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Commonwealth Association of Surveying and Land Economy

To members of the Habitat III Secretariat

Preparations for the United Nations Conference on Housing and Sustainable Urban Development (Habitat III), Quito, Ecuador - 17th to 20th October 2016
With reference to Resolution A/CONF.226/PC.2/CRP.1

We submit comments from our expert Mr Gasant Jacobs (Municipal Finances and Local Fiscal Systems) in respect of the final version of the following paper:- "HABITAT III ISSUE PAPERS 7 – MUNICIPAL FINANCE"

The challenges raised in the paper with regard to Municipal Finance are due to a concept commonly referred to as 'Fiscal Decentralisation'. This is a critical subject, and African Governments across the region are grappling with it. Unfortunately, the paper deals only with one of the aspects of the issue at hand, namely how to go about funding local government and in order for us to make sense of the challenges; the issue needs to be reviewed in its entirety. Only then will we be able to address the subject adequately. In order to do so, we need to approach the subject from a more structured perspective, and deal with all four pillars of the problem statement. Thus, in the opinion of our expert, the issue needs to be framed to include those aspects which influence Municipal Finance, i.e.

1. *Expenditure Assignment. Municipalities need to understand their service delivery mandate and obligations.*
2. *Revenue Assignment. In other words; what taxes will local government be able to collect to fund their service obligations?*
3. *Intergovernmental Transfers. This is the funds that Central government allocate to local governments.*
4. *Capital Financing, Borrowing and Municipal Debt instruments.*

Once the issue has been framed in this manner, we can then deal with the challenges (such as capacity, legislative framework, etc.) around in a more structured manner.

We submit these comments to the Habitat III Secretariat as requested.

Yours faithfully

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