Journal of Sustainable Development in Africa (Volume 17, No.3, 2015)
ISSN: 1520-5509
Clarion University of Pennsylvania, Clarion, Pennsylvania

FISCAL DECENTRALISATION AND SUSTAINABLE ECONOMIC DEVELOPMENT: EMPIRICAL ANALYSIS FROM SELECTED SUB-SAHARA AFRICAN COUNTRIES

Hammed Adetola Adefeso

Department of Local Government Studies, Faculty of Administration, Obafemi Awolowo University, Ile-Ife

ABSTRACT

This study is focused on the real effect fiscal decentralisation on sustainable development in the sub-Saharan Africa alone which is scarcely explored. Because of problem of data constraints from the continent, the study utilized panel data model on the five selected African countries over a period of 2009-2014 for both expenditure and revenue decentralisation index. The study found evidence in support of the previous results. The results revealed statistically significant negative and positive effects of expenditure decentralisation and revenue decentralisation respectively on sustainable economic development. However, the negative effect of expenditure decentralisation implies that the wide spread of corruption in Africa militates against the development effect of fiscal decentralisation for present and future generation in Africa as corruption set in expenditure component of decentralisation and positive effect of revenue decentralisation reveals that local government autonomy improves the African economy.

Keyword: Fiscal decentralisation; sustainable development; expenditure decentralisation; revenue decentralisation; local government autonomy; Africa

INTRODUCTION

Sustainability and stability of macroeconomic variables such as inflation, unemployment, exchange rate and more importantly economic growth and development is undoubtedly, the most challenging developmental issues in the developing economies. The main focus of macroeconomic thinkers and policy makers from the days of Father of Economics, Adams Smith, is how to attain stability of macroeconomic variables simply because of their pervasive influence on development process of any or groups of country. The concept of development - and the lack of it cut across individuals, groups of individuals, institutions and group of countries -simply means advancement in human and environmental condition. It is not only about a mathematical and statistical increment in the Gross Domestic Products (GDPs) of a particular country but also a fundamental progressive improvement in the standard of living of people and their environment. Sustainable development however, has been described as such development that meets the needs of the present without compromising the ability of future generations to meet their own needs but sustainable economic development is that economically sustainable system that is able to produce goods and services on a continuing basis, to maintain manageable levels of government and external debt and to avoid extreme sectoral imbalances which damage agriculture and industrial production (Harris, 2000). Therefore, the economic perspective of sustainability from neoclassical economic theory isthe maximization of welfare over time. The impacts of sustainable economic development is felt when the necessary governmental structures and policies are in existence and hence the importance of fiscal decentralisation. Fiscal decentralisationwhich consists in the devolution of the financial resources and decision-making powers to sub-national governments that will allow them to implement the functions and responsibilities that have been delegated to them, in this regard cannot be over-emphasized. As noted in the literature, an appropriate structures of intergovernmental fiscal arrangements may create sufficient incentives for sub-national governments to foster market development (Weingast, 1995 and McKinnon, 1997) and improve resource allocation and sustainable development.

Several African governments have undergone repeated decentralisation reforms as many developing countries have a mandate to decentralize aspects of their public finance and concurrently, there has been a considerable debate in the developed countries such as the United State and OECD countries in the recent years on the merits of such fiscal decentralization. Much of these recent movements devolving of revenue collection and expenditure to local authorities have been driven by belief that fiscal decentralization enhances government efficiency in the public sector, cut the budget deficit, enhance service delivery, as well as sustainable economic development as first expressed by Tiebout (1956) and others studies like Oates (1972; 1999), Xie et al. (1999). Other scholars however, have challenged the significance of the economic efficiency of fiscal decentralization on service delivery of local government, reduction of poverty level and acceleration of sustainable development in Africa.(see Adefeso 2014, Sulaiman, 2009). Following this theoretical disagreement is the empirical estimation which tends to be ambiguous and inconclusive as a result of differing results. For example, while a strand of argument asserts confidently that FDP does not have economic impact because of the benefits derived from economies of scale in the provision and delivery of public goods (Thieben 2000), the study of Davoodi and Zou (1998) concluded that fiscal decentralization is negatively correlated to economic activity in developing countries but has no significance in developed countries compared with findings of Prud'homme (1995) who argued that fiscal decentralization is fundamentally suitable for developed countries and also compared with the conclusion of Enikolopov and Zhuravskaya (2003) which revealed significantly positive effect of fiscal decentralization for developing countries alone.

Besides, several studies that investigate the interactions between fiscal decentralization and economic performance relationship have focused mainly on developed or developing countries (of Asia and Latin America) or both and atimes mixture of developed and developing countries from Africa (see for example, Davoodi and Zou, 1998) or scarcely, the mixture of developing countries from Asia, Latin America and Africa (see for a unique example, Woller and Philips, 1998) with inconclusive results. Specifically, in the study of Woller and Philips (1998), out of 23 Less Developed Countries (LDC) that constituted their sample, only 4 countries (which accounted for approximately 17%) are from Africa. This study therefore, searches the past literature on inter-countries studies carried out within African countries alone, surprisingly, no single empirical study that adopted recent econometrics technique of analysis was reported since the ends of 1990s that marked the beginning of the estimations on the direct impact of fiscal decentralization on development (starting with the studies of Oates, 1995; Davoodi and Zou 1998) as noted by Breuss and Eller (2004). Although a large number of studies on decentralization already exist, very few have sought to take stock of the status of decentralization in Africa (Ndegwa, 2002). Therefore, there is dearth of research from African countries alone. This enquiry intends to fill this gap and contribute to the existing debate in general. This developmental study within the African continent is crucial because of the widespread perception that the region is structurally different from the rest of the world. Infact, many African policy makers believe that the lessons from Latin America or East Asia do not apply to them because their developments experience and economic environment are structurally different but African leaders can learn from each other.

LITERATURE REVIEW

For the purpose of this study, the empirical literatures are grouped into two sections. The first session comprises of studies on panel analysis which are cross-country estimations from developed and developing countries of the world as displayed in Table 2.1. The second session however, is based on time series analysis which is a single country estimations of both the developed and developing countries as shown in Table 2.2.

Table 2.1: Summary of Cross Countries Empirical studies on the Fiscal decentralisation and Development index nexus

Empirical Studies	Sampled Countries	Time Frame	Results and Conclusions
Gemmell, Kneller and Sanz (2013)	23 OECD Countries	1972-2005	Spending decentralization decreases growth, revenue decentralization increases growth.
Baskaran and Feld (2013)	23 OECD countries	1975-2008	Negative relationship between revenue decentralisation and economic growth
Blochliger et al. (2013)	OECD Countries	1970-2011	Decentralization, as measured by revenue or spending share, is positively associated with GDP per capital levels. The impact seems to be stronger for revenue decentralization than for spending decentralization. Decentralization is strongly and positively associated with educational outcomes....... Finally, investment in physical and -most especially- human capital as a share of general government spending is significantly higher in more decentralised countries.
Bodman (2011)	18 OECD Countries	Cross-section of 1996 and panel of 1981-1998	No significant effect of fiscal decentralization on economic growth
Asatryan (2011)	23 OECD Countries	1975-2001	Negative impact of fiscal decentralization on per capita GDP growth rate. Results using the revenue-share indicator are less conclusive. Cross-country data show a significant positive correlation, whereas on panel data the effect is negative, but of limited significance.
Rodriguez-pose and Ezcurra (2010)	21 OECD Countries	1990-2005	Negative effect of fiscal decentralization on economic growth
Baskaran and Feld (2009)	23 OECD Countries	1975-2001	No relationship found between fiscal decentralization and growth.
Rodriguez-Pose and Kroijer (2009)	16 Central and Eastern European Countries	1990-2004	Initial results show negative relationship, but these results are not robust to alternative specifications of the model.
	52 developing and developed countries		Fiscal decentralization has negative impact on growth. Although over time
	17 OECD and 5 ASEAN		

Martinez-Vasquez, McNab (2005)	countries	1972-1997	the effect varies according to the type of decentralization considered. The effect of expenditure decentralization and transfers remain negative, but revenue decentralization goes from having a significant negative to a significant positive effect on the national growth rate.
Vo (2005)	Indonesia, Kazakhstan, Kyrgyzstan, Malaysia	1990-2001	No direct link between fiscal decentralization and growth. Indirect link through the positive impact of revenue decentralization on macroeconomic stability.
Ghafar, Ismail, Hamzah, Ritonga (2004)	46 Developing and OECD Countries	1976-2000(Ind), 1996-2000(Kaz) 1996-2000(Kyr.), 1973-2000 (Mal.)	Fiscal decentralization is detrimental for growth.
Davoodi and Zou (1998)	46 Countries	1970-1989 five and ten year averages	10% higher decentralization of spending reduces growth of real GDP per capita in developing countries by 0.7-0.8%-points (10% significance level) but no significant impact in the developed countries.
Woller and Philipps (1998)	23 Developing Countries	1974-1991 three and five year averages and annual data	No robust significant effect of the decentralization of spending or revenue on growth of real GDP per capita
Wescott and Porter (2003)	Thailand, Combodia, the Philippines, Indonesia and China	From 1980	Fiscal Decentralization does not matter much for the growth performance of the region. The results are however not based on a formal econometric framework.
Yilmaz (2000)	17 Unitary States, 13 Federal Countries, Newly Industrialized Countries and Developed Countries	1971-1990 annual data	Decentralization of expenditures at the local level increases growth of real GDP per capita in unitary states more than in federal countries. Decentralization at the regional level is not significant.
Ebel and Yilmaz (2002)	6 Transition Countries	1997-1999	Decentralization is in general positively related to economic growth.
Eller(2004)	22 OECD Countries	1972-1996, annual and four year averages	Decentralization is positively related to economic growth.

Enikolopov and Zhurav-skaya (2003)	21 Developed and 70 Developing and Transition Countries	Cross-section of the averages 1975-2000	10% higher decentralization of revenue reduces growth of real GDP per capita in developing countries by 0.14%-points (5% significance level).
Thieben (2000)	EU-15, CH, NO, JP, US, CA, AU, NZ, AR, BR, KR, ZA	1975-1995	The analysis suggests for high-income countries a hump-shaped relation between per capital economic growth and capital formation, on the one hand, and fiscal decentralization, on the other hand. There is empirical evidence suggesting that capital formation is positively related to increasing self-reliance.
Thieben (2003)	21 Developed Countries	Western European and seleted other Countries	Decentralization of spending by 10% increases growth of real GDP per capita by 0.15%-points (5% significance level), quadratic term is significantly negative
Thieben (2003a)	26 Developed Countries	Panel data 1981-1995	Decentralization of spending by 10% increases growth of real GDP per capita by 0.12%-points (5% significance level).
Iimi (2005)	51 Developing and Developed Countries	Cross-section of the average of 1997 to 2001	10% higher decentralization of spending increases growth of real GDP per capita by 0.6%-points (1% significance level)
Feld, Ba-skaran and Dede (2004)	19 OECD countries	Panel data 1973-1998	No robust effect of spending or revenue decentralization, but a significantly negative effect of stronger participation in revenue sharing arrangements.
Bodman and Ford (2006)	18 OECD Countries	Cross-section of 1996 and Panel data 1981-1998	No significant effect of revenue or spending decentralization on economic growth
Oate (1995)	40 countries (no details available)	1974-1989	The study found a significant and robust positive correlation between fiscal decentralization and per capital economic growth.

Source: Adapted from Feld et al. (2013) and Thushyanthan et al. (2014)

Table 2.2: **Summary of single country empirical studies on the Fiscal decentralisation and Economic Performance nexus**

Studies	Countries	Period	Main results
Adefeso (2014)	Nigeria	1970-2013	The found no robust significant effect of the decentralisation of spending or revenue on growth of real GDP per capital in Nigeria.
Hammond, Tosun (2009)	United State	1970-2000	Revenue decentralization is positive for income growth in metropolitan areas (10% increase in centralisation decreases growth by 0.28%), but has no effect overall
Qiao et al. (2008)	China	1985-1998	Fiscal decentralization has enhanced growth but the relationship between the two variables is non-linear.
Akai, Nishimura, Sakata (2007)	United State	1992-1997	Non linear, humped-shaped relationship between fiscal federalism and growth. The optimal degree of fiscal decentralization is higher than what is observed for the revenue-share, hence the US would gain in terms of growth from more fiscal decentralisatin on the revenue side.
Hammond, Tosun (2006)	United State	1970-2000	Relatively weak or negative relationship in non-metropolitan areas as opposed to positive impact in metropolitan areas.
Solle-Olle, Esteller-More (2006)	Spain	1977-1998	Fiscal decentralization is positive for road and educational investment and capital stock, and should therefore be beneficial to growth.
Cantarero, Perez Gonzales (2009)	Spain	1985-2004	No relationship between expenditure decentralization and growth. Positiverelationship between revenue decentralisation and growth.10% increase in revenue decentralization adds 0.5% to GDP per capita growth. No evidence of non-linearities.
Huang, Cheng (2005)	China	1996-2004	The direct effect of fiscal decentralization on growth has been negative. But squared terms suggest non-linear, U-shaped relationship. In highly centralised countries, fiscal decentralization decreases growth; however this effect becomes smaller with higher decentralization; and above a certain threshold additional decentralization is beneficial for regional growth.
Zhang and Zou (1998)	28 Chinese Provinces	1987-1993 Annual Data	Decentralization of expenditure to the provinces reduces growth of real GDP per capita.
Lin and Liu (2000)	28 Chinese Provinces	1970-1993 Annual Data	Revenue decentralization by 10% increases growth of real GDP per capita by 2.7%-points (5% signif-cance level).
Carrion-i-Silvestre et al. (2008)	Spain	1980-1998	Fiscal decentralization has a positive effect both on regional and national economic growth. The effect of the expenditure side is stronger than the revenue side.

Malik, Hassan, Hussain (2006) Desai et al. (2003) Jin, Qian and Weingast (2005)	Pakinstan Russia 29 Chinese Provinces	1971-2005 1996-1999 1982-1992 Annual Data	Both the expenditure share and the own revenues share have a positive andsignificant effect on growth (estimated coefficients are 0.54 and 0.62 respectively. When grants are included in SCG revenues the effect of revenue decentralization is however found to be negative (-0.17) but insignificant. Positive impact on cumulative output recovery of Russian regions. The positive impact is smaller with higher "rents": revenues from natural resource production and grants from the central government. Expenditure decentralization by 10% increases growth of real GDP per capita by 1.6%-points (10% significance level)
Akai, Nishimura, Sakata (2002) Akai, Sakata (2002) Qiao, Martinez Vazquez and Xu (2002)	United State United States 28 Chinese Provinces	1992-1997 1992-1996 1985-1998	Fiscal decentralization has positive effect on economic growth and negative effect on economic volatility. Decentralization has a positive impact on state gross product. Increase inexpenditure decentralization by 10% increases growth by 1.6-3.2 percentage points. Expenditure decentralization in-creases growth of nominal GDP per capita significantly (5% significance level)
Feltenstein and Iwata (2005)	Central Level in China	1952-1996	Fiscal decentralization has adverse implications for macroeconomic stability but tends to increase growth
Jin and Zou (2005)	30 Chinese Provinces	1979-1999	Divergence between local expendi-tures and revenue (i.e. centralization) increases growth
Zhang and Zou (2001)	29 Chinese Provinces	1987-1993, annual data	Decentralizationreduces economic growth
Zhang and Zou (2001)	16 Indian States	1970-1994	Decentralization increases economic growth
Desai, Freink-man and Gold-berg (2003)	80 Russian Regions	1996-1999	Decentralization has a positive but non-linear effect on growth
Naumets (2003)	24 Ukrainian Oblasts and Autonomous Republic of Crimea	1998-2000	Not robust negative impact of own revenue decentralization on growth of real gross value added
Xie, Zou and Davoodi (1999)	Central Level in the USA	1951-1992	No significant impact of expenditure decentralization on growth of real GDP per capita
Akai and Sa-kata (2002)	50 US States	1992-1996, Cross-Section of	Expenditure decentralization by 10% increases growth of GDP per capita by 1.6-3.2%-points (robust 10% significance levels)

		Aver-age Growth Rates, Panel with Annual Data	
Stansel (2005)	314 US Metro-politan Areas	1960-1990	Higher fragmentation is associated with significantly higher growth in (log) real per capita money income
Berthold, Drews and Thode (2001)	16 Laender	1991-1998	Higher horizontal and vertical grants significantly reduce growth of nominal GDP per capita
Behnisch, Buttner and Stegarescu (2002)	Central Level in Germany	1950-1990	Increase of federal share of expenditure in total expenditure has positive effect on German productivity growth
Gil-Serrate and Lopez-Laborda (2006)	17 Spanish Autonomous Communities	1984-1995	Revenue control decentralization has a positive effect on decentralization.
Feld, Kirch-gassner, and Schaltegger (2004, 2005) Feld, Schnellenbach (2009)	26 Swiss Can-tons Both cross-country and within-country	1980-1998	Tax autonomy and tax competition are not harmful for economic growth There is no evidence of direct link between fiscal Decentralization/Federalism and growth.

Source: Adapted from Feld et al. (2013)

THEORY AND MODEL SPECIFICATION

The theoretical model of fiscal decentralization and economic development assumes without loss of generality, three levels of government namely federal, state and local. Fiscal decentralization level is the spending by sub-national governments as a fraction of the total government spending. For instance, fiscal decentralization increases if spending by state and local governments rises relative to spending by the federal government. Barro(1990) presents the production function where the interaction between private capital and public services are elegantly captured. This simple model explores a link between public services and economic performance. In this model, the government uses income tax revenues to finance public services which are considered to be inputs to private production. It is this complementarity between public services and private capital that creates a potentially positive linkage between public services and development in the model. The models specifically shows that spending on public services which enhance the productivity of the private capital or firms that creates a potentially positive linkage between public services and economic development in the model as shown below:

$$\mathbf{y} = \mathbf{A}\boldsymbol{k}^{\boldsymbol{a}}\boldsymbol{g}^{\boldsymbol{b}} \text{...} 3.1$$

where y stands for economic performance, k is the private capita and g is the publicly provided services. a, b, c and d measure parameter efficiency.

This study however departs from Barro model and follows Davoodi and Zou (1998) by assuming that public spending is carried out by three levels of government namely: federal, state and local. Assume that k represents private capital, g is the total public spending on the provision of public services and it is the composition of f, federal government spending, s, state government spending and l, local government spending. i.e.

$$\mathbf{g = f + s + l} \text{...3.2}$$

The resulted production function is Cobb-Douglas production function exhibits constant return to scale as specified below:

$$\mathbf{y = A\, k^{a} f^{b} s^{c} l^{d}} \text{..3.3}$$

The detail of regression that will be estimated on a cross-country panel data using panel model which is specified in equation 3.4 is found in the study of Davoodi and Zou (1998):

$$\boldsymbol{y_{it} = \alpha + \delta_1 m_{it} + \delta_2 \tau_{it} + \delta_3 x'_{it} + \varepsilon_{it}} \text{.....................................3.4}$$

where (i = 1, ... , N) and (t = 1, . . . , T) refer to country i at time t; N denotes the number of countries and t isthe number of time periods. $\boldsymbol{\alpha}$, $\boldsymbol{\delta_1}$, $\boldsymbol{\delta_2}$are scalar parameters while $\boldsymbol{\delta_3}'$is a vector. $\boldsymbol{y_{it}}$is the average growth rate that captured sustainable development, $\boldsymbol{m_{it}}$is the measureoffiscal decentralizationand $\boldsymbol{\tau_{it}}$is the tax rate. $\boldsymbol{x'_{it}}$is a vector of control variables and $\boldsymbol{\varepsilon_{it}}$is the disturbance term that is assumed to be serially uncorrelated and orthogonal to the explanatory variables. The focus of this research is the coefficient $\boldsymbol{\delta_1}$ on the fiscal decentralization variable, which may be positive or negative and statistically significant or not significant given the conventional arguments in favour or against of fiscal decentralization policy.

SAMPLE LIMITATION AND DATA SOURCES

The study is limited to African countries alone.Due to unavailability of data most especially both the revenue and expenditure of the three tiers of government is such country where it is applicable, the study is limited to five countries in Africa which are Nigeria, Morocco, South Africa, Tunisia and Mauritius. Data onthe variables: growth rate of real GDP per capital ($\boldsymbol{G_{it}}$), fiscal decentralisation index both expenditure decentralisation ($\boldsymbol{ED_{it}}$) and revenue decentralisation ($\boldsymbol{RD_{it}}$), tax rate ($\boldsymbol{\tau_{it}}$) as well as control variables size of the labour force ($\boldsymbol{LF_{it}}$) captured by secondary school enrolment rate, inflation rate ($\boldsymbol{IR_{it}}$), investment rate in physical capital and health condition proxied by gross fixed capital formation ($\boldsymbol{GFCF_{it}}$) to GDP and expenditure on health($\boldsymbol{EH_{it}}$) to GDP were gathered different sources such as IMF's Government Finance Statistics(GFS), World Developments Indicators, World Bank, Summers and Heston's Penn World Tables.

EMPIRICAL RESULTS AND CONCLUSION

The Table 5.1 shows the result of the baseline and decentralisation regressions annual observation which comprises of four columns. In the column (1) and (2), the set of control variables, x, is omitted from equation 3.4 while in the column (3) and (4), these variables are included. Based on the conclusion of the theoretical fiscal decentralisation model, the column (3) and (4) form the interpretable model. As shown below, one percent increase in expenditure decentralisation wouldsignificantly reduce development by -0.46 percent and one percent in revenue decentralisation would significantly improve development by 1.40 percent.

Table 5.1: Baseline and Decentralisation Regressions Annual Observation Result

Dependent Variable: Growth Rate of RGDP per Capital

Variables	*(1)*	*(2)*	*(3)*	*(4)*
ED_{it}		*-0.11446* *(-0.74381)*		*-0.464507*** *(-2.34272)*
RD_{it}	*1.41677**** *(9.2995)*		*1.40185**** *(10.1098)*	
τ_{it}	*-0.03729* *(-0.4197)*	*0.88829**** *(5.88619)*	*0.09163* *(1.01527)*	*1.53042**** *(5.2213)*
LF_{it}			*-0.04275* *(-2.6983)*	*-0.10833*** *(-2.3797)*
IR_{it}			*0.000135* *(0.80133)*	*0.00027* *(0.76162)*
$GFCF_{it}$			*0.00129* *(0.64443)*	*0.00245* *(0.5839)*
EH_{it}			*0.000285* *(0.41613)*	*0.000353* *(0.76162)*
Constant	*10.0568****	*5.71269****	*9.81963****	*3.782463****
Adj. R^2	*0.8923*	*0.8902*	*0.8131*	*0.8020*

*** and ** denote 1% and 5% significance level; t-values are in parentheses

Conclusively, the study found statistically significant negative and positive effects of expenditure decentralisation and revenue decentralisation respectively on sustainable economic development in the selected African countries. The negative effect of expenditure decentralisation implies that the wide spread of corruption in the expenses process in Africa countries militates against the development effect of fiscal decentralisation in Africa and positive effect of revenue decentralisation which is a measure of local government autonomy (Davoodi and Zou, 1998) reveals that it improves the African economy. These findings are consistent with the study of Gemmell, Kneller and Sanz 2013.

REFERENCES

Adefeso H.A. (2014). Local Decentralisation and Economic Growth in Nigeria, *Acta Universitatis Danubius. Economica*, Vol 10,No 3, 2014.

Akai, N. and M. Sakata (2002), “Fiscal Decentralization Contributes to Economic Growth: Evidence from State-Level Cross-Section Data for the United States”, *Journal of Urban Economics*, Vol. 52(1), July.

Akai, N., Y. Nishimura and M. Sakata (2007).”Complementarity, Fiscal Decentralisation and Economic Growth” Economic of Governance, Vol 8: 339-362

Asatryan, Z. (2011), “Fiscal Decentralization and Economic Growth in OECD Countries: A Bayesian Modeling Approach”, *Master Thesis*, Public Economics, Humboldt Universität zu Berlin.

Barro, R.J. (1990), Government Spending in a Simple Model of Endogenous Growth, *Journal of Political Economy* 98, S103 – S125.

Baskaran, T. and L. Feld (2009). “Fiscal Decentralization and Economic Growth in OECD Countries: Is there a Relationship?”, *CESifo Working Paper Series*, No. 2721.

Baskaran, T. and L. Feld (2013), Fiscal Decentralisation and Economic Growth in the OECD Countries: Is There a Relationship?, *Public Finance Review* 41, 421-445.

Baskaran, T. and L. Feld and J. Schnellenbach (2014). Fiscal Federalism, Decentralisation and Economic Growth: Survey and Meta-Analysis. *CESifo Working Paper* No. 4985.

Berthold, N., S. Drews and E. Thode (2001), Die föderale Ordnung in Deutschland – Motor oder Bremse des wirtschaftlichen Wachstums? Discussion Paper No. 42, University of Würzburg.

Bodman, P. and K. Ford (2006), “Fiscal Decentralization and Economic Growth in the OECD”, *MRG Discussion Paper Series 0706*, School of Economics, University of Queensland, Australia.

Bodman, P. (2011), Fiscal Decentralisation and Economic Growth in the OECD, *Applied Economics* 43, 3021-3035.

Breuss F. and M. Eller (2004), “Fiscal Decentralisation and Economic Growth: Is there Really a Link?”, CESifo DICE Report, Journal for institutional Comparisons, Vol. 2, No 1, pp 3-9.

Davoodi, H. and H. Zou (1998), “Fiscal Decentralization and Economic Growth: A Cross-Country Study”, *Journal of Urban Economics*, Vol. 43, No. 2.

Desai, R., et al. (2003), “Fiscal Federalism and Regional Growth: Evidence from the Russian Federation in the 1990s”, *Policy Research Working Paper Series 3138*, The World Bank.

Ebel, R. and S. Yilmaz (2002), “On the Measurement and Impact of Fiscal Decentralization”, *Policy Research Working Paper Series 2809*, The World Bank.

Eller, M. (2004), “The Determinants of Fiscal Decentralization and its Impact on Economic Growth: Empirical Evidence from a Panel of OECD Countries”, *Master’s Thesis*, Economics, Vienna University of Economics and Business Administration.

Enikolopov, R. and E. Zhuravskaya (2003), “Decentralization and Political Institutions”, *CEPR Discussion Paper*, No. 3857.

Feld, L.P., G. Kirchgassner and C.A. Schaltegger (2004), Fiscal Federalism and Economic Performance: Evidence from Swiss Cantons, Unpublished Manuscript, Philipps-University Marburg.

Feld, L.P., et al. (2004), “Fiscal Federalism and Economic Performance: Evidence from Swiss Cantons”, *Marburg Working Papers on Economics* Philipps-University Marburg, Faculty of Business Administration and Economics, Department of Economics.

Feld, L.P. and T. Baskaran and J. Schnellenbach (2013). Fiscal Federalism, Decentralisation and Economic Growth: A Meta-Analysis, NBER Working Paper 13735.

Gemmell, N., Kneller, R. And I. Sanz (2013), Fiscal Dencentralisation and Economic Growth in OECD Countries: Spending versus Revenue Decentralisation, *Economic Inquiry*51, 1915-1931.

Gil-Serrate, R. and J. López-Laborda (2006), Revenue Decentralization and Economic Growth in the Spanish Autonomous Communities, Unpublished Manuscript, University of Zaragoza.

Iimi, A. (2005), “Decentralization and Growth Revisited: An Empirical Note”, *Journal of Urban Economics*, Vol. 57.

Jin, J. and H. Zou (2005), “Fiscal Decentralization, Revenue and Expenditure Assignments, and Growth in China”, *CEMA Working Paper*, No. 212, China Economics and Management Academy, Central University of Finance and Economics.

Lin, J. and Z. Liu (2000), “Fiscal Decentralization and Economic Growth in China”, *Conference Paper No. D01*, 4th Annual International Conference on Transition Economics.

Martinez-Vasquez, J. and R. McNab (2005), “Fiscal Decentralization, Macrostability and Growth”, *International Studies Program Working Paper Series 05-06*, Georgia State University.

McKinnon, R (1997),”Market-preserving fiscal federalism in the American Monetary Union”. In Blejer, M. And Ter-Minassian, T., eds., Macroeconomic Dimension of Public Finance: Essays in Honour of Vito Tanzi, 73-93. London: Routledge.

Oates, W.E. (1972), *Fiscal Federalism*, Harcourt Brace Jovanovich.

Oates, W.E. (1995), Federalism and Government Finance, in Quigley, J.M. and Smolenskey, E. (eds.) *Modern Public Finance*, 125-151. Cambridge, Ma.: Harvard University Press.

Oates, W.E. (1999), An Essay on Fiscal Federalism, *Journal of Economic Literature* 37, 1120 – 1149.

Prud’homme, R. (1995), “The danger of decentralization”, *World Bank Research Obeserver* 10 201-220.

Rodriguez-Pose, A. and A. Krojier (2009), “Fiscal Decentralization and Economic Growth in Central and Eastern Europe”, *Growth and Change,* Vol. 40, No. 3.

Sole-Olle, A. and A. Esteller-Moré (2006), “Decentralized Provision of Public Inputs, Government Responsiveness to Local Needs, and Regional Growth. Evidence from Spain”, *Institut d’Economia de Barcelona Working Paper*.

Stansel, D. (2005), Local Decentralization and Local Economic Growth: A Cross-Sectional Examination of US Metropolitan Areas, Journal of Urban Economics 57, 55 – 72.

Sulaiman, S. (2009). Local Government, Local problem. http://www.nigeriavillagesquare.com/articles/guest-articles/open-letter-to-professor-wole-so.html

Thieben, U. (2001),”Fiscal Decentralization and Economic Growth in High-income OECD Countries”, *European network of Economic Policy Research Institute (ENEPRI) Working Paper* No.1.

Thieben, U. (2003), Fiscal Federalism in Western European and Selected Other Countries: Centralization or Decentralization? What Is Better for Economic Growth, Unpublished Manuscript, DIW Ber-lin.

Thieben, U. (2003a), Fiscal Decentralization and Economic Growth in High Income OECD Countries, *Fiscal Studies* 24, 237 – 274.

Tiebout, C.M. (1956), A Pure Theory of Local Expenditures, *Journal of Political Economy* 64, 416 – 424.

Vo, D.H. (2005), “Fiscal Decentralization in Vietnam: A Preliminary Investigation”, *Economics Discussion/Working Papers 05-16,* The University of Western Australia.

Weingast, B.R. (1995), The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development, *Journal of Law, Economics and Organisation* 11, 1 – 31.

Wescott, C. and D. Porter (2003), “Fiscal Decentralization and Citizen Participation in East Asia”, *Asian Development Bank,* prepared for the INDES workshop on Fiscal Decentralization and Citizen Participation in East Asia.

Woller, G.M. and K. Phillips (1998), Fiscal Decentralization and LDC Economic Growth: An Empirical Investigation, *Journal of Development Studies,* 34, 139 –148.

Woller, G., K. Phillips (1998), “Fiscal Decentralization and IDC Economic Growth: An Empirical Investigation”, *Journal of Development Studies,* Vol. 34, No. 4.

Xie, D., et al. (1999), “Fiscal Decentralization and Economic Growth in the United States”, *Journal of Urban Economics,* Vol. 45, No. 2.

Yilmaz, S. (2000), “The Impact of Fiscal Decentralization on Macroeconomic Performance”, prepared for the National Tax Association, Proceedings of the 92nd Annual Conference on Taxation, 24-26 October 1999, Atlanta, Georgia.

Zhang, T. and H. Zou (2001), The Growth Impact of Intersectoral and Intergovernmental Allocation of Public Expenditure: With Applications to China and India, *China Economic Review* 12, 58-81.

Zhang, T. and H. Zou (1998), Fiscal Decentralization, Public Spending, and Economic Growth in China", *Policy Research Working Paper Series 1608*, The World Bank.

ABOUT AUTHOR

Hammed Adetola Adefeso: Lecturer, Department of Local Government Studies, Obafemi Awolowo University, Ile-Ife, Osun State, Nigeria.