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THE CONTRIBUTION OF LOCAL GOVERNMENT  
FINANCE TO ECONOMIC DEVELOPMENT<sup>1/</sup>

<sup>1/</sup> This paper has been contributed by H.E. Ali Fawzi Younis, President of the Union of African Local Authorities, Governor of Fayoum, U.A.R. The paper does not necessarily express the views of the United Nations.

THE CONTRIBUTION OF LOCAL GOVERNMENT  
FINANCE TO ECONOMIC DEVELOPMENT

It is a great honour to address you in my capacity as President of the UNION OF AFRICAN LOCAL AUTHORITIES. I wish to express my thanks to the Economic Commission for Africa for its kind invitation to attend this conference which can be truly considered as a support for the efforts of the Union towards the solidification of Local Government in African countries.

The Union of African Local Authorities was established in March 1963. It began its varied activities since that time to spread the system of Local Government in all African countries and to solidify existing African Local Authorities through conferences, seminars, questionnaires and exchange of experience among African countries. One of the most important aspects of the Union's activities is the role of Local Authorities in developing the resources of Local Councils to enable it to take an increasing part in helping Central Governments with the maximum share in financing development projects. Such activities of the Union had its clear effective result.

It is a great pleasure that the African Union for Local Authorities has been through the reports, research and conferences that some of the African countries have taken wide steps towards achieving financial flexibility for Local Authorities and granting them powers to mobilize their financial resources. The U.A.R., for example, has granted local councils the right to impose taxes and other fees and the right to increase the rate of some existing taxes and fees to afford the local councils the saving of necessary funds to face the costs of services rendered to individuals.

Meantime other African countries are in the process of granting local authorities flexibility of financing. The Union of African Local Authorities spares no efforts to help these countries with every means to realize this objective.

The Union has decided to undertake research study in methods of financing local councils and compiling the experience of different countries. A programme for training workers in this field by means of seminars and establishing an institute for local government systems is also envisaged.

Needless to say, money is one of the most important factors for any social and economic development. Therefore the success of local bodies in achieving their goals and carrying out their responsibilities depends heavily on the adequacy of their financial resources. It is also true that the ability of local organizations can be measured by their proportionate share of total public finance. The more local councils are able to increase their local revenue the more they are capable of assuming their responsibilities independently. On the other hand if local revenue is not adequate enough, local councils are handicapped, hence they will tend to depend on central subsidies to meet the local needs for services. Under certain circumstances local councils are not always able to secure such central aid and sometimes aid may be conditioned or compromised.

The size of local financial resources is determined by the legislative provisions organizing local government. Such legislation is influenced by the scope of responsibilities given to the local councils. Therefore the matter needs the granting of great flexibility for the finance of local organizations in the same manner as that of central government. This will enable local authorities to realize aims to raise sufficiently and quickly the standard of living of their individuals.

These objectives can be reached through re-considering the tax and fee structure and considering the possibilities of increasing the rates, the assessment of taxable resources and making full use of local funds whether from central government aid, local revenues or loans.

It is possible to choose all or some of these means taking into consideration the following:

1. Ability of citizens to pay taxes or new fees or increase in existing ones.
2. Justice in the distribution of new financial charges among different individuals.
3. Ease of collecting revenue with minimum cost.
4. Ease of control of the collection system and the prevention of tax evasion.
5. Effect of additional on the contribution of productive activities or on services.
6. Simplicity in the calculation of taxes, the rate and the tax base and the ways of its computation so that tax payers may understand it and anticipate their expected payment.

It should be asserted that it is possible to increase the net income of existing financial resources of local councils through decreasing the cost of its administration and following better means in collecting and preventing tax evasion

It is also possible to increase the ability of local financial resources through decreasing the cost of carrying out projects, proper specifications and adequate control. Increased total production has the same effect as it widens the tax base. The more the local governments develop the standard of their services the less is the load of central government.

The increase in local resources may realize a surplus that can be transferred to the central government. In any case, even with no visible surplus to give the local authorities do in fact alleviate part of the financial burden of the central government in undertaking their

services from local resources. Generally the role of localities in the overall financial structure of the nation depends on the extent of their contribution to national funds and on the financial flexibility they enjoy.

The Union's relationship with the E.C.A. has defined through mutual exchange of scientific activities related to local government systems in African countries. Through the exchange of experts, preparation of researches and contribution in conferences and seminars it is hoped to solidify this relationship. A combined programme covering these fields of activities will be put into action according to a long range plan.

The relationship between the International Union for Local Authorities and the African Union for Local Authorities has been based on the independence of the African Union, with its own personality. The relationship between the two Unions is based on mutual co-operation in different fields of activities through the exchange of experiences, researches, information, experts and contribution in conferences.

The Union is sure of the help and support of all African countries in order to carry out its objectives in the most perfect way and as soon as possible.