

LOCAL ECONOMIC AND SOCIAL DEVELOPMENT

April 24, 2007



ISSUES IN FINANCIAL MANAGEMENT

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Fiscal Decentralization

- The central problem:
 - DA's rely heavily on transfers from the centre
 - Transfers are not predictable/stable
 - Amounts
 - Timing
- Implication
 - pressure on IGF
 - Budget management



Uncertainty and the DACF

- Inadequate information
- Turbulent environment
 - Economic
 - Internal
 - External
 - Political



Consequences

- Delayed decisions and delayed spending
- Unrealistic cost estimates
- Use of voucher systems
- Continuous maneuvering for funds
- Discourage investments
- Budget allocations unspent



Local taxation

- Taxes bases
 - Equity considerations
 - Mobility
- Collection issues
 - Administrative capacity
 - Management of revenue collectors
- Alternative approaches?



PROBLEM

- MMDA's losing billions of Cedis because they do not have funds/capacity to conduct property valuations - newspaper report, April 2005



Difficulties

- Weak systems for assessing revenue potential. Eg, property valuations
- Weak collection systems
 - Tax collectors
 - Training
 - (Dis)Incentives to collect and remit
- Weak penalties for non-payment
- Poor understanding of purposes of levy
- Competing authority



ADDRESSING PROBLEMS

- Property levies
 - Separation of valuation and tax administration
 - Systems for collection
 - Systems for collection of remittances
 - Public engagement/education



Budgeting and Decentralization

- Balancing national and regional goals
- Stabilizing transfers to the DAs, especially the DACF.
- Enhancing DA fiscal capacities
 - IGF
 - Consolidated budgets