local, such as the property and vehicle taxes, are presently shared by FEICOM and the state. The property tax should become entirely “local” with the setting of the applicable rate. In 2009, the local taxation law provided the councils with some competence over tax control, which was removed from them in 2011 finance law, making it impossible for councils to monitor the effective payment of taxes, at the same time opening the way for tax evasion and fraud.

Councils should be given clear accounting statements from tax centres using tax accounting software. This is not the case now, as they are issued statements that neither shows details of revenues collected, nor details about taxpayers, which makes it difficult to be accounted. The state should relinquish to councils some competence over independent control of tax payment by taxpayers, with the efficient use of a database.

b) The local Government

A resource mobilisation strategy is a managerial tool which can lead councils to financial autonomy if well used. All these councils are largely dependent on external sources for any investments, and even for their daily functioning. Councils should be able to do proper accounting and play a complementary role in tax control. A taxpayers' database is an additional tool to the resource mobilisation strategy. It will enable them to maximise their tax proceeds and strengthen their financial position, through the monitoring of taxpayers. It is also a tool that will help perform more realistic budgetary planning. This could be done in collaboration with the tax centres.

c) FEICOM

The extract of accounts given to councils by FEICOM does not allow adequate accounting and updating of debts contracted. The debt redemption table in the contract is based on equal reimbursement, whereas the deductions at source for debt service relies on equal debt service, and does not show the amount of debt redemption and corresponding interest. Another suggestion is that the deductions at source be made following the contracted schedule for easy traceability. Any change in the first convention should be communicated back to councils.

5.4. Suggested Areas for Further Research

Based on the knowledge gaps identified in this study such as a limited time frame, specific areas are hereby suggested for further research:

- How should effective revenue raising systems for council be designed and implemented? The distinction between City councils, sub divisional council and councils in particular with regards revenue sharing, distribution and collection.
- How do local government revenue reforms affect taxpayers? This should be investigated using time series with surveys on years after the reform.

SOMMAIRE DES RESULTATS, CONCLUSION ET RECOMMANDATION

SOMMAIRE DES RESULTATS

Cette étude cherche à évaluer la mise en œuvre de la décentralisation fiscale dans les communes au Cameroun. En résumé, les résultats de l'étude sont suivants;

- 1) Les Communes génèrent des recettes grâce à une variété de taxes et prélèvements. Une plus grande part de ces recettes sont gérés soit par le centre fiscal ou transférés du gouvernement central et par conséquent les communes ont peu de contrôle sur ces sources de recettes. Vingt pour cent des six taxes locales et une taxe locale aller à FEICOM pour la redistribution aux communes. La base de critères de redistribution sont fixés par le centre et ne sont pas très claires dans la loi. En identifiant les responsabilités de dépenses pour les collectivités décentralisées, le résultat montrent qu'il n'y a pas de distinctions nette entre les fonctions décentralisées et déconcentrées.
- 2) Les statistiques recueillies à partir des comptes communales (2009-2013) montrent que les communes manquent généralement des sources efficaces de revenus. Pour les communes étudiés, Idenau avait un ratio d'autofinancement supérieur à 1%, ce qui est un indicateur positif. Pendant ce temps Buéa et Limbé II ont moins de 1%, un indicateur négatif. Ce pauvre auto financement limitera leur capacité à entreprendre des projets d'investissement dans la collectivité. Toutefois, ces communes doivent améliorer les stratégies de mobilisation des ressources pour accroître le recouvrement des recettes.
- 3) Les communes confrontent également un certain nombre des problèmes budgétaires et comptables tels que la non corrélation entre le budget de l'Etat et le budget communale. Les transferts ne sont généralement pas connus pendant la préparation du budget communales. Cela provoque une disparité entre montant budgétisé et réalisé. L'absence de programmes de logiciels dans les centres fiscaux, ainsi que dans les communes, rends la comptabilisation difficile. Il est nécessaire de renforcer la formation pour la production ponctuel des comptes.

5.2 Conclusion

Cette étude est informée par les problèmes qui sous-tendent la décentralisation des politiques budgétaires au communes. Il vise à évaluer la mise en œuvre de la décentralisation fiscale a la commune de Buéa, Idenau et Limbe II et met en évidence les difficultés rencontrées. Les méthodes de recherches qualitatives et quantitatives ont été utilisées pour discerner les résultats. L méthode de l'étude de cas est combinée avec l'analyse du contenu des documents et l'administration des interviews structurées. Avant cela, une étude des théories sur la décentralisation fiscale a été fait pour recueillir des données empiriques qui peuvent justifier la mise en œuvre de la décentralisation fiscale à Buéa, Idenau, Limbe II et les Communes au Cameroun en générale.

Les résultats révèlent que les communes déterminent à peine les taux et les bases de leurs ressources fiscales, elles ont donc peu ou pas de contrôle sur des sources importantes de recettes. Il est tout aussi peu de possibilités pour régler les dépenses car les responsabilités de dépenses sont parfois difficiles à définir. Il n y a pas clairement une distinction entre les opérations de dépenses et les opérations de dépenses de forme déconcentrée. Les résultats de recettes et de dépenses réelles des communes indiquent que les trois communes ne sont souvent pas capables de l'auto financement. L'absence d'informations complètes et ponctuel sur les opérations financières de l'Etat est un problème majeur pour la gestion macroéconomique dans l'ensemble. En effet, les informations nécessaires à ces comptes sont répartie entre les institutions qui prend rarement part dans le processus de transfert fiscale ; le MINFI, FEICOM et les communes eux-mêmes. Des informations complètes sur les circuits de dépenses et de recettes serait nécessaire pour une gestion plus efficace de la dette.

5.3. Recommandations

a) L'État

Clarté dans le cadre juridique; il serait important de «nettoyer» le cadre juridique pour éliminer les contradictions et les ambiguïtés évidentes. Tout aussi important serait la promulgation de règlements d'application, afin de rendre l'intention du législateur plus

compréhensible pour les fonctionnaires locaux. Cela ne peut se faire que s'il y a une plus grande clarté sur l'étendue et la rapidité du processus de décentralisation.

Clarté des fonctions de dépenses; Clarté dans les fonctions dévolues doit être accompagnée d'une information ponctuels sur ce qui est dépensé et les résultats de la dépense. Cette information est nécessaire pour la planification stratégique et la prise de décision en temps opportun par tous les intervenants dans le fonctionnement des communes. Informations sur l'utilisation des ressources communales est un élément essentiel pour rendre les communes plus responsables envers leurs électeurs.

Améliorer les sources de recettes communales - un élément clé dans l'histoire de l'économie politique est de permettre aux commune de contrôler leurs propres impôts à la marge pour répondre aux priorités locales. Certains des taxes qui devraient être clairement locale, tels que les biens et les taxes sur les véhicules, sont actuellement réparties entre FEICOM et L'Etat. La taxe foncière devrait devenir entièrement "local" avec réglage du taux pertinent. En 2009, la loi sur la fiscalité locale a fourni aux communes une certaine compétence sur le contrôle fiscal, qui a été retiré par la loi de finances 2011, ce qui rend des difficultés aux communes de suivre le paiement effectif des impôts, ainsi que l'ouverture pour la fraude fiscale. Les communes peuvent bénéficier d'une certaine compétence sur le contrôle indépendant du paiement de l'impôt par les contribuables.

b) Les communes.

Une stratégie de mobilisation des ressources est un outil de gestion qui peut conduire à l'autonomie financement des communes, si elle est bien utilisée. La base de données des contribuables est un outil complémentaire à la stratégie de mobilisation des ressources. Il leur permettra de maximiser leurs recettes fiscales et à renforcer leur situation financière, par le suivi des contribuables. Il est également un outil qui va les aider à effectuer la planification budgétaire plus réaliste. Cela pourrait se faire en collaboration avec les centres fiscaux. Les communes devraient être données les états comptables transparents des centres d'impôt en utilisant le logiciel de comptabilité fiscale. Ce n'est pas le cas

actuellement, car ils sont émis des déclarations que ni voir les détails des recettes collectées, ni de détails sur les contribuables, ce qui rend la comptabilité difficile. Une base de données des contribuables ainsi qu'un logiciel fiscale permettre aux communes de faire une comptabilité régulière et de jouer un rôle complémentaire dans le contrôle fiscal.

c) FEICOM

L'extrait des comptes donnés aux commune par le FEICOM ne permet pas la comptabilité et l'actualisation des dettes contractées adéquate: Le tableau de remboursement de la dette dans le contrat est fondé sur l'égalité de remboursement, alors que les retenues à la source pour le service de la dette sont basées sur le service de la dette égale, et ne montre pas le montant du remboursement de la dette et de l'intérêt correspondant. Une autre suggestion est que les retenues à la source se feront suivant le calendrier contracté pour la traçabilité facile. Toute modification de la convention initiale devrait être communiquée à la commune.

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LIST OF APPENDICES

APPENDIX 1: INSTITUTIONS COVERED AND THOSE INTERVIEWED

S/N	INSTITUTIONS	NAME OF RESPONDENT	POSITION OF RESPONDENT	CONTACT	DATE OF INTERVIEW
1	MINEPAT	MME ATEBA KANSE EPSE NDAM NSANGOU	Divisional Delegate- Fako	677952337	01/09/2015
2	TAXATION BUEA	MR. ALBERT NKOLO MANGA	Cadre Contractuel D'aministration	696586048	02/09/2015
3	PNDP	MR. ATANGANA ALEXANDRA	Officer In Charge Of Training & C. B.	698499003	06/09/2015
4	PNDP	MR. MAXWEL LEA	Monitoring And Evaluation Officer	698498981	06/09/2015
5	CEFAM BUEA	MME AWASOM SUSAN	Senior Trainer And Lecturer	699885384	09/09/2015
6	CEFAM BUEA	MR. NSANGOU CHIMY GODFRED	Consultant/Finance Expert	679671953	09/09/2015
7	IDENAU COUNCIL	MME EFFETI CHRISTINA	Audit Control Officer	651261830	11/09/2015
9	LIMBE II COUNCIL	MME EFFANGE DOROTHY	Effange Dorothy	NOT GIVEN	11/09/2015
11	BUEA COUNCIL	HON.MOSOKO EDWARD MOTUWE	3rd Deputy Mayor	NOT GIVEN	15/09/2015
12	BUEA COUNCIL	MME NALOVA IKOME EMMA	Municipal Treasurer	699577365	16/09/2015
13	BUEA COUNCIL	MME NKEME ENJEMA	Adviser On Projects	677618917	16/09/2015
14	BUEA COUNCIL	MR. MATHIAS EKAMBI NJOKE	Deputy Municipal Treasurer	677420995	17/09/2015

Appendix2; Timeline of legislations relating to decentralisation in Cameroon

Year	Number of act	Date	Title
1972		2 June 1972	Constitution
1974	Law 74/023	8 December 1974	Municipal organization and various subsequent modifications.
1977	Decree 77/091	25 Mars 1977	Determining the powers of supervision over municipalities, municipal associations and unions, and municipal institutions, as well as subsequent modifications.
1987	Law 87/015	15 July 1987	Creation of Urban Metropolitan Areas
1992	Law 92/002	14 August 1992	Conditions for the elections of municipal councillors.
1996	Law 96/06	18 January 1996	Revision of the constitution of 2 June 1972.
1996	Decree N°77/85	7 May 1996	Modifying certain measures of decree N°77/85 of 22 March 1977 establishing the functioning and management of FEICOM, and its subsequent modifications.
1998	Decree 98/266	23 August 1998	Adoption of the council Budgetary Nomenclature and the Council Sector accounting Plan for Cameroon.
2004	Law 2004/017	22 July 2004	Orientation of decentralisation.
	Law 2004/018	22 July 2004	Rules applicable to municipalities.
	Law 2004/019	22 July 2004	Rules applicable to regions.
2006	Decree 2006/18	31 May 2006	Reorganization of FEICOM and

			modifying decree 2000/365 of 11 December 2000 pertaining to the same subject.
Law 2006/04 Law 2006/05		14 July 14 July	Rules for election of regional councillors. Rules for election of senators.
2007	Decree 2007-1139-PM	3 September 2007	The process of issuing, collecting, centralizing, distributing and transferring additional council taxes.
Code		16 November 2007	Code of intervention of FEICOM
2008	Decree 2008/013	17 January 2008	Organization and functioning of the National Decentralisation Council.
Decree 2008/0752/PM		24 April 2008	Specifying certain procedures pertaining to the organization and functioning of deliberative and executive bodies of municipalities, urban metropolitan areas, and municipal associations.
Decree 2008/376		12 November 2008	Administrative organization of the Republic of Cameroon.
Decree 2008/377		12 November 2008	Duties of heads of administrative divisions and the organization and functioning of their services.
2009	Law 2009/019	15 December 2009	On the local tax system.
Law 2009/011		10 July 2009	Financial regime of decentralized territorial entities.
Decree 2009/248		5 August 2009	Assessment and distribution procedures for the allocation of central funds to decentralized entities.

2010	Various decrees 2010/239 to 247/PM	26 February	Setting the terms for the exercise of certain powers transferred by the state: drinking water, rural roads, women and family, agricultural products and rural development, social aid to the poor, fish and pastoral production, culture, public health, basis education.
Decree 2010/0165/PM		23 February 2010	Concerning the general funds for decentralisation in the 2010 budget.
Decree 2010/1734/PM		1 June 2010	Establishing the sectoral accounting plan for decentralized entities.
Decree 2010/1735/PM		1 June 2010	Fixing the budget nomenclature of decentralized entities

Table A 6 : Municipal Taxes (Law 2009/019)						
Type of tax levy	Name of tax levy	Subject to taxation	Calculation basis	Exemptions	Scale	Rate
Municipal taxes levied by the state (part of the proceeds marked with * goes to equalization)	Proceeds from businesses *	Economic, commercial and industrial activities (art. 8 and 9)	Turnover (art. 10) according to 126 types of business licenses (list of professions) and corresponding ranges	22 categories according to a list (art. 11) exemption for 2 years: new enterprises (art. 12)	Digressive scale (i) base rate up to CFAF 2 billion, 7 brackets of turnover from 0,283% to 0,0875% (annex I) (ii) 5% reduction per additional CFAF 500,000,000 (iii) maximum reduction 30% over CFAF 2,000,000,000 (art. 13)	Fixed by the recipient territorial unit within the set ranges (art. 13)
Liquor license *	Manufacturing and wholesale or retail of alcoholic and non-alcoholic beverages (list - art. 33 and 34))	Turnover (36) according to the same rules as applicable to proceeds from businesses and global tax	According to list (art. 35)	Non-alcoholic: 2x the amount of the business tax; Alcoholic: 4x; For retailers subject to global tax: non-alcoholic: 1x; alcoholic: 2x (art. 37)		As for the business tax (art. 36)
Global tax	Taxpayer engaged in commercial, industrial, craft, agro-pastoral activities not relevant to the actual profit regime, the simplified tax regime or the basic tax regime (art. 45)	Four categories A, B, C and D with list of activities (art. 46)	Exclusive of payment of business license, personal income tax and VAT (art. 45)	scale (art. 46): A: CFAF 0 to 20.000 B: CFAF 21.000 to 40.000 C: CFAF 41.000 to 50.000 D: CFAF 51.000 to 100.000		Fixed by the recipient territorial unit within the set ranges (art. 46)
Tax on immovable property *			Tax levies prescribed by the General Tax Code. All proceeds from these three taxes are allocated to the municipality where the property and, in case of gambling and entertainment, the premises are located			

		(art. 48, 49 and 50).	
Tax on sales of immovable property			
Tax on gambling and entertainment			
Stamp duties on cars *		Prescribed by the General Tax Code: fully allocated to the Special Council Support Fund for Mutual Assistance (FEICOM) or for equalization for redistribution to municipalities (art. 51)	
Revenue-sharing	Forest taxes *	Prescribed by the General Tax Code; sharing of the taxes: 20% goes to municipalities Distribution: 20% local municipalities ; 20% FEICOM or equalization (art. 52)	
Additional taxes = shared taxes	Tax on personal income	Taxes prescribed by the Tax Administration of the State (at least 10% of the revenues collected retained by the tax authorities for the costs of managing these taxes (art. 55) * the proceeds from additional municipal taxes are shared between the State and FEICOM or all other bodies in charge of centralization and equalization and the municipalities and metropolitan areas following the procedures laid down by the regulatory framework (art. 56)	10% of the principal of the concerned tax (art. 54)

Municipal Taxes, Fees, and User Charges (Law 2009/019)

Type of levy	Name of levy	Subject to taxation	Calculation basis	Exemptions	Scale	Rate
Tax	Local development tax (art. 57-60)	In return for basic services (public lighting, sewage, waste collection, operation of ambulances, water supply, electrification)	Employees in public and private sector: according to basic monthly salary (scale); people subject to global tax or business tax: according to principal tax (scale)	None	Employees in public and private sector: scale of 9 classes people subject to global tax or business tax : scale of 9 classes	Employees in public and private sector : fixed from CFAF 3,000 to 30,000/year people subject to global tax or business tax : from CFAF 7,500 to 90,000/year
Fee	Slaughter tax (art. 63-65)	Butchers slaughtering cattle in municipal slaughterhouses	Per animal	None	Cattle, horses Pigs Sheep and goats	max. CFAF 1,000 max. CFAF 400 max. CFAF 250
Tax	Cattle tax (art. 66-72)		Owner or keeper of bovine	Per animal	List	CFAF 200 to 500
License /tax	Firearms tax (art. 73 à 76)		Keeper of firearms	Per firearm according to list	List	CFAF 200 to 2,000
Fee/tax	Health and sanitation tax (art. 7)	Controls of industrial and commercial outfits handling food products	(i) food sold in the open (ii) food sold in commercial premises (iii) buildings	None	3 classes	(i) CFAF 500 to 1,000/quarter (ii) CFAF 1,000 to 1,500/quarter (iii) CFAF 10,000 to 25,000/year
User charge	Pound fee (art. 78-79)	Roaming animals, vehicles in violation of road regulations	List of 7 categories: 3 for animals, 3 for vehicles, 1 for other objects	None	7 categories	CFAF 1,000 to 50,000 per day
Concession	Market tolls (art. 80-86)	Occupation of a place in a market	(i) shops and stall constructed in a permanent manner (ii) occasional, without permanent place	None	(i) according to m2 (12 classes) (ii) fixed daily fee	(i) from CFAF 5,000 to 70,000/month (ii) CFAF 100 to 500 per vendor per day

Fee	Construction or building permit (art. 87-90)	All construction (approved by the city plan)	Value of construction	None		1% of the value of the construction
Fee	Temporary occupation of public roads (art. 91-93)	Temporary occupation of public roads	m2 per day	List	m2 per day	max. CFAF 2,000 per m2/day
Fee	Parking tax (art. 94-96) *	Parking of vehicles used for urban transports in areas managed by the municipality	Type of vehicle	None	motorcycle-taxis taxis bus	Max. CFAF 3,000/quarter CFAF 10,000/quarter CFAF 15,000/quarter
Fee	Motor park fee (art. 97 to 98)	Vehicles for public transports of goods and people	Type of vehicle	None	(i) cars and vans (ii) trucks and buses	(i) CFAF 1,000/day (ii) CFAF 2,000/day
Fee	Parking fee (art. 111 and 112)	Parking of private vehicles on municipality's parking spaces	Duration	None	parking (i) free or (ii) reserved	(i) CFAF 100/hour (ii) CFAF 500/day or CFAF 15,000 /month
User charge	Quay fee (art. 99)	Loading on bus stations and jetties	Load	None	(a) bus station (b) jetty (scale for 3 types of canoes)	(a) CFAF 250 per load (b) CFAF 200 to 1,000 per load
Tax	Entertainment tax (art. 100 to 101)	Events organised for profit (list)	Type of event	None	(a) occasional (b) regular	(a) CFAF 5,000 to 50,000/day of performance (b) CFAF 10,000 to 100,000 /quarter/establishment
Tax	Stadium fee art. 102)	Sporting events which are not free e	Per event		None	5% of funds raised
License/tax	Advertising tax (art. 103)	Advertising billboards etc. (list)	Type of media (list)	Illuminated signs indicating the location of a commercial or industrial	type of media (list) (i) Vehicle (ii) Public address system	(i) from CFAF 1,000/day/vehicle to CFAF 30,000 /year/vehicle. (ii) CFAF 500/day

				establishment		
Fee/tax	Stamp duties (art. 104)	Official documents issued by the municipality, invoices, petitions and requests addressed to the municipality (list)	Document issued, invoice, or requests	None	Per document according to format (A4)	Format smaller or equal to A4: CFAF 200, larger than A4 : CFAF 400
Fee/tax	Highway dilapidation tax (art. 105 et 106)	Users of vehicles and devices without tyres conducting works on public roads	Work and equipment used	None	a) earthworks, sewage, etc (b) damage cause by caterpillars	(a) CFAF 15,000 to 200,000/m2 (b) CFAF 20,000 to 100,000/m2
Tax/Duty	Tax on seasonal livestock movement (art 107)	Passage of cattle from a neighbouring state	Per animal being moved from the 16th day	The first 15 days	(a) cattle and horses (b) sheep and goats	Per animal/municipality crossed (a) CFAF 200 to 500 / (b) CFAF 100 to 300
Tax	Tax on transports of quarry products (art. 108 à 110)	Transport of quarry products	Type of vehicle/truck/weight/trip	None	Type of vehicle	CFAF 1,000 to 3,000 per truck per trip
Tax	Tax on salvaged forest products (art. 113)	Products originating from non-communal forests.	m3	None	m3	CFAF 2,000/m3

APPENDIX 4 – STRUCTURED INTERVIEW GUIDE
AN EVALUATION OF THE DICENTRALISING FISCAL POLICIES TO THE
LOCAL GOVERNMENT (CASE OF SELECTED COUNCILS IN FAKO
DIVISION)

Aim of Interview: To Evaluate the Implementation of Fiscal Decentralisation in Local
Councils in Cameroon

1. Understanding the implementation of fiscal decentralisation

- How is fiscal decentralisation done in the council
- State any Legislation that specifies fiscal decentralisation in Cameroon,
What are the difficulties encountered in the implementation process?

2 Challenges and recommendations in the implementation process

- Are there clearly specified finance expenditure responsibilities of the council
- Are there conflicts between the council and de - concentrated entities?
- How can you access the level of the council’s financial autonomy?
- What are the various taxes and revenue sources of the council are they well designed to achieve a good fiscal decentralisation process?
- What are the accounting and transparency issues involved in the process?
- How can you rate the implementation of the fiscal decentralisation process in your council
- Based on the challenges mentioned what can be done the fiscal decentralisation process to be better?

For ethical reasons, confidentiality is highly guaranteed.

Thanks for your understanding

Appendix 5: Table 2 on Financial Analysis on Financial Capacity of councils

	BUEA COUNCIL					IDENAU COUNCIL					LIMBE II COUNCIL		
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	2009	2010	2013
RECURRENT EXPENDITURES													
Self-financing	(47,607,902)	74,004,102	143,129,458	(258,992,602)	83,468,368	30,083,421	80,072,414	64,760,684	70,010,954	(3,239,997)	68,485,556	(120,614,732)	(138,903,439)
Self-administration capacity													
by self-collected revenues	48.565%	46.138%	18.368%	23.134%	29.206%	1.97%	2.74%	5.40%	6.26%	9.06%	5.75%	7.68%	5.71%
by own revenues	57.452%	68.008%	53.527%	32.616%	60.566%	24.62%	30.92%	14.57%	16.47%	22.13%	11.17%	12.55%	12.15%
by Stable resources	57.452%	120.462%	101.765%	32.688%	102.950%	125.56%	121.25%	132.60%	87.14%	71.10%	17.14%	17.33%	15.74%
Staff cost coverage capacity													
by self-collected revenues	90.489%	120.534%	39.561%	51.737%	98.730%	6.94%	7.64%	12.90%	14.10%	23.37%	22.16%	17.28%	12.37%
by own revenues	107.048%	177.670%	115.286%	72.941%	204.740%	86.86%	86.29%	34.86%	37.09%	57.07%	43.07%	28.22%	26.33%
by Stable resources	107.048%	314.705%	219.183%	73.101%	348.016%	443.02%	338.39%	317.15%	196.20%	183.36%	66.09%	38.97%	34.09%

Table 4: Council Revenue Components

	BUEA COUNCIL ADMINISTRATIVE ACCOUNTS					IDENAU COUNCIL ADMINISTRATIVE ACCOUNTS					LIMBE II COUNCIL ADMINISTRATIVE ACCOUNTS		
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	2009	2011	2013
OPERATING REVENUES													
Proceeds from properties and services	4,267,800	8,567,500	2,560,969	13,964,867	10,650,835	314,200	502,500	514,900	1,385,600	3,341,886	644,500	1,162,000	3,900,500
Percentage on total operating resources	2.870%	2.475%	0.416%	5.988%	1.629%	0.167%	0.200%	0.207%	0.573%	1.701%	0.226%	4.620%	12.849%
Own fiscal revenues	89,521,538	115,446,711	78,472,001	96,175,160	130,862,638	2,635,530	3,999,200	9,336,333	9,238,650	6,904,016	10,930,400	9,989,463	9,561,784
Percentage on total operating resources	60.20%	33.35%	12.75%	41.24%	20.02%	1.40%	1.59%	3.75%	3.82%	3.51%	3.83%	39.72%	31.50%
TOTAL OF SELF-COLLECTED RESOURCES	93,789,338	124,014,211	81,032,970	110,140,027	141,513,473	2,949,730	4,501,700	9,851,233	10,624,250	10,245,902	11,574,900	11,151,463	9,561,784
Percentage on total operating revenues	63.07%	35.82%	13.16%	47.23%	21.64%	1.56%	1.80%	3.96%	4.40%	5.22%	4.05%	44.34%	31.50%

fiscal revenues collected by the State	17,163,468	58,785,961	155,106,068	45,139,763	151,948,518	33,984,218	46,324,463	16,760,020	17,333,206	9,802,835	10,919,248	7,059,028	10,797,500
TOTAL OF OWN REVENUES	110,952,806	182,800,172	236,139,038	155,279,790	293,461,991	36,933,948	50,826,163	26,611,253	27,957,456	20,048,737	22,494,148	18,210,491	20,359,284
Percentage on total operating resources	74.62%	52.80%	38.36%	66.58%	44.89%	19.59%	20.27%	10.69%	11.57%	10.21%	7.87%	72.41%	67.07%
Tax transfers	-	140,991,137	212,811,050	342,550	205,363,328	151,439,967	148,502,500	215,514,900	119,914,600	119,487,387	12,026,578	6,940,079	6,000,000
Percentage on total operating resources	0.00%	40.72%	34.57%	0.15%	31.41%	80.32%	59.23%	86.60%	49.62%	60.83%	4.21%	27.59%	
TOTAL OF STABLE RESOURCES	110,952,806	323,791,309	448,950,088	155,622,340	498,825,319	188,373,915	199,328,663	242,126,153	147,872,056	139,536,124	34,520,726	25,150,570	26,359,284
Percentage on total operating resources	74.62%	93.53%	72.94%	66.73%	76.30%	99.91%	79.50%	97.30%	61.19%	71.03%	12.08%	100.00%	86.83%
Other resource transfers and subsidies	28,025,750	15,000,000		76,348,550	121,198,012	104,671	27,014,000	40,000	15,030,000	60,177,200	250,000,000	-	-
Other resources	-	-	-	-	154,962	-	-	-	-	-	-	-	-

TOTAL OF TRANSFERS AND SUBSIDIES FROM STATE	28,025,750	15,000,000	164,712,000	76,348,550	121,352,974	104,671	27,014,000	40,000	15,030,000	60,177,200	250,000,000	-	-
	18.85%	4.33%	26.76%	32.74%	18.56%	0.06%	10.77%	0.02%	6.22%	30.63%	87.52%	0.00%	0.00%
TOTAL OF RECURRENT RESOURCES	148,700,134	346,204,381	615,520,467	233,218,316	653,801,573	188,540,386	250,742,163	248,857,314	241,660,956	196,441,438	285,663,447	25,150,570	30,357,517
Percentage on total resources	98.93%	99.52%	96.86%	56.88%	76.52%	98.89%	99.86%	96.91%	99.68%	88.62%	96.67%	97.73%	100.00%
INVESTMENT REVENUES													
Owned investment resources	1,610,012	1,678,922	19,982,334	50,462,950	25,168,982	2,112,201	342,459	7,930,939	781,176	25,216,902	9,840,442	585,431	
Revenues from the State	-	-	-	126,320,000	145,450,000	-	-	-	-	-	-	-	-
Loans	-	-	-	-	30,000,000	-	-	-	-	-	-	-	-
TOTAL INVESTMENT RESOURCES	1,610,012	1,678,922	19,982,334	176,782,950	200,618,982	2,112,201	342,459	7,930,939	781,176	25,216,902	9,840,442	585,431	-
Percentage on total resources	1.07%	0.48%	3.14%	43.12%	23.48%	1.11%	0.14%	3.09%	0.32%	11.38%	3.33%	2.27%	0.00%
TOTAL REVENUES	150,310,146	347,883,303	635,502,801	410,001,266	854,420,555	190,652,587	251,084,622	256,788,253	242,442,132	221,658,340	295,503,889	25,736,001	30,357,517

TABLE 5: COUNCIL EXPENDITURE COMPONENTS

	BUEA COUNCIL ADMINISTRATIVE ACCOUNTS					IDENAU COUNCIL ADMINISTRATIVE ACCOUNTS					LIMBE II COUNCIL ADMINISTRATIVE ACCOUNTS		
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	2009	2011	2013
RECURRENT EXPENDITURES													
Personnel expenses	103,647,430	102,887,347	204,829,251	212,885,313	143,334,160	42,520,756	58,904,296	76,344,050	75,369,338	83,656,919	52,230,908	64,540,622	77,328,899
Percentage of total recurrent expenses	52.798%	37.798%	43.360%	43.251%	25.132%	26.834%	34.514%	41.470%	43.909%	41.895%	24.050%	44.277%	45.686%
Other administrative costs	89,475,606	165,902,932	236,333,265	263,205,639	341,195,490	107,503,999	105,485,386	106,252,580	94,332,664	91,116,233	149,135,166	80,574,680	90,182,057
Percentage of total recurrent expenses	45.579%	60.949%	50.029%	53.474%	59.824%	67.844%	61.807%	57.716%	54.956%	45.631%	68.670%	55.277%	53.280%
TOTAL OF ADMINISTRATIVE EXPENSES	193,123,036	268,790,279	441,162,516	476,090,952	484,529,650	150,024,755	164,389,682	182,596,630	169,702,002	174,773,152	201,366,074	145,115,302	167,510,956
Percentage of total recurrent expenses	98.378%	98.747%	93.389%	96.725%	84.956%	94.679%	96.320%	99.185%	98.865%	87.526%	92.719%	99.554%	98.966%
Financial interventions	3,185,000	2,760,000	17,495,000	10,080,000	10,650,000	2,227,544	4,374,000	1,500,000	1,698,000	24,908,283	6,070,000	650,000	1,750,000

Other expenditures													
Total of recurrent expenditures	196,308,036	272,200,279	472,391,009	492,210,918	570,333,205	158,456,965	170,669,749	184,096,630	171,650,002	199,681,435	217,177,891	145,765,302	169,260,956
Percentage of total expenditures	100%	44%	57%	75%		100%	100%	100%	92%	91%	100%	100%	
INVESTMENT EXPENDITURES													
	BUEA COUNCIL ADMINISTRATIVE ACCOUNTS					IDENAU COUNCIL ADMINISTRATIVE ACCOUNTS					LIMBE II COUNCIL ADMINISTRATIVE ACCOUNTS		
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	2009	2011	2013
Debt repayment	-	350,000,000	350,000,000	167,772,561	44,147,407	-	-	-	14,000,000	20,000,000	-	-	-
Acquisition of fixes assets	-	-	-	-	382,744,105	-	-	-	-	-	-	-	-
TOTAL OF INVESTMENT EXPENDITURES	-	350,000,000	350,000,000	167,772,561	426,891,512	-	-	-	14,000,000	20,000,000	-	-	-
Percentage of total expenditures	0.000%	56.252%	42.559%	25.421%	64.682%	0.000%	0.000%	0.000%	7.541%	9.104%	0.000%	0.000%	0.000%
TOTAL EXPEN-DITURES		196,308,036	622,200,279	822,391,009	659,983,479	158,456,965	170,669,749	184,096,630	185,650,002	219,681,435	217,177,891	145,765,302	169,260,956