Fiscal Decentralization and Intergovernmental Fiscal Relations in Sub-Saharan Africa: A Critical Literature Survey and Perspectives for Future Research in Cameroon

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Abstract

Much literature exists on fiscal decentralization and intergovernmental fiscal relations in sub-Saharan Africa, and some of the very salient policy actions that have impacted local government development have emerged from such literature. The developing world, including sub-Saharan Africa (SSA), has markedly promoted fiscal decentralization in the last three decades. However, many important aspects of fiscal decentralization in SSA and Cameroon, in particular, have not been addressed by existing literature. The main objective of this review paper is, therefore, to identify the literature gaps and design an agenda for future research in the areas of fiscal decentralization and intergovernmental fiscal relations that has the potential to impact policy and spur development in Cameroon. A qualitative research methodology (content analysis) is used to gather, group, and offer a critical look at existing literature on the benefits of fiscal decentralization and intergovernmental fiscal relations in sub-Saharan Africa. It uses an integrative review and a standardized approach of abstracting appropriate information from each article and performing an appropriate analysis of the literature survey of a few decentralized countries in SSA as the population focused on in the primary studies. This review paper recommends that areas for further research on FD in Cameroon should include: Types of funding autonomy desired by local government councils in Cameroon; Revenue sharing formulas that are good for Cameroon's economic development; How central government transfers enhance local revenue mobilization in councils which share the same political affiliation as the ruling party compared to those who do not. Studies that point to new ways of generating supplementary financing at the local level in Cameroon to match the increased responsibilities due to decentralization are still rare. The percentage of shares of central government revenue transfers to local communities is necessary to reduce poverty and inequality, and what agency and criteria should be put in place to control the execution of these transfers. The above recommendations of this review paper will greatly inform theory, policy, and practice on fiscal decentralization realities in SSA as a whole and Cameroon in particular.

Keywords: Fiscal Decentralization, Literature Survey, Research Agenda, Sub-Saharan Africa and Cameroon

Introduction

In the last three decades, the developing world, including sub-Saharan Africa (SSA), has made marked progress in promoting political and economic decentralization, which covers fiscal

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decentralization (FD). The drivers of this progress stem from the realization that lesser centralization, asserting a genuine transfer of power to the local government, of resources, and the power to pass legislation on a variety of issues will likely result in greater efficiencies and less waste (Bojanic, 2017). Literature on the issues of fiscal decentralization, such as corruption, lack of autonomy, etc., has gained commendable attention on many continents where Africa, particularly SSA, has not been an exception. This paper has considered four strands of literature on the effects of fiscal decentralization on the economy.

The first strand underscores the effect of fiscal decentralization on governance, reviewing the works of the following authors: (De Mello & Barenstein, 2001; Arzaghi & Henderson, 2005; Altunbas & Thornton, 2012; Mohapatra, 2012; Shen *et al*., 2012; Balunywa *et al*., 2014; Kyriacou *et al*., 2015; Bojanic, 2018a). The second strand of economic literature focuses on the effects of fiscal decentralization on economic growth and economic stability, reviewing the works of the following authors:(Davoodi & Zou, 1998; Xie *et al*., 1999; Yifu Lin & Liu, 2000; Rodden *et al*., 2003; Martínez-Vázquez & McNab, 2003 and 2006; Thornton, 2007; Samimi *et al*., 2010; Neyapti, 2010; Rodríguez-Pose & Ezcurra, 2011; Gemmell *et al*., 2013 and Blöchliger, 2013;). In the third strand, we have studies exploiting how fiscal decentralization affects poverty, inequality, and wealth redistribution, reviewing the works of the following authors: (Francis & James, 2003; Boex *et al*., 2006; Sepúlveda & Martínez-Vázquez, 2011; Zakaria, 2013; Song, 2013; Goerl & Seiferling, 2014; Sacchi & Salotti, 2014; Bojanic, 2018b). The fourth strand of economic literature focuses on showing how citizen involvement and accountability are influenced in decentralized governments, reviewing the works of the following authors:(Shirk, 1993; Robinson, 2008; Michels, 2011, Escobar-Lemmon & Ross, 2014; Islam, 2015). This paper tailors its presentation following these four streams of existing knowledge on the economic benefits of fiscal decentralization identified here, with the flexibility to add other streams that may come up in the course of the literature review.

Much literature exists on fiscal decentralization and intergovernmental fiscal relations in SSA. Some of the very salient policy actions that have impacted local government development have emerged from such literature. Fiscal decentralization has many benefits, as intimated above, but at the same time faces major challenges that, if curbed, will enhance its impacts. Before the critical literature survey of the economic benefits of fiscal decentralization, this paper presents the challenges facing fiscal decentralization in SSA, focusing on Cameroon. This literature survey is intended to integrate findings and perspectives from many existing research studies on the benefits of fiscal decentralization in SSA and to address new research questions/agendas with huge potential to influence policy that no existing study in Cameroon has ever considered.

Statement of the Problem

In the last three decades, the developing world, including sub-Saharan Africa (SSA), has made marked progress in promoting political and economic decentralization, which covers fiscal decentralization. The drivers of this progress stem from the realization that lesser centralization, asserting a genuine transfer of power to the local government, of resources, and the power to pass legislation on a variety of issues will likely result in greater efficiencies and less waste (Bojanic, 2017). Authors acknowledge that much literature exists on fiscal decentralization and intergovernmental fiscal relations in sub-Saharan Africa (SSA) and that some of the very salient policy actions that have impacted local government development emerged from such literature. With such abundant literature, a literature survey paper to point out the knowledge gaps and provide an agenda for more potent policy impact studies is vital. Fiscal decentralization is still facing major challenges in SSA and Cameroon, and well-targeted literature survey studies that have great potential to influence policy in this area are rare. This literature survey paper attempts to fill these gaps by reviewing the literature on fiscal decentralization and intergovernmental fiscal relations in SSA, with a special focus on Cameroon, to identify knowledge gaps for better policy impact studies for Cameroon. It builds a research agenda around this area for Cameroon, that if researched, has a real possibility of affecting policy. It poses new policy-relevant questions for future research on fiscal decentralization in Cameroon. It allows us to acknowledge what we know and underline what we do not know about fiscal decentralization and intergovernmental relations in SSA, particularly in Cameroon.

Objectives

The **main objective** of this paper is to review the literature on fiscal decentralization and intergovernmental fiscal relations in sub-Saharan Africa, identify existing gaps and design an agenda for future research that can impact policy and spur development in Cameroon.

The **specific objectives** are as follows:

i. To conduct a critical literature survey on the benefits of fiscal decentralization in SSA,
ii. To identify knowledge gaps in the areas of fiscal decentralization and intergovernmental fiscal relations that leave policy handicapped,
iii. To identify the challenges facing fiscal decentralization in SSA, with a special focus on Cameroon,
iv. To produce a research agenda for Cameroon's fiscal decentralization and intergovernmental fiscal relations.

Methodology of Literature Survey

This literature survey uses a qualitative research methodology (content analysis) to gather, group, and offer a critical look at existing literature on the benefits of fiscal decentralization and intergovernmental fiscal relations in sub-Saharan Africa, with a special focus on Cameroon. Since this review article is focused on opening new perspectives and uncovering contested research areas or contradictions among existing literature on fiscal decentralization and intergovernmental fiscal relations, the integrative approach of the literature survey is considered most appropriate.

The search protocol follows three steps: step 1- reading abstracts and making preliminary selection decisions (inclusion or exclusion), step 2- reading the full text of the articles shortlisted in Step One to ensure they actually meet the inclusion criteria and step 3 - scanning through the references of the selected articles to identify other articles that may potentially be relevant. After that, the researchers conduct an analysis of the literature and write a critical literature survey. This critical literature survey identifies deficiencies, omissions, conflicting positions, and aspects of the benefits of fiscal decentralization and intergovernmental relations that are missing, incomplete, or weakly represented in the literature.

Framework on Fiscal Decentralization in SSA and Cameroon

The trends and determinants of fiscal decentralization and lessons for effective fiscal decentralization in SSA have been given much attention in the literature (Hobdari *et al*., 2018).

Research on the determinants and the pathways for effective fiscal decentralization in African countries is also available (Prud'homme, 1996; Prud'homme, 2003).

Generally, it can be noted that fiscal decentralization in sub-Saharan Africa is not as common as in advanced and emerging market economies. Most countries in sub-Saharan Africa remain centralized, with very restricted spending autonomy for subnational governments. Only a few countries in sub-Saharan Africa have actually taken the bull by the horns and made fiscal decentralization effective over the past two decades, and in most cases, the decentralization of revenue is relatively much lesser than that of expenditure (Hobdari *et al*., 2018). Evidence underlines that there is no unique model for fiscal decentralization in Africa (Prud'homme, 2003); each country, including Cameroon, has to develop its own strategy and instruments to achieve effective fiscal decentralization.

For Cameroon, the fiscal decentralization process has witnessed significant and commendable growth in implementation since its inception. Fiscal decentralization in Cameroon takes its rise from the national reform law N° 74/23 of December 5, 1974, which gave local councils a wide range of areas from which to raise revenue. Some of these include proceeds from fiscal revenue, exploitation of council lands and council services, tax on cattle, and government grants, to name a few. In the early years of FD in Cameroon, the main sources of local revenues were equally based on central revenue-sharing, supplemented by a myriad of taxes and fees that were deemed small given the effort needed to collect them (World Bank, 2012). On January 8, 1996, the constitution of Cameroon, in Article 1, brought to the limelight the implementation of decentralization in the country. Article 1 of the Cameroon constitution specifies that Cameroon is a unitary decentralized state, which implies that decentralized collectivizes some amount of power and resources to manage its affairs. This article forms the genesis of fiscal decentralization in Cameroon. Fiscal decentralization has registered some commendable, though somewhat belated, progress since 1996.

As a follow-up of Article 1 of the 1996 constitution, between 2004 and 2009, legislative instruments (laws and decrees) on the framework of expenditure assignment and revenue allocation in Cameroon were defined and put in place (see Tables 1 and 2). All these in a bit to appropriate the assignment of responsibilities to shun activity mismatch and guarantee the alignment of local development to the overall national development plan of the country. The law on the orientation of decentralization promulgated on July 22, 2004, clarifies the institutional context of decentralization in Cameroon. In its second article, this law defines decentralization as the state's transfer to the decentralized territorial communities of particular skills and appropriate means; this transfer obeys the principles of subsidiarity, progressivity, and complementarity.

Table 1. Framework on expenditure assignment in Cameroon

Framework	Scope
Law No. 2004/17 of July 22, 2004	On the Orientation of Decentralization
Law No. 2004/18 of July 22, 2004	On Rules Applicable to Councils
Law 2009/11 of July 10, 2009	On Financial regime of decentralized territorial entities (crowning local councils with fiscal autonomy and defining the other types of revenue to be collected by local councils
Law 2009/019 of December 15, 2009	On the local tax system (specifying the taxes and conditions under which these taxes shall be mobilized).

Source: World Bank 2012, Gohnchu, 2015; and Authors' Field Research, 2021

Table 2. Framework on revenue allocation in Cameroon

Framework	Scope
Decree 2006/182 of May 31, 2006	Reorganization of FEICOM and modifying decree 2000/365 of December 11, 2000, pertaining to the same subject
Decree 2007/1139-PM of September 3, 2007	The process of issuing, collecting, centralizing, distributing and transferring additional council taxes.
Decree 2008/013 of January 17, 2008	Organization and functioning of the National Decentralization Council.
Decree 2009/248 of August 5, 2009	Assessment and distribution procedures for the allocation of central funds to decentralized entities.
Law 2009/019 of December 15, 2009	On the local tax system (specifying the taxes and conditions under which these taxes shall be mobilized)

Source: World Bank 2012, Gohnchu, 2015; and Authors' Field Research, 2021

Worthy of note, Law No. 2009-011 of July 10, 2009, and Law No. 2009/019 of December 15th2009 (see Tables 1 and 2) underline that councils shall be financially autonomous, with the responsibility of managing the taxes devolved to them, and revenue and expenditure within the framework of their budgets as adopted by a competent deliberative body.

Fourteen years after its inception, the first transfer of competence and resources to councils was made (World Bank, 2012). Five years after, on December 31, 2015, the councils were given full power to carry out sixty (60) of the sixty-three (63) functions they have, and the Prime Minister's decree of December 16, 2016, granted them the other three (3). The government provided a leveling ground for effective FD in Cameroon with the Prime Minister's decree of February 24, 2017, decreeing the effective transfer of financial resources to local councils across the country (Cameroon-Report, 2017). With this decree, the sale of windscreen licenses, automobile stamps, and local development taxes was now under the domain of the councils. Again, part of forest revenues and funds collected by the treasury was now assigned to councils through the rural assistance fund (FEICOM in French).

According to the report of the National Decentralization Board Meeting held on December 20, 2018, the state had transferred sixty-three (63) powers/competencies in areas necessary for the economic, health, social, educational, and sports development of the councils. In order to accompany this transfer of competencies, the sum of FCFA 350 billion has been transferred by the central government to councils since 2010. The sector ministries concerned also transferred votes to councils to the tune of FCFA 150 billion. To ease the flow of disbursements to local authorities and curb the problem of insufficient financial resources, the Ministry of Finance recommended that a Special Earmarked Account in the books of BEAC (Bank of Central African States) be devoted to decentralization financing.

Literature Survey on the Benefits of Fiscal Decentralization and Intergovernmental Fiscal Relations in Sub-Saharan Africa

The critical literature survey will be structured and presented per the strands identified in the preliminary review phase. This presentation approach will allow us to conduct an in-depth analysis of the literature and permit us to generate strand-specific and inter-strand perspectives for future research in the areas of FD and intergovernmental fiscal relations in Cameroon.

First Strand: The Effect of FD on Governance and Accountability

This first strand critically reviews the literature on the effects of fiscal decentralization on governance and accountability. Most studies in this strand point to a favorable effect of fiscal decentralization on governance. Importantly, as opposed to previous studies in the decentralization and governance literature which focused principally on expenditure-based measures of decentralization, the studies reviewed here take a more holistic approach to measure fiscal decentralization. The study of de Mello and Barenstein (2001) examined the relationship between fiscal decentralization and governance using a cross-country approach with 78 countries, including twelve African countries. De Mello and Barenstein (2001) employed the OLS and extended it to check for the possibility of reversed causality between fiscal decentralization and governance using a two-stage least squares method. Their study revealed that fiscal decentralization (surrogated by the level of expenditure and revenue mobilization functions to subnational levels of government) is associated with all three indicators of governance used in their study; corruption, the rule of law, and government effectiveness.

This study further indicated that the relationship between decentralization and governance hinges on how subnational expenditures are financed, that is, the higher the share in total subnational revenues of nontax revenues and grants and transfers from the higher tiers of government, the stronger the relationship between decentralization and good governance. A related study is that of Altunbas and Thornton (2012), which addressed the effect of fiscal decentralization on governance, surrogated by an index of corruption. This study employed data from sixty-four developed and developing economies to investigate this relationship.

Altunbas and Thornton (2012) dynamically utilized four different measures of fiscal decentralization (namely, subnational government revenues, tax effort, expenditures, or the wage bill) to appreciate the distinctive effect of each on governance. The study used a sophisticated econometric approach internalizing the endogeneity of fiscal decentralization. Their results underlined that fiscal decentralization could reduce corruption even in countries with a high degree of political representation. Importantly, they found that the favorable effect of fiscal decentralization on corruption is mitigated by mechanisms promoting vertical administrative decentralization. Their work also revealed that countries where a larger portion of fiscal revenues and expenditures are located at the level of subnational governments appear less corrupt.

Ewatan *et al*. (2015) also employed a theoretical approach to examine relevant issues in Nigeria's fiscal federalism. Like Gadenne and Singhal (2014), their work aligned with Altunbas and Thornton (2012) as they posited that decentralization brings about greater accountability and reduces corruption. Sow and Razafimahefa (2015) somewhat aligned with these findings by indicating that for fiscal decentralization to improve the efficiency of public service delivery, decentralization of expenditure should be accompanied by sufficient decentralization of revenue. Sow and Razafimahefa (2015) pointed to the fact that fiscal decentralization is expected to have important bearings for accountability (*via* public service delivery) under the aforementioned condition. On the contrary, Francis and James (2003) pointed out that whether decentralization can promote efficient service delivery and local empowerment simultaneously is still unsettled. Unlike the above studies, the works of Akin *et al*. (2005) and Alabi (2010) posited an unfavorable effect of fiscal decentralization on governance and accountability. Akin *et al*. (2007) used data on Uganda and found that decentralization instead led to lesser health sector allocative efficiency, captured by the proportion of the budget dedicated to providing public goods activities.

Many countries in SSA, including Cameroon, still practice partial decentralization, and according to Devarajan *et al*. (2007), partial decentralization can rob the ability of fiscal decentralization to improve governance and accountability. This is because when decentralization is partial, citizens continue to place their expectations of service delivery on the national governments, hence weakening the incentive of local governments/politicians to allocate budgetary resources optimally across competing public needs.

Second Strand: The Effects of FD on Economic Growth and Economic Stability

The second strand of literature uncovers the effects of fiscal decentralization on economic growth and stability. There are a handful of studies in this strand, and a majority of them opine that fiscal decentralization affects economic growth and stability positively, but not economic development.

FD and Economic Stability

David King and Yue Ma (2001) studied the effects of fiscal decentralization and central bank independence on inflation. Their study used regression analyses and employed data from Campillo and Miron’s 49 countries, omitting Ghana, Malaysia, Nepal, Nigeria, Panama, Uruguay, and Turkey. Their results showed that countries with a high level of tax centralization have higher inflation rates. This result is in tandem with Bijimi (2008) who employed Nigerian data and underlined that the ratio of state government's revenue from the federation account to total government revenue has a favorable impact on inflation, while the ratio of state governments' internally generated revenue to total government revenue and the ratio of state governments' expenditure to total government expenditure have unfavorable impacts on inflation. This indicates that the transfer of more taxation powers to subnational governments may have unintended effects on inflation, especially in high inflation countries. This finding corroborates that of Neyapti (2004), who highlighted that in low-inflation countries, revenue decentralization has a negative impact on inflation. In contrast, he pointed out that in high inflation countries, revenue decentralization only has a negative impact on inflation if accompanied by both central bank independence and local accountability.

In accordance with Neyapti (2004), Martinez-Vazquez and Mcnab (2003:2006) examined the effects of decentralization on growth through its impact on macroeconomic stability in developed, developing, and transitional countries. Their study used an unbalanced panel data set of 1491 observations for 66 developed and developing countries with observations in the period 1972 to 2003. Their study employed a two-way error components model and found that the positive impact of decentralization on price stability is more in developed countries than in developing and transitional countries.

FD and Economic Growth/Development

Martinez-Vazquez and Mcnab (2003) focused on the relationship between fiscal decentralization and economic growth. Their study investigated the indirect channels through which fiscal decentralization affects economic growth. Employing an econometric model that internalizes for potential endogeneity, their results pointed to the fact that the relationship between fiscal decentralization and economic growth remains an open question.

The works of Bijimi (2008) and Ewetan *et al*. (2016) focused on Nigeria and unveiled fascinating evidence. Bijimi (2008) investigated the impact of fiscal federalism on major macroeconomic indicators (GDP, inflation, and exchange rate) in Nigeria between 1970 and

2010. The study used annual time series data and employed a vector autoregressive (VAR) model. Their results indicated that expenditure decentralization is more potent for economic growth in Nigeria than revenue decentralization and underlined that the ratio of state governments' expenditure to total government expenditure and the ratio of state government's revenue from the federation account to total government revenue has a positive impact on economic growth, while the ratio of state governments' internally generated revenue to total government revenue has a negative impact on economic growth. Bijimi's finding may be explained by the premise that the state government's internally generated revenue in Nigeria at the time was insufficient to spur economic growth. Ewetan *et al*. (2016), though with slight deviations, found similar results as Bijimi (2008).

Ewetan *et al*. (2016) investigated the long-run and causal relationship between fiscal decentralization and economic growth in Nigeria. Employing time series data for 1970 to 2012, the error correction model, and the Granger Causality test, the study found evidence of the long-run relationship between fiscal decentralization and economic growth. Specifically, the study indicated that all three dimensions of fiscal decentralization relate positively and significantly to economic growth. Bijimi (2008) and Ewetan *et al*. (2016) measure revenue decentralization differently and produce different results. In Bijimi (2008), the ratio of state governments' internally generated revenue to total government revenue has a negative impact on economic growth, while Ewetan *et al*. (2016) the sub-national source revenue as a ratio of total federal expenditure has a positive impact on economic growth. However, these differential results indicate that the impact of revenue decentralization on economic growth depends on how it is measured. It is worth noting that the work of Ewetan *et al*. (2016) relies only on the Granger causality, while that of Bijimi (2008) relies on a more sophisticated regression approach (VAR model).

Osmond and Egbulonu (2015) examined the impact of fiscal decentralization on macroeconomic performance (proxied by the misery index - which is the combination of inflation and unemployment rates) and stability in Nigeria. Their study employed two dimensions of fiscal decentralization; revenue and expenditure decentralization and fiscal dependence ratio. Using an error correction model on dynamic time series data, their results indicated that revenue and expenditure decentralization promotes macroeconomic performance and economic stability in

Nigeria in the long run, while the fiscal dependence ratio suppresses macroeconomic performance and economic stability.

Employing time series data from 1990-2017, Morohunmubo *et al*. (2019) examined the impact of fiscal federalism and government expenditure on economic growth in Nigeria. Their study found that the three measures of fiscal decentralization used (the share of the growth rate of federal government from the federation account, growth rate of share of state government from the federal account, and growth rate of share of local government from the federation account) impact economic growth positively. As a deviation from many studies in this strand, Morohunmubo et al. (2019) considered the growth of fiscal decentralization measures and not just their levels.

Odigwe and Aibieyi (2015) leaned on a theoretical perspective to assess the relationship between fiscal federalism and development in Nigeria. Their results indicated that the present nature of fiscal federalism imposed on the nation retards economic development because of the unacceptable and biased revenue-sharing system. Like Odigwe and Aibieyi (2015), Babalola (2015) indicated that Nigeria's fiscal federalism has not produced the desired development. He pointed out two reasons for Nigeria's lack of economic success; the over-dependence on oil and the concentration of economic resources at the federal center. In a like manner, Okolie and Ochei (2014) indicated that the near total dependence on the revenue from the federation account among the three tiers of government and the total abandonment of internal revenue generation efforts are responsible for the slow economic development in Nigeria. However, it is worth noting that all these studies (Okolie & Ochei, 2014; Babalola, 2015 and Odigwe & Aibieyi, 2015) did not use any empirical analyses.

Unlike Odigwe and Aibieyi (2015), Ewetan *et al*. (2020) employed an empirical approach to examine the impact of fiscal federalism on economic development (proxied by GDP per capita) in Nigeria from the period 1981–2017. Their study used the auto-regressive distributed lag approach and found that revenue decentralization affects economic development negatively, and expenditure decentralization affects it positively. This controversial result of revenue decentralization may be because fiscal responsibility and taxing powers are still considerably centralized in Nigeria (see Ewetan, 2012).

In a nutshell, it can be understood that revenue and expenditure decentralizations have unequal strength in spurring economic growth/development. It can also be understood that the wrong formula of revenue sharing among the different tiers of government in a country, the centralization of revenue resources, and slow internal revenue generation efforts are principally responsible for retarded economic growth/development in SSA economies. In Cameroon, the Special Fund of Equipment and Assistance to Councils has continued to be a poll of centralization for local council fiscal decentralization resource distribution. This is evident as this institution plays a major role in deciding the amount of funding allocated for local council development projects.

Third Strand: Effects of FD on Poverty, Inequality, and Wealth Redistribution

The third strand thoroughly reviews the literature on fiscal decentralization's effects on poverty, inequality, and wealth redistribution in SSA. So far, there are mixed results in this area.

Crook and Sverrisson (2001) aimed at understanding and analyzing the implications of decentralization on poverty alleviation in developing countries, found that decentralization plays a significant role in poverty reduction. Likewise, Hobdari *et al*. (2018), in a study carried out in SSA to tease out the lessons of effective fiscal decentralization, indicated that fiscal decentralization reduces regional inequality and creates spillover effects on poverty alleviation. Unlike Hobdari *et al*. (2018), Rodriguez and Ezcurra (2010) used a panel data grouping developed and less developed countries over the periods 1990-2006 and concluded that decentralization does not affect the reduction of regional inequality in developed countries compared to less developed countries where fiscal decentralization is associated with a significant rise in regional disparities.

Following Caldeira *et al*. (2015), it can be argued that for Africa to reduce poverty and improve governance substantially, more significant consideration should be placed on decentralization. Using a Panel data analysis of the 77 communes in Benin over the period 2002 and 2008, their results showed that decentralization goes a long way to improve the wellbeing of citizens in the various jurisdictions. Sepulveda et al. (2010) used data from developing and less developed countries and found that fiscal decentralization significantly affects poverty and inequality. More precisely, fiscal decentralization increases poverty but reduces income inequality with the condition that the central government represents at least 20 percent of the economy's shares. In

Ghana, Agyemang et al. (2018), in the same light, affirmed that fiscal decentralization is capable of reducing poverty when the local units are branded with significant financial autonomy. Like Agyemang et al. (2018), Takwa and Maclean (2020) considered the case of decentralization in Cameroon and highlighted that genuine autonomy in financial and administrative matters is a pre-condition for decentralization to achieve local development objectives. The lesson for Cameroon here is for fiscal decentralization to be able to generate employment opportunities at local levels as a way of reducing poverty and inequality. Therefore, fiscal autonomy is necessary for creating more employment opportunities in Cameroon.

Fourth Strand: Effects of FD on Local Revenue Generation & Equalization

The fourth strand censoriously reviews related literature on the effects of fiscal decentralization on local revenue generation and equalization. Studies so far support the idea that fiscal decentralization strongly affects local revenue generation and equalization.

Masaki (2018), in his study on sub-Saharan countries, analyzed the impact of fiscal transfers on local revenue collection. Using quarterly fiscal data on local revenue generation in Tanzania, he concluded that intergovernmental grants expand the deployment of local revenue collections, particularly in rural areas. To him, this is because in Tanzania, like in many African countries, local governments' administrative and institutional capacity to collect taxes and provide public goods is very limited and worse in rural areas where poverty, low population density, and geographical vastness reside.

Similarly, Caldeira and Rota-Graziosi (2014), in a study carried out in Benin, evaluated the crowding-in effect of simple unconditional central grants on local own-source revenue. They employed panel data from seventy-seven communities in Benin from 2003-2008. They employed an econometric method that addresses potential endogenous issues and established a positive impact of central government grants on local own-source revenue. This is feasible as central government grants may assist the local governments in hiring more resources to collect taxes and provide public goods at the local level. However, they indicated that this effect is dependent on the wealth level of the council and is stronger for local communities that do not share the same political affiliation and for which the transfers are purely population-based. All these results are in line with the general consensus brought by Bahl (2000) and Bird and Smart (2002) in their studies on developing countries. These authors made it clear that fiscal transfers from the central government have favorable bearings for behavior and development at the local levels. Literature on the effects of fiscal decentralization on local revenue mobilization is highly fragmented in sub-Saharan Africa and absent in Cameroon.

Analyses of the Critical Literature and Knowledge Gaps in the Areas of Fiscal Decentralization and Intergovernmental Fiscal Relations in Cameroon

The knowledge strands discussed above conducted critical literature survey analyses and identified knowledge gaps.

Knowledge Gaps on the Effects of FD on Governance

There are two key positions that can be inferred from critical review in this strand that have important implications for research and policy. The first holds that the favorable effect of fiscal decentralization on corruption can be mitigated in the presence of mechanisms promoting vertical administrative decentralization. The second underlines that for fiscal decentralization to boost the efficiency of public service delivery, decentralization of expenditure should be accompanied by sufficient decentralization of revenue.

In the Constitution of January 18, 1996, Cameroon recognized decentralization as a pillar for socioeconomic development in the country. However, the country is still holding onto partial decentralization (provisional decentralization) and what is concerning here is that knowledge of the negatives of this practice, though very relevant for policy, is yet to emerge.

Cameroon is characterized by vertical administrative arrangements that interfere with the operations of the municipal authorities. These vertical administrative arrangements involve the operations of government delegates and divisional and sub-divisional officers representing the central government at the local levels. Their operations overlap with locally elected officials (mayors and deputy mayors) who are supposed to be answerable to the people. Knowledge of how many vertical administrative arrangements can moderate the effects of fiscal decentralization on governance, accountability, and service delivery at the sub-national level is entirely absent. Such knowledge can encourage the government of Cameroon to clean up and clearly define the legal framework relating to decentralization, which according to the World

Bank (2012), is overlapping and does not dissociate decentralized functions from 'deconcentrated' operations of the central government.

Knowledge Gaps on the Effects of FD on Economic Stability and Economic Growth

The literature on the effects of FD and economic stability emphasized that fiscal decentralization, especially revenue decentralization, has favorable implications on economic stability - surrogated by inflation (David King & Yue Ma, 2001; Neyapti, 2003; Martinez-Vazquez & Mcnab, 2006; Bijimi, 2008). The literature also underlined the mediating or accompanying effects of central bank independence and local accountability in enhancing the economic stability effects of fiscal decentralization (Neyapti, 2003). Studies on the impacts of fiscal decentralization on the balance of payment in SSA are still rare. Centralization of taxing powers in Cameroon has been for ages, but no study has provided evidence on the implications of this seasoned practice on economic stability.

Evidence from this strand pointed to the fact that FD can slow down economic development because of a biased system of revenue sharing and the centralization of taxing powers. The high centralization of taxing powers has a major implication in reducing the potency of revenue decentralization in spurring economic development, making expenditure decentralization appear more important in driving economic development in SSA. Since Cameroon entered the operational phase of fiscal decentralization in 2010, research that provides informed knowledge on the revenue-sharing systems that can promote local accountability is still at a large gap.

Knowledge Gaps on the Effects of FD on Poverty, Inequality, and Wealth Redistribution

In this strand, studies have portrayed contradicting results in relation to the effects of fiscal decentralization on poverty and inequality. Some indicated that fiscal decentralization leads to regional disparities in less developed countries due to bad governance and high levels of taxes. Others noted that fiscal decentralization leads to a reduction in income inequality. Some postulated that fiscal decentralization reduces poverty and ameliorates the wellbeing of citizens, while others held that it leads to an increase in poverty. However, literature supporting these benefits holds that public policy objectives of fiscal decentralization will be boosted under the conditions of effective financial autonomy at the sub-national levels.

It has been over ten years since Cameroon entered the operational phase of its decentralization; it is time to look back and take stock of the situation of financial autonomy (revenue and expenditure responsibilities) in the local government areas. Though absent, knowledge of the local authorities' perceptions of their desired autonomy in financial and administrative matters is very policy potent.

Knowledge Gaps on the Effects of FD on Local Revenue Generation & Equalization

Knowledge reviewed in this strand is unanimous on the position that fiscal decentralization boosts local revenue generation (tax revenue and nontax revenue). The World Bank (2012) indicated that a larger share in the rents (rents on government properties, such as government land, housing etc.) accruing to the local governments would induce them to preserve the sources of the rents. This indicates that the revenue-sharing system may have an important bearing on the local authorities' motivation to generate revenue.

More than eleven years (since 2010) after the effective transfer of competence and resources to councils, it would be policy relevant to understand how central government transfers enhance local revenue mobilization in councils that share the same political affiliation as the ruling party compared to those that do not. Such knowledge is still absent.

The central government of Cameroon so far has made remarkable moves toward revenue transfers to support local government operations, but these transfers are often delayed and deemed inadequate. The new bill on the general code of local and regional authorities in its Book 3, Section 150, indicates that in addition to local councils' own resources, the council may request assistance from the state, its population, civil society organizations, and other local authorities. Section 11 and Section 150 of this bill give the local council some latitude in raising freely needed resources using justifiable means to keep with the laws in force (Government of Cameroon 2019). With the new bill on decentralization in Cameroon, the local councils now have more social, economic, and infrastructural responsibilities (Government of Cameroon 2019), and according to UN-Habitat (2017), in many countries, increased local responsibility has not been accompanied by a proportionate increase in local financial resources. Thus, studies that point to new ways of generating supplementary financing at the local level in Cameroon to match these increased responsibilities are policy relevant.

Challenges of Fiscal Decentralization in SSA and Cameroon

Increasing demands for a greater local voice in spending decisions and accountability demands on how local tax revenue is used have made FD an imperative policy for most countries in SSA. Most local governments' performance is inevitably associated with their fiscal role, thus giving a clear empirical justification for the need to investigate the challenges of FD in SSA.

Brown *et al*. (2014) have linked the challenges of FD to the lack of local capacity, corruption, fiscal imbalance, recentralization, and internal conflict. The IMF report (2018) on fiscal decentralization equally highlights some major issues around its setbacks in most SSA countries. According to this report, FD is slowed down by the fact that many subnational governments lack the capacity for budgeting, monitoring, and reporting fiscal developments. Also, financial irregularities, poor mastery of the system, administration challenges, and lack of harmonization between the national and local governments slow down FD implementation. Lastly, most SSA countries' allocation and prioritization of public expenditure remain problematic. This is evident in the persistent reallocation of public expenditure, thus questioning the preparation of a realistic budget at both the national and local levels.

A basic structural challenge of FD programs in most developing countries has been the functioning of local government under the direction of fairly bureaucratized, often competing, and poorly co-ordinated central agencies with a direct stake (loss of power) in decentralization (Smoke, 2000). Therefore, subnational governments tend to have little flexibility to make spending decisions due to a deconcentrated rather than a devolved system of government. Just like in other SSA countries, the challenge of implementing a clear-cut distinction between the central and the local government makes it difficult to ascertain the level of financial and administrative autonomy at sub-national levels in Cameroon.

The goodwill of the Cameroon government to promote FD is vivid in the national reform law N° 74/23 of December 5, 1974, and the 1996 constitution defining the policy of implementation of decentralization in the country. Despite the goodwill in this law and subsequent legislation, the visible shortcomings of FD are related to the fact that Cameroon lacks an effective strategy and an operational plan for fiscal decentralization. Ndue (1994) posits that the main dimensions of fiscal decentralization in Cameroon are expressed through the level of council resources, evaluation of services rendered, the effort of equipment and its financing, the ability of the local council to raise funds, and its level of indebtedness. Despite the above seemingly numerous sources of finances and effective FD indicators, local governments in Cameroon face practical problems such as a lack of administrative capacity to collect revenue and prepare budgets and investment plans (Ndue, 1994).

Other practical issues which are derogatory to FD in Cameroon include (i) Uncertainties in the legal framework of the Cameroon decentralization policy itself, which are evident in the fiscal role conflict between deconcentrated ministerial departments and the decentralized entities at local levels. (ii) Insufficient revenues for local governments, given that the 2004 laws and subsequent degrees on the orientation of decentralization increase the responsibility of local governments without a matching increase in local financial resources. (iii) Budgeting and accounting constraints as Cameroon's local councils are, to an extent, very dependent on central governments for resources regulated by the Fund for Equipment and Mutual Assistance to Councils (FEICOM). This constraint makes the local government to play a relatively minor role in the national economy as it can only account for a modest percentage of public sector revenue and spending. (iv) Poor fiscal coordination and administration from the central government in the case where grants and subsidies are sources of revenue for the local government. This is because no agency is put in place to monitor transfers from central ministerial government to local councils. This could lead to corruption and embezzlement of funds for local development. Again, the municipal authorities are not accountable to the local population.

The plethora of challenges facing local governments in SSA countries, in general, and Cameroon in particular, has limited the impact of their fiscal behavior. The result has been that local governments in many SSA countries remain relatively modest players in the overall public sector fiscal scene. There is, therefore, a need for a shift in paradigm if local governments of SSA countries have to add impetus to their financial or fiscal role. Local governments have to move from being dependent only on taxes related to economic activity (agricultural, local businesses, and markets) to more stable wealth-based taxes (land and property) and charges (for example, water and sewerage). In the case of Cameroon, the margin of the fiscal action of local councils is very limited as the control of resources is only carried out partially concerning the establishment of the base of taxation as well as a collection of revenue destined for councils. However, independently of the challenges mentioned above, the results obtained from the implementation of fiscal policies in each SSA country would largely depend on how the mobilized revenue is being used. Better management of available funds would avert the shortcomings noticed between budget estimates and the results of local government administrative accounts, thus enhancing their fiscal capabilities.

Agenda for Future Research in Cameroon

The strands of knowledge reviewed above present the agenda for future research. This presentation style, as intimated earlier, allows the researchers to produce strand-specific and inter-strand perspectives for future research in the areas of fiscal decentralization and intergovernmental fiscal relations in Cameroon.

Research Agenda on the Effects of Fiscal Decentralization on Governance

According to the World Bank (2018), local governments in Cameroon have little ability to generate needed resources given that the deconcentrated services of government collect the most important taxes. Given the manifest political will to have decentralization work in Cameroon and the centralization of meaningful tax resources, research to provide informed knowledge on the *type of tax autonomy desired by local authorities is policy relevant*. If implemented, such research can improve good governance and accountability at the local and national levels in Cameroon.

Cameroon's decentralization process is interlocked with vertical administrative units (prefecture, sub-prefecture, ministerial delegations) at the local levels. It will also be policy relevant to *investigate whether or not these vertical administrative arrangements affect the relationship between fiscal decentralization and governance in Cameroon*.

Research Agenda on the Effects of Fiscal Decentralization on Economic Stability and Economic Growth

The significant agenda for future research in this strand is anchored on the centralization of fiscal resources in Cameroon. For ages, the centralization of fiscal power in Cameroon and transfers from the central government to the local government remained limited (World Bank, 2018). However, until now, no study has provided *evidence on the implications of this seasoned practice on economic stability in Cameroon*.

The second agenda for future research is based on the resource constraints faced by most, if not all, local government councils in Cameroon. It is commendable to indicate that because of these resource constraints, some city councils in Cameroon have pursued innovative sources of external financing: (1) Bank loans and loans or grants from FEICOM (Fonds Spéciald' Equipment et d'Intervention Intercommunal); (2) leveraging private funding for investments such as issuance of municipal bonds, which the Communauté Urbaine de Douala pioneered in 2005 through a 7 billion Franc CFA bond issued at the Douala Stock Market; (3) Public-Private Partnerships, which three city councils in Cameroon (Douala, Yaoundé, and Bamenda) now have PPP structured projects in public transport, markets, and bus-station construction; and (4) The fourth external source which Douala city council has also initiated is the launch of the Société Métropolitained' Investissement de Douala which is seeking to publicly raise 10 billion Franc CFA in capital for investment in infrastructure projects in the city.

However, with the centralized nature of Cameroon, these external sources of funding require pre-authorization by the central government, making the alternative to source external funding highly conditional. This way, research that addresses the following policy-relevant questions is relevant:

i) *What type of funding autonomy is desired by local government councils in Cameroon?*

ii) *What revenue-sharing formula is suitable for Cameroon's economic development?*

iii) *What revenue sharing system can spur internal revenue generation efforts and learn lessons to pick from?*

Research Agenda on the Effects of Fiscal Decentralization on Poverty, Inequality, and Wealth Redistribution

From the works of Peterson (1994) and Tendler (1997), stress can be on the importance of decentralization for poverty reduction. SSA countries have been marked with high poverty rates, inequality and unequal distribution of wealth. In Cameroon, these effects are lightly felt and could be accounted for by bad governance.

Based on the knowledge gaps identified in this strand, it will be necessary to increase the shares of central government revenue transfers to local government and agencies put in place to control the execution of these revenues to reduce bad governance. The research agenda should therefore focus on answering the following questions:

i) *What percentage of shares of central government revenue transfers to local communities is necessary to reduce poverty and inequality?*
ii) *What agency and criteria should be put in place to control the execution of these transfers? Worthy of note, such an agency should be centered on addressing all ills of bad governance.*

Research Agenda on the Effects of Fiscal Decentralization on Local Revenue Generation & Equalization

Over the years, central government grants on local own-source revenue have increased in Cameroon, ranging from 2.57 percent in 2008 to 3.5 percent in 2014 to about 5 percent in 2017 (World Bank, 2018). Despite these increases, Association Internationale des Maires Francophones (AIMF) argues that it is limited and advocates that this amount should be increased to at least 10 percent. Moreover, the distribution of revenue is ensured by FEICOM and is often dependent on the wealth level of the councils. This highlights the importance of equalization as there is often no transparency in the mechanisms/formula for sharing centrally collected/earmarked revenues among local governments. To resolve this problem, the governing body, on the one hand, and the distribution body, on the other, could refer to the 2012 World Bank study on fiscal decentralization in Cameroon, which made several recommendations on how to overcome this.

Specifically, research that addresses the following question and concern would be policy important:

i) *How do central government transfers enhance local revenue mobilization in councils which share the same political affiliation as the ruling party compared to those that do not?*

ii) *Studies that point to new ways of generating supplementary financing at the local level in Cameroon to match the increased responsibilities due to decentralization are still rare.*

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