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Dynamics of Local Government Finance in Cameroon: An Assessment of Local Councils in the Fako Division

Chenaa Abonwi Takwa[1*], Fokwa Blaise Babila[1] and Maclean N. Teno[1]

[1]Pan African Institute for Development (PAID-WA) West Africa, Cameroon.

Authors' contributions

This work was carried out in collaboration among all authors. Author CAT designed the study, performed the statistical analysis, wrote the protocol and wrote the first draft of the manuscript. Author FBB managed the analyses of the study. Author MNT managed the literature searches. All authors read and approved the final manuscript.

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ABSTRACT

Local councils in every part of Cameroon are playing an extremely significant role in the provision of essential public services. However, the local development authorities face tremendous challenges to adequately generate finances to meet community needs. The aim of this paper is to find out whether the councils in the Fako Division have access to all the sources of finance as stipulated by statute and to determine the difficulties they face in exploiting the sources to finance their developmental plans. The exploratory and descriptive designs were adopted for the study. 4 out of the 6 councils in the Fako Division were conveniently selected. The Finance and General Affaires Officers were purposely designated as the respondents for the study. Data were collected with the aid of semi-structured questionnaires and a checklist. The collected data were descriptively analysed with the use of tables and bar charts. Mean and the Relative Important index were used to rank in terms of importance the challenges faced by the councils in the revenue generation process and the options available to them to exploit. The findings reveal that the councils have access to

**Corresponding author: E-mail: chenaa.tac@gmail.com, takwaabonwichenaa@yahoo.com;*

internal sources such as; local taxes; fees, fines, and penalties; service charges, patents and business licenses; Gifts and donations. The external sources were mostly Intergovernmental transfers and Council Development Funds from FEICOM and PNDP. The study equally found out that the most exploited options of finance by the councils are INTERCOM (M =4.25, RII = 0.85, ranked 1st) and service charge adjustment (M = 4.13, RII = 0.82, ranked 2nd) while the least utilized options were tax adjustment (Mean = 1.00, RII = 0.02, ranked 10th) and the usage of saved up profit from investments and businesses (M = 1.75, RII = 0.35, ranked 9th). The study further uncovered that the challenges with the highest mean scores are infringement by the central government on means of internal revenue generation of the municipality (M = 3.85, SD = 1.214) and lack of power to make finance bi laws (M = 3.85, SD = 1.214), while inadequate sources of revenue (M = 3.42, SD = 1.306) and narrow local tax base (M = 3.42, SD = 1.306) had the least mean scores. The study recommends among others that the framework in place needs clarification to clear off conflicting and confusing goals. It should include legislative clarification of the responsibilities of each level of government and the identification of the appropriate funding resources. These will reduce vertical imbalances and increase fiscal responsibility. Also, a transfer system should be defined that encourages local governments to collect own revenue and manage their roles efficiently, while imposing strict budget constraints to foster fiscal discipline. This will minimize conflicting responsibilities and enable the local governments to discharge their functions.

Keywords: Cameroon; devolution; expenditure assignment; intergovernmental transfer; revenue allocation.

1. INTRODUCTION

Local councils in every part of Cameroon are playing an extremely significant role in the provision of essential public services. However, the local development authorities face tremendous challenges to adequately meet community needs. Because of accelerated and disruptive urbanization and the impacts of recurrent natural disasters triggered by climate change, most municipal authorities in developing countries especially in Africa, Cameroon to be precise, face even greater challenges. The fundamental problem facing most local officials, particularly those running municipalities in developing countries, is the growing gap between the financial capital availability and the demand for municipal investments. One of the key factors for this increasing fiscal deficit is the exponential rise of urban populations, which is generating ever greater demand for public facilities, modern public infrastructure, and its maintenance [1], and the challenge in the devolution of revenue from central to local governments [2,3].

Most major development initiatives of developing nations are primarily based on central government transfers, with lower revenue from land taxes and charges for operation. National governments tend to regulate the most profitable streams of taxation theoretically ideal for funding urban and local cities, such as income taxes, property taxes and business taxes [4,5,6]. Where municipal councils are eligible to receive revenue from property taxes and utility charges, central policymakers often deny or postpone significant tax rises for fear of eroding political support from the metropolitan population; or even oppose them for fear of electoral opposition from local taxpayers themselves [1,7]. Consequently, there are major vertical imbalances in restructuring obligations and usable fiscal capital at the subnational level in most countries. Variously put, many central governments are reluctant to bear the political and financial costs of decentralizing positions and obligations [3]. However, the countries which have tried to decentralize the fiscal process like Cameroon, have faced some difficulties at the level of implementation.

On January 8, 1996, the constitution of Cameroon gave birth to decentralization. Article 1 of the constitution stipulates that Cameroon is a unitary decentralized state, which meant that decentralized collectivizes would be delegated some degree of power and resources to manage their affairs. The constitution has been gradually implemented: Regions were created, the senate representing councils was set up, and the administrative and functional autonomy of councils has been assured. In 2010 the first transfer of competence and resources to councils was done [8]. By December 31, 2015, councils were given full power to carry 60 out of the 63 functions they have and the prime minister's decree of December 16, 2016, granted them the other 3. On February 24, 2017, the prime minister signed a decree which makes the effective transfer of financial resources to local councils across the country- a groundbreaking decision for an effective decentralization process [9]. To this effect, the sale of automobile stamps, windscreen licenses, and local development taxes now pertains to councils. Part of forest revenues and funds collected by the Treasury has now been assigned to councils through the rural assistance fund known by its French acronym, FEICOM.

As for every efficient decentralization process to take its course, there must be an appropriate assignment of responsibilities to avoid activity mismatch and ensure alignment of local development to the overall national development plan. With the ever-changing efforts, policies, and tactics to improve decentralization in Cameroon documents defining the expenditure responsibilities assigned to local governments were put in place as shown in Table 1.

As far as fiscal decentralization goes, an effective expenditure assignment precedes adequate revenue allocation to provide revenue sources to match the expenditures devolved. Theoretically, in Cameroon, the framework guiding the finance of local public finance is defined by laws and decrees as summarized in Table 2.

Law No. 2009-011 of 10th July 2009 and Law No. 2009/019 of December 15th, 2009 both highlight that councils shall be financially autonomous, with the responsibility of managing the taxes devolved to them, and their revenue and expenditure within the framework of their budgets as adopted by a competent deliberative body. This puts the responsibility to mobilize and manage resources by local councils in Cameroon for the good of the needs of their communities. The framework equally gives local councils the right to benefit from subsidies and subventions from other competent public authorities and enter into loan contracts. However, loans contracted within the national territory and with external or international entities are subject to authorization by a deliberative body and approval by the competent supervisory body.

Despite all the reforms and enactment of laws to facilitate fiscal decentralization in Cameroon, identifying, and mobilizing resources for the funding of activities of local governments still pose significant challenges [7,10]. This is evidenced in Cameroon by the increasing level of international debt, and some unfinished projects, and foreign involvement in the execution of long-term projects [11,12,13] identified that locally generated funds (own-source revenue) and intergovernmental transfers constitute the primary sources of funds for the finance of local government activities but are however increasingly becoming inadequate. According to [7], this is so because local authorities have a limited range of resources. Also, due to the extreme politicization of local authorities, the local authorities are accountable more to the ruling party than to the local masses. Consequently, this constraint in resource mobilization options in councils has affected the capabilities of councils to generate the requisite resources to provide effective and efficient services to their municipalities [14,15].

It is evidenced by a substantial lack of essential amenities such as water in most communities in Cameroon, local programs such as town sanitation by the infamous HYSACAM are underfunded and covers only 15 towns in the entire country [16]. The implications of poor financing are very visible in Fako division. This has caused many councils to be heavily indebted to Special Council Support Fund for Mutual Assistance (FEICOM) which acts as a support fund for councils for bailout. Resources are very instrumental in the implementation of projects and in the planning process. Unfortunately, complaints of inadequate finance for public service delivery at council levels have been on the rise since 2014 [15]. Councils in Cameroon have a culture of relying on external support in mobilizing funds for the execution of long-term projects [17]. As posited by [14] these challenges are evident in the councils and are still a principal roadblock to municipal finance in the Fako division.

Local Government as a product of fiscal decentralization should be able to generate (whether by intergovernmental transfers or other means and spend their revenue as prescribed by Oates in 1972 and by extant legislation. The frameworks in Tables 1 and 2 depict the policies regarding fiscal decentralization in Cameroon. Unlike in other African countries were indebt studies have been conducted to empirically assess the process, challenges and opportunities for fiscal decentralization [3,4,7,8,14], there is a paucity of empirical studies carried out in Cameroon in general and Fako division in

Table 1. Framework on expenditure assignment in Cameroon

Framework	Scope
Law No. 2004/17 of July 22nd 2004	On the Orientation of Decentralization
Law No. 2004/18 of July 22nd 2004	On Rules Applicable to Councils
Law 2009/11 of 10th July 2009	On Financial regime of decentralized territorial entities (crowning local councils with fiscal autonomy and defining the other types of revenue to be collected by local councils.
Law 2009/019 of December 15th 2009	On the local tax system (specifying the taxes and conditions under which these taxes shall be mobilized).

Source: World Bank report 2011, Cameroon – a path to fiscal decentralization; Gohnchu, 2015, RMS in Cameroon; Authors' field work, 2018

Table 2. Framework on revenue allocation in Cameroon

Decree 2006/182 of May 31st 2006	Reorganization of FEICOM and modifying decree 2000/365 of 11 December 2000 pertaining to the same subject.
Decree 2007/1139-PM of Sep 3rd 2007	The process of issuing, collecting, centralizing, distributing and transferring additional council taxes.
Decree 2008/013 of January 17th, 2008.	Organization and functioning of the National Decentralization Council.
Decree 2009/248 of 5th August 2009	Assessment and distribution procedures for the allocation of central funds to decentralized entities.
Law 2009/019 of December 15th 2009	On the local tax system (specifying the taxes and conditions under which these taxes shall be mobilized).

Source: World Bank report 2011, Cameroon – a path to fiscal decentralization; Gohnchu, 2015, RMS in Cameroon; Authors' field work, 2018 particular. This research entails to fill this gap in the literature by ascertain the challenges councils face in exploiting the sources of revenue assigned to them by law. Consequently, the aim of this paper is to find out whether the councils in the Fako Division have access to all the sources of finance as stipulated by statute and to determine the difficulties facing them in exploiting the sources to finance their developmental plans. Specifically, the study sought:

1. To verify the sources of revenue available to local councils with reference to laws in force and other provisions of public finance theories and to find out if the laws are being implemented as stipulated.
2. To determine the options available for councils in the Fako Division to exploit for revenue generation.
3. To ascertain the possible limitations the councils in the Fako Division have in implementing the laws permitting for revenue generation in their municipalities.

2. REVIEW OF THE LITERATURE AND THEORETICAL FOUNDATIONS

2.1 Definition of Fiscal Decentralization

Fiscal decentralization is one of the key concepts in the public finance theory and a commonly used policy measure in public sector reforms. The concept of fiscal decentralization began to gain grounds in decentralization research in the 1950s after Samuelson [18] and Musgrave [19], who elaborated on the nature of public goods and the structure of expenditures. They in their theory recognized the main advantages and disadvantages of intergovernmental transactions, as well as the decentralized approach. Bird, Ebel, and Wallich in 1995 propounded a clearer definition of fiscal decentralization to be a process whereby local governments are given authority over the economic activities in a locality [20]. It involves defining fiscal responsibilities of the different levels of government. It also consists of fiscal instruments and procedures that have the aim of helping in the delivery of public goods. Since the conceptualization of fiscal decentralization by Bird et al., the concept has been defined by various authors in different context. The contextual explanation of fiscal decentralization has mostly been influenced by geo-political constructs of the countries or regions.

To have a better understanding of fiscal decentralization and its usage in this research, the definition of other authors will be reviewed. [21] for instance views fiscal decentralization as entailing “a transfer of responsibility associated with accountability to sub-national governments”. Just like [21,22] defines fiscal decentralization as devolution of the authority associated with decision making to a lower-level government. Akai and Sakata however note that authority allocation is based on legal relationships between different levels of government. Fiscal decentralization, also known as the devolution of authority, can be applied to various programs – such as organizing and implementing welfare programs in a state or county.

According to [23], three main themes from the viewpoint of fiscal decentralization have been explored in the economics literature. The first concerns how governance is affected by the transfer of revenue and spending powers to regional institutions [24]. A second theme concerns the impact of fiscal decentralization on economic growth and, by extension, economic stability [25]. Finally, considerable attention has also been paid to the ways in which fiscal decentralization affects poverty, inequality and the redistribution of wealth [26]. The focus of this paper is the first theme on how governance is affected by the transfer of revenue and spending powers to sub-national authorities. Fiscal decentralization is contextualized along this line to aid the researcher find out the challenges faced by local governments (councils) in executing the authorities devolved to them as stipulated by law and how it affects their ability to finance the plans of the councils.

2.2 State of Fiscal Decentralization in Africa

In several sub-Saharan African countries decentralization has recently come to the forefront of the policy agenda. Several sub-Sahara African countries, including Lesotho, Liberia, Madagascar, Mali, Cameroon, and Zambia, have implemented significant decentralization reforms. [27] posits that the decentralization efforts seem to represent two driving forces: (1) a political change towards more democratic and participatory forms of government, which generates demand for greater local representation in spending decisions, and (2) attempts to increase the participation of different ethnic groups or former warring factions in the country’s governance with a view to increasing social stability and reducing the risks of succession.

While many developing countries are likely to remain relatively centralized in the near term, a few emerging realities have collectively created an increasing interest in developing or reviving local government [12,28] opens that the central government's economic policy was ineffective in promoting adequate growth and development in Nigeria. Hence, changing international economic conditions and structural reform programs aimed at improving the efficiency of the public sector created severe financial hardships for developing countries. Increasing demands for service and underperforming economies resulted in large budget deficits, financed largely by foreign borrowing [27]. Interest payments have gained an increasing share of public capital over time, and a vicious cycle of borrowing and overspending has resulted. A necessary precondition for the effectiveness of fiscal decentralization is a stable tax structure for local governments [2]. In addition to the income, mobilization of municipal taxes has the capacity to promote government and governmental responsibility through engaging communities [28].

In recent years, the devolution of funding and taxation authority to local or lower levels of government has been a major governance issue in many developing countries [29]. Hence, much frustration with the results of centralized economic policy has been articulated. Reformers also shifted to decentralization to reduce central government control and encourage broader participation in democratic governance [30]. Local councils are more accessible to the population and will easily recognize the interests of communities and thus provide the required quality of public services.

People are prepared to pay municipal taxes where the amounts they spend will be closely linked to the benefits they provide [31]. Fiscal decentralization proponents claim that the amount of tax revenue will increase in this setting, without intense public discontent [3,4]. Fiscal decentralization may explicitly affect the distribution of poverty and income by promoting access to basic services, but also indirectly in several ways (via development, the composition of expenditure, quality of governance). In the end, certain impacts would depend on the unique features of each phase of decentralization.

In most African countries, local governments' administrative and structural capacity to collect taxes and provide public utilities is very small, particularly in rural areas where geographic vastness, insecurity, and low population density all render tax collection extremely difficult for local government authorities [32]. Local tax collection includes comprehensive oversight and control mechanisms, and professional workers that are costly to hire and retain [2]. Furthermore, fiscal policy is strongly structured and politicized in such a way that in the African sense government involvement in local tax generation is widespread [13]. However, the efforts of local government officials to raise municipal taxes are limited by the political costs of implementing income collection.

Igbinosa [33] analyzed the overall efficacy of tax administration in Delta State, Nigeria in relation to tax estimation, receipt and remittance. A survey of the tax administration machinery was conducted, and 125 questionnaires were administered to analyze the opinions of public servants directly related to tax administration in the five local authorities Areas of Delta State (Northern Ughelli, South Ughelli, Ika, Sapele & Warri). The study therefore suggests that the Delta State Government should be willing to put in place a tax structure that will enhance the management of tax systems and leave tax collections in the possession of private organizations. Also, they believed revenue generation sources available for local governments should be diversified.

In line with the study of [34,35] examined tax revenue sources and their use in the Oyo State Local Government Area of Lagelu. It also identified various impediments associated with local tax mobilization with a view to assessing tax Mobilization for usage in Lagelu Oyo State Local Government District. The study used primary and secondary data sources, and a sample size of 170 was adopted for the study. The findings showed that Lagelu Local Government Area tax receipts are mostly extracted from fees and charges such as penalties (58.2 per cent); parking rights (46.5 per cent); Motor Park/ market/Carriage (45.3 per cent). Furthermore, the results revealed that tax revenues are primarily used on the cost of staff (64.7%); education (57.1%); health and medicine (45.9%). Different tax-related bottlenecks include lack of basic utilities (88.9%); misappropriation of public funds (82.3%); high tax evasion (82.3%). The study recommended that local government officials should be more transparent in reducing bottlenecks in tax mobilization while adequate training for tax collectors should be provided in order to increase tax mobilization and use.

Martinez [36] looks objectively at the constraints faced by local governments in Africa, especially Ghana. The study provides an in-depth assessment of the revenue instruments and strategies used by local governments to ensure efficient collection of revenues. The analysts have shed some attention on the latest financial and political problems confronting local governments. In this concise study the review is explained by an illustration from the Sekondi-Takoradi Municipal Assembly. The study's conclusion indicates that while revenue generation by local councils is important, the sum of revenue raised is not adequate for the continually increasing population to establish and provide the needed services.

In Cameroon, however, not many studies have been carried out to assess the challenges faced by local governments to generate revenue from stipulated sources by law. [37] for instance studied the legal instruments that outline Cameroon's statutory duty and substantive practice of collecting tax revenues. It addresses and analyses the revenue produced by the state's major steps on Cameroon’s residents, entities, and companies. Because taxation is a civic and entitled right to pay taxes by lawful practice, they look at certain state development targets through the production of fiscal revenue without generating a gap of financial capital as given by statute. The article, in fulfilling legal authority, outlines the position of Cameroonian law and other justifiable international laws in order to reconcile the legal duty to contribute to the financial tax objectives of the State, based on statutory, moral and necessity taxation standards. [37] posited that Cameroonian fiscal laws have established the different kinds of initiatives that can raise state revenue, but they suggest reasonable steps that can be regarded without causing unpleasant, shameful and biting damage to Cameroonians who occur in the course of collecting tax revenue. The study highly advocates that modern systems be re-improved and re-acculturated and cannot be circumvented by humans for tepid, cynical steps. They strongly believed that the tax system needs to shift based on many taxpayers who are well geared towards online tax payment methods. To avoid the prone challenges of revenue generation in Cameroon, a salutary tax system must be in place. The current paper extends the study of [37] by verifying if local governments in the Fako Division have access to the revenue generating sources prescribed to them by law, and to ascertain the challenges the face in its exploitation. This will enable the researchers suggest ways in which policies can be improved to enhance the access of these sources by the local governments.

2.3 Theoretical Foundation of the Research

The socio-political, expediency theory, resource mobilization theories and the resource dependent theory are adopted for the study. The choice of these theories is that they clearly define how taxes should be collected and emphasizes the nature of the tax collection process. Also, it gives an understanding of the resource mobilization and self-reliant mechanisms.

2.3.1 The socio-political theory

The law of Wagner, known as the law of rising government spending, is a principle named after the German economist Adolph Wagner (1835–1917). He observed this first for his own country, then for other countries. The principle maintains that public spending for every nation is continuously increasing as tax growth increases. Adolph Wagner argued that the deciding criteria of tax decisions would be social and political priorities. Wagner does not believe in an individualistic solution to the problem. He is of the opinion that economic problems should be viewed from a holistic perspective and the appropriate solution is in its social and political context. The society consisted of individuals, but its individual members were more than the total. It had its own existence and entity which needed to be preserved and taken care of. This theory is relevant to this research in that it designs an equitable tax system that takes into consideration the political and social constructs of the concerned communities.

2.3.2 The expediency theory

This principle argues that any plan for a tax should pass the viability examination. It must be the only factor that weights when selecting a tax plan with the authorities. The economic and social objectives of the State should be treated as irrelevant, as should the effects of a tax system. This proposition has a truth in it, since it is useless to have a tax which cannot be levied and collected efficiently. There are pressures from economic, social and political groups. Every group tries to protect and promote its own interests and authorities are often forced to reshape tax structure to accommodate these pressures. Additionally, the administrative set-up may not be efficient at reasonable collection cost to collect the tax. Taxation provides the authorities with a powerful set of policy instruments and should be used effectively to remedy social and economic ills such as income inequalities, regional disparities, unemployment, cyclical fluctuations etc. This theory is relevant to this research because it lays out the mechanism for effective and efficient tax collection. It will allow for a clear understanding of tax collection in the councils in the Fako Division of Cameroon.

2.3.3 Resource mobilization theory

Many authors have written on Resource Mobilization theories. Prominent among them are [38] and [39] who have done much work on the history and development of resource mobilization theory. It is developed from studies of collective action in the 1960s and later was used in the 1970s to study social movements. The theory stresses the ability of community members to: acquire resources and to mobilize people towards accomplishing the movement's goals [40]. This theory is applicable in local councils in Fako because, they mobilize people in other to acquire the desired resources from them. Resources mobilized in the context of local governments in Fako include financial, material and human resources. The theory assumes that individuals are rational and weigh the costs and benefits of community participation and engage only if benefits outweigh costs.

2.3.4 Resource dependence theory

The resource dependence theory is concerned with the behavior of organizations and individuals engaged in a resource exchange relationship [41]. In this relationship, there is always one group on the receiving and another group on the giving end. These groups usually come together to foster development. The theory is concerned with how organizations and individuals behave when they are trying to mobilize resources. Behavior in this case involves building partnerships e.g. union of councils in Cameroon, and how they link up with FEICOM and other national and international partners. It is much more difficult for an individual to mobilize resources but much easier with the formation of partnerships because they will have a better case. In Cameroon, councils can use the INTERCOM which is a FEICOM mechanism to present a common case. However, they all have their interests but share a common vision. Almost all resources needed for developmental purpose comes from the environment. As such, the resources needed to carry out the agreed activities usually come from either the neighboring or immediate environment.

An emerging venture needs access to financial, physical and human resources, as well as intangible resources [42]. These ventures are the local development initiatives and council plans which can be realized through a sound resource mobilization strategy. The fundamental assumption of the Resource Dependent theory is that organizations are not self-sufficient but depend on resources provided by their environments to achieve organizational goals [41]. As such, the environment is the number one provider of resources for development purposes. Two approaches of resource dependent theory can be identified which shows the degree and interdependence between organizations, that is, the asymmetric dependence and the joint dependence. Most councils do not make a difference in the field because of the lack of this interdependence.

The joint dependence approach views the interdependence between organizations as being positive. It can also be a symbiotic relationship with both parties benefiting. It is a more recent approach to resource dependent theory. [42] hold the view that one organization’s dependence on another organization may not always favor the stronger actor. The relationship between councils and FEICOM benefits councils more especially as they are always given adequate time to repay debts at very low interest rates. A clear evidence of such dependence is Fako councils who depend on PNDP grants (material and financial). However, councils in Fako benefit more in the relationship though on the receiving end (because these grants are without repayment strings). Joint dependence relationships have been found to frame a successful resource mobilization process. From this observation, it is strongly encouraged for it to prevail among councils in Fako. The reality on ground is that it exists though to a small extend. These bodies usually demand high interests which act as slow poison to councils as observed with FEICOM loans.

The asymmetric approach to dependency argues that main suppliers of services can influence the function and actions of an entity [41]. The providers tend to influence the weaker organisations' activities and decisions. They set terms they can support them through. These terms are, however, always to the benefit of the donor organisation. This form of dependency weakens the beneficiary as it makes her more dependent on the donor. This is because, rather than their immediate beneficiaries, they function to meet donor demand. It is not quite valid for Cameroon's local councils particularly when most of their contributors operate for the gain of groups such as PNDP. However, they have not noted any significant negative effects from such relationships. Some council authorities tend to rely more on help from government and other organs such as FEICOM. This has enabled them to influence their activities, as failure to do so will result in them losing support from these bodies. This over reliance occurs mostly with councils that generate fewer financial resources. Thus, the organization may employ certain strategies to mobilize resources from outside resource providers, such as meeting external resource providers' requirements or attempting to alter the external environment [41]. Considering the resource dependency theory, the local councils can use several approaches to mobilize resources from their local communities. In this situation the terms of reference must be exclusively followed by all sides. One definition of joint projects conducted by councils in Cameroon involves the build, operate and transfer (BOT).

3. MATERIALS AND METHODS

3.1 Study Design

The exploratory, qualitative and descriptive research designs were adopted. The study adopted the exploratory design as it sought to assess the “what” situation of Fiscal Decentralization. The qualitative research design was adapted to verify sources of revenue available to local governments in practice with reference to laws in force and other provisions of public finance theories. The descriptive design then made use of charts, and tables to explain findings.

3.2 Population (Area of the Study)

Fako is a division of Southwest Region in Cameroon. The division covers an area of 2,093 km² and as of 2005 had a total population of 466,412, with its capital in Limbe (NIS, 2009). Fako Division is made up of 6 sub-division (Idenau, Limbe I, II, and III, Tiko, Muyuka and Buea), divided into 5 municipal councils’ and one city council. The municipal councils are headed by a mayor and the city council by a Government Delegate. The target population of the research was the six councils in the various sub-divisions in Fako.

3.3 Sampling Technique and Sample

For a representative sample, a two-stage sampling technique; convenient and purposive sampling techniques were adopted for the study. Firstly, the councils were selected based on the availability and willingness to respond to instruments and grant access to reports and other important information. Based on these criteria, 4 councils (Tiko, Muyuka, Limbe I and II) were chosen for the study. The elements for the study in the respective councils were the finance officers, and general affairs officers. These elements of the councils were purposively chosen for the exercise – since the subject matter required expert information on aspects of finance and revenue collection and administrative information on fiscal decentralization respectively. The Finance officer and general affairs officer of each council were then drawn to the be the respondents for the study.

3.4 Instrumentalization and Data Analysis

The instruments used for data collection were semi-structured questionnaires and check. The purpose of the checklist was to verify sources of revenue available to local governments in practice with reference to laws in force and other provisions of public finance theories. The semi-structured questionnaire was used to gather information or data on the challenges encountered to generate resources from the sources stipulated by law to finance municipal projects (Plans). Also, it enables data on other options that councils can exploited for revenue generation to be captured. The data collected were analyzed descriptively with the aid of tables and bar charts. Also, the mean and the Relative Important Index (RII) were employed to rank the options of finance and the challenges.

4. FINDINGS AND DISCUSSION

4.1 Source and Options of Finance for Councils in Fako

Councils in Cameroon operate within a defined boundary concerning the responsibilities assigned and the finance capacities allowed to them. Concerning the framework highlighted in Table 2, local councils and decentralized bodies in Cameroon follow a strict path in handling their finance needs. The sources available to councils in the Fako Division have to be presented in 4.1.1. Table 3 highlight the options of finance available to local councils in Fako.

4.1.1 Objective 1: To verify the sources of revenue available to local councils with reference to laws in force and other provisions of public finance theories and to find out if the laws are being implemented as stipulated

To address this objective, a checklist was used to verify if the councils have access to all the sources of finance stipulate by law. The data collected were categories into two- internal sources and external sources. As prescribe by law, councils in Fako are supposed to have access to the following internal revenue generating sources: Taxes, patents and business charges, service charges, gifts, grants, and assistance from elites. For the external sources, the law gives the councils authority to explore the following revenue sources: transfer from regional headquarters, transfers from central government, municipal bonds, inter-council assistance/cooperation, income from overseas agents, and council development fund from FEICOM/PNDP.

The findings reveal that none of the councils in the Fako Division exploit all the sources of finance. The Tiko and Muyaka councils have access to more sources than the Limbe I and II councils. All four councils explore the following internal sources: Tax sources; fees, fines and penalties; patents and business charges; and service charges. The findings further show that only Tiko and Muyuka councils generate revenue from sources such as gifts, grants and assistance from elites.

For external sources, the findings stipulated that Tiko council have access to and benefit from transfer from regional headquarters, transfers from central government, inter-council assistance/cooperation, income from overseas agents, and council development fund from FEICOM/PNDP but do not have access to municipal bonds. Muyuka council receives transfers from central government, municipal bonds, inter-council assistance/cooperation, and council development fund from FEICOM/PNDP but not from income from overseas agents and they do not receive transfer from regional headquarter. Limbe I and Limbe II councils generate revenues from transfers from regional headquarter, transfers from the central government, and council development funds from FEICOM/PNDP while they do not benefit from municipal bonds, inter-council assistance/cooperation, and income from overseas agents.

4.1.2 Objective 2: To determine the options available for councils in the Fako Division to exploit for revenue generation

The mean and the Relative Important Index (RII) were used to rank the options available for exploration by councils in the Fako Division. The findings are presented in Table 3.

Table 3. Options of finance exploited by councils in Fako Division

Option of finance by councils in Fako Division	Mean	RII	Ranks
Debt Engagement	3.38	0.68	**4th**
Tax Adjustment	1.00	0.20	**10th**
Service Charges Adjustment	4.13	0.82	**2nd**
Engagement of Community in works	3.25	0.65	**5th**
Adjust Rents for Public Property	2.75	0.55	**6th**
Make use of Municipal income generating activities	3.62	0.73	**3rd**
Use Fundraising techniques	1.88	0.38	**8th**
Use Saved Up Profit from Investments and Businesses	1.75	0.35	**9th**
Inter council Assistance.	2.38	0.48	**7th**
INTERCOM	4.25	0.85	**1st**
Average	**2.66**	**0.49**	

Source: Authors' Field work, 2018

The findings in Table 3 reveals that the option of finance exploited by the councils in the Fako Division with the highest mean score and Relative Important Index is INTERCOM (M =4.25, RII = 0.85, ranked 1st) and service charge adjustment (M = 4.13, RII = 0.82, ranked 2nd). These were closely followed by municipal income generating activities (M = 3.62, RII =0.73, ranked 3rd), debt engagement (M = 3.38, RII = 0.68, ranked 4th), engagement of community in works (M = 3,25, RII = 0.65, ranked 5th), adjust rent for public property (M = 2.75, RII = 0.55, ranked 6th) respectively. Tax adjustment (Mean = 1.00, RII = 0.02, ranked 10th) has the least mean score and relative important index, followed by use saved up profit from investments and businesses (M = 1.75, RII = 0.35, ranked 9th), use fundraising techniques (M = 1.88, RII = 0.38, ranked 8th), and inter council assistance (M = 2.38, RII = 0.48, ranked 7th). The overall mean score was 2.66 and RII 0.49 indicating that the councils in the Fako division are not exploiting the sources as much as they should.

4.2 Situation of Fiscal Decentralization in the Fako Division

The case of decentralization must be matched with adequate fiscal capacity, herein, referred to as taxing power. In Cameroon, the Law 2009/019 of December 15th, 2009 specifies the taxes to be collected, and the conditions under which local councils shall collect these taxes as shown in Figs. 1 and 2.

From Fig. 1, the Total Annual Revenue of Tiko council has experienced an increase from 900,000,000 to a billion Fcfa. However, the tax revenue which is 1/5th of the Annual Total Revenue of the Tiko council has remained stable at 200,000,000 Fcfa from 2015 to 2017. The implication of the data on Fig. 1 demonstrates that just a fraction (1/5th) of the revenue of Tiko is generated from taxes while 4/5th of the total revenue is generated from other sources other than taxes.

It can be seen from Fig. 2, that, the Total Annual Revenue of Muyuka council rose from 710,000,000 F CFA in 2015 to 950,000,000 Fcfa. In the same vein, the tax revenue of the Muyuka council increased from 90,000,000 F CFA in 2015 to 190,000,000 F CFA in 2016. However, the composition of tax revenue is barely 1/5th of the Annual Total Revenue in Muyuka council, while 4/5th of the total revenue is generated from other sources other than taxes. Unlike the Tiko council, the statistics for 2017 was not available.

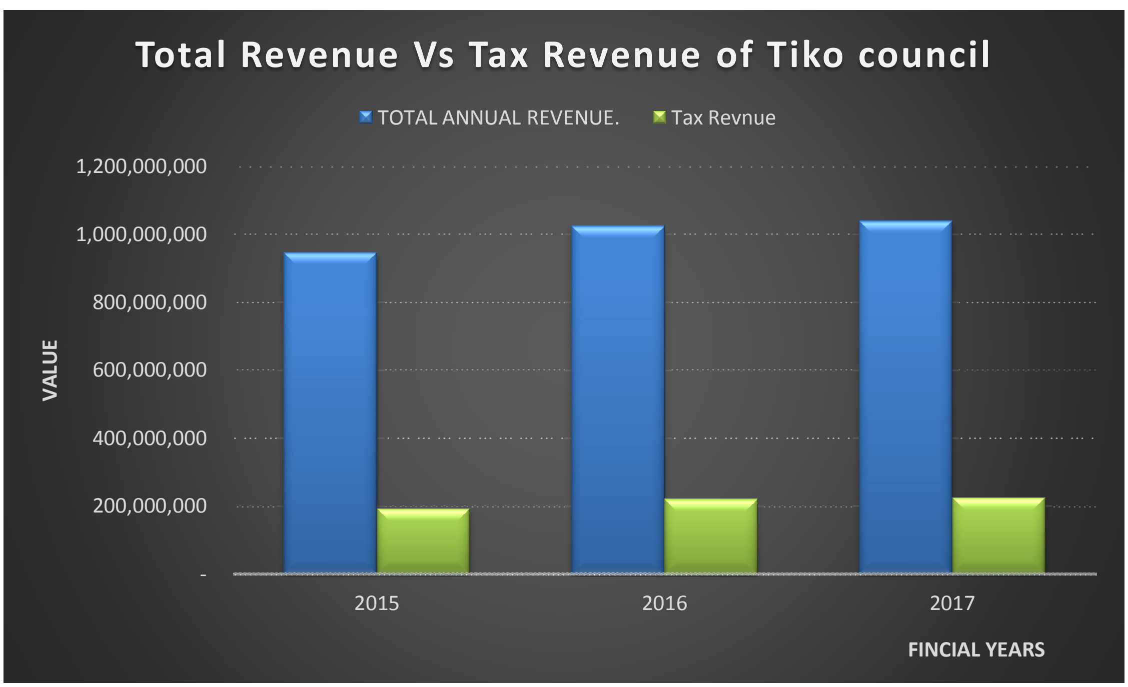

Fig. 1. Situation of Fiscal Revenue in Tiko Council
Source: Authors' Field work, 2018

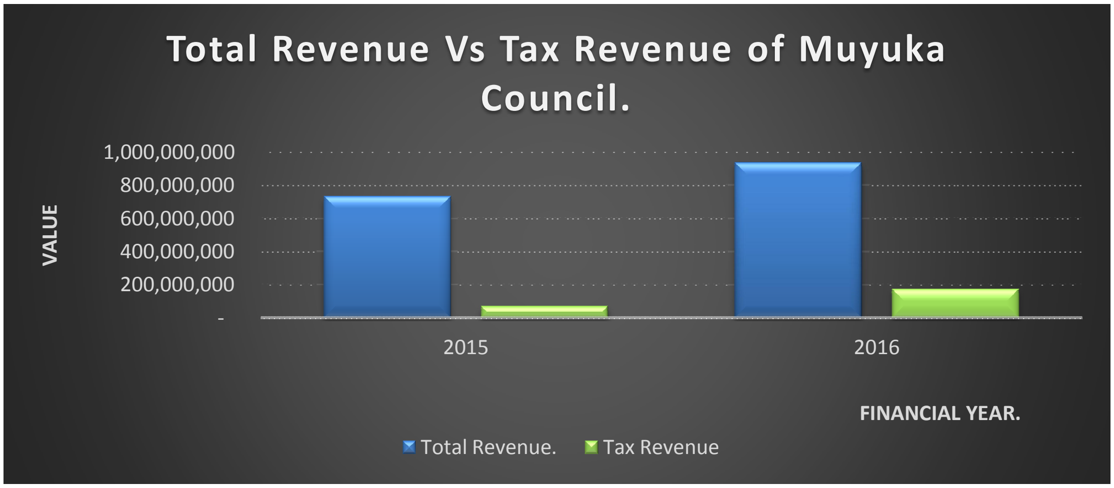

Fig. 2. Situation of Fiscal Revenue in Muyuka Council
Source: Authors' Field work, 2018

Table 4. Factors limiting local government finance in councils in Fako

Challenges	Mean	St. deviation
Infringement by the central Government on means of internal revenue generation of the municipality.	3.85	1.214
Narrow Local Tax base	3.42	1.306
Lack of tax-adjusting/collection power	3.77	1.288
Lack of power to make Finance bi laws (Absence of effective fiscal decentralization)	3.85	1.214
No laid down criteria for internal revenue identification	3.62	1.362
Laws in regulation limiting resources	3.67	1.303
Unknown Revenue sources	3.50	1.377
Inadequate Sources of revenue	3.42	1.306
Average	**3.64**	**1.299**

Source: Authors' Field work, 2018

For every decentralized organ of the government, responsibilities and competencies are passed along. Considering the competency transfer of power, findings revealed that 14 ministerial powers had been transferred to local councils in Cameroon. This is the case in the Fako division. Respondents identified responsibilities and competences transferred to councils in Fako in 6 main domains; sports, education, economic, health, social, and cultural domains, with documents spelling out the bounds of each responsibility transferred. According to findings from interview, councils in Fako execute these responsibilities as per the needs of the people, by the comprehensive campaign for inclusive and participatory local development, "unless in case of public goods."

However, there is a substantial lack in the execution of these decentralized ministerial functions. Respondents from Muyuka highlighted that their population is highly an agronomic one and therefore in need of good farm to market roads to convey their goods to the consumers; education equally needs boosting in the localities. As was pointed out, councils have only been so far able to provide primary education with didactic materials yearly. There is a need to strengthen primary education, and health care to maintain a robust, healthy, and mature population. Councils in Fako are looking forward to working in collaboration with the central government towards these objectives.

4.3 Objective 3: Limitations to Local Government Finance in Fako Division

In every finance endeavor, some hurdles are faced. Councils in the Fako division encouter several limitations. These limitations are both of an internal and external nature. Internal limitations are the ones originating from within the council, and external limitations are those posed by entities and factors outside the councils' control.

The respondents were asked to rate the levels of challenges they face while exploiting the sources of revenue allocated to them by law on a scale of 5 with 5 (strongly agree) and 1 (strongly disagree). The answers are presented in Table 4.

The challenges with the highest mean scores are infringement by the central government on means of internal revenue generation of the municipality (M = 3.85, SD = 1.214) and lack of power to make finance bi laws (M = 3.85, SD = 1.214). This was closely followed by lack of tax-adjusting/collection power (M = 3.77, SD = 1.288) and no laid down criteria for internal revenue identification (M = 3.62, SD = 1.362). The challenges with the least mean scores are inadequate sources of revenue (M = 3.42, SD = 1.306), narrow local tax base (M = 3.42, SD = 1.306), unknown revenue sources (M = 3.50, SD = 1.377), and laws in regulation limiting resources (M = 3.67, SD = 1.303). The overall mean and standard deviation score (M = 3.64, SD = 1.299) is closer to agree (4) on the scale indicating that most of the respondents are of the opinion that these challenges are eminent and affects their revenue generating capacities.

5. DISCUSSION

The aim of the analysis was to find out whether councils in the Fako Division have access to all the sources of finance as stipulated by statute, to ascertain the options of finance available to be used by councils, and to determine the difficulties the encounter in exploiting the sources to finance their developmental plans. Regarding sources available for councils, the findings revealed that all councils under the study in Fako collect municipal taxes. Local taxes include council taxes, additional council tax on state taxes calculated as a portion of total taxes collected for the year, and local development taxes. These taxes are collected in collaboration with the taxation services in the division and redirected to the councils. To ensure the principle of solidarity, the additional council taxes are subject to equalization. Since taxes are a function of commercial activities in the various municipalities, some councils are bound to collect more taxes than others, thus creating a resource gap. To nullify this effect, the additional council tax is collected by FEICOM and redistributed to councils in the attempt to cover the resource gap created by differences in an economic boom. This finding collaborates the studies of [5,14,17].

The findings also reveal that Fees, Fines and penalties are other avenues that contribute significantly to the finance to councils in Fako. Fees include parking fees, temporary occupation fees, market and stall fees, building permits, civil status registration, and hygiene and sanitation fees. Fines and penalties are made up of impound of wrongly parked cars and violation of parking space, impounding of stray animals and other properties, dues from violation of local regulations set forth for public benefit. These payments are made directly into the coffers of the municipal treasury. Furthermore, as exposed by the results, Gifts, grants, and donations from the elites were the less exploited source of revenue generation by the councils in Fako. For instance, findings pointed out that only the Muyuka and Tiko councils benefit from donations, which is occasionally. A classic case was stated to be that of donations of equipment to the health centers in Muyuka and Tiko, and the contributions to inter-quarter football competitions by elites in the Diaspora in partnership with the council. The findings are in line with those of [34,35,36].

Assistance to local councils come in the form of Loans from FEICOM and PNDP donations and transfers from other competent public bodies and the state. Interview conducted showed that INTERCOM is another means council in Fako use to finance their responsibilities. This involves FEICOM funding two or more councils coming up with a project that is of mutual benefit to the municipalities. This mostly involves facilities that link the municipalities. All councils in Fako benefit from the common decentralization fund from the central government. Transfers from other public bodies come to some local councils such as those in Limbe through subventions from the City Council.

Partnership with overseas agents also contributes to Local Government Finance in Fako. Findings showed that Tiko Council is in partnership with the European Union (EU), French Development Agency (FDA), World Bank, and African Monetary Fund (AMF). Assistance from these partnerships come to the council through the government and is put into PNDP.

The second task of the paper was to determine the options available for councils in the Fako

Division to exploit for revenue generation. The findings in Table 3 reveals that the most exploited option of finance by the councils in the Fako Division is INTERCOM (M =4.25, RII = 0.85, ranked 1st), and service charge adjustment (M = 4.13, RII = 0.82, ranked 2nd) while the least used options of finance were tax adjustment (Mean = 1.00, RII = 0.02, ranked 10th) and use saved up profit from investments and businesses (M = 1.75, RII = 0.35, ranked 9th). Councils in Fako have many options as prescribe as law to generate revenue to fund their developmental activities. The study shows that the available options are underutilized by the councils. The overall mean score of 2.66 and an RII of 0.49 indicate that many of the respondent believed they do not make use of tax adjustment, saved up profit from investments and businesses, fundraising techniques, and inter council assistance. For instance, the councils are not permitted to adjust taxes.

Unlike tax adjustment, they are entitled to debt engagement. Debt engagement is an option provided by the law to all councils in Cameroon, subject to authorization by the deliberative body and approval by the competent Supervisory Body. When councils have a target to meet, and there is a forecast of a potential financial huddle, it is customary to adjust the inflow of controllable sources of finance to cover the estimated gap. Councils in Fako adjust service charges. This is done by proposing to the deliberative body of the council, where the amount of adjustment is unanimously agreed upon or rejected for implementation. However, some councils termed this option as risky since payers of such fees can openly revolt and resist payment, causing a significant destabilization of the budget. Hence, most councils in Fako either tread the path with caution or avoid it altogether.

As an agency in charge of community development, it is only logical to engage the community in these developmental efforts. Councils in Fako when in financial situations engage capable persons in the community for what is termed BOT (Build, Operate, and Transfer). These BOTs are a strategy to finance infrastructure that owners of small businesses can build and operate shops in council areas for some years and then transfer ownership of such shops to the council. Councils in Fako have several such engagements.

Finally, the framework provides that councils can hold stock in public corporations and other publicly traded ventures for which profit can be generated. However, councils in Fako are yet to realize this objective. Findings revealed that the only income-generating ventures run by councils under study are rental of municipal equipment and property and the operation of community morgues.

The third task was to ascertain the possible limitations the councils in the Fako Division have in implementing the laws permitting for revenue generation in their municipalities. Table 4 highlights specific factors that limit the finance efforts of local councils. The most important among them is infringement by the central government on the means of finance to local councils; lack of tax adjusting powers; lack of powers to make finance bylaws; Laws in force limiting finance and some unknown and unreachable sources of finance that affect every council under observation. Narrow tax base affects Tiko and Lime II councils; Limbe council distinctively face a problem of no laid down criteria for revenue identification; and inadequate sources of finance. The findings are collaborated by the studies of [14,26].

The limitation of local government finance in the Fako Division emerges from the many confusing and contradictory frameworks put in place. The constitution defines that every citizen shall contribute to public expenditure by his/her income level. According to [14], the general tax code provides that the application of tax shall hold, irrespective of the nature or object of the undertaking. This conflicts with the responsibility of social development devolved to councils as it condones certain activities that might not be healthy for a developing population such as gambling and games of chance if they comply with tax regulations.

The frameworks further provide that both local and city councils are eligible for the collection of sanitation taxes. This causes the problem of double counting, where payers may be required to pay the same tax twice once for local councils and another for city councils where both categories of councils fall in the same jurisdiction. This is the case with the Limbe I and II councils.

Plurality in the framework is a roadblock to local government finance in Fako. For instance, Law No. 2009-11 of July 10th, 2009 on the financial regime of local authorities states that local tax revenue shall comprise of direct local taxes;

additional council tax on state taxes, deductions from state taxes, "direct and indirect taxes" and any other taxes provided by law. Law No. 2009/019 of December 15th, 2009 on Local Fiscal System on another hand identifies local taxes to include only council taxes, additional council taxes on state taxes, and council levies. Moreover, the latter is not an amendment of the former, and the items of the provisions are not entirely the same or different.

Infringement by the central government is one of the core factors limiting local government finance in the Fako Division. Measures of decentralization are highlighted by proper Fiscal (tax) devolution. As can be seen in Figs. 1 and 2, the tax which is presumed to be the primary source of government revenue is substantially meager in relation to total revenue. Section 12 of law No. 2009/22 of July 10th, 2009 states that "tax revenue of local authorities herein referred to as local councils shall comprise of direct local taxes; additional council tax on State taxes and duties; deductions from State tax revenue; direct and indirect taxes; and any other tax deduction stipulated by law. Findings from field observations show that the situation of direct and indirect taxes is what is now referred to as "State Taxes," collected by the taxation services and forwarded into the national treasury, with little to no proceeds coming to local councils. Local councils in Fako have mostly just been collecting council taxes, additional council taxes on state taxes, and other duties, with exclusion from the collection of direct and indirect taxes.

Findings from interviews conducted revealed that taxes paid under the global tax system used to go to councils in the locality, but that again was redirected to central accounts. Taxation services in Cameroon have periodic targets they have been assigned to meet in the mobilization of tax resources. However, these targets are focused on the collection of "state taxes" with no targets set for local council taxes to be collected by these taxation services. This goes a long way to ensure that tax collectors focus on building good profiles for themselves by redirecting resources to meet central government targets, neglecting the councils' need for finance.

Furthermore, the use of FEICOM and the PNDP project has been a front for interfering with local government finance in Fako. The redistribution of the additional council tax by FEICOM to cover gaps caused by differences in economic activities is a huddle to local government finances. As good of an initiative that it is, respondents believe that it is intrusive to their local resource base. Councils in Fako and nationwide have been bestowed the responsibilities to foster economic growth in their respective localities. The redistribution of additional council taxes on state taxes is a limitation to both the responsibility to foster economic growth and local government finance. As it takes away resources from areas with an economic vibrancy to areas with damp economic activities, these councils may tend to rely on such redistribution, ignoring the development of the economic situation in their localities. On another hand, councils in partnership with overseas agents noted that all aid and support from these partners are redirected by the government into the PNDP, depriving the councils of directly benefiting from fruits of their partnerships.

The inability of local councils to adjust taxes is another limitation to local government finance. A case pointed by one of the councils is when charges and fees were reduced. This attracted many payers to come forth voluntarily to settle these dues, increasing the payers' and the resource base of such finance sources. Comparatively, a lot of tax evasion is instigated by the tax rates and the number of times they are payable within a year. There are taxes in Cameroon that are paid monthly. This involves a lot of time and paperwork every month. If councils had the authority to adjust taxes or institute finance bylaws, this could be addressed similarly to the charges mentioned above and fees situation in different localities to attract more taxpayers and revitalize frustrated payers.

Due to the ever-changing needs of man, finances can never be adequate at local levels. However, the government put in place intergovernmental transfers for the funding of common decentralization expenses to reduce the pressure on local governments. Nevertheless, no formula has been designated for this transfer as the funds are only decided yearly by the finance law upon the proposal of the government, irrespective of the finance needs of the councils. These money funds are transferred to the eligible councils quarterly, and since the formula for how much will be transferred is not defined, it opens grounds for misappropriation.

With these limitations, some efforts have been attempted to counter some of the limitations. Information gathered from interviews indicated that councils in Fako now have representatives at the taxation services to follow up on the council revenue. This, however, has not shown any results as revenue collection is mainly the activities of the chiefs of tax centers and their subordinates. Due to this councils tend to target owners of semi-permanent sheds (Umbrellas, tables, and wooden sheds). Findings showed that sellers of foodstuff, cooked food, and other daily market occupants are made to cover fees for about five monthly tickets.

The nonalignment of central government and local government budget cycles affects local government finance significantly. Councils prepare their budgets in mid-November while the parliament vote for the central budget in December with revenue transfers to Local councils only known at the end of the first quarter. Even sadder is the fact that councils would still not know what to expect at the end of the second quarter. This creates shortages and under realizations in the councils' forecasted revenue as shown by the case of Muyuka council. The investment revenue of councils in Fako is made of transfers and grants. Due to the nonalignment of budget cycles, councils cannot effectively plan what to receive for these grants. The realization rates for Muyuka investment revenue stand at 43.082% for 2015 and 64.645% for 2016, implying an under-realization rate of 56.918% in 2015 and 35.355% in 2016.

6. CONCLUSION

The finance sources available to local councils in Fako are not adequate for the effective coverage of responsibilities assigned to them. The framework gives local councils in Fako financial autonomy, but still attach it to the gag of supervisory bodies. The inability of councils to shift to a public-private system of operation is disturbing. Councils in Fako can rarely possess assets that have not been subsidized by the state or another public agency. Consequently, this accounts for about 54% of the limitations to their financial capacities. They have stayed in their comfort zones for finance, ignoring potentials that might have brought more finance strength to their councils. Of the councils studied in Fako, it was seen that only Tiko Council is in partnership with overseas agents. The public-private partnership is an essential source of finance, but sadly, it is still unexploited by councils in Fako.

Fiscal decentralization in its real sense is a far reach to councils in Fako. Fiscal decentralization not only needs expenditure and the deconcentrating of ministerial responsibilities to local councils but need to be accompanied by transfers of significant tax and nontax sources of finance. Councils in Fako only have control over the revenue they receive, though still pegged to the supervisory bodies in place. They have no control over the tax sources assigned to them. Even so, the tax sources devolved to them are inadequate as they have no apparent authority to collect direct and indirect taxes, least of all decide what to tax.

Apart from the limitations posed by the framework, the government limits the financial capacities of Local Governments in Fako by the undecided fiscal transfer formula and use of agencies to redirect and redistribute finances of local councils. Local governments need more tax sources and the devolution of some taxing powers to the councils in Fako.

7. RECOMMENDATIONS

Based on the findings of this study, the following recommendations were made:

More than half of the limitations to finance to councils in Fako come as a result of overdependence on available finance sources. The study recommends that councils should exploit more options for finance at their disposal and look externally for sources that have little or no liability. For instance, they can hold stock in public corporations and other publicly traded ventures for which profit can be generated. Also, the run intra-urban transportation by instituting council taxis in the various municipalities.

The study equally revealed that most of the councils do not explore sources such as municipal bonds, inter-council assistance/cooperation, and income from overseas agents. The study recommends that the councils build a collaborative network whereby they can pull resources together and carry out projects which are beneficial to the concern councils. This will reduce the overdependence of councils on intergovernmental transfers.

The framework on resource mobilization gives councils the right to enter into partnerships with other agencies both national and international, look for chances to invest and own business ventures and properties, engage fundraising campaigns from time to time, and exploit other avenues that can bring inflow to them both financially and materially. These avenues are underexploited. The study recommends that councils should establish fruitful partnerships with regional organizations like the European Union, African Union, other Western and African councils for joint projects and other mutually benefit activities. This will breach the gap of revenue shortages and dependency on transfers from the central government for capital expenditure. They should equally engage in online fundraising and solicitation.

The councils in collaboration with key stakeholders should sensitize their municipalities through workshops, symposiums, talk shows, campaigns, and other available media and advert outlets on effective management of scarce resources such as water, proper utilization of roads and other municipal facilities and infrastructure.

In addition, the framework in place needs clarification to clear off conflicting and confusing goals, clearly stating which council level is to collect what type of revenue and to what extent. The reform of fiscal decentralization should include legislative clarification of the responsibilities of each level of government and the identification of the appropriate funding resources. This will reduce vertical imbalances and increase fiscal responsibility. Also, a transfer system should be defined that encourages local governments to collect own revenue and manage their roles efficiently, while imposing strict budget constraints to foster fiscal discipline. This will minimize conflicting responsibilities and enable the local governments to discharge their functions.

The central government of Cameroon should free councils from the prying eyes of supervisory bodies to guarantee true financial autonomy. If the supervisory bodies exist to check mismanagement and misappropriation, they can be replaced with an independent audit body that only ensures accountability for the councils by periodically auditing and publishing the financial records of councils without the aspect of having to approve finance efforts of the local councils.

DISCLAIMER

The products used for this research are commonly and predominantly use products in our area of research and country. There is absolutely no conflict of interest between the authors and producers of the products because we do not intend to use these products as an avenue for any litigation but for the advancement of knowledge. Also, the research was not funded by the producing company rather it was funded by personal efforts of the authors.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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