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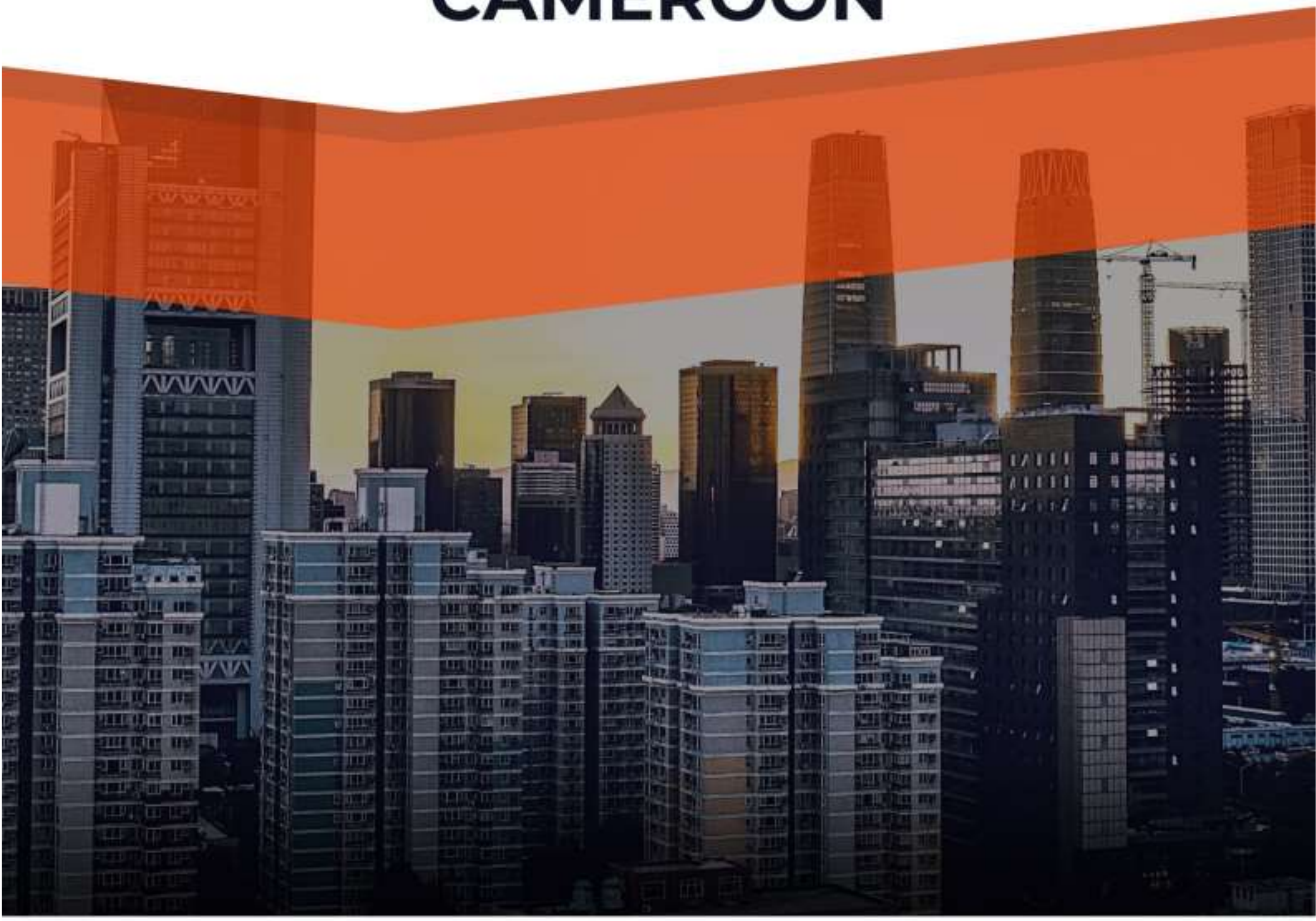
TAX JUSTICE NETWORK AFRICA

STUDY ON FAIR TAXATION AND THE FINANCING OF LOCAL DEVELOPMENT IN CAMEROON



GENERAL REPORT

Table of contents

LIST OF TABLES

LIST OF ABBREVIATIONS

AFD: French Development Agency

BIP: Public Investment Budget

C2D II : Second Debt Relief and Development Contract

CAC : Additional municipal taxes

CARPA : Support Council for Partnership Contracts

CDD : Fixed-term contract

CDI : Divisional Tax Centre

CEMAC : Economic and Monetary Community of Central Africa

CGCTD : General Code of Decentralised Territorial Collectivities

CGI : General Tax Code

CIME : Centre des Impôts des Moyennes Entreprises

CNDP : National Committee for Public Debt

CUD Douala Urban Community

DDMINFOF : Departmental Delegate of the Ministry of Forestry and Wildlife

DGD : General Decentralisation Grant

DGE : Large Companies Division

DGI : Directorate General of Taxation

FEICOM : Special Inter-municipal Equipment and Intervention Fund

FMO : Law enforcement officers

RBM : Results-Based Management

ICSP : Local taxes subject to equalisation

IRPP : Personal Income Tax

IS : Corporate Tax

IL : Flat-rate tax

MINSANTE : Ministry of Public Health

MINAS: Ministry of Social Affairs

MINEDUB: Ministry of Basic Education

MINEE: Ministry of Water and Energy

MINEPAT: Ministry of the Economy, Planning and Regional Development

MINFOF: Ministry of Forestry and Wildlife

MINJEC: Ministry of Youth and Civic Education

MINSEP: Ministry of Sport and Physical Education

MINTP: Ministry of Public Works

OHADA: Organisation for the Harmonisation of Business Law in Africa

NGO: Non-Governmental Organisation

OI: International Organisation

OTVP: Temporary occupation of the public highway

PFBC: Congo Basin Forest Partnership

PCD: Communal Development Plan

PRD: Regional Development Plan

PIF: Fragmentation plant

PPA: Annual Performance Project

PPP: Public Private Partnership

PTF: Technical and Financial Partner

PPUGDT: Sustainable Land Use and Management Plan

RAP: Annual Performance Report

SEM: Mixed Economy Company

SMID: Douala Metropolitan Investment Company

SND30: National Development Strategy 2020-2030

TDL: Local Development Tax

VAT: Value Added Tax

Abstract

This study focuses on tax equity and the financing of local development in Cameroon. The general objective of the study is to identify the issues related to the mobilization of local resources by highlighting equity and tax efficiency. Tax equity refers to the obligation to pay tax to all citizens to contribute to public expenses. It is divided into vertical equity and horizontal equity. Regarding vertical equity, everyone must pay the tax according to their ability to pay. While horizontal equity, everyone must pay the tax certainly according to their contributive capacities, but also taking into account the personal consideration of the individual. Tax efficiency is the fact of collecting the tax revenue provided for by the laws and regulations while respecting the rights of taxpayers. Financing local development in Cameroon amounts to financing municipalities and regions. These two entities are legal persons under public law enjoying financial and administrative autonomy to freely manage local affairs in the following areas: health, social, education, economy, culture and sport. There is never enough money to finance public policies both nationally and locally, especially in a developing context.

Our approach consists in identifying the problems raised by equity and tax efficiency in the context of the mobilization of local resources. We also examine the problems of other sources of funding, such as the general allocation for decentralization. Because we remember that the transfer of skills is financed at least by local taxation and staffing. As part of our questioning, we check how equity is applied in the field, in particular vertical equity, which is more easily measured in the context of our study. In addition, we understand tax efficiency through three dimensions both from the point of view of the CTD's tax administration and that of taxpayers: the simplicity of taxation, the simplicity of procedures and respect for taxpayers' rights. In other words, we question the degree of understanding among the CTD employee and the taxpayer; we also question the degree of adaptation of the dematerialization of tax procedures by the CTD employee and by the taxpayer; finally, we question the degree of respect for taxpayers' rights. The analysis focuses mainly on municipalities. Because the tax transfer is not yet effective in the regions. These are mainly financed by endowments. The difficulties of local funding sources other than local taxation are also reviewed.

We end up with findings and recommendations to achieve or approach financial autonomy. The major recommendation is to give the deliberative body the latitude to dismiss the entire executive body (chief executive and his deputies) in the event of insufficient results. The starting point of the evaluation being the main forecasting documents which are the CTD budget and the annual performance plan (PPA); the final point of the evaluation being the implementation documents that are the administrative account and the annual performance report (RAP). This

recommendation is a sort of fixed-term contract (CDD) renewable each year at the time of the balance sheet. This recommendation has a triple advantage: to oblige the executive body to work tirelessly and to earn the confidence of the deliberative body; ensure that the executive body and especially its head are truly the emanation of the deliberative body; keeping the deliberative body awake/in a state of alert, which is sometimes content or forced by the executive to limit itself to signing the deliberations and collecting the related fees; this will allow the deliberative body to be the pivot for the promotion of development, democracy and good governance at the local level (paragraph 2 of article 5 of the CGCTD). For most CTDs, taxation accounts for a fairly small share of revenue. The road to financial empowerment takes ingenuity. Thus, the other recommendations aim to produce and encourage the creation of wealth and jobs on the territory of the CTD: for example the creation of mixed economy companies (SEM), attracting investors. Of course, there is no question of neglecting basic social infrastructure such as access to drinking water, electricity, health care, etc.

Introduction / General framework of the mission

1. Background and justification for the mission

How to achieve financial autonomy for local and regional authorities by activating local tax levers through tax equity and efficiency on the one hand, and other sources of funding (loans, donations, legacies, etc.) on the other?

This is a difficult question to answer, but one that can be understood by examining the structure of a local authority's financial resources.

Decentralisation is anchored in the Constitution of the Republic of Cameroon. It states that "*Cameroon is a decentralised unitary State*". **Decentralisation** is a process of transferring powers and resources to the local authorities. The commune has existed for much longer, well before Cameroon gained independence on 01 January 1960. The region has been in operation for about three years, since 2020.

The aim of sharing powers between the State and the local authorities is to promote grassroots development, encourage the involvement of local people in local management, and promote democracy and good governance. This sharing of power relieves congestion in the State and improves the speed with which public affairs are managed. For the sake of consistency, the municipal development strategy is aligned with the regional development strategy, which in turn is harmonised with the national development strategy. This is why the same issues managed at national level are found in the same terms but at a more reduced level at regional and municipal level: programme budget, gender-sensitive budget, participatory budget, environment, etc. The strategies of these three levels of the territory are based respectively on the PCD (communal development plan), the PRD (regional development plan) and the SND30 (National Development Strategy 2020-2030). Each of these documents is a reference framework for all development actions. One of the four pillars of the SND30 is governance, decentralisation and strategic management of the State. The country therefore considers it a priority to speed up decentralisation and local development.

A DTC is considered to be a legal entity under public law with administrative and financial autonomy to manage local affairs in the following six areas: social, education, health, economy, culture and sport. It administers its affairs through elected bodies (the deliberative/governing body and the executive body).

The scope of intervention of a DTC is limited, depending on the case:

- To the territory of the district in the case of the commune and the district commune,
- To the territory of the department in the case of the urban community,
- to the territory of the region in the case of the region

Unlike the scope of action of the DTC, which is **local** (district, department or region), that of the State is **national**. Decisions taken by the State therefore have a national scope, whereas the decisions of the CTD are not only local in scope, but its essential decisions are subject to **legality control** by the State.

DTCs are communes and regions. The term "commune" covers the urban community, the district commune and the commune.

Cameroon currently has **384 DTCs**:

- 10 regions, including 2 with special powers: North-West and South-West ;
- 14 urban communities
- 44 urban district municipalities
- 316 communes.

The implementation of a local authority's powers requires the mobilisation of resources. These resources come from local taxation, grants and subsidies and other resources (loans, donations, legacies, resources from public-private partnerships (PPPs), etc.). The analysis will focus on the municipalities. This is because the transfer of taxation to the regions is not yet effective; the regions are financed mainly by grants. The aim is to make the local authorities financially autonomous, i.e. to enable them to finance their own local public policies with minimal recourse to other entities.

2. Mission objectives

a- General objective

The mission aims to carry out an in-depth study and a policy brief on tax fairness and the financing of local development in Cameroon, in order to identify the problems linked to the mobilisation of local resources for development, as well as the mechanisms to be put in place to improve the efficiency and fairness of the tax system. As a result, we can state that the assignment concerns the study of local development financing in a context of tax equity and efficiency.

We need to clarify the key concepts in our theme: tax fairness, tax efficiency and local development.

Local taxation is a set of charges levied by the State's tax departments and/or the relevant departments of local authorities for the benefit of the latter. Known as local taxes, these levies are subdivided as follows

Tax equity refers to a principle which stipulates that each taxpayer contributes to public expenditure according to his or her ability to pay. Tax equity can be divided into three categories: general equity, vertical equity and horizontal equity.

According to **general equity**, everyone must pay tax. **Vertical equity** means that everyone pays tax according to their ability to pay. **Horizontal equity** goes further than the above in that not only does everyone pay tax according to their ability to pay, but also according to their personal situation.

Cameroon's tax system favours vertical equity, but indirectly applies horizontal equity (e.g. the introduction of certain advantages/exemptions on certain essential products such as locally produced meat, medicines, etc.). A family consuming six kilograms of meat a week will benefit more from such an exemption than an individual consuming two kilograms.

In the rest of our study, therefore, we will focus on vertical equity.

This concept directly connects the municipality to its taxpayer. For example, depending on the taxpayer's tax category, he or she may pay more or less tax. This notion of vertical equity therefore has a direct link with tax revenues and therefore with the financing of local development. The notion of horizontal equity, on the other hand, is very indirectly linked to the mobilisation of tax revenues. An individual's personal situation induces a certain level of purchasing power vis-à-vis the tax-paying merchant, who himself ultimately pays the tax.

Every tax system in the world seeks the right balance between tax fairness and **tax efficiency**. Tax efficiency means that a State or local authority must collect the tax revenues provided for by laws and regulations while respecting taxpayers' rights.

Tax efficiency refers to a tax authority's ability to broaden its tax base and secure its tax revenues. More specifically, tax efficiency also refers to:

- **Simplicity of taxation**. Taxpayers must feel that the tax to which they are liable is simple to understand/apprehend and that the way it is calculated is also simple;
- **Simplification of procedures**, which means making it easier for taxpayers to declare and pay their taxes.
  Some taxpayers still remember the days when paying tax was an obstacle course: you had to fill in your return manually, line up to register, stamp your return, go to the cashier to pay and receive a provisional receipt, and then line up again a few days or weeks later to collect the original receipt. Sometimes the receipt is in a batch of receipts and the tax officer asks you to find it yourself.
- And **strengthening taxpayer guarantees**. Taxpayers must know their rights. At the very least, tax officers should inform them or remind them of their rights. Because taxpayers should pay their taxes with full knowledge of the facts.

Local development is a way in which a State develops through its decentralised territorial collectivities (DTCs). In other words, the State transfers some of its powers and resources to the DTCs to develop a geographical area in the following areas: economy, social affairs, health, education, culture and sport (*article 17 of the General Code of the DTCs or CGCTD*).

Local development is financed through local taxation, grants and subsidies and other resources. This mobilisation of local development resources raises various problems relating to:

- low levels of tax revenue collected,
- unclear criteria for revenue collected through equalisation,
- amounts collected
- unknown frequency of repayment of taxes collected by the State (flat-rate tax) of repayment by equalisation
- undefined criteria for transferred resources,
- tax evasion.

These difficulties prevent good annual forecasts from being made when the budget is drawn up, and also prevent good cash management forecasts from being made during the year.

b- <u>Specific objectives</u>

<u>Analyse Cameroon's current fiscal situation and the various mechanisms for financing local development</u>;

Analysing the current tax situation involves taking stock of the tax system as it relates to the DTC; in other words, it involves taking stock of local taxation in Cameroon. The text to be commented on is Law 2009/019 of 15 December 2009 on local taxation. This law is of course updated every year through Cameroon's finance laws. In concrete terms, the aim is to comment on the local taxation contained in Cameroon's General Tax Code for the 2023 financial year.

Other sources of funding should also be discussed, in particular grants and subsidies, other resources (loans, donations and legacies, etc.), and any other sources of financing.)

<u>Identify the constraints and challenges faced by decentralised territorial collectivities (DTCs) in their ability to mobilise their own resources for local development</u>

Own resources are resources generated by the DTC. They are internal resources generated by the DTC. **As the CGCTD does not give a precise definition of own resources**, it will be necessary to define them.
In practice, however, a DTC's own resources appear to be limited to the following elements:

- Tax revenue,
- Additional municipal taxes (CAC),

- Local development tax (TDL),
- Communal taxes,
- Proceeds from the use of land and services.

The constraints and challenges encountered in mobilising own resources are generally linked to:

- broadening the tax base,
- securing tax revenues,
- tax evasion and avoidance,
- taxpayers' resistance to change
- the initial and ongoing training and ethics of tax collectors,
- the arbitrary allocation of transferred resources between the DTCs,
- difficult collaboration between the DTCs and the State tax departments.

Propose innovative solutions to improve the efficiency and equity of the tax and local development financing system, with a focus on the financial empowerment of DTCs;

In order to find innovative solutions, we will first look at the difficulties encountered by local authorities in mobilising resources in accordance with the regulations in force. Then we will question the players involved in implementing the revenue budget, in particular the authorising officer, the financial controller and the accountant. In concrete terms, we will limit ourselves to the authorising officer, who prescribes the execution of revenue (tax revenue, for example), and the public accountant, who collects this revenue (tax revenue, for example).

We will also be questioning other stakeholders, in particular:

- the State Tax Administration in its collaboration with the DTCs, as well as a possible evolution/improvement of this collaboration,
- Taxpayers, true contributors to the public purse.

We will also consider the case of other financing resources such as:

- donations and legacies,
- resources from decentralised cooperation,
- resources from public/private partnerships,

- loans. The tasks of the National Committee for Public Debt (CNDP) could be studied with a view to facilitating the possibility of effective and prudent indebtedness for the local authorities.

Finally, we will study good practice (benchmarking) in other environments (such as West Africa and Western Europe) to consider their adaptation to the Cameroonian context.

It should be noted that a DTC is a legal entity under public law enjoying administrative and financial autonomy to manage local affairs in the economic, health, social, educational, cultural and sporting fields. We can state with little risk of being wrong that at least 70% of local authorities are not yet financially autonomous; most local authorities still live "on a drip" of State resources to finance their investment projects and basic operating expenses such as salaries. The challenge for local authorities is to achieve financial autonomy.

Draw up practical, concrete recommendations to strengthen the capacity of local authorities and local players to mobilise resources for local development, while guaranteeing tax fairness and citizen participation

The aim is to propose a **training plan** for local development actors to ensure a successful transition in the effective mobilisation of local development funding.

3. Expected results/deliverables

At the end of this study, we will put forward recommendations for improving the fairness and efficiency of local taxation and other sources of funding for local development.

I. Methodology

1. Preliminary activities-literary search

On the basis of the general objective of the study, we propose to look for a starting question, structuring for what follows. The suggested starting question is: how does the problem of equity and efficiency of taxation and other resources manifest itself in the mobilisation of resources to finance local development?

We then continued with exploratory readings on tax equity, tax efficiency and other sources of funding for local development. Various readings helped us to better define the problem and to identify a theoretical basis that would enable us to better account for the phenomenon under study. In fiscal sociology, the theory of bureaucracy studies the implementation of taxes by the administration. For Max Weber, *the bureaucratic model is a typical ideal based on a general organisation characterised by the predominance of rules and procedures applied impersonally by employees*. This theory helps us to understand an organisation that collects taxes. We extend it to understand how a DTC captures the resource to finance local development.

We therefore use bureaucratic theory to identify problems in implementing tax equity, tax efficiency and other resources in the financing of local development. We verify the implementation of equity through its vertical equity dimension (horizontal equity is less easy to observe within the framework of our study); tax efficiency is apprehended through the dimensions of simplicity of taxation, simplicity of procedures, respect for taxpayer guarantees; we complete this panorama with the problems raised by financing other than local taxation, i.e. endowment, subsidy, borrowing, donation/legacy, etc.

2. Data collection, processing and analysis

Field surveys consist of collecting data in the form of questionnaires from our target groups: regions, municipalities and taxpayers. The questions asked relate to the various dimensions that best shed light on the problems of financing local development in relation to tax equity and efficiency and other resources.

We draft a questionnaire for each target category. Then we test it with the targets and adjust it, before finally selecting a questionnaire that is ready to be administered. Three questionnaires were drawn up:

- A questionnaire for the region ;
- A questionnaire for the commune (including the urban community, the district commune and the commune) ;
- A questionnaire for taxpayers.

The local authority questionnaires are administered electronically. The questionnaire is sent by WhatsApp and completed directly from the telephone. Respondents were mainly town hall secretaries-general, the main collaborators of the heads of the DTCs' executives.

We embarked on a very ambitious project to collect data from the DTCs in the following way

- 3 regions out of a total of 10 (30%)
- 5 urban communities out of a total of 14 (36%)
- 13 arrondissement municipalities out of a total of 44, i.e. 30%
- 31 communes out of a total of 316, i.e. 10%

However, due to certain constraints, we sent questionnaires to more than 70 DTCs, and despite reminders, we received responses distributed as follows:

- 1 region,
- 4 urban communities,
- 6 district communes,
- 26 communes.

The respondents to these questionnaires in the DTCs are the secretaries-general and receivers of the town halls. These are therefore employees with the most senior functions.

Fifty taxpayers subject to the flat-rate tax (IL) constitute our target, i.e. individuals each with an annual turnover excluding tax of less than FCFA 10,000,000. These taxpayers are located in two district municipalities in the city of Douala and two district municipalities in the city of Yaoundé.

Our rather heterogeneous target is made up of: "motoman" (motorbike taxi), shop/food manager, ready-to-wear, hair salon, perfumery/cosmetics, wines & spirits, second-hand goods. IL taxpayers are divided into four categories as shown in table 1 below. However, the motomen surveyed are not classified in any one category. The DTC requires them to pay the chasuble fee and a lump sum for the tax due.

Table 1: Rates of flat-rate tax by category

Category	**Characteristic**	**Tax rate**
A	Producers, service providers and traders with an annual turnover of less than CFAF 2,500,000	*from 0 CFA F to 20 000 CFA F*
B	Producers, service providers and traders with an annual turnover equal to or greater than CFAF 2,500,000 and less than FCFA 5,000,000	*from 20 001 CFA F to 40 000 CFA F*
C	Producers, service providers and traders with an annual turnover equal to or greater than CFAF 5,000,000 and less than CFAF 7,500,000	*from 40 001 CFA F to 50 000 CFA F ;*
D	Producers, service providers and traders with an annual turnover equal to or greater than CFAF 7,500,000 and less than CFAF 10,000,000	*from 50 001 CFA F to 100 000 CFA F*
	Babyfoot operators with fewer than 10 machines	
	operators of pinball machines and video games with fewer than 5 machines	
	operators of slot machines with fewer than 3 machines	

Source: CGI 2023

The questionnaires are sent electronically (on WhatsApp) and the responses are collected, processed and analysed on the Google forms platform of IT giant Google.

Similarly, questionnaires are administered to taxpayers in the traditional way: the interviewer interviews the respondent, then the interviewer fills in the questionnaire on the basis of the answers obtained.

II. Overview of local development financing in Cameroon

1. Current state of local taxation in Cameroon

The tax system of the DTCs is structured by two texts: the law on local taxation and the finance law of the Republic of Cameroon.

Law 2009/019 of 15 December 2009 on local taxation sets out the taxes, duties and fees levied for the benefit of the local authorities. Local taxation is the set of compulsory levies carried out by the State Tax Administration or by the collection services of the DTCs for the benefit of the latter. This text authorises the DTC to collect "local taxes". Local taxation is set out in the General Tax Code (CGI).

The *Finance Law of the Republic of Cameroon* presents Cameroon's budget. The budget is an authorisation to forecast resources and uses for a financial year. The Finance Law, which is passed and promulgated each year, updates the local taxation law on an annual basis. This is contained in the General Tax Code. The **update** concerns the possible abolition of a tax and/or charge, or an increase or reduction in a tax rate.

Generally speaking, tax as a compulsory levy is a matter for the law. Parliament, comprising the National Assembly and the Senate, has the heavy responsibility of defining the nature of taxes and the amounts to be paid to fulfil one's tax obligations. Tax bills are prepared and consolidated by the Tax Directorate of the Ministry of Finance before being sent to Parliament.

Once passed by Parliament and updated by the Finance Law, the tax law must be implemented by the State and the local authorities. This law gives municipalities the power to set tax rates within the bands defined by the law. The rates set take account of revenue targets and the solvency of taxpayers.

Executives are well aware that "too much tax kills tax": too high a tax level discourages private initiative and encourages the underground economy. Entrepreneurs feel that they are being cheated by a section of the population that is not prepared to make the same efforts. These entrepreneurs tend to look for more attractive tax environments, for both their personal assets and their productive investments.

The Divisional Tax Centre (CDI) is the municipality's main partner for local taxation. It collects local taxes and remits them to the territorially competent DTC. Similarly, the Tax Centre for Medium-sized Enterprises (CIME) and the Directorate for Large Enterprises (DGE) of the DGI collect and pay taxes to the DTCs. Communal taxes collected by the State's tax services may be transferred in **full** or in **part** to the DTC.

Reversal in full means that the CDI, CIME or DGE pays all the taxes collected to the DTC, of course with a 10% deduction for assessment and collection costs. For example, if the CDI collects 1,000,000 CFAF in property tax, it retains 10%, i.e. 100,000 CFAF and transfers 90% to the CTD, i.e. 900,000 CFAF.

Partial repayment, e.g. tourist tax. A CIME that collects 1,000,000 CFAF in tourist tax retains 70%, i.e. 700,000 CFAF, and transfers 30% to the CTD, i.e. 300,000 CFAF.

a- Local taxes

According to the CGI, there are ten (10) communal taxes: business tax, licence tax, flat-rate tax, property tax on real estate, tax on games of chance and entertainment, real estate transfer tax, motor vehicle stamp duty, forestry tax, stamp duty on advertising and tourist tax.

These local taxes are collected by the State tax authorities and paid to the municipality:

- **In full**, depending on whether the taxable event is located in the municipality (property tax, real estate transfer tax, tax on games of chance and entertainment, flat-rate tax) ;

- **In part**, depending on whether the taxable event is located in the municipality (tourist tax, etc) ;

- **Part** to the municipality of the place where the chargeable event occurred and **part** to the other municipalities through equalisation (forestry tax, stamp duty on advertising, etc) ;

Equalization is a way of distributing taxes and levies from the most affluent municipalities to the least affluent municipalities on the basis of balanced and harmonious regional development.

- **in full** to the communes via the equalisation scheme (motor vehicle stamp duty, etc) ;

- **in full** to the urban communities (contribution of business tax and licences).

In total, local taxes are divided into:

- local taxes subject to direct repayment (see above),
- municipal taxes subject to equalisation (see above),
- communal taxes for the benefit of the intermunicipality (article C117 paragraph 2 of the CGI 2023).

b- Additional municipal taxes (CAC)

CAC are not taxes as such. They are tax supplements obtained by applying a rate of 10% and 3% to the following taxes: personal income tax (IRPP), corporation tax (IS), value added tax (VAT), patents and licences. More specifically, the CAC are calculated on the basis of:

- 10% of the principal and increases in taxes such as IRPP, IS and VAT;

- The above CACs are divided between the State, the FEICOM and the communes via the equalisation system.

- 3% of the principal of the contribution for patents and the contribution for licences.

The proceeds from the above CAC go to the consular chambers (Chamber of Commerce, Industry, Mines and Handicrafts and Chamber of Agriculture, Fisheries, Livestock and Forestry).

From January 2006 to June 2020, 848,102,542,225 CFAF (eight hundred and forty-eight billion one hundred and two million five hundred and forty-two thousand two hundred and twenty-five) were redistributed to all the DTCs in respect of CAC and other ICSP.

c- Communal taxes

They are made up of 21 taxes, including : local development tax (TDL), livestock slaughtering tax, communal livestock tax, firearms tax, hygiene and sanitation tax, impound fees, market stall fees, building or siting permit fees, public road temporary occupation fee, parking tax, parking fees, wharfage tickets, entertainment tax, stadium fees, advertising tax, municipal stamp duty, road damage tax, municipal transit or transhumance tax, tax on the transport of quarry products, parking fees, tax on salvaged products, etc.

The TDL is the only tax issued and collected by the State on behalf of the municipality. However, the municipality itself determines the basis of assessment and issues and collects the twenty other municipal taxes. The TDL is paid in return for services rendered to the population, in particular: public lighting, sanitation, **rubbish collection**, water supply, etc. In practice, some communes issue and collect the TDL directly.

Decree no. 2023/04186 of 24 July 2023 sets out the procedures for collecting, centralising, distributing and repaying the proceeds of the special excise duty intended to finance the removal and treatment of waste for the benefit of decentralised territorial collectivities and introduces a new tax: the **special excise duty**. Like the TDL, it is used to finance the removal and treatment of waste. It is levied on the basis of a rate applied to imported goods, then centralised and distributed by the FEICOM to the communes, district communes and urban communities.

d- Taxes levied by the urban community

There are fifteen (15) taxes specific to an urban community: contribution of patents and licences, proceeds from CAC, proceeds from sports stadium fees, proceeds from stamp duties, proceeds from the TDL, proceeds from the tax on advertising, proceeds from car park occupancy fees, proceeds from the tax on games of chance and entertainment, proceeds from market stall fees, proceeds from impound fees, proceeds from building or siting permit fees, proceeds from the parking tax, proceeds from communal stamp duties, etc.

e- <u>Taxes levied by district councils</u>

The proceeds of the flat-rate tax, the proceeds of the CAC, the proceeds of the communal tax on livestock, the proceeds of the forestry levy resulting from equalisation, the proceeds of the tax on the slaughter of livestock, the proceeds of market fees in the district commune, the proceeds of temporary occupation fees for public roads, the proceeds of the hygiene and sanitation tax, income from parking fees, income from stadium fees (with the exception of multi-sports stadiums), income from entertainment tax, income from the communal transit or transhumance tax, income from tax on the transport of quarry products, income from impound fees, income from tax on firearms, income from recovery tax, etc.

f- <u>Taxes and levies shared between the urban community and the district commune</u>

Two taxes are shared between the urban community and the district commune. These are property tax and property transfer tax.

g- <u>Regional taxes</u>

These compulsory levies comprise : stamp duty on vehicle registration documents, airport stamp duty, tax on forestry, wildlife and fisheries resources, tax on water resources, tax on oil resources, tax and/or royalty on mining resources, tax on fisheries and livestock resources, tax and/or royalty on energy resources, tax and/or royalty on tourism resources, aerospace tax and/or royalty, tax and/or royalty on gas sector resources, road use royalty, operating rights for establishments classified as dangerous, unhealthy or unfit for habitation.
These regional taxes and levies are issued and collected by the State's tax departments, then paid back either directly to the region or indirectly through equalisation**.**

2. Presentation of other sources of financing

a- <u>Revenue from the operation of the estate and services</u>

This revenue includes *income from the regional or municipal public domain, income from the regional or municipal private domain and income from the provision of services.*

Areas of natural or man-made public domain that are recognised as being of no use in view of their original purpose may be declassified and incorporated by decree into the private domain of legal entities governed by public law, such as the DTCs.

The State's private domain may be:

- acquired by legal entities governed by public law, such as DTCs, by means of transfer,
- - used by public legal entities such as DTCs through assignment.

b- General decentralisation grant (DGD)

A grant is financial support from the State to the DTCs to support the transfer of powers. The DGD has increased steadily since 2010, the year in which the resources transferred to the DTCs began. In 2022, the DGD amounted to 240,231,858,000 (two hundred and forty billion two hundred and thirty-one million eight hundred and fifty-eight thousand) CFA francs. The DGD is divided into an operating DGD and an investment DGD.

The operating DGD amounted to 128,108,015,786 (one hundred and twenty-eight billion one hundred and eight million fifteen thousand seven hundred and eighty-six) CFA francs. The DGD financed, among others, the ten regions at a rate of 3,000,000,000 (three billion) CFA francs per region. Due to the insufficiency of resources, this allocation was used for operations and investment.

The investment DGD for the 2022 financial year amounted to 112,123,843,214 (one hundred and twelve billion one hundred and twenty-three million eight hundred and forty-three thousand two hundred and fourteen) CFAF. This allocation is made up of all *the public investment resources transferred to the communes*. It is by far the main source of funding for investment by the DTCs. The DGD for investment incorporates the resources transferred for investment by the ministries or BIP (public investment budget).).

The DTCs receive three types of allocation. The allocation from MINDDEVEL (Ministry of Decentralisation and Local Development) or multi-sector allocation. This is an amount intended to finance projects in several ministerial departments. For example: water, road, cultural, sports, educational and social projects. CFAF 100,000,000 (one hundred million) is allocated to each commune and CFAF 280,000,000 (two hundred and eighty million) to each urban community from the 2022 financial year.

The ministries that have transferred powers to the local authorities provide them with an allocation, also known as a sectoral allocation. These ministries are:

- MINEDUB: Ministry of Basic Education,
- MINTP: Ministry of Public Works,
- MINEE: Ministry of Water and Energy,
- MINSANTE: Ministry of Public Health

- MINJEC: Ministry of Youth and Civic Education,
- MINSEP: Ministry of Sports and Physical Education,
- MINAS: Ministry of Social Affairs,
- MINAC: Ministry of Arts and Culture

MINEPAT (Ministry of the Economy, Planning and Regional Development) grants a special allocation or one-off delegation. Allocated during the year, these funds are used to supplement financial resources that are insufficient to carry out public service missions.

c- Grants-Borrowing-Donations and Legacies-Public-Private Partnerships (PPP)-Resources from decentralised cooperation projects

A grant is a resource from a legal entity under public law, a non-governmental organisation, an international organisation or a foundation awarded to the DTC. As a grant is not a permanent resource, it may be included in the budget one year, but not the next. For example, a DTC may receive a grant from a foundation to build an orphanage.

Borrowing is a resource obtained to finance an investment. The investment may be in revenue-generating or non-revenue-generating infrastructure. It is repayable with interest. The DTC may take out a loan with a commercial bank; it may also borrow on the local financial market. This is a long capital market where agents with capital needs and agents with capital surpluses meet. The securities issued are shares and bonds. As this market is not very developed, many companies do not use it for financing. As a DTC, only the Urban Community of Douala (CUD) has financed itself on the financial market, through SMID (Metropolitan Investment Company of Douala). The aim of the operation was to *mobilise public savings (in particular from private investors) and resources from the diaspora, which would be used to finance and co-manage the facilities and services required for the growth and sustainable development of the City of Douala.* In the end, the funds were indeed raised, but the operation ended up in legal trouble[1].

Borrowing in the financial market takes the form of issuing bonds. A sub-set of the financial market, the bond market is a medium and long-term debt market (5 to 10 years) on which the State and its constituent parts, as well as large companies, finance themselves by issuing bonds. A bond is a debt security redeemable at maturity.

In June 2023, the State of Cameroon issued a CFAF 150[2] billion bond on the CEMAC (Central African Economic and Monetary Community) financial market. In a press release dated 04 July 2023, the Minister of Finance announced that

[1] MINDDEVEL/PNUD(2023), Evaluation of local development funding, page 45

[2] CNDT/CAA (2023) Monthly Review of Cameroon's Public Debt N°06/23-juin 2023, page 5

subscriptions had exceeded issuance (117.8%), representing a total amount of CFAF 176.7 billion.

A donation is an asset in cash or kind received by a DTC from a natural or legal person. We sometimes see donations from foundations or the diaspora in the form of computers and desks for primary schools, or equipment/rehabilitation for health centres. Often these donations are not included in the budget because of an error, an oversight or ignorance.

A bequest is a gift made by will to a person, who may be a DTC. Unlike in the West, wills in their official form (drawn up by a notary) are not yet widespread in our context. In our country, oral tradition still prevails over the written word. Recently, a small commune in France received a bequest of 30,000,000 (thirty million) euros from a missing person to build social housing. As a limitation, the bequest generally does not give the DTC the choice of carrying out the expenditure that it considers to be a priority.

Public-private partnerships [3] is a method of financing in which a public authority calls on private service providers to finance and manage a facility that provides or contributes to a public service. In return, the private partner receives payment from the public partner or from the users of the service it manages.

The PPP contract governs the collaboration between a public entity (such as a DTC) and one or more private individuals to carry out a public project in the economic and social fields.

There are three types of PPP contracts in Cameroon:

- Public-payment PPP contract: the contracting authority remunerates the private co-contractor in the form of contractually agreed rents;

- Concession-type PPP contract: the private partner is remunerated by the users of the facility or service;
  An example of this type of contract is the Build, Operate and Transfer (BOT) contract.

- Mixed-payment PPP contract: the private partner is remunerated by the contracting authority and the users of the facility or service.

A project is eligible for a PPP Contract if it is complex, urgent and the advantages/disadvantages assessment is favourable. The expert body (public entity in charge of PPP contracts) mandated to declare and provide technical assistance for a project eligible for a PPP is CARPA (Council for Supporting the Implementation of Partnership Contracts).

[3] Law 2023/008 of 25 July 2023 on the general regime for public-private partnership contracts

The 2023 State budget is exposed to numerous risks associated with PPP contracts:
- CFAF 120 billion for the Nachtigal dam,
- CFAF 2.8 billion for the 14 toll stations,
- CFAF 15.24 billion for the Kribi-Lolabe motorway.

The conclusion of a PPP contract therefore requires the opinion of the CARPA as well as that of the Minister in charge of the budget on budgetary sustainability in liaison with the National Public Debt Committee (CNDP).

Decentralised cooperation is a partnership between two or more local authorities or their groupings to achieve common objectives. This agreement by way of convention may be between the local authorities of Cameroon or between local authorities of Cameroon and foreign local authorities, as well as between groupings of local authorities.

The trend is to establish partnership agreements between Cameroon's DTCs and foreign DTCs in Western countries. To be effective, cooperation must be underpinned by mutual gain. This Western DTC, which is richer than the local DTC, also has its own expectations. These expectations must be identified in order to meet them as best as possible.

III. Analysis of the efficiency and equity of taxation and other local resources

1. Analysis of tax efficiency

Tax efficiency is analysed from three angles: the simplicity of taxation, the simplicity of procedures and the strengthening of taxpayer guarantees.

The field findings set out below indicate that the potential for improving tax efficiency remains high. The mobilisation of tax resources is still far from optimal, which has an unfavourable effect on the financing of local development.

a- <u>Simplicity of taxation</u>

54,3%[4] of municipalities consider that the various local tax charges are fairly easy to understand. However, 37.1% felt that the taxes were not easy to understand. This makes it difficult to determine the tax to be paid. There is likely to be over- or under-taxation or arbitrary taxation. This may explain why 54.3% consider the level of skills of the tax assessment and collection department to be average, while 40% consider their level to be insufficient.

The finance staff of the authorising officer and collection department are people who sometimes have less than a high school diploma and no initial training in tax tasks. Even a higher education graduate needs training to work effectively. Their on-the-job

[4] Annex 4: Analysis of responses to the questionnaire administered to local authorities (urban communities, district communes, communes, etc)

training is rarely supplemented by further training. With on-the-job practice, these staff acquire experience that can be greatly improved.

12,76%[5] of taxpayers still find it easy to understand taxes and 10.20% find it easy to calculate them. These taxpayers deplore the multiplicity of tax contacts. On the other hand, 100% say they have not received any information about the nature of the taxes to which they are liable.

b- Simplicity of procedures

64% of municipalities say that collection staff, and by extension tax collection staff, are unable to declare and pay flat-rate tax online. This is due to a lack of technical skills. Similarly, 35.41% of taxpayers find it difficult to declare their tax, and therefore experience the same difficulties for the same technical reasons. As a result, some taxpayers continue to pay their tax in cash.

Not so long ago, flat-rate tax was still paid in cash. However, changes in the tax legislation now require you to file and pay your tax online.

c- Strengthening taxpayer guarantees

The taxpayer's charter is a document that informs taxpayers of their rights and duties with regard to tax obligations.

41,7% of municipalities find that their collection staff have insufficient knowledge of the Taxpayer's Charter. For 52.8% of municipalities, the staff in charge of collection have only an average knowledge of the charter. Practice therefore takes precedence over regulation. Ignorance, taking advantage of the prerogatives of public power, can turn the municipal administration/taxpayer relationship into one of oppressor/oppressed.

Taxpayers' lack of knowledge of the legislation does not help their situation. 81.63% of taxpayers say they are unaware of the existence of the Taxpayer's Charter. Furthermore, in the event of a tax dispute, 73.46% would not try to assert their rights on the grounds that:

- Not only would it be a waste of time,
- But you'll never win your case with the authorities,

Finally, if you make yourself stand out in a 'negative' way like this, you're asking for trouble later and unnecessarily. In any case, the authorities have every means at their disposal to do them harm. Some shopkeepers deplore the municipality's obligation to charge them for temporary occupation of the public highway (OTVP). At the same time, they are forbidden to display their goods, subject to confiscation. The bottom line is that the relationship between the taxpayer and the municipality is not one of partnership, as announced in the official discourse.

[5] Annex 5: Analysis of responses to the questionnaire administered to taxpayers

2. Analysis of tax fairness

The concept of equity has two dimensions: vertical equity and horizontal equity. The vertical equity dimension concerns taxpayers under the flat-rate tax system.

This system verifies the effectiveness of the application of the contribution to public charges made by individuals on the basis of their ability to pay.

77,77% of taxpayers claim that they were not involved in the classification into various A, B, C, D categories. Only 41.66% of taxpayers claim that this classification does not reflect their real level of activity, and therefore had to be classified in lower categories. If the assessment of a taxpayer's tax situation is not objective, there is a risk that they will be assigned to a category that does not correspond to their economic reality.

An outclassed taxpayer will always feel a sense of tax injustice. To do themselves justice, such taxpayers will tend to underestimate the tax they have to pay. They will feel that the State is robbing them of the fruits of their efforts; in short, they may develop all kinds of deviant behaviour. Hence the famous phrase coined by the American economist Arthur LAFFER: "too much tax kills tax". The formula implies that a tax rate above a certain level becomes counter-productive, leading to a drop in the State's tax revenues. The taxpayer will perceive the State not as a tax partner but as a predator. All this is detrimental to the mobilisation of local resources.

The classification into various categories is influenced by the skills and ethics of the agent responsible for classification. There are cases where the taxpayer tries to bribe the grading officer to under-classify him or her, in order to pay less tax later; the opposite case occurs where the proposal comes from the grading officer. In all cases, the taxpayer must be classified in the category that best suits him, based on his verifiable characteristics.

The lack of cooperation between the local council and the CDI is also an obstacle to the proper application of vertical equity. 71.4% of municipalities state that they do not have access to the CDI's taxpayer file. For the same purpose, flat-rate tax for example, each of these administrations may carry out parallel actions that may either contradict or overlap. The taxpayer then hears several different things and has the feeling that he or she is just a victim.

3. Internal organisation of the DTC in relation to local taxation

According to the regulations, the authorising officer issues tax revenue orders and then forwards them to the accountant for collection. In practice, however, the accountant recovers the sums first and then the authorising officer issues regularisation revenue orders.

In response to the question as to what proportion of tax revenue the authorising officer issues regularisation revenue vouchers to record the accountant's tax collection, the following answer was given: 42.9% of municipalities consider that 75% of tax revenue comes from cases where the accountant first collects the revenue and then the revenue vouchers are issued by the chief executive as regularisation.

The question as to what proportion of revenue is first issued by the authorising officer and then recovered is the opposite of the question above. The meaning of the answer does not contradict the answer to the question above: 17.1% of municipalities consider that 75% of revenue falls under the regular scheme: prior issue of the revenue order then transmission to the accounting officer for collection.

In this case, the accounting officer replaces the authorising officer in his role of determining the basis of assessment and issuing.

This is why the revenue side of the administrative accounts (the document setting out the implementation of the budget) very often shows total issued = total collected. If we limit the analysis to this level, the DTC achieves 100% and is described as a top performer. However, if the analysis is taken further, i.e. by comparing the forecast/budgeted revenue with the total issued=total collected, the difference (forecast revenue-receipt collected) sometimes reveals negative differences of more than 40%. Such an analysis reveals the real level of performance of the DTC.

4. Efficiency in tax collection

60% of municipalities do not initiate enforced collection one week after the tax payment deadline.

A good practice is to follow up with the taxpayer one week after the due date. This has the advantage not only of shortening the follow-up time, but also of avoiding too large an accumulation of tax debts before enforced collection is initiated. Taxpayers can pay only part of their debt and negotiate a moratorium on payment of the remainder. This uncomfortable situation, which should be avoided wherever possible, creates uncertainty for both the creditor and the debtor.

70% of town halls cannot easily determine the cost of enforced collection excluding wages (in terms of requisitioning police forces + fuel + transport costs + refreshments). Some complain about the limited resources allocated to collection; others feel that collection costs them dearly. In any case, it is interesting to be able to assess the effects of recovery in the short or medium term (from 1 day to 03 months) by comparing the benefits and costs of recovery.

73,5% of town halls do not charge late payment penalties and interest to late payment taxpayers. However, taxpayers declare that they pay the penalties demanded by collection agents without receiving receipts. The council loses revenue from penalties and interest.

65,7% of local councils do not monitor the expected tax/tax repaid by the State tax administration to the DTCs. What's more, 43.8% of them do not know how often the tax is paid out by the state tax authorities. This means that the DTCs do not know when or how much they will receive. This disrupts cash flow forecasts. According to the CGI, flat-rate tax is paid quarterly.

5. Other resources for financing local development

a- DTC with a communal forest

This section checks compliance with Law 94/01 of 20 January 1994 on the forest, wildlife and fisheries regime.

The communal forest is a natural resource from which a DTC is trying to derive maximum benefit. There are a number of problems undermining the full enjoyment of this resource, in particular stakeholders' understanding of the rules governing its operation.

According to articles 48, 52, 79 and 80 of the forestry law, the communal forest is managed on behalf of the commune:

- either by direct management;
- or by means of *logging permits*, the allocation of which is defined by the local authority. These permits are: timber sales, logging permits, personal logging authorisations, etc.

The titles mentioned above are issued by the Mayor. However, the use of a communal forest is governed by a management plan drawn up by the commune and approved by the Minister of Forests and Fauna (MINFOF).

For 45.5% of town councils, the DDMINFOF with territorial jurisdiction still draws up the management plan for communal forests; for 30% of town councils, the DDMINFOF approves the management plan; and for 70% of town councils, the DDMINFOF issues logging permits.

In reality, the development plan must be drawn up by qualified staff from the local council and approved by MINFOF. The mayor issues logging permits.

b- General decentralisation grant (DGD)

The DGD represents a fraction of State revenue that is transferred to the local authorities to partially finance decentralisation. It is divided into an investment DGD and an operating DGD. The investment DGD includes all the resources transferred for public investment. It is by far the main source of funding for investment by the local authorities. The transfer of the DGD to the local authorities depends on the State's projection of balanced and harmonious development.

85.3% of DTCs think that there is no equity in the distribution of transferred resources; 71.4% even consider this distribution to be arbitrary.

The amount of funding granted to the local authorities is determined by the State. The distribution keys for these allocations are not clearly defined. As a result, there may be significant disparities. Over three financial years (2019, 2020, 2021)[6] our communes received more than a billion each in transferred resources:

[6] MINDDEVEL/PNUD (2023), National report on the state of local development in Cameroon, page 148

- Garoua 1: CFAF 2,017,565,000 (two billion seventeen million five hundred and sixty-five thousand),
- - Yaoundé 4: FCFA 1,800,224,163 (one billion eight hundred million two hundred and twenty-four thousand one hundred and sixty-three),
- - Commune of Kaélé: FCFA 1,791,801,950 (one billion seven hundred and ninety-one million eight hundred and one thousand nine hundred and fifty),
- - Commune of Meyomessala: FCFA 1,721,739,038 (one billion seven hundred and twenty-one million seven hundred and thirty-nine thousand and thirty-eight).

Over the same period 2019-2021, four communes will receive less than FCFA 500 million: Douala 1 district commune, Dja commune, Darak commune, Akoeman commune, etc.

c- <u>Profitability of FEICOM-funded projects</u>

FEICOM is not only a body for equalising State revenues with a view to their distribution to DTCs. It is also the "bank of the communes". Funding for communal and inter-communal projects, as well as its own funding, comes from the 20% of the CACs. FEICOM finances utility equipment, income-generating infrastructure, and so on. These infrastructures are financed by the "Income-generating projects window".

80% of municipalities believe that the revenue-generating projects financed by FEICOM generate insufficient revenue to repay the FEICOM loan. FEICOM recovers its loan through deductions at source. However, the operating activities of such projects should generate sufficient revenue to repay debt servicing (principal and interest).

This poses a problem. We can try to explain it, but we run the risk of being wrong. Either the business plan is not mature and this becomes apparent during operation; or the business plan is not mature, but the project is still knowingly financed for unknown reasons (political, for example). The Chief Executive brandishes this project as a "trophy, a feat"; in short, an architectural jewel whose presence embellishes the city.

d- <u>Alternative financing: Loan-donation and bequest-public-private partnership (PPP)-Resources from decentralised cooperation</u>

85.7% of town halls have not taken out a loan in the last three years. It would appear that local councils do not yet have the necessary experience to manage the high level of requirements and constraints of a loan from a commercial bank. This is consistent with the inability of projects to generate sufficient cash flow to service the debt set out in the FEICOM loan amortisation schedule.

Of the 28.6% of municipalities that regularly receive donations, only 52.9% include them in their budget. The remaining 47.1% of town halls that do not include donations in their budgets forget or are unaware of their legal obligation to do so.

In reality, a donation received must be included in the budget, taking care to attach the following documents:

- Receipt order,
- Deed of donation,
- Approved deliberation,
- Revenue slip/credit advice.

In practice, the DTC first receives the donation and then includes it in the budget through regularisation at the meeting of the governing body.

The DTC would do well to inform its citizens about the possibility of bequeathing their assets to them. This could be in the form of money or goods in kind (land, IT equipment, etc.), as is done in the West.

72.7% of local authorities state that they have not initiated a PPP process to finance a major project. PPP contracts are complex projects that require the support of an expert body such as CARPA. Even at State level, contracts are still struggling to be fully mastered and implemented on the ground.

66.7% of the local authorities stated that they had not financed a project with decentralised cooperation resources over the last three years. This source of funding is clearly unexplored. To work more effectively in the field of international cooperation, local authorities would benefit from acquiring skills in international relations.

IV. Proposals for strengthening the financial autonomy of local authorities

1. Accountability of heads of DTC executives, with the possibility of dismissal by the deliberative body on the basis of annual performance

We recommend that the governing body be able to reserve the right to dismiss the entire executive based on its annual performance. The deliberative assembly can usefully rely on article 172 (1) of the CGCTD. Elected in 2020, a mayor in the North region was removed from office in 2022. The rebel councillors accused him of failing to manage the municipality properly.

The DTC budget and the annual performance project report (PPA) become the starting points for evaluating the actions of the municipal executive. The budget is an authorisation for revenue and expenditure forecasts over the course of a year. The PPA is a document that explains and completes the budget. For each programme, it *sets out the objectives pursued and the results expected, measured by means of indicators*. A programme is a means of implementing a public policy. The executive body becomes the signatory of a kind of fixed-term contract (CDD) for one year, renewable on the basis of the results recorded in the administrative account and the annual performance report (RAP).

Once elected, a chief executive is aware that, in the worst case, his term of office is five years. They have no incentive to make a permanent effort to remain in office. This would have the merit of involving the deliberative body more in local management and keeping it in a permanent state of alert. In many cases, this body is content or reduced to attending council meetings to sign the resolutions and receive the expenses relating to the meetings. This is obviously very simplistic.

2. Strengthening the results-based management culture (RBM)

RBM is an approach based on performance and achieving results. Everyone at every level, from the Chief Executive to the lowest-ranking DTC employee, must feel that they are taking up a challenge or fulfilling a noble mission on a daily basis. Everyone must constantly question the relevance of their actions. For example, by quickly issuing a civil status document (birth certificate, marriage certificate, death certificate), the civil status unit is aware that it is taking an action in line with the objective of providing a quality service to users.

The internal audit and management control service of the DTC or what takes the place of it contributes to achieving the three families of objectives that make it possible to assess the effectiveness of the public service:

- Socio-economic efficiency objectives (from the citizen's point of view),
- Quality of service objectives (from the user's point of view),
- Management efficiency objectives (from the taxpayer's point of view).

Internal audit helps to control activities, while management control helps to steer performance.

3. Improving tax collection

Improving tax management involves the following actions:

- Create a framework for consultation between the DTC and the CDI with a view to creating a single taxpayer file;
- Update the taxpayers' file jointly (DTC/State tax departments);
- Make a permanent plea to the State's tax departments to obtain the periodic repayment of foreseeable amounts;
- Involve taxpayers in the classification of flat-rate tax into categories A, B, C and D;
- Inform taxpayers and make them aware of their tax rights and obligations;
- Comply with the budget implementation procedure for revenue (prior issue of the revenue order by the authorising officer, then transmission to the accounting officer for collection, etc).

4. Focus on land acquisition

In order to build community facilities (socio-cultural areas, socio-sports infrastructure, etc.), the DTC must acquire land. The State's private domain may be transferred to the DTC; this domain may also be the subject of an agreement with a view to its use (articles 29 and 30 of the CGCTD). In addition, the DTC may register land in the national domain (article 36 of the CGCTD).

As a fixed asset, land can be used to build various infrastructures. In addition, as part of the formation of the share capital of a semi-public company (SEM), a DTC may make a contribution in kind in the form of land. *The contribution in kind is the transfer of ownership (of rights) of the assets made available to the commercial company as part of the formation of its share capital.*

According to OHADA ("Organisation for the Harmonisation of Business Law in Africa"), a commercial company is a contract between two or more persons who contribute to a business activity assets in cash, in kind or in industry, with a view to sharing profits or bearing losses. OHADA therefore recognises three types of contribution in the formation of share capital:

- Contribution in cash (money) ;
- Contribution in kind (land, software, etc.);
- Contribution in industry (specific knowledge).

5. Focus on wealth creation through the creation of SEM

An SEM is a private limited company whose share capital is shared between public and private entities. Article 56 of the CGCTD authorises the DTC to hold a maximum of thirty-three per cent (33%) of the SEM's share capital.

We recommend that priority be given to investment in the agricultural sector, such as planting material. Producing and marketing seeds in quantity and quality would be of enormous benefit to farmers and future agricultural entrepreneurs. For example, there are many benefits to be gained from producing and marketing oil palm seedlings alone:

- Encourage local producers to become involved in the sector;
- Organise growers into cooperatives to improve control over production;
- Reduce growers' production costs;
- Specialise growers (to avoid growers having to set up nurseries for which they have no expertise);
- Build the capacity of local players;
- Rapidly develop a production basin;
- Create a related market (crop protection products market with the sale of fertilisers, insecticides, etc…).

We would like to mention the positive experience of a municipality in the Centre region, which received funding of around thirty million CFA francs from a technical and financial partner (TFP) in 2016:

- For the production and marketing of 20,000 oil palm seedlings,
- For the production and marketing of 10,000 plantain seedlings.

Production and marketing took place. Unfortunately, this profitable project was not sustained. It is for this reason that we strongly recommend isolating such initiatives from the ordinary activities of the DTCs; a project that is attractive and very promising on various levels can stop overnight for unexplained reasons.

6. Focusing on wealth creation through regional attractiveness

This territorial attractiveness or territorial marketing is any action aimed at presenting the DTC in its best assets with a view to attracting a pre-defined target. A DTC will highlight:

- a welcoming population,
- a skilled workforce,
- a rich subsoil,
- proximity to major cities,
- proximity to the sea,
- one or more developed industrial sites,
- a production basin,
- permanent availability of water, electricity and internet,
- assistance with administrative formalities,
- etc.

The main objective must be to attract national and foreign companies to set up in the DTC area. Another target could be to attract tourists on the basis of its assets.

7. Decentralised cooperation

Decentralised cooperation can be understood as any *partnership relationship between two or more local authorities or their groupings, with a view to achieving common objectives.* When a local authority enters into a relationship with a foreign local authority, it can attract capital flows or benefit from specific know-how that can be exploited later. For example, we can benefit from technical assistance to refine our project set-ups. We must be careful not to present them with a miserable image. On the contrary, we want to show them that such cooperation is mutually beneficial..

8. Public-private partnership approach (PPP)

We recommend that DTCs be assisted in the PPP process, and that related projects be focused on the economic sector, as it creates wealth and jobs.

9. Improve FEICOM's allocation of municipal taxes subject to equalisation (ICSP)

- Consideration should be given to a system of equalisation (as already practised in France) that includes the following criteria for a local authority: population, surface area, costs and resources, and fiscal potential;
- Disseminate the equalisation criteria.

10. Explore the financing of green funds by DTCs

The Green Fund finances projects that help reduce greenhouse gas emissions in developing countries.

The Green Fund financing can take the form of grants, loans, equity investments or guarantees.

By way of illustration, around 2017, communes and groups of communes benefited from funding under REDD+ projects. These concern deforestation, degradation, conservation, sustainable management and carbon sequestration. Financed by the second Debt Reduction and Development Contract (C2D II) of the French Development Agency (AFD), these projects were to last 30 months and amount to 1,967,000 (one billion nine hundred and sixty-seven million) CFA francs..

The REDD+ mechanism (Reducing Emissions from Deforestation and Forest Degradation), including conservation, sustainable forest management and enhancement of forest carbon stocks, is an international mechanism that proposes to remunerate developing countries for their efforts to combat deforestation and forest degradation on a voluntary basis. The following activities were carried out in a number of DTCs[7] :

- Commune of Lagdo: conservation of the Ouro-Doukoudje forest and contribution to the reforestation of 1,000 hectares of the western banks of the Lagdo river;
- Commune of Yoko: conservation of the 29,500-hectare communal forest and development and implementation of the sustainable land use and management plan (PUGDT);
- Intercommunal grouping Bangou-Bana-Bangangté: reducing the degradation and deforestation of 4,800 hectares of forest;

[7] PFBC website

- Commune of Pitoa: restoration of nearly 2,000 hectares of degraded plant cover in agro-sylvo-pastoral areas;
- Intercommunal grouping Tiko-Limbé 3: integrated management of coastal forests and mangroves covering an area of almost 40,000 hectares.

V. Recommendations for strengthening the capacity of local players and DTCs to mobilise resources

- Build the capacity of DTC actors and taxpayers in relation to local taxation and others resources,
- Build the capacity of authorising officers and accountants in budget implementation,
- Build the capacity of local and regional authorities on results-based management (RBM),
- Strengthen transparency in the management of local finances,
- Strengthen citizen participation through the rapid and effective implementation of neighbourhood and village committees.

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