Fiscal Policy and Inclusive Growth: How can Decentralization contribute in Côte d’Ivoire?

SUMMARY OF THESIS:

An effective and efficient public-sector reform enhances government capability to raise domestic revenue for prioritized spending. It also contributes to strengthening the government capacity to manage public resources more effectively and deliver public services. In pursuing these objectives, fiscal decentralization, the devolution of taxing and spending powers to lower levels of government, has become a key public-sector reform in many countries. Given such high stakes, a growing economic literature is focusing on how to better understand the challenges developing countries face in implementing fiscal decentralization reforms. The present thesis adds to this effort through four contributions shedding light on specific issues related to fiscal decentralization.

Chapter 1 analyses whether and how municipal revenue mobilization could enhance citizens’ access to public services and reduce poverty. The results indicate that increasing municipal-raised revenues improve access to public services and reduce poverty. This effect works mainly through enhancing access to education than on access to health, especially in less ethnically diverse localities and in urban zones. Chapter 2 investigates the effect of municipal revenue autonomy on inequalities within sub-national governments. We conclude that higher local revenue autonomy reduces income inequalities within localities, which effect differs between the type of revenue and jurisdiction considered. Chapter 3 analyzes the impact of the transfers from central government to municipalities on the revenue mobilization by municipalities.
Our results show that increasing central transfers to subnational government boost revenue mobilization by municipalities for both tax revenue and non-tax revenue. The effect of transfers is found to be higher for tax revenue than for non-tax revenue. Finally, we examine whether the effect of government responsiveness on property tax compliance differs between central government and municipalities in chapter 4. The results conclude that responsiveness by municipalities is found to have a greater effect on property tax compliance than those by central governments. The results of our analysis bear important policy implications to strengthen public sector, especially in sub-Saharan Africa.

**KEYWORDS:**

fiscal decentralization, local tax and non-tax revenues, multidimensional poverty, local development, sub-national governments, inequalities, poverty, Côte d’Ivoire.

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