

Financing mechanisms for decentralization in Togo: Discourse and reality

Essossinam Pali*, Coffi Cyprien Aholou, Francois Paul Yatta

Regional Center of Excellence on Sustainable Cities in Africa (CERVIDA-DOUNEDON), Université de Lomé, Lomé 01 BP 1515, Togo

* **Corresponding author:** Essossinam Pali, pessossinam@yahoo.fr

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Abstract: Since 2019, Togo has resolutely engaged in the decentralization process marked by communalization and elections of municipal councilors. Financial autonomy constitutes an essential lever for the free administration of municipalities, allowing them to ensure decision-making and the implementation of development projects. However, despite a legal and regulatory framework defining taxation specific to local authorities, Togolese municipalities are often perceived as needing more financial resources. This study aims to map the financing mechanisms for decentralization in Togo and analyze their contribution to municipal budgets. By adopting a quantitative approach combining documentary analysis and interviews with 188 experts and practitioners of local finance from various Togolese structures, four main financing mechanisms were identified: local, national, Community, and international. Among these mechanisms, own resources (in particular from the sale of products and services, fiscal and non-fiscal taxes) and state transfers via the Support Fund for Local Authorities emerge as the primary sources of financing for municipalities. However, the study reveals that several instruments of local mechanisms, although institutionally defined, still need to be updated in many municipalities, thus limiting their effectiveness in resource mobilization. These results highlight the importance of optimizing the management of local mechanisms to strengthen municipalities' financial autonomy and support territories' sustainable development.

Keywords: municipality; financial decentralization; own resources; tax revenues; non-tax revenues; service provision products; state transfers

1. Introduction

Decentralization is based on the fundamental principle of transferring skills and resources to local authorities, an essential condition for their free administration (Yatta, 2000). The transfer of financial resources guarantees local authorities the ability to make decisions and improve the living conditions of citizens (Yilmaz et al., 2010). However, as Bahl and Martinez-Vazquez (2006) point out, insufficient financial resources hinder their autonomy and limit their ability to fulfill their missions. Togolese local elected officials, like those in countries with a long tradition of decentralization, see financial decentralization as an essential pillar of local democracy and development.

The mobilization of local financial resources is based on financial decentralization, which has two complementary components: budgetary decentralization and fiscal decentralization (Mouhamadou, 2011). Fiscal decentralization consists of a partial transfer of national taxation to local authorities. In contrast, budgetary decentralization allows them to mobilize diversified resources from state transfers (grants or subsidies), local service provision, decentralized

cooperation, and contributions from subregional organizations or technical and financial partners (Gourmel-Rouger, 2015).

In sub-Saharan Africa, weak local management capacity remains a significant constraint to effective decentralization (Awortwi, 2021; Smoke, 2013). In this context, Wang and Goodfellow (2020) recommend local capacity-building initiatives to improve resource mobilization and management. In addition, Omar and Helmy (2022) emphasize the importance of legal reforms to diversify the sources of funding for local governments, thereby strengthening their financial autonomy.

Since the 2019 municipal elections, Togo has strengthened its decentralization framework, notably with the operationalization in 2020 of the Local Authorities Support Fund (FACT), created by Law No. 2007-011 of 13 March 2007. However, municipal budgets remain low, representing only 2.94% of the national budget in 2021, 3.06% in 2022, and 2.89% in 2023, according to the Directorate of Decentralization and Local Authorities. These proportions are well below the 20% recommended by UEMOA for fiscal transfers to local authorities (UEMOA, 2012). These budgetary shortfalls and difficulties in mobilizing resources limit local development investment and exacerbate territorial disparities.

In the literature, decentralization financing mechanisms are generally classified according to their origin: local, national, Community, or international (Bahl and Martinez-Vazquez, 2006; Smoke, 2013). In Togo, these mechanisms include government grants through the FACT, local taxes collected by municipalities or the Togolese Tax Office (OTR), and public-private partnerships (PPPs). Although PPPs can offer significant opportunities for financing large-scale projects, their implementation requires a solid legal framework (Martinez-Vazquez and McLure, 2009). However, several challenges remain. For example, Togolese municipalities can only take out loans with an operational legal framework (Article 75 of the decentralization law). Similarly, Community and international mechanisms exist but still need to be used. Although essential to reduce territorial disparities, state transfers are insufficient to guarantee municipalities' financial autonomy (Bahl and Martinez-Vazquez, 2006). Finally, legal restrictions and limited administrative capacity hamper the mobilization of local resources, confirming the conclusions of Devas and Kelly (2001) on the challenges faced by municipalities in developing countries.

This article analyses the contribution of decentralization financing mechanisms to the financial autonomy of Togolese municipalities. Specifically, it aims to draw up a map of financing mechanisms by identifying their sources and characteristics and assessing their impact on municipal budgets and budgetary autonomy. It is part of a perspective of scientific contribution by filling the existing gaps in the financing of Togolese municipalities. Unlike previous studies, which have mainly examined the mobilization of local resources (Ebel and Yilmaz, 2002; Smoke, 2013) or the financing strategies of municipalities (Martinez-Vazquez and McLure, 2009), this study provides a detailed analysis of the financing mechanisms and contributes to a better understanding of their impact on the financial autonomy of municipalities. Divided into five sections, this article deals successively with the introduction, the methodology, the analysis of the results, the discussion, and the conclusion.

2. Materials and methods

This study aims to analyze the contribution of local mechanisms to municipal budgets following the mapping of decentralization financing mechanisms in Togo. To this end, a quantitative approach of descriptive statistical analysis is used.

The analytical framework focuses on Togo’s 117 communes. For this research, these communes are divided into four strata based on the number of councilors per commune, as established by Decree No. 2018-029/PR of 1 February 2018. The analysis is carried out on a sample of 40 municipalities (**Table 1**).

Table 1. Distribution of sample municipalities by stratum.

Strata of the municipalities	Number of municipalities	Sample of selected municipalities
Municipalities with 11 Councilors (Level 1)	76	24
Municipalities with 15 Councilors (Level 2)	27	09
Municipalities with 19 Councilors (Level 3)	09	04
Municipalities with 23 Councilors (Level 4)	05	03
Totals	117	40
Sample of experts surveyed		
Position/Institution		Number of participants
Mayors		40
Chairmen of the Committees on Economic, Financial, Legal and Planning Affairs		40
General secretaries of municipalities		40
Accounting and financial managers		40
National Commission for the Study of Local Authority Budgets		7
Financial controllers		6
Municipal receivers		13
Technical and financial partners		2
Totals		188

2.1. Sample

The research sample comprises experts and practitioners in local finance from different structures involved in budget management and the development of texts on local taxation. It is available at the Directorate of Decentralization and Local Authorities (DDCL). These experts and practitioners are listed in **Table 1**. The sample of municipalities was selected using the quota method. We defined a quota of 30% of the total number of employees in Togo’s municipalities, and the total sample was distributed according to the weight of employees by level. For each commune, the respondents were the managers of the budgetary chain. The other respondents were selected using purposive sampling (**Table 1**).

The interest in taking into account the services and the size of the municipalities in the composition of the sample is to obtain a good representation of all the structures intervening in the field of local finance in Togo and of all the categories of municipalities. This is because the poor representation of the structures in the sample, in terms of experts or practitioners, would not have made it possible to draw

generalizable conclusions on the financing mechanisms of decentralization in general and on the local mechanisms that form the basis of this study.

2.2. Data collection and processing

This research uses both primary and secondary data. Secondary data comes from the administrative accounts of the municipalities obtained from the DDCL and provides information on the municipality's identity, the nature of the decentralization financing mechanisms, the elements of the local decentralization financing mechanisms, the revenues of the municipalities from the local mechanisms, and the investments financed by the mechanism.

Primary data were collected using two types of questionnaires, which were administered during July and August 2024. Both questionnaires focus on the causes of low budgets. The first questionnaire, addressed to respondents from municipalities, includes items on the availability or not of a taxpayer file, limits to the increase of municipal budgets, the fight against disparities between municipalities, the promotion of national solidarity, taxes, and duties, and the national resource transfer mechanism. The second questionnaire, addressed to other respondents, contains the same items except for the first one.

The survey was conducted electronically using the KoBo Collect 2.4 application. The tool was downloaded and installed on the survey agents' Android phones, and they then used it to conduct interviews with all sampled targets. Data processing was done using an Excel spreadsheet and SPSS 26 statistical software.

3. Results

This section first describes the characteristics of the municipalities surveyed, then presents a map of the decentralization financing mechanisms in Togo, and finally, the contribution of these mechanisms to the municipalities' budgets.

3.1. Characteristics of the sampled municipalities

Table 2 shows the characteristics of the sampled municipalities. This information relates to the 2022 financial year. The municipalities' names are coded for anonymity, as shown in **Table 2**.

Examining the different levels of communes reveals significant differences in surface area, population, budget, and staff. At level 1, the total surface area is 12,546 km² with a population of 1,117,348 inhabitants and a total budget of 2,514,138,000 FCFA (Franc of the African Financial Community). This finding gives an average per capita budget of 2250 FCFA and 200,000 FCFA per km². Some communes, such as Com 17, have a high budget, while others, such as Com 5, have more limited resources. This level also has different population densities, suggesting a dynamic of urbanization.

Table 2. Characteristics of municipalities in 2022 (budget and population in thousands).

Levels of municipalities	Order	Budget	Staff numbers	Population	Area	Productivity per agent	Budget by inhabitant	Budget per km ²
Level 1	Com 1	179,027	35	128,164	24	5115	1397	7459
	Com 2	67,466	17	27,465	512	3969	2456	132
	Com 3	98,730	24	44,196	518	4114	2234	191
	Com 4	78,269	16	54,410	1075	4892	1439	73
	Com 5	39,145	7	9,933	244	5592	3941	160
	Com 6	116,257	22	36,170	248	5284	3214	469
	Com 7	81,871	10	39,478	108	8187	2074	758
	Com 8	112,390	26	65,059	1861	4323	1728	60
	Com 9	60,644	22	44,039	420	2757	1377	144
	Com 10	154,572	16	75,992	79	9661	2034	1957
	Com 11	86,759	21	20,120	287	4131	4312	302
	Com 12	79,325	23	44,783	549	3449	1771	144
	Com 13	56,498	9	27,942	393	6278	2022	144
	Com 14	54,802	10	53,305	752	5480	1028	73
	Com 15	36,762	8	11,433	113	4595	3215	325
	Com 16	95,582	19	47,903	754	5031	1995	127
	Com 17	484,281	109	52,994	57	4443	9138	8496
	Com 18	51,042	5	21,926	377	10,208	2328	135
	Com 19	71,469	21	46,797	422	3403	1527	169
	Com 20	86,845	20	56,282	645	4342	1543	135
	Com 21	67,837	11	44,324	909	6167	1530	75
	Com 22	122,178	14	64,930	1147	8727	1882	107
	Com 23	66,447	16	53,204	828	4153	1249	80
	Com 24	165,942	13	46,499	224	12,765	3569	741
Total Level 1		2,514,138	494	1,117,348	12,546	5089	2250	200
Level 2	Com 25	220,314	17	100,745	599	12,960	2187	368
	Com 26	112,688	23	71,539	714	4899	1575	158
	Com 27	91,433	16	76,294	859	5715	1198	106
	With 28	78,950	14	82,507	813	5639	957	97
	With 29	55,274	15	66,871	371	3685	827	149
	With 30	127,736	10	64,187	1637	12,774	1990	78
	With 31	93,521	11	74,692	446	8502	1252	210
	Com 32	117,427	26	51,187	421	4516	2294	279
	Com 33	232,181	32	77,353	422	7256	3002	550

Table 2. (Continued).

Levels of municipalities	Order	Budget	Staff numbers	Population	Area	Productivity per agent	Budget by inhabitant	Budget per km ²
Total Level 2		1,129,525	164	665,375	6282	6887	1698	180
Level 3	Com 34	729,200	97	181,561	41	7518	4016	17,785
	Com 35	447,285	72	193,625	214	6212	2310	2090
	Com 36	227,368	58	177,706	1052	3920	1279	216
	Com 37	253,337	46	211,743	438	5507	1196	578
Total Level 3		1,657,190	273	764,635	1745	6070	2167	950
Level 4	Com 38	1198214	94	317,255	46	12,747	3777	26,048
	Com 39	814,000	142	169,993	21	5732	4788	38,762
	Com 40	888,687	108	307,292	889	8229	2892	1000
Total Level 4		2,900,901	344	794,540	956	8433	3651	3034
Totals		8,201,755	1275	3,341,898	21,529	6433	9766	4364

Level 2 has an area of 6282 km² and a population of 665,375. The average budget is 1,129,525,000 FCFA, lower than the first level. A lower population density and a smaller surface area can explain this. This budget translates into an average allocation of 1698 FCFA per inhabitant and 180,000 FCFA per square kilometer. Nevertheless, some communes, such as Com 25, have significant budgets, reflecting development priorities.

Level 3 has a total area of 1,745 km² and a population of 764,635 inhabitants. The total budget of FCFA is 1,657,190,000, which shows a concentration of resources. This finding corresponds to an average FCFA 2167 per capita budget and FCFA 950,000 per square kilometer. These communes have relatively high budgetary resources for their size, probably indicating strong economic activity in these areas. This resource concentration could further stimulate the local economy, finance infrastructure, and public service projects.

Finally, level 4 municipalities are characterized by advanced urbanization, with a total area of 956 km² and 794,540 inhabitants. The total budget of FCFA 2,900,901,000 translates into an average allocation of FCFA 3651 per inhabitant and FCFA 3,034,000 per square kilometer. Level 4 thus benefits from higher funding per square kilometer, suggesting a concentration of public investment in areas with a greater need for infrastructure and public services.

Regarding the number of municipal employees at each level and its correlation with resource mobilization and the population of the municipalities, it can be observed that municipalities with a higher number of employees show a better mobilization of financial resources. In Level 1, for example, the average number of staff per municipality is 21, with an average productivity of FCFA 5,089,000. Level 2 has an average of 18 employees with an average productivity of 6,887,000 FCFA. On the other hand, level 3 has an average of 63 employees with average productivity of 6,070,000 FCFA. Finally, level 4 has an average of 115 employees with an average productivity of 6,433,000 FCFA. These results are consistent with decreasing productivity. There is an optimal number of staff above which budgetary performance decreases. It is 10 for level 1, 20 for level 2, 50 for level 3, and 100 for

level 1. Municipalities with more councilors tend to have larger budgets, which may be associated with more complex governance needs. Balancing budgets and services across municipalities will be essential to promote harmonious and equitable development.

3.2. Financing mechanisms for decentralization in Togo

The Togolese legislative and regulatory framework for decentralization has provided local authorities with financial resources to enable them to exercise the powers transferred to them. These sources comprise four mechanisms with different revenue categories, mainly local taxes and charges. **Table 3** provides a detailed analysis of these different revenue categories, whether operational or non-operational. A revenue source is operational when it is put into collection status by the authorizing officer or collected by the public accountant (municipal receiver) or the OTR. The OTR collects several taxes and duties on behalf of the municipalities.

The documentary analysis shows that there are four main financing mechanisms in Togolese municipalities: local mechanisms made up of allocated taxes and taxes generated by the municipalities; the national mechanism (FACT); community mechanisms supported by sub-regional organizations, notably UEMOA, Economic Community of West African States (ECOWAS), and the African Union; and international mechanisms supported by TFPs and decentralized cooperation.

Among these mechanisms, those at the local level are the most numerous, providing more resources to communities. However, it should be noted that some mechanisms are more operational than others, i.e., the revenue elements of these mechanisms are or are not collected in certain municipalities. According to the degree of operability of the mechanisms in the municipalities (**Table 3**), there are, among others, the housing tax (98.3%), the single professional tax (99.1%), market taxes (100%), advertising taxes (95.7%) and taxes for the sending, registration, and legalization of administrative and civil status documents (99.1%). The degree of non-operation of the mechanisms in the municipalities is more pronounced for the fees for emptying and cleaning gutters and septic tanks (87.1%), the road tax (99.1%), the tax on the distribution of water, electricity, and telephone (85.2%), the tax on local communication companies (87.1%). However, there are differences between and within the levels of local government. For example, the degree of operability of the housing tax (98.3%) is 63.2% in level 1 municipalities, compared with 23.1% in level 2, 7.7% in level 3, and 4.3% in level 4. Road tax, which is 99.1% non-operational, is 64.7% in level 1 municipalities, against 22.4% in level 2, 7.8% in level 3, and 4.3% in level 4 (**Table 3**). The loan is not operational in any municipality, despite the law authorizing municipalities to take out loans from specialized local authority financial institutions and banks.

The FACT, a national mechanism for transferring state subsidies to local authorities, is operational in all Togolese communes. On the other hand, community mechanisms need to be operational in 98.3% of the communes. The same applies to international mechanisms (88.9%).

Table 3. Degree of operationalization of different decentralization financing mechanisms by municipal level.

Resource Elements		% of operationality					% of non-operationality				
		Level1	Level 2	Level 3	Level 4	Total	Level 1	Level 2	Lift 3	Level 4	Total
Local mechanisms											
Assigned taxation	Housing tax	63.2	23.1	7.7	4.3	98.3	1.7	0.0	0.0	0.0	1.7
	Registration fees/additional tax	12.2	6.1	2.6	0.0	20.9	53.0	16.5	5.2	4.3	79.1
	Fiscal stamp duty	2.6	0.0	1.7	1.7	6.0	62.4	23.1	6.0	2.6	94.0
	Road tax	0.0	0.9	0.0	0.0	0.9	64.7	22.4	7.8	4.3	99.1
	Tax on shows and other public events	15.4	9.4	3.4	4.3	32.5	49.6	13.7	4.3	0.0	67.5
	Tax on automatic devices providing a game, a show, a hearing or entertainment	24.8	13.7	2.6	2.6	43.6	40.2	9.4	5.1	1.7	56.4
Shared taxation	Patent	63.2	23.1	7.7	4.3	98.3	1.7	0.0	0.0	0.0	1.7
	Single Professional Tax	64.1	23.1	7.7	4.3	99.1	0.9	0.0	0.0	0.0	0.9
	Property tax (on built-up areas—on unbuilt-up areas)	58.1	22.2	7.7	4.3	92.3	6.8	0.9	0.0	0.0	7.7
	Tax on gambling products	53.0	17.1	7.7	3.4	81.2	12.0	6.0	0.0	0.9	18.8
Taxes managed by local authorities	Tax on shows and on automatic devices providing a game, a show, a hearing or entertainment	27.4	11.1	1.7	1.7	41.9	37.6	12.0	6.0	2.6	58.1
	Tax on the distribution of water, electricity and telephone	8.7	4.3	0.0	1.7	14.8	55.7	19.1	7.8	2.6	85.2
	Tax on local communications companies	10.3	2.6	0.0	0.0	12.9	54.3	20.7	7.8	4.3	87.1
	Tax on fuel pumps	39.3	16.2	7.7	4.3	67.5	25.6	6.8	0.0	0.0	32.5
	Market taxes	65.0	23.1	7.7	4.3	100	0.0	0.0	0.0	0.0	0.0
	Public highway congestion taxes	19.0	8.6	4.3	4.3	36.2	46.6	14.7	2.6	0.0	63.8
	Advertising taxes	61.7	21.7	7.8	4.3	95.7	3.5	0.9	0.0	0.0	4.3
	Slaughter tax, health inspection of slaughter animals	51.3	17.9	4.3	0.9	74.4	13.7	5.1	3.4	3.4	25.6
	Tax for dispatch, registration and legalization of administrative and civil status documents	64.1	23.1	7.7	4.3	99.1	0.9	0.0	0.0	0.0	0.9
	Parking and parking fees	62.1	20.7	6.9	3.4	93.1	3.4	1.7	0.9	0.9	6.9
	Food inspection fees	29.1	7.7	2.6	0.0	39.3	35.9	15.4	5.1	4.3	60.7
	Products from concessions in cemeteries	37.1	13.8	4.3	2.6	57.8	27.6	9.5	3.4	1.7	42.2
	Taxes on felling of forest species	39.3	14.5	3.4	0.9	58.1	25.6	8.5	4.3	3.4	41.9
	Oil palm felling taxes	24.8	10.3	0.9	0.0	35.9	40.2	12.8	6.8	4.3	64.1
	Land Rental Products	18.8	13.7	4.3	2.6	39.3	46.2	9.4	3.4	1.7	60.7
	Shop Rental Products	29.9	17.1	6.8	3.4	57.3	35.0	6.0	0.9	0.9	42.7
	Products from fines	60.7	18.8	7.7	3.4	90.6	4.3	4.3	0.0	0.9	9.4
	Royalties from the exploitation of quarries and mines	53.8	21.4	6.0	0.9	82.1	11.1	1.7	1.7	3.4	17.9
	Taxes or charges relating to urban planning and the environment	43.9	20.2	7.0	3.5	74.6	21.1	3.5	0.0	0.9	25.4
	Fees for emptying and cleaning gutters and septic tanks	6.9	0.9	3.4	1.7	12.9	57.8	22.4	4.3	2.6	87.1
Fee for occupation of public domain	64.1	23.1	7.7	4.3	99.1	0.9	0.0	0.0	0.0	0.9	

Table 3. (Continued).

Resource Elements		% of operationality					% of non-operationality				
		Level1	Level 2	Level 3	Level 4	Total	Level 1	Level 2	Lift 3	Level 4	Total
	Loans from financial and credit institutions	0.0	0.0	0.0	0.0	0.0	65.0	23.1	7.7	4.3	100
	Other royalties	51.3	15.4	7.7	3.4	77.8	13.7	7.7	0.0	0.9	22.2
National mechanism											
	FACT Operating Grant	65.0	23.1	7.7	4.3	100	0.0	0.0	0.0	0.0	0.0
FACT Grants	Unallocated FACT investment grant (basic allocation + specific allocation)	65.0	23.1	7.7	4.3	100	0.0	0.0	0.0	0.0	0.0
	FACT Investment Grant Allocated	63.2	21.4	7.7	4.3	96.6	1.7	1.7	0.0	0.0	3.4
Community mechanisms											
Priority programs	Implementation of priority programs by the Council of Territorial Communities (CCT) of UEMOA	0.9	0.9	0.0	0.0	1.7	64.1	22.2	7.7	4.3	98.3
International mechanisms											
Development aid	Donations and legacies from technical and financial partners (PTF) and twinning with foreign cities	6.0	1.7	1.7	1.7	11.1	59.0	21.4	6.0	2.6	88.9

3.3. Contribution of local mechanisms to municipal budgets

The Appendix A shows the shares of the different revenue categories from local mechanisms in the total annual budget of each of the forty municipalities in the sample. **Figure 1** shows the curves of means, standard deviations, and coefficients of variation of the contributions of local mechanisms to the municipal budgets between 2021 and 2023. The total contributions of sales of products and services, tax revenues, non-tax revenues, and FACT transfers are presented by sector in **Figure 2** for 2021, 2022, and 2023.

In most municipalities, revenue from the sale of products and services contributes little to the municipal budget (Appendix A). In level 1 municipalities, sales of products and services contribute only 1.61% in 2021, 2.06% in 2022, and 1.48% in 2023. In level 2, they are estimated at 0.8% in 2021, 0.25% in 2022, and 0.56% in 2023. For level 3 municipalities, sales of goods and services remain marginal, rising from 1.55% in 2021 to 1.13% in 2022 and then to 1.95% in 2023. This finding indicates a minimal contribution from this source. It also means that municipalities are not significantly dependent on sales of products and services to finance their operations. In level 4, the sale of products and services is almost negligible in the municipal budget, with percentages close to zero: 0.13% in 2021, 0.36% in 2022 and 0.35% in 2023.

Level 1 municipalities fluctuate from 12.23% in 2021 to 13.44% in 2022 and 9.43% in 2023. This fluctuation could reflect difficulties in mobilization or changes in the tax base of this level. The share of this category of revenues in level 2 is 11.65% in 2021, rising to 14.55% in 2023, which could indicate an increase in collection efforts or a broadening of the tax base. At levels 3 and 4, tax revenue is a significant and growing part of local government budgets. Their share was 29.02% in

2021 and 39.16% in 2023 in level 3. Tax revenue accounts for 52.26% and 55.81% of the budget of level 4 municipalities in 2022 and 2023, respectively.

Non-tax revenues constitute an essential component of municipal budgets, primarily derived from the exploitation of municipal assets and other non-taxable revenue sources. They encompass various categories of income, including rents collected from the leasing of municipal properties (markets, bus stations, land, administrative and commercial buildings), fees for temporary occupation of public spaces, parking fees, and proceeds from the sale of municipal assets. Additionally, they include dividends from municipal stakes in local businesses, revenues from concessions and public-private partnerships, as well as certain fines and administrative penalties.

These resources play a predominant role in financing local governments due to their relative stability and ability to generate funds without directly depending on state transfers. In Level 1 municipalities, they accounted for 28.06% of the municipal budget in 2022 and 26.74% in 2023, illustrating a certain consistency in their contribution. In Level 2 municipalities, non-tax revenues increased from 32.86% in 2021 to 35.94% in 2023. In Levels 3 and 4, they also constituted a significant share of municipal resources, decreasing from 44.44% in 2021 to 37.86% in 2023 for Level 3, and from 46.45% in 2021 to 37.68% in 2023 for Level 4.

However, these mechanisms are not uniformly utilized across the territory. A distinction can be made between operational mechanisms, meaning those whose revenues are effectively collected and mobilized by municipalities, and non-operational mechanisms, which, although provided for by regulations or local strategies, are not always implemented for various reasons.

The lack of operationalization of certain mechanisms can be attributed to several factors, such as the absence of a clear regulatory framework, administrative difficulties in revenue collection, a lack of structuring of municipal assets, or resistance from local economic actors to paying these fees.

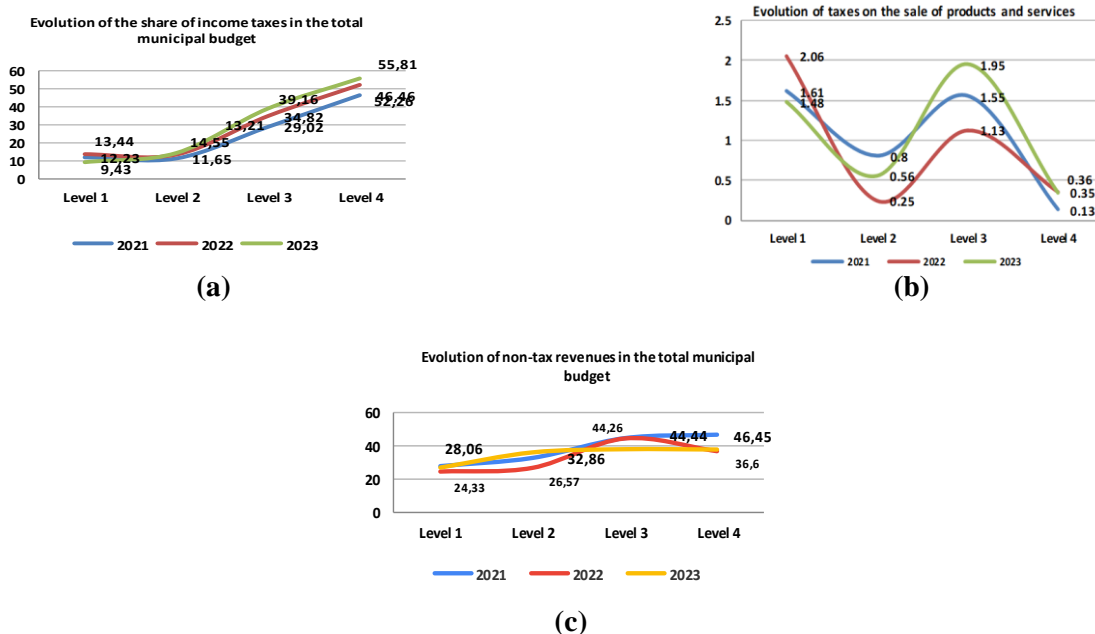


Figure 1. Evolution of the shares of local mechanisms in municipal budgets between 2021 and 2022.

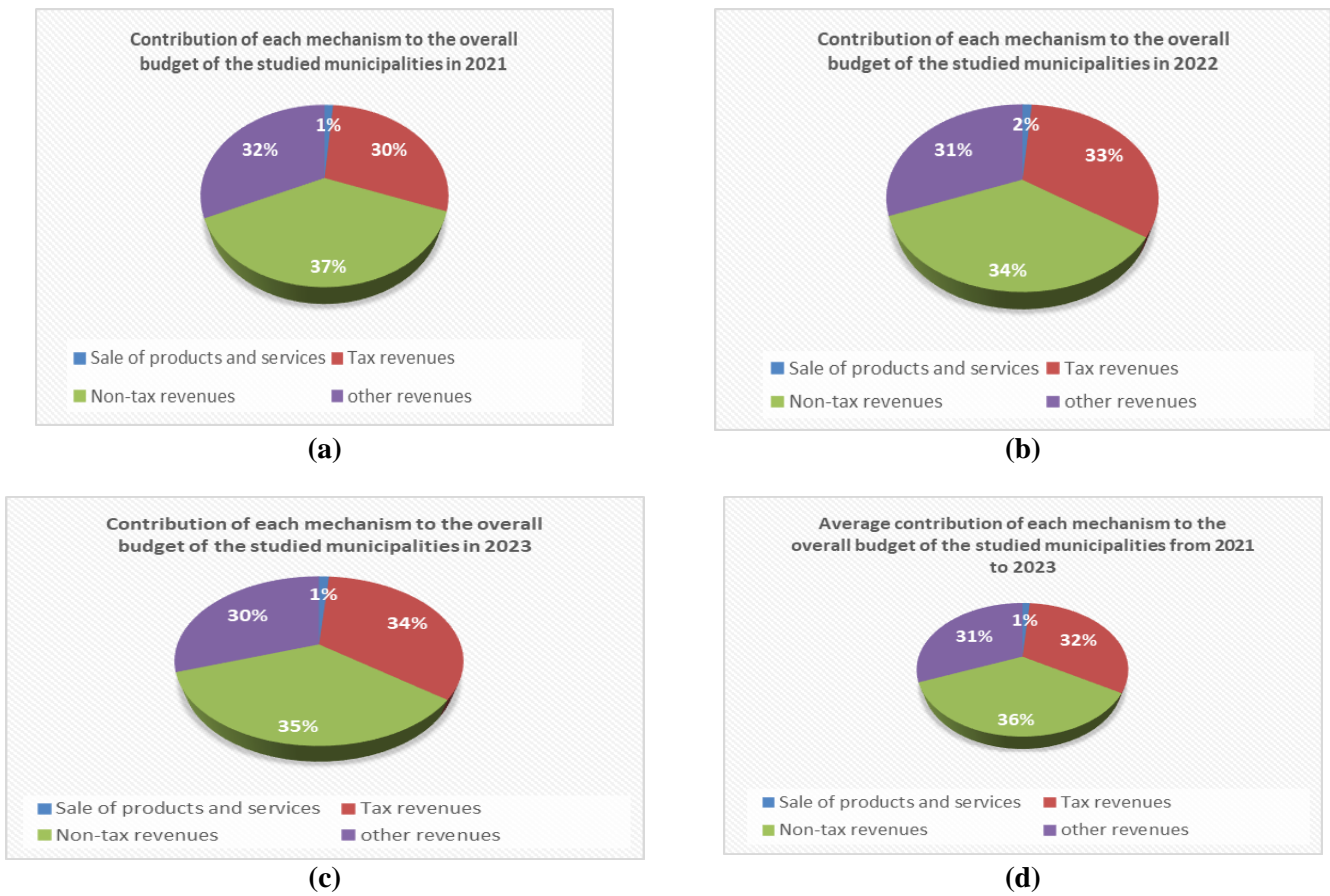


Figure 2. Weight of local and national mechanisms in municipal budgets between 2021 and 2023: (a) in 2021; (b) in 2022; (c) in 2023; (d) cumulative period (2021 to 2023).

In 2021, ‘non-tax revenues’ dominate the contribution to the local government budget with a share of 37%. This finding is closely followed by ‘tax revenues,’ which account for 30% of the budget, and ‘other revenues,’ including national, Community, and international mechanisms, which account for 32%. It also shows that selling products and services accounts for only a small part of the budget (1%). This distribution highlights the importance of tax and non-tax revenues for local government finances, while revenues from selling products and services remain marginal.

The year 2022 shows a similar distribution to that of 2021, with some slight variations. The share of ‘non-tax revenues’ decreases slightly to 34%, while ‘tax revenues’ increases to 33%. “The share of ‘other mechanisms’ remains stable at 31%, and ‘sales of products and services’ increases slightly to 2%. These small changes may reflect a slight increase in economic activity in the municipalities, although the overall structure of the contribution to the budget remains constant.

In 2023, the percentages show a further slight evolution. ‘Tax revenue’ continues to increase, reaching 34%, while ‘non-tax revenue’ decreases slightly to 35%. The category ‘other mechanisms’ share is 30%, and ‘sales of products and services’ remains stable at 1%. These trends indicate that tax revenues are gradually becoming a more important source of financing for local governments, although the general structure remains similar to previous years.

In the average period from 2021 to 2023, ‘non-tax revenues’ represent the largest share at 36%, followed by ‘tax revenues’ at 32% and the category ‘other mechanisms’ at 31%. The ‘sale of products and services’ remains marginal, accounting for only 1% on average. This stability in average proportions confirms the dependence of local government budgets on tax and non-tax revenues, with a slight increase in the importance of tax revenues over the years. This finding also highlights the potential of initiatives aimed at strengthening the collection of taxes to improve the budgets of local governments.

Capacity to mobilize own resources of municipalities

One of the challenges to decentralization’s effectiveness in terms of its potential impact on the territories is the mobilization of its own resources to improve the municipalities’ financial base. To maintain their economic, social, and political rationale, Togolese communes must mobilize sufficient financial resources to be self-sufficient. **Figure 3** shows the proportion of resources the municipalities and the OTR.

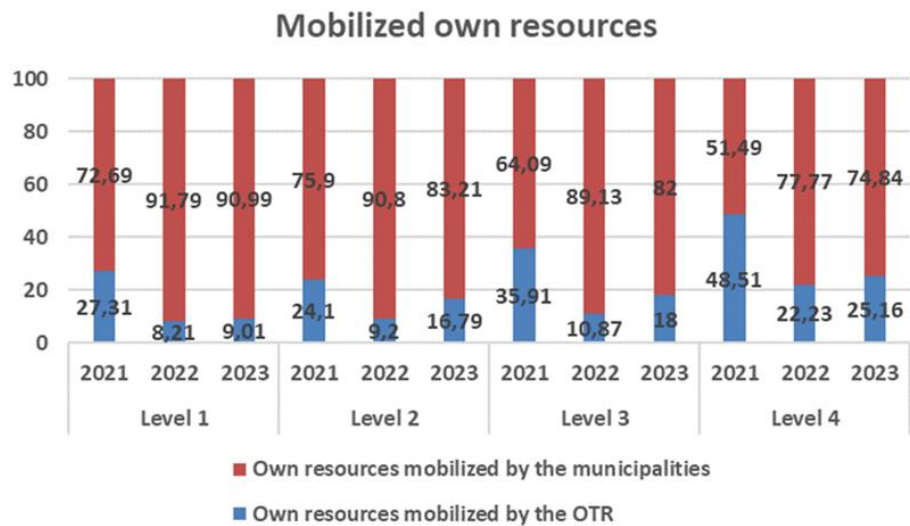


Figure 3. Capacities for mobilizing own resources.

Analyzing the mobilization of own resources by the municipalities and the OTR over 2021–2023 reveals several significant trends. Municipalities rely more on their resources than those mobilized by the OTR. The average of the resources mobilized by the municipalities is higher than that of the OTR for all levels, except for level 4, where the two parts are relatively close in 2021.

Looking at the different levels, level 1 shows an OTR mobilization of 27.31% in 2021, while the share of the municipalities is 72.69%. In 2022 and 2023, the share mobilized by the OTR decreases, while that of the municipalities remains stable, reaching 91.79% and 90.99%, respectively. This trend shows that the resources of level 1 municipalities come from the municipalities’ mobilization. This finding indicates a growing dependence of municipalities on their resource mobilization.

For level 2, the percentages also favor the municipalities, with a mobilization by the OTR of 24.10% in 2021, which decreases over the years. The average of 16.41% for the OTR and 83.59% for the municipalities reinforces the idea of their dependence on their resource mobilization. Level 3 shows more marked variations,

particularly in 2021 when the OTR mobilizes a higher proportion (35.91%). Nevertheless, the trend is towards an increase in the autonomy of the municipalities, especially in 2022 and 2023, when their share exceeds 89%.

In level 4, the OTR has the greatest influence, especially in 2021, with 48.51%. However, the following years show a decrease in this mobilization while the municipalities' share increases, reaching 74.84% in 2023. The average of 31.19% for the OTR shows that, even at this level, the municipalities are becoming less dependent on mobilizing their resources. Contrary to the assertions of Hamilton (1986) and Aragon (2009), according to which local authorities are less efficient than the central government in collecting taxes, we observe performance by Togolese municipalities in mobilizing their resources, all other things being equal.

Factors limiting the ability of local authorities to mobilize own resources

Mobilizing their resources remains a major challenge for local authorities. This may be due to several factors that do not favor the optimal mobilization of their financial resources. This section, including the data in **Figure 4**, allows us to identify the difficulties local authorities face in mobilizing their resources in Togo.

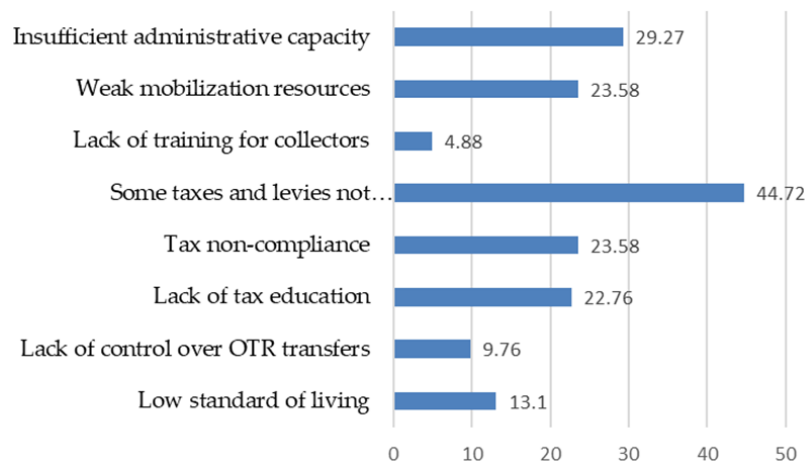


Figure 4. Factors hindering revenue growth according to the survey of experts and practitioners.

Municipal finance experts and practitioners identify several major obstacles to own resource mobilization, some of which stand out. **Figure 4** shows that the non-operational nature of services, cited by 44.72% of respondents, is the most frequently cited obstacle, illustrating a structural inability to implement local mechanisms effectively. This problem is exacerbated by insufficient administrative capacity (29.27%), indicating gaps in skills and management within the collection services.

In addition, tax incivility and poor mobilization each account for 23.58% of the causes of non-productivity, highlighting the low level of taxpayer cooperation and the lack of material and human resources to reach taxpayers effectively. The lack of tax education (22.76%) reinforces this observation: the lack of awareness of the importance of taxes hampers collection, while the low standard of living (13.01%) and the lack of transfer of certain taxes collected by the OTR to the municipalities (9.76%) limit the incentive for taxpayers to pay taxes (**Figure 4**). Elected officials

also report a marked reluctance on the part of taxpayers, fueled by insufficient action by the authorities to build trust.

The lack of training for collectors (4.88%), although less frequently cited, remains a challenge and contributes to the lack of commitment and skills among agents. Other obstacles, such as the inaccessibility of certain areas and internal organizational problems (sometimes due to inappropriate behavior by some agents), complete the picture. Respondents insist on better organization and an effective recovery strategy to address these challenges. The combination of structural failures, administrative shortcomings, and intransigent behavior thus calls for reforms on several fronts to increase the mobilization of local resources.

Table 4. Stakeholders’ opinions on the necessity of additional transfers of certain taxes and levies to municipalities.

Position/Responsibility	Yes	No
	(%)	(%)
Financial Controller	1.6%	1.6%
Director of Financial Affairs	19.2%	6.4%
Mayor	20.8%	3.2%
Chairperson of the Finance Committee	12.8%	3.2%
Secretary-General	19.2%	4.8%
Treasurer	4.0%	3.2%

Table 4 shows that the vast majority of interviewed stakeholders support the transfer of certain additional taxes and levies from the State to municipalities. Indeed, mayors, administrative and financial directors (DAF), as well as secretaries-general (SG) demonstrate high levels of approval (20.8%, 19.2%, and 19.2% for “Yes,” respectively), with very little opposition.

Finance committee chairpersons, while slightly less pronounced, also follow this trend (12.8% in favor versus 3.2% against), whereas the financial controller appears more divided, with a balanced distribution of opinions. These results indicate a general willingness among local financial officials to see increased State participation to help address municipalities’ budgetary challenges.

4. Discussion

This study provides an in-depth understanding of Togo’s decentralization financing mechanisms and their contribution to municipal budgets. Based on their origin, municipal revenue sources were grouped into four main mechanisms: local, national, Community, and international. The analysis shows that the municipalities’ resources (sales of products and services, local tax revenues, and local non-tax revenues) and state subsidies via FACT are the main sources of financing for municipal budgets. However, some local mechanisms still need to be active in several municipalities due to structural and regulatory constraints.

Although local resources account for around 70% of municipal budgets, Togolese municipalities need help to achieve absolute financial autonomy. Municipal investment remains dependent mainly on FACT transfers, accounting for

32% of budgets in 2021. Rather than comparing practices in other countries, this study aims to assess whether the current financing mechanisms correspond to the realities of Togolese municipalities. Greater community empowerment necessarily requires the effective mobilization of one's own resources.

Local taxation, an important counterpart to skills transfer, accounted for only 30% of municipal budgets in 2021, while local non-tax revenues (especially from the sale of products and services) accounted for 37% over the period studied. These findings corroborate the work of Bird and Smart (2002), Faguet (2012), Martinez-Vazquez and Smoke (2010), who have analyzed similar issues in other developing countries. According to Bird and Slack (2004), the limited access of local governments to a sound tax base is a significant obstacle to their financial autonomy. Fjeldstad and Heggstad (2012) emphasize that appropriate pricing of local services can strengthen the financial sustainability of municipalities and reduce their dependence on state transfers.

While government transfers are essential to address inter-municipal disparities, they also have limitations. As Bird and Smart (2002) and Martinez-Vazquez and Smoke (2010) note, poorly designed transfer mechanisms can discourage the mobilization of their resources and weaken local authorities' fiscal autonomy. However, Faguet (2012) emphasizes that well-structured transfers and genuine decision-making autonomy can significantly improve public service delivery. In the Togolese context, the FACT Management Commission (CG-FACT) has introduced clear conditions for using transferred grants, whether earmarked or not, to ensure a more significant mobilization of own resources.

Togolese municipalities continue to face major structural and institutional challenges. Legal and regulatory restrictions, such as those imposed by Article 332 of the LRDLL and Decree No. 2021-039, limit their ability to adjust tax rates or create new taxes adapted to local circumstances. This dependence on state transfers reflects weak local fiscal and administrative capacity, aggravated by management problems, tax evasion, and inefficient collection, as also noted by Devas and Kelly (2001).

The disparities between local resources and state allocations raise crucial questions about the effectiveness of fiscal decentralization in Togo. A thorough fiscal and budgetary reform is needed to strengthen local government's capacity to mobilize their own resources. As Faguet (2012) points out, without greater fiscal autonomy and improved transfer mechanisms, local authorities will remain dependent on the central State and lack the means to meet the needs of their populations.

Finally, to optimize the contribution of local mechanisms, local authorities must commit to strengthening their administrative and technical capacities while developing mobilization strategies adapted to local realities. More efficient management of local taxes and greater awareness of the importance of tax contributions could play a key role in this effort. The success of decentralization in Togo will, therefore, depend not only on structural reforms but also on local actors' political will and active involvement.

5. Conclusions

This study aimed to map the financing mechanisms of decentralization in Togo and analyze the contribution of different types of taxes and levies to municipal budgets. Empirical work has yet to be carried out on this subject in Togo. However, financial and fiscal decentralization is regularly mentioned as a lever for municipal financial autonomy and local development.

The analysis identified four main mechanisms for financing decentralization: local, national, Community, and international. A diversity of revenue sources characterizes these mechanisms, but some elements still need to be functional or developed, mainly due to legal and administrative constraints. For example, local taxes and levies require the prior approval of the Ministry of Finance and the supervisory authorities, which limits the autonomy of local authorities (Art. 332 LRDLL). In addition, a legal framework, as provided for in Article 75 of the LRDLL, allows municipalities to borrow, which hampers their ability to finance development projects.

The results show that municipal budgets remain very low, representing, on average, 2.89% of the national budget in 2023, and that their resources represent about 70% of their total budget. However, the investments made depend mainly on transfers from the State, particularly from the Fund for the Support of Local Authorities (FACT), which represented 32% of the municipal budgets in 2021. These data confirm the need for reforms to strengthen the capacity of municipalities to mobilize local resources and reduce their dependence on the central State.

The results are in line with the work of Yilmaz et al. (2010) and Pollitt and Bouckaert (2011), who highlight the importance of local resources' contribution to local authority budgets for genuine financial autonomy. According to Bahl and Martinez-Vazquez (2006), the balance between local resources and national transfers is essential to ensure the effectiveness of local authorities. Moreover, the strong mobilization of local resources is a lever for registering municipal projects in a logic of long-term sustainability (Bioteau and Féliès-Dupont, 2015).

In conclusion, this study highlights the need for a thorough reform of fiscal decentralization, particularly by strengthening local authorities' financial and administrative capacities. Efforts must also be made to operationalize existing funding mechanisms and reduce obstacles to mobilizing local resources. Finally, an in-depth analysis of the types of local taxes and levies and an assessment of FACT's contribution according to the equalization criteria could complement this work and provide avenues for a targeted reform of financial decentralization in Togo.

Conflict of interest: The authors declare no conflict of interest.

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Appendix A

Table A1. Shares of local mechanisms in municipal budgets.

Levels de communes	Communes	Types de mécanismes locaux								
		Vente de produits et services			Recettes fiscales			Recettes non fiscales		
		2021	2022	2023	2021	2022	2023	2021	2022	2023
Level 1	Com 1	0	0.04	2.93	43.71	35.47	27.54	39.1	0.04	2.93
	Com 2	0.06	0.07	0	19.05	30.75	27.93	22.22	27.37	31.4
	Com 3	0.27	0.16	0.31	3.38	2.45	4.22	32.62	19.47	30.36
	Com 4	12.06	8.29	8.45	5.15	5.9	4.43	28.61	26.44	27.23
	Com 5	0	0.01	0.06	9.11	4.88	0.71	8.28	3.27	3.17
	Com 6	0	0	0	26.58	38.46	15.45	39.05	32.35	53.92
	Com 7	0.07	0.12	0.4	1.14	4.34	3.14	41.85	17.05	18.23
	Com 8	0.66	0.84	0.84	2.45	11.02	11.02	2.45	11.02	0.84
	Com 9	0.07	0.3	0.44	6.32	6.19	5.34	35.01	32.03	0
	Com 10	0	1.16	4.1	67.25	53.62	23.77	15.15	14.58	34.16
	Com 11	0.05	0.46	0.41	3.58	5.45	6.13	38.32	49.9	48.32
	Com 12	0.74	0.19	0.43	6.87	10.85	9.98	43.85	38.12	38.86
	Com 13	9.31	15.5	0	4.54	6.29	5.07	10.14	11.02	23.32
	Com 14	5.26	3.27	3.35	2.86	2.81	1.64	16.11	8.68	15.48
	Com 15	1.43	0.08	0.66	12.83	11.73	10.83	66.44	73.88	75.21
	Com 16	0.04	0.01	0	3.75	5.3	7.4	48.43	21.14	14.86
	Com 17	7.16	11.34	6.92	3.33	6.27	5.37	19.5	29.32	25.74
	Com 18	0.02	0.38	0.64	0.02	0.38	0.64	0.02	0.38	0.64
	Com 19	0.01	0.04	0.07	7.47	7.47	5.11	36.86	33.58	30.87
	Com 20	0.06	0.07	0	19.05	30.75	27.93	22.22	27.37	31.4
	Com 21	0.06	0.02	0.01	1.94	2.42	3.5	20.48	22.37	21.96
	Com 22	0.13	0.04	0.02	3.35	3.66	4.75	17.09	14.95	15.12
	Com 23	1.12	7.02	5.47	4.99	7.78	9.81	19.25	21.68	30.35
	Com 24	0	0	0	34.86	28.33	4.68	50.33	47.88	67.42
Mean	1.61	2.06	1.48	12.23	13.44	9.43	28.06	24.33	26.74	
Standard deviation	3.32	4.16	2.43	16.19	14.37	8.67	16.39	16.94	20.00	
CV	2.06	2.02	1.64	1.32	1.07	0.92	0.58	0.70	0.75	
Level 2	Com 25	0.8	0.33	0.67	10.91	9.87	14.03	52.88	25.39	49.5
	Com 26	0	0	0	15.14	10.12	16.58	32.29	25.22	31.49
	Com 27	0.42	0.46	1.42	8.46	12.25	20.24	39.31	36.3	43.7
	Com 28	4.26	0.65	0.79	5.45	5.92	2.84	45.46	35.8	48.28
	Com 29	0	0.05	0.75	1.59	2.63	3.44	14.01	20.73	23.16
	Com 30	0	0	0	2.62	2.44	7.95	28.19	15.14	35.7
	Com 31	0	0	0	2.27	3.99	4.58	16.87	18.97	24.15
	Com 32	0.48	0.11	0.25	17.35	10.91	9.5	37.66	43.26	47.28

Table A1. (Continued).

Levels de communes	Communes	Types de mécanismes locaux								
		Vente de produits et services			Recettes fiscales			Recettes non fiscales		
		2021	2022	2023	2021	2022	2023	2021	2022	2023
Level 2	Com 33	1.22	0.62	1.15	41.07	60.73	51.82	29.03	18.36	20.24
	Mean	0.80	0.25	0.56	11.65	13.21	14.55	32.86	26.57	35.94
	Standard deviation	1.37	0.27	0.53	12.40	18.20	15.23	12.61	9.69	11.69
	CV	1.71	1.11	0.94	1.06	1.38	1.05	0.38	0.36	0.33
Level 3	Com 34	0.01	0.09	0.12	32.64	46.7	57.45	58.18	40.74	27.62
	Com 35	2.68	2.09	2.24	40.24	33.52	39.39	39.54	55.32	36.37
	Com 36	1.36	0.59	2.33	9.65	16.79	23.49	47.47	44.98	48.97
	Com 37	2.16	1.74	3.09	33.53	42.25	36.32	32.58	36.01	38.49
	Mean	1.55	1.13	1.95	29.02	34.82	39.16	44.44	44.26	37.86
	Standard deviation	1.16	0.94	1.28	13.35	13.20	14.00	10.99	8.23	8.77
	CV	0.75	0.84	0.66	0.46	0.38	0.36	0.25	0.19	0.23
Level 4	Com 38	0	0.02	0.2	47.56	55.22	55.24	45.48	39.84	41.24
	Com 39	0.39	0.7	0.41	30.85	48.13	47.61	59.87	32.22	40.69
	Com 40	0.01	0.37	0.44	60.98	53.43	64.57	34	37.73	31.1
	Mean	0.13	0.36	0.35	46.46	52.26	55.81	46.45	36.60	37.68
	Standard deviation	0.22	0.34	0.13	15.09	3.69	8.49	12.96	3.93	5.70
	CV	1.67	0.94	0.37	0.32	0.07	0.15	0.28	0.11	0.15

Source: Auteur References.