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Financial performance and taxonomy of Togolese municipalities

Performance financière et taxonomie des communes du Togo

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Abstract

This study analyzes the budgetary performance and taxonomy of Togolese municipalities within the context of a rapidly consolidating fiscal decentralization. The central question concerns the nature of municipal budgetary performance and how municipalities can be grouped according to their performance level. The overall objective is to propose a methodology for comparing municipalities using budgetary performance indicators. The quantitative data used comes from the budgets of 117 municipalities over the period 2021-2024 and was analyzed using dynamic clustering. The results reveal significant heterogeneity in budgetary performance, with some municipalities demonstrating better tax revenue mobilization and more efficient use of state transfers, while others remain dependent on state transfers. This diversity justifies the implementation of differentiated support policies based on municipal profiles, grouped into three classes. In terms of public policy, the results suggest the need to promote the mobilization of local resources.

Keywords: Financial performance; Taxonomy**;** Decentralization; Absorption capacity.

Résumé

La présente étude analyse la performance budgétaire et la taxonomie des communes togolaises dans un contexte de décentralisation financière en pleine consolidation. La question principale porte sur la manière dont se présente la performance budgétaire des communes et comment celles-ci peuvent être regroupées selon leur niveau de performance. L'objectif général est de proposer une méthodologie de comparaison des municipalités à travers des indicateurs de performance budgétaire. Les données quantitatives utilisées proviennent des budgets de 117 communes sur la période 2021-2024 et ont été analysées à l'aide de la classification par nuées dynamiques. Les résultats révèlent une forte hétérogénéité des performances budgétaires dont certaines communes affichent une meilleure mobilisation des recettes fiscales et une utilisation plus efficace des dotations du Fonds d'appui aux collectivités territoriales (FACT), tandis que d'autres restent dépendantes des transferts étatiques. Cette diversité justifie la mise en place de politiques d'appui différenciées selon les profils communaux regroupé en 3 classes. Sur le plan des politiques publiques, les résultats suggèrent la nécessité de promouvoir la mobilisation des ressources locales.

Mots clés : Performance financière ; Taxonomie ; Décentralisation ; Capacité d'absorption.

Introduction

Over the past three decades, many African countries have undertaken significant reforms aimed at improving local governance, marking a decisive step in the implementation of the decentralization process (Amoaka et al., 2024). The process of adopting and implementing decentralization policies varies from country to country. In most cases, these policies were put in place to respond to the strong demand from local populations, expressed during the democratization movements of the 1990s.[1]

Like other French speaking african countries, Togo initiated the decentralization process in the 1990s with the constitution of October 14, 1992, which was finally realized with the 2019 elections that established municipal councilors. This led to the creation of a new territorial organization which reduced the number of local government levels to two: the municipality and the region.[2.]

According to Siangou(2024), decentralization is defined as a transfer of powers initially exercised by the central government to local authorities. In reality, decentralization allows municipalities to offer a range of public goods and services better suited to the needs of their populations while contributing to a better distribution of wealth. Along the same lines, Ribot(2002) defines decentralization as a major phenomenon in territorial governance in Africa, aiming to bring decision-makers closer to local populations for better management of public services and more balanced local development.

To support municipalities in fulfilling these responsibilities, the State created the Local Authorities Support Fund (FACT), made available to them by Decree No. 2019-130/PR, which sets out the organizational and operational procedures of FACT[3]. The main part of the Fund is dedicated to municipal investment.

In this context, the concept of absorptive capacity becomes crucial. According to Cohen & Levinthal(1990)"Absorptive capacity is a company's ability to recognize the value of new

[1] First global report from United Cities and Local Governments on decentralization and democracy around the world.

[2] Article 2 of Law No. 2019-006 relating to decentralization and freedoms.

[3] Decree No. 2019-130/PR establishing the organizational and operational procedures of the Local Authorities Support Fund, chapter 1; article 2.

The FACT is a national financing mechanism for local authorities. It is designed to transfer financial resources to local authorities. It is managed by a commission called the Local Authorities Support Fund Management Commission (CG-FACT). FACT is funded by national resources of the State and also by resources from technical and financial partners on the basis of agreements between the latter and the State.

information, assimilate it, and apply it for commercial purposes. This capacity is essential for innovation, as it determines an organization's ability to leverage knowledge from external sources, whether from other businesses, the industry, or scientific research." Thus, absorptive capacity at the municipal level is a municipality's ability to recognize the value of state transfers, understand how to use them, and utilize them for local development. It reflects municipalities' capacity to implement and plan local development projects while effectively mobilizing the necessary resources. Applied to the context of Togolese municipalities, this framework helps explain why some municipal structures succeed in leveraging state transfers while others fail to do so. The budgetary performance of municipalities therefore depends not only on available resources but also on their ability to mobilize and use them efficiently.

Despite institutional progress, operational reality reveals a wide diversity of financial, organizational, and social situations among Togolese municipalities, reflecting a marked structural heterogeneity (Tankpe, 2024). This diversity often hinders the implementation of a uniform policy, as the capacity to absorb grants, mobilize own resources, and manage effectively varies considerably from one municipality to another. Despite these considerations, municipal budgetary performance remains uneven. Some municipalities effectively mobilize their tax and non-tax revenues, while others struggle to meet their projections and fully utilize the grants they receive. This diversity reflects differences in population size, land area, administrative capacity, and local governance.

These challenges underscore the importance of a detailed taxonomic analysis to effectively guide support, capacity-building policies, and resource mobilization. In this context, establishing a classification framework appears to be an essential prerequisite for closely analyzing the differences between municipalities.

Classifying municipalities according to their organizational, financial, and institutional profile allows for a better understanding of internal dynamics and specific constraints related to each group (Tankpe, 2024). This classification also allows for the monitoring and evaluation of decentralization and local development policies through clear and comparable indicators (Guengant A., 2004).

This analysis leads us to ask the following questions: What is the level of budgetary performance of Togolese municipalities? What is the actual level of mobilization of tax and non-tax revenues and the rate of utilization of FACT allocations by Togolese municipalities?

Thus, the overall objective of this document is to propose a methodology for comparing municipalities based on budgetary performance indicators and to identify problems and opportunities for improvement in local financial management in Togo. Specifically, it will (i) assess the budgetary performance of Togolese municipalities over the period 2021-2024 and (ii) conduct a correlative analysis of the budgetary performance of Togolese municipalities.

Our research is based on the analysis of quantitative data, drawing on institutional data relating to the population; and budgetary data from 2021 to 2024 from the ministry of territorial administration, local governance and customary affairs. The information sources consulted are contained in various books, articles, websites, and reports. As methodology, we opted for dynamic clustering analysis.

The remaining of the article is structured in four (04) sections: (i) the literature review (ii) then the methodological approach (iii) the results and discussion and the (iv) conclusion.

1. Literature review

1.1. Concepts

This section focuses on clarifying the concept of decentralization and performance, distinguishing their different dimensions, and presenting the foundations of budgetary performance as well as the tools for its measurement.

Rooted in history, the term decentralization is a widely recognized and implemented concept, sometimes taking on varied meanings and implications. Numerous definitions coexist, offering different interpretations of this term, further complicating the understanding of this already complex notion. Thus, decentralization can be analyzed as a process of transferring powers, resources, and responsibilities from central state bodies to local entities endowed with relative autonomy (Boulenger & Vaillancourt, 2012) ; Dafflon & Gilbert(2018). They specify that it can also involve semi-autonomous organisms. Dupuis & Guédéon (1991) consider it a mode of administrative organization that grants local authorities (CTs) a regulated autonomy, under the supervision of the State. Following the same logic, Delcamp (1995) defines decentralization as a transfer of power or responsibility within the same administrative entity.

The concept of decentralization demonstrates just how complex and multifaceted this notion is. We can distinguish three different forms of decentralization, which are political, administrative and financial. Political decentralization corresponds to the transfer of political power and decision-making capacities to territorial entities. This form is based on the election of local decision-makers, often replacing officials appointed by the central state (Boulenger & Vaillancourt, 2012). It aims to give citizens, or their elected representatives, more experience in decision-making and the implementation of public policies (Team, 2006). Administrative decentralization refers to the administrative management of public affairs. It gives local authorities the ability to directly manage human and material resources, essential for the provision of local services such as education and health (Shah, Thompson, & Bank, 2004). Financial decentralization is characterized by its systematic presence in the management of local authorities. Financial decentralization is part of public finance theory and is recognized as a major public policy in public sector reforms (Yushkov, 2015). Its theoretical foundations are based primarily on the theory of financial federalism developed by Hayek (1954), a theory according to which local communities are considered better placed than the central government to efficiently provide public goods to their residents. According to Yatta (2000) financial decentralization refers to the distribution of public resources and the organization of financial relations between the state and local authorities. Other authors, such as Shah(1994) ; Bennett(1990) ; Oates(1993), Bird and Vaillancourt(1999) have demonstrated that fiscal decentralization is essential for reducing budget deficits and improving public sector efficiency. The literature distinguishes between two generations of fiscal decentralization: the first is limited to transferring spending responsibility to local authorities while leaving revenues concentrated at the central level, necessitating cooperation between these two levels to manage imbalances. The second generation integrates revenue and expenditure management, enabling local authorities with their own resources to be less dependent on government transfers (Chandra Jah, 2012).

This plurality of definitions of financial decentralization combines the transfer of competency, resources and autonomy with the aim of improving efficiency and local governance.

The concept of performance has garnered increasing interest in economics and management, particularly since the introduction of New Public Management (NPM) principles in the public sector. Generally speaking, performance refers to an organization's ability to achieve its objectives effectively and efficiently. More specifically, its definition varies depending on the authors and schools of thought.

For Bourguignon (1995), performance is a polysemous term that refers both to an organization's ability to achieve its objectives, its efficiency in using resources, and the relevance of its strategic choices. Afolabi et al. (2024) discuss the concept of performance as a perpetual management process for communities through effective management. According to Bouquin(1989), performance rests on three essential dimensions: effectiveness, efficiency, and relevance. These three components help us understand that performance is not limited to quantifiable results, but is also assessed by the coherence of actions taken with local priorities and the satisfaction of beneficiaries. Along the same lines, Gibert (1986) emphasizes the contextual nature of performance in the public sector. He considers a high-performing public organization to be one that manages to "do more with less," by adapting its resources to its missions. In the literature, Otley (1999) and Scott (1987) provide complementary theoretical insights through contingent and institutional approaches. For Otley(1999), there is no universal model of performance: it depends on the organizational context, the size of the group, its level of autonomy, and its available resources. Performance is therefore relative and must be measured based on local specificities. As for Scott(1987), he emphasizes that management practices and performance levels of public organizations are largely influenced by institutional norms, regulations, and social pressures.

In our study, we focus on the concept of budgetary performance. Budgetary performance is defined as the ability of a community to plan, execute, and control its budget by maximizing the use of its resources and minimizing waste.

In this logic, Guengant(1999) develops a financial perspective on municipal performance by offering diagnostic tools based on budgetary and accounting ratios such as gross savings to actual revenue, debt service to operating savings, and the ratio of operating expenses to total revenue. These indicators allow for the measurement of municipalities' financial sustainability, their self-financing capacity, and the soundness of their budgetary balance. It emphasizes that financial performance is inseparable from the quality of public service provided. In other words, a high-performing municipality is one that combines budgetary discipline, operational efficiency, and citizen satisfaction.

1.2. Review of empirical studies

The empirical evaluation of the budgetary performance of local authorities is a central issue in decentralization and local governance policies. Several studies, conducted in various African and European countries, have sought to identify the determinants of budgetary performance and to propose analytical frameworks adapted to local authorities. These works are distinguished by their methodological approaches.

In the case of Togo, Tankpe (2024) analyzes the factors explaining the financial autonomy of Togolese municipalities using an econometric model estimated on a sample of 117 municipalities observed between 2015 and 2022. The author employs an ordinal logit model to identify the variables that influence a municipality's probability of achieving a high level of financial autonomy. The results show that own resources, particularly those derived from local taxes, constitute the main driver of financial autonomy. The higher the share of local revenue in the municipal budget, the greater the municipality's flexibility in financing its current and investment expenditures. The study also reveals a positive and significant effect of population size and the level of local economic development on financial autonomy. Urban municipalities and those with strong economic potential exhibit higher levels of autonomy than small rural municipalities, due to a broader tax base and greater economic attractiveness. This observation reflects a structural heterogeneity between municipalities, suggesting that budgetary performance also depends on territorial structure and local economic density.

Guengant(1999) constitutes a major reference in the analysis of the financial performance of local authorities. Based on a sample of French municipalities with more than 10,000 inhabitants, the author proposes a diagnostic method grounded in the use of accounting ratios to assess the transparency and sustainability of local finances. His approach rests on a territorial conception of the municipality, considered not as a mere consumer of public goods, but as a producer of developed space whose performance can be understood through the value of the services provided and the capacity to generate sustainable tax revenue. The empirical analysis employs a range of indicators such as the ratio of actual operating expenses to population, the revenue from direct taxes to tax base, and the benefit-effort ratio, measuring the balance between the benefits provided to users and the tax burden borne by taxpayers. The results obtained show that budgetary performance depends largely on tax base and the level of expenditure per capita, reflecting disparities between municipalities according to their wealth and their capacity to attract economic activity. Furthermore, Guengant emphasizes that financial performance must be assessed jointly with debt management and savings capacity, which condition the sustainability of public investments.

The empirical study conducted in Madagascar by Andriamanpiandrasoa et al.(2021) employs a multivariate approach combining principal component analysis (PCA) and the Expectation-Maximization (EM) algorithm. Using a sample of 11 rural municipalities, five financial ratios (revenue, subsidies, performance, investment, and operating budgeting capacity) are employed to assess budgetary performance. The results reveal significant heterogeneity among the municipalities, which can be grouped into three classes: (i) municipalities dependent on state subsidies, (ii) municipalities with partial autonomy whose revenues primarily cover operating expenses, and (iii) municipalities with limited self-financing capacity.

The empirical review reveals that the budgetary performance of local authorities depends largely on their real financial autonomy, their ability to mobilize local resources, and the institutional framework in which they operate.

2. Methodology and data

2.1. Methodology

To achieve our objectives, a three-step approach is followed. The first step consists of a descriptive analysis that allows us to characterize the financial situation of the municipalities.

Next, a multivariate analysis is performed using Principal Component Analysis (PCA) to reduce the dimensions of the data and extract the principal components that reflect the budget performance profile.

Finally, dynamic clustering is used to segment municipalities into homogeneous groups based on their performance. The classes are obtained using Ward's method with Stata software. This taxonomy will help to better understand internal dynamics and to formulate recommendations tailored to each group.

The classification procedure includes the following steps: input data entry; variable selection; the creation of class names; the choice of the agglomeration process; the choice of the type of linking method, here the Ward method; select the degree of similarity of the municipalities which has been adjusted on the basis of the Euclidean distance; determine the number of significant classes and interpret the results.

2.2. Data

The data used consists of quantitative data from documents of the 117 Togolese municipalities covering the period from 2021 to 2024, obtained from the Ministry of Territorial Administration, Local Governance and Customary Affairs (MATGLAC). The data collected includes information from the municipalities' initial budgets and administrative accounts.

Traditionally, the financial analysis of municipalities relies on a range of indicators including ratios (Guengant A., 1999). Generally, indicators are defined by comparing actual results with forecasts. This paper focuses particularly on budgetary performance in terms of actual results compared to forecasts of tax revenue (prf) and non-tax revenue (prnf) and absorption capacity (cabs).

Thus, the three indicators used in this paper are calculated as follows:

$$prf = \frac{\text{Tax revenue raised}}{projected\ tax\ revenue}$$

$$prnf = \frac{\text{non} - \text{tax revenue mobilized}}{\text{forecasted non} - \text{tax revenue}}$$

$$cabs = \frac{\text{Used FACT allocation}}{\text{FACT allocation received}}$$

The first two ratios provide information regarding the magnitude and direction of the budget forecast error. Thus, when the ratio is less than 1, it means that the municipality has mobilized less than planned.

The information obtained regarding the FACT allocation concerns the unallocated allocation intended for investment. When the ratio linked to this allocation (cabs) is less than 1, it means that the municipality has spent less than the amount received.

These indicators take into account revenues, subsidies, and investment expenditures. They reflect observed financial disparities and will facilitate the development of a typology of municipalities. Several variables are included, notably the population size of the municipalities and the distribution of municipal councilors.

3. Results and discussion

This section presents and discusses the results. Based on the descriptive analysis (Table 1), the statistical results clearly show that the municipalities are heterogeneous, with very high variability in the data for all performance indicators. Indeed, differences are observed between the minimum and maximum values for the three budgetary performance indicators (prf, prnf, and cabs). Consequently, before beginning the grouping process, outliers were identified. An "outlier" is defined by Hodge and Austin.(2004) such as "a value that seems to deviate markedly from the other members of the sample in which it appears" (p. 85).

3.1. Descriptive statistics analysis and classification

Extreme values were identified step by step using the BoxPlot diagram, separately for each year and separately for each indicator (prf, prnf, and cabs). Many authors describe the box-and-whisker method as a possible (visual) method for detecting outliers (Hodge, 2004). The box plot helped us to visually identify values that lie outside the "normal" "clouds of values," values that can distort and bias the group average.

Figure 1: Distribution of performance indicators without outliers

Source: Author's calculation

Figure 1 illustrates the distribution of the three budget indicators (prf, prnf, and cabs) for each year. A wide dispersion of indicators is observed, reflecting significant heterogeneity among Togolese municipalities in their capacity to mobilize tax and non-tax revenues, as well as in their ability to absorb FACT investment allocations. This variability demonstrates that municipal budget performance is far from uniform, justifying further analysis by grouping to better understand performance profiles.

Table 1 presents descriptive statistics (mean, standard deviation, minimum, maximum) for the three performance indicators by year over the period 2021-2024. It is observed that the average PRF ratio is often greater than 1, indicating that municipalities underestimate their forecasts, meaning they generally collect more tax revenue than anticipated. Conversely, the average PRNF ratio is generally less than 1, revealing a general difficulty for municipalities in collecting non-tax revenue. The CABS ratio is also often less than 1, indicating that municipalities are not fully utilizing the allocations they receive. These results highlight financial heterogeneity and areas for improvement in the budgetary management of Togolese municipalities. The results obtained confirm our main hypothesis that the budgetary performance of Togolese municipalities is heterogeneous and allows us to identify several groups of municipalities according to their capacity to mobilize and use their resources effectively.

Table 1: Descriptive statistics of performance indicators by year

Year	Indicator	N	Average	Standard deviation	Min	Max
2021	prf	96	1.563	0.828	.066	3.758
	prnf	96	.812	0.278	.296	1.536
	cabs	109	.643	0.506	0	2.25
2022	prf	89	1.324	0.710	.306	3.894
	prnf	89	.734	0.228	.066	1.323
	cabs	84	.764	0.422	0	1.767
2023	prf	78	1.259	0.555	.188	2.995
	prnf	78	.806	0.311	.246	2.398
	cabs	117	.849	0.283	0	1
2024	prf	114	1.031	0.391	.192	2.345
	prnf	114	.738	0.188	.338	1.392
	cabs	114	.884	0.179	.227	1.028

Source : Author's calculation

The correlation matrices (Table 2) provide relationships between the three indicators for each year. The correlations are weak to moderate, sometimes negative, indicating that fiscal and non-fiscal performance, as well as absorption capacity, evolve relatively independently. This weak correlation underscores that fiscal performance is multidimensional and cannot be assessed by a single indicator.

Table 2 :Correlation matrices

	2021				**2022**		
Variables	(1)	(2)	(3)	Variables	(1)	(2)	(3)
(1) prf	1,000			(1) prf	1,000		
(2) prnf	0.287*	1,000		(2) prnf	-0.025	1,000	
(3) cabs	-0.116	0.231*	1,000	(3) cabs	-0.221	0.187	1,000
	2023			**2024**			
Variables	(1)	(2)	(3)	Variables	(1)	(2)	(3)
(1) prf	1,000			(1) prf	1,000		
(2) prnf	-0.054	1,000		(2) prnf	-0.130	1,000	
(3) cabs	-0.207	0.057	1,000	(3) cabs	-0.245*	0.192*	1,000
** shows significance at p<.05*				** shows significance at p<.05*			

Source: author's calculation

In order to take this aspect into account, we run the cluster analysis grouping municipalities into relatively homogeneous clusters. We build on the Calinski/Harabasz pseudo-F stat to determine the optimal number of classes. Based on the results in table 3, three clusters were selected.

Table 3: Optimal number of classes

Year	Calinski/Harabasz pseudo-F		
	Number of clusters		
	3	4	5
2021	52.58	52.32	41.74
2022	38.78	37.09	35.04
2023	49.86	47.18	44.76
2024	59.31	46.78	57.55

Source: author's calculation

The Table shows the number of municipalities in each performance class (1, 2, 3) for the years 2021 to 2024, based on dynamic clustering (Ward's method).

The number of municipalities in each class varies from year to year, illustrating the dynamic nature of budgetary performance: some municipalities improve or deteriorate their situation depending on the year. This segmentation provides a solid basis for analyzing typical municipal profiles according to their financial situation and proposing targeted strategies.

Table 4: Distribution of municipalities by class and by year

	2021	**2022**	**2023**	**2024**
Class	Effective	Effective	Effective	Effective
1	33	39	24	23
2	33	26	9	43
3	30	19	45	48

Source: author's calculation

The Table deepens the analysis by detailing the statistics of the indicators for each class and each year.

Table 5 : Descriptive statistics of classes by year

Class	**Indicators**	**2021**			**2022**			**2023**			**2024**		
		Min	**Mean**	**Max**	**Min**	**Mean**	**Max**	**Min**	**Mean**	**Max**	**Min**	**Mean**	**Max**
1	**prnf**	.429	.927	1.536	.066	.778	1.323	.496	.785	1.342	.472	.811	1.392
	prf	.066	1.119	1.820	.306	.904	1.431	.188	.927	1.336	.766	.945	1.195
	cabs	.549	1.049	2.250	.469	.981	1.767	.375	.902	1.000	.371	.917	1.028
2	**prnf**	.296	.794	1.463	.333	.684	0.973	.936	1.313	2.398	.414	.684	1.021
	prf	1.694	2.475	3.758	.33	.947	1.781	1.066	1.33	2.098	1.093	1.418	2.345
	cabs	0	.735	1.719	0	.151	0.478	.905	.986	1.000	.227	.817	1.000
3	**prnf**	.331	.707	1.066	.357	.7	1.034	.246	.624	0.991	.338	.721	1.009
	prf	.41	1.057	1.853	1.54	2.26	3.894	1.456	1.941	2.995	.192	.579	0.769
	cabs	0	.104	0.522	0	.794	1.244	.674	.941	1.000	.571	.934	1.000

Source: author's calculation

Cluster 1 corresponds to the most financially efficient municipalities, with PRF ratios close to or greater than 1, which reflects good tax revenue collection and effective absorption of grants, characteristic of good management practices.

Cluster 2 includes municipalities with intermediate performance, with more fluctuating results and sometimes less than 1, showing a more fragile or improving budgetary situation.

Cluster 3 includes municipalities experiencing difficulties, with indicators often well below 1, signaling serious problems in resource mobilization and funding absorption. This classification allows for the clear identification of intervention priorities and the adaptation of recommendations to the specific context of each group.

These results show that municipal budget performance is multidimensional, breaking down into divergent strategies and complementary revenue sources. Moreover, the table 5 confirms the significant heterogeneity of municipal financial profiles and justifies the use of Ward's method for classification to identify homogeneous groups.

CONCLUSION

Decentralization is now a major instrument of local development in Togo. It enshrines the self-governance of local authorities and aims to bring public management closer to citizens. By granting municipalities administrative and financial autonomy, the Togolese state intended to make them essential actors in territorial development. However, this autonomy comes with significant challenges in terms of budgetary governance, mobilization of local resources, and efficiency in the use of public funds. This paper, entitled "Financial Performance and Taxonomy of Municipalities in Togo," is situated within this context. Evaluating budgetary performance proves to be a critical path for gaining a comprehensive overview of the effectiveness of decentralization in Togo, with the aim of developing an appropriate common strategy. Starting from the problem of the heterogeneity of budgetary performance observed among Togolese municipalities, the study sought to propose an empirical classification of municipalities according to their level of budgetary performance. The overall objective of this document is to propose a methodology for comparing municipalities based on budgetary performance indicators and to identify opportunities for improving local financial management. Specifically, it aims to assess the budgetary performance of Togolese municipalities over the period 2021-2024 and to conduct a correlative analysis of this performance in order to establish a relevant taxonomy. The methodology employed is based on Principal Component Analysis (PCA) and Ward's Hierarchical Classification, applied to quantitative data from the budgets and administrative accounts of the 117 municipalities in Togo. These multivariate techniques made it possible to identify typical performance profiles.

The results confirm significant heterogeneity in budgetary performance among local authorities. While some municipalities stand out for their effective mobilization of tax revenues and efficient use of FACT grants, others still struggle to achieve a satisfactory level of budget execution, reflecting structural and institutional difficulties. The resulting classification allowed municipalities to be grouped into three distinct profiles: high-performing municipalities, characterized by efficient resource management and good absorption of grants; intermediate municipalities, showing progressively improving results; and municipalities in difficulty, suffering from low revenue collection and underutilization of available resources. These findings highlight the need for differentiated support for municipalities based on their financial profile, as well as targeted reform of transfer mechanisms and local budget management. From a theoretical standpoint, this work enriches the literature on local budgetary performance in Africa by employing a taxonomy approach rarely used in the evaluation of municipal financial governance. It demonstrates that performance is not limited to resource mobilization, but also includes absorptive capacity and financial sustainability.

Methodologically, Ward's classification makes it possible to group municipalities according to homogeneous profiles, thus offering an operational tool for public decision-makers.

The main limitation of this work is data availability. In fact, for years 2020 and 2021 there are missing data. A second limit is the focus on financial performance. Further research could take the analysis to the impact of decentralization on local development.

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