Policy Research Institute of Market Economy

آزاد معیشت۔ خوشحال پاکستان

Paradigm shift in institutional structure of resource distribution and assignment of taxes

By Idrees Khawaja

PRIME POLICY PAPERS

Paradigm Shift in Institutional Structure of Resource Distribution and Assignment of Taxes

By

Dr. Idrees Khawaja

The author is the Dean of Air University School of Management, Islamabad

Disclaimer

The views and opinions expressed in this article are those of the authors and do not necessarily reflect the views of PRIME Institute.

ABSTRACT

This paper argues for a paradigm shift in assignment of tax bases. The decentralization of tax bases currently assigned to the federal government will increase the net revenue collected at the national level. The decentralization of tax bases will reduce the magnitude of transfers from the federal government to the provinces however transfers cannot be done away with altogether. Transfers from the federal government to the provinces are undertaken through the National Finance Commission which is constituted every five years decide upon the distribution of national financial resources among the center and the provinces and among the provinces. The NFC has faced deadlock several times during the past 65 years. To take care of the deadlock over distribution of national financial resources, this paper first offers an alternate institutional mechanism to make a decision on a resource distribution.

1. Redesigning the institutional mechanism for distribution of resources among constituents of federation

In Pakistan, the decision on distribution of National financial resources, among the constituents of federation is taken under the auspices of the National Finance Commission which is constituted every five years. If the practice of announcing NFC awards was religiously followed by now Pakistan should have had 14 awards since independence in 1947, however we have only seven so far – the rest could not be announced primarily due to deadlock among the provinces sharing of the divisible pool of resources. The deadlock arises because the structure of NFC is unanimity based i.e. all provinces and the federal government must agree on all the decisions to be taken - share of population is 82%, if one province demands a weight of say 78% for population in the next NFC then we will have a deadlock. Therefore we need to have a structure which is not prone to deadlock.

In a charged political atmosphere where the three smaller provinces out of a total of four feel deprived, unanimity based structure is the correct choice however still evolving a structure that would help break the deadlock without taking away the essence of unanimity is possible. The following structure is proposed:

A better institutional structure for revenue sharing would be one where the merit based award based on expert opinion and the unanimity based structure can supplement each other. Before I venture to discuss an alternate institutional mechanism for distribution of resources in Pakistan, a review of mechanisms practiced in other countries is in order.

2. Literature review: Resource distribution

Several practices are in vogue for transfer of financial resources from one tier of the government to another. Transfers are either block unconditional or conditional. Both formula-based and discretionary transfers are practiced by different countries.

Like Pakistan, Canada transfers money to provinces unconditionally but unlike Pakistan only such provinces receive money from the federal government whose revenue raising capacity is below the national average – but then the assignment of taxes is such that a number of provinces manage to generate revenues for all their fiscal needs i.e. revenue generation is highly decentralized. The share of provincial own-source revenue stands close 80 percent. It is this kind of decentralization that allows some provinces to manage without equalization transfers from the federal government. India uses a gap-filling approach. First the States are allocated share in the federal revenue based on a certain formula. Next the difference between States budgetary expenditures and revenues is filled by the federal government through grants-in-aid. The gap-filling approach discourages the States to raise own-source revenue and is a source of inequity as well. Moreover this call for close coordination among the federal and state governments in developing budgets and also to an extent limits the budgetary freedom of the states.

In Australia fiscal equalization is very comprehensive and takes into account all the circumstances due to which the cost of service delivery may vary across states. The factors considered include but are not limited to metropolitan nature of a city, the rural nature or remoteness of a location. In the Australian system of fiscal equalization if a state's differential per capita expenditure is believed to be beyond the expenditure needs of the state then the state receives funds from other states/central government – this is akin to the rationale behind the criterion of Inverse Population Density included in Pakistan's formula based horizontal fiscal equalization. The Australian system requires large data across states at a very level of disaggregation. The Australian fiscal equalization programme has earned criticism on grounds of complexity and efficiency.

In the United States, unlike other federal countries, there is no general form of revenue sharing. However around 600 grant programmes exist for state and local governments. The different forms in which grants are provided include project, categorical, and block grants. While some grants have matching component, others have structured formulas. Barring federal transfers for some specific purposes, the overall grant system is small relative to other countries. Though a degree of equalization is built into grant programmes, however, in general, the intergovernmental transfers do not aim at equalization despite wide differences in taxable capacity across states. In Germany, the intergovernmental transfer system is highly egalitarian. The unique feature of the German system is that richer states transfer money to the poorer states. In practice, the states, whose taxable capacity is below the national average, receive transfers from the states with taxable capacity above the national average. The transfer programme is designed in a manner that fiscal capacity of the below-average state is brought to 90 percent of the national average. These interstate transfers are unconditional. The transfers from the federal governments to the provinces typically attempt to equalise fiscal capacity and in some cases fiscal needs as well (United States is an exception). The amount of transfers in a number of countries is determined on the basis of some formula. Indicators like population share, poverty, demographics, fiscal effort 54 Khawaja and Din and population density are typically used to determine fiscal needs and capacities. 'Population share' is not considered a good indicator of fiscal needs and is used only in a handful of countries. Even the countries that use population share as the criterion for revenue distribution typically accord a rather low weight to it in the distribution formula e.g., India. Nigeria, with transfers based solely on the basis of population, is an exception. Pakistan, with 82 percent weight for population share, stands close to Nigeria. Transfers are also used to achieve certain national objectives, for example, education and healthcare for all. One of the typical characteristic features of the transfer programmes is the use of conditional and matching transfers for the provision of healthcare, education and social security. The use of conditional/matching transfers for these services reflects the importance attached nationally to the provision of these services. The aim is to provide the specified services to all up to a certain minimum level defined by the society. Such choices are made through a variety of collective choice mechanisms such as voting for electoral promises of the political parties/candidates. In Canada, besides the equalisation transfers, the other major forms of transfers are the equal per capita transfers which are nominally divided into two components—the Canada Health Transfer (CHT) and the Canada Social Transfer (CST) which include welfare and post secondary education. Only minimal conditions are attached to the payments. To be eligible, the provinces cannot impose residency condition on welfare payments and health insurance programmes have to follow general criteria including access, affordability and comprehensiveness. In Australia, huge transfers from the federal government to the states are made under the special purpose programmes (SPPs). These SPPs are intended to support the implementation of some national priority and these are in addition to the transfers from the united pool of funds determined in the manner described earlier. The largest SPPs are in the areas of education, health, social security, transportation and housing. SPPs constitute a significant proportion of the total assistance from the federal government to the states. This proportion has varied from 25 percent of the total federal assistance in early 1970s to 50 percent in 1990s. The majority of the SPPs are subject to conditions—the conditions designed to ensure the achievement of national objectives. These conditions include general policy conditions that the amounts so transferred be spent on designated purposes only. Sometimes the transfers require matching expenditures from the state's own sources for the same purpose. Such grants are determined through bilateral negotiations between the federal government and the concerned state as well as negotiations at some forum where all states are represented. In the United States, grants for health and income security constitute the major purposes for which transfers are made to the state and local governments. These grant programmes are discretionary at the national level and are determined through the annual budget process. The interstate highway system is financed jointly by the federal and state governments with federal government typically funding 90 percent of the construction cost. Other major grant categories include education and transportation. In South Africa, in recent years the share of conditional specific purpose grants, which are discretionary in nature, have exhibited sizable growth in the total transfers to the provinces. The discretionary nature of the conditional grants has made the transfers system less transparent.

3. Alternate Institutional structure for distribution of resources

Based on practices prevalent I other countries and the ground realities observed in Pakistan, especially the deadlock in NFC, I suggest that a two-tier institutional structure may be set-up in Pakistan to design revenue sharing among the constituents of the federation.

The proposed two tiers are:

(i) A body of experts, and
(ii) and intergovernmental forum.

3.1 Body of Experts: The lower tier:

a. The experts' body (body for short, hereafter), comprising fiscal experts, practitioners as well as academicians, may constitute the first layer of this two-tier structure.
b. Experts may be selected without regard to provincial affiliations and they would be full time/part time employees of the body.
c. The body would have the mandate to recommend the sharing of the divisible pool and to determine the revenue sources that should comprise the divisible pool – preferably all revenue sources should be part of the divisible pool.
d. The experts' body would recommend the assignment of specific revenue sources to the federal or provincial government.
e. The body may also recommend the sharing of specific the tax bases, in a certain proportion, between the federal government and provinces.
f. The body would have resources to conduct or commission research on the issues under consideration as well as to make use of existing research available on the subjects.
g. The body will commence its task two years before an Award is due and will have 16-18 months to conduct research, deliberate upon possible options and then make its recommendations.
h. The experts' body should send its recommendations to the upper tier, the intergovernmental forum.
i. The recommendations of the body would carry detailed justification, in their support especially if the advice deviates from the established formula
j. The recommendations should be made public to encourage debate on the subject through multiple forums.
k. The experts' body will not follow the unanimity principle that has caused deadlock in the past in the NFC.
l. The notes of the dissenting members would form part of the independent agency's report.

3.2 Intergovernmental Forum: The Upper Tier

- The upper tier, the intergovernmental forum, will comprise the federal and provincial ministers of finance only.
- The experts need not be on the forum because they would have already contributed while serving on the 'body of experts'.

- The forum would review the recommendation of the body and may or may not accept all or some of these.
- The forum would pay due regard to the political factors and other sensibilities that the independent agency would not have taken into account.
- More over the forum will also take into consideration the public debate on the recommendations of the body.
- If the forum decides not to accept some or all of there commendations of the body, the forum and its individual members would have to offer their reasons or justifications for their point of views.
- Once the upper tier has finalized its recommendations, the process that is being currently followed after the finalization of the recommendations of the NFC may be followed to announce the Award

The two tier structures will be an improvement over the present system for the following reasons:

a. The experts drawn without regard to provincial affiliation would serve as a judge and are less likely to take a biased position.
b. The experts being paid employee of the body will does their job according charter of the body rather than lobby for provinces.
c. The fact that recommendations will be debated publicly will induce members of the body to take offer sound recommendations.
d. The reliance of the body on research will make it difficult for the body to take unjustified position, for members of the body as well as for the intergovernmental forum.
e. The recommendation would have attracted sufficient debate by the time intergovernmental forum makes a decision.

4. Paradigm shift in resource distribution: Assignment of all or most taxes to provinces:

Tax collection in Pakistan is rather low moreover the tax collection is also highly centralized with most of the better yield tax bases, like income tax, corporate tax and custom duties assigned to the center. The question is: if the better yield taxes were to be devolved to the provinces, would this increase aggregate national tax collection. I argue that the answer is, yes! Moreover pursuing decentralization in the assignment of taxes conforms to spirit of greater provincial autonomy envisaged under the 18th amendment.

In the context of decentralized revenue generation, the primary policy question to be addressed is whether the federation should collect a larger part of the revenues and then distribute it among the federating units for their fiscal needs or the federation should let the provinces generate revenue themselves and allow them to look towards the Center only for equalization funds (i.e.

the funds required to meet the fiscal needs of those provinces which do not have the capacity to generate revenue themselves). I take the latter view.

The main argument in favour of decentralized revenue collection is that with the provinces enjoying the incentive to retain a part of what is collected they are likely to put in a greater effort to collect more. Decentralization of tax bases could be achieved either by transferring high yield tax bases altogether to provinces or by sharing such tax bases with the provinces. Though the theory does not unambiguously favour sharing of a single tax base among different tiers of the government still some developed countries are successfully sharing broad base taxes like the personal income tax and the tax on corporate profits with subnationals i.e. both levels of government levy tax on the same tax base. In Pakistan the federal and provincial governments share all the tax bases but not through a share of each in the revenue from a specific tax base but through the NFC. Allowing the province a share in a specific tax base and also allowing it to collect entire revenue in a province from that base, will encourage the provinces to put in greater effort to collect – because the more they collect, the more they will retain. Such a mechanism will also solve the free rider problem because the province which fails to make revenue generation effort will be short of money to meet expenditure needs, this is especially true in a scenario where the provinces cannot create/print money and can borrow only under restrictive conditions.

I suggest that the federal government in Pakistan should reduce its tax rate on corporate tax and personal income tax to make room for the provinces to tax these bases. For example if the federation reduces the tax rate on corporate profits to 25 percent from the present rate of around 32 percent, the provinces can levy tax at the rate of 7 percent on corporate profits. The revenue loss to be incurred by the federation may be made up by reducing the transfers to provinces under the NFC award, with the province endowed with greater revenue generation capacity facing the larger cut. It is expected that the increase in revenue generation due to transfer of tax bases referred above to provinces from would be greater than the revenue loss incurred to by the federation. This would contribute to improvement in the national tax to GDP ratio. The federal government may collect the two taxes as agent of the provinces against a specific charge.

I fully recognize that due to the differences in endowments, initial conditions; like state of availability of human capital and the geography etc. access to revenue generating opportunities is not likely to be the same across provinces. However the solution to the differential access to opportunities is not the transfers from the federal government for all the fiscal needs. The better option is to let the provinces mobilize revenues to their potential and then fill the gap through strong fiscal equalization programs. To make the provinces stand on their own feet, the magnitude of transfers would have to be reduced and broad based tax bases would have to be put at the disposal of the provinces or shared between the federation and the provinces.

The tax bases to which the federation and the provinces presently have access are given in the table below:

Tax bases assigned to federation and provinces

Federal Taxes	Provincial/District Taxes
Direct Taxes	**Direct Taxes**
Personal Income Tax	Land Revenue
Corporate (Profit) tax	Urban Immovable Property Tax
Indirect Taxes	Tax on Transfer of Property
Sales Tax (GST on Goods)	Agricultural Income Tax
Custom Duties	Capital Gains Tax
Excise Duties	Tax on Professions, Trade and Callings
	Indirect Taxes
	Motor Vehicle Tax
	Stamp Duties
	Entertainment Tax
	Provincial Duties
	Miscellaneous Duties
	Sales Tax (GST on services)
	Royalties on natural resources*

Royalties on natural gas and hydel power generation do not strictly constitute taxes but are important revenue source for Baluchistan, Khyber Pakhtunkhawa and Sindh.

I propose another radical innovation: The yield from agricultural income tax, a tax assigned to provinces, is abysmally low in Pakistan. The federation and the provinces are unlikely to muster the political will to tax agricultural income effectively given a significant role of landed elites in politics. I this scenario it may not be imprudent to devolve agricultural income tax to the lowest administrative tier of the government - the union councils. I hope that in the thousands of union councils that we have there would be some elected officials who would not be relying on the support of the landed elites to retain their office – and one off ‘ordinary person’ winning the local bodies elections lends support to this hope. These people with roots in public shall have have will required to levy tax on agricultural income. The levy by one council will induce the other to follow suit. Moreover the right to retain the revenue generated will serve as attractive bait for the resource starved union councils. It is worth mentioning here that land revenue, the namesake of agricultural income tax, under the British rule over the Indian sub-continent, has historically been with the local bodies and not the provinces and that the land revenue was the main revenue source for the government. Apprehensions notwithstanding, there is not much to be lost in making the experiment because the revenue actually generated from agricultural income tax is currently negligible.

Theoretical Rationale for Decentralization of Tax assignment

The theory of decentralized tax assignment addresses issues like; the optimal vertical structure of taxation, assignment of taxes to different tiers of government and tax tools to be used by the different tiers.[1](Ambrosano and Bordinon, 2006). The literature suggests two extreme positions and a unified framework recently propagated by (Ambrosano and Bordinon, 2006) which attempts to assess the usefulness of the insights furnished by different theories. The two extreme approaches are the normative approach advocated by Musgrave (1959) and Oates (1972) and the public choice approach propagated by Brennan and Buchanan (1980). Musgrave classifies the economic functions of the government into three categories; resource allocation, macroeconomic stabilization and income redistribution. As macroeconomic stabilization and income redistribution have spillover effects therefore these functions, it is argued, should be performed by the central government whereas resource allocation can be performed by all levels of the government. Under the normative approach the personal income tax and corporate taxes should be assigned to the central government as these are good instruments for stabilization as well income redistribution. Regarding allocation, the subnationals should focus on benefit taxes i.e. the individual who benefits from a service should pay. Guidelines of the conventional approach regarding local tax assignments include; the subnationals should levy taxes on relative immobile tax bases to avoid damaging tax competition among the subnationals. Because if the subnational X was to chooses a mobile tax base[2], like the tax on corporate profits, and the rate structure thereon then the subnational Y may offer a lower tax rate to attract the tax base to its own geographic jurisdiction. This kind of fiscal war can drive down the tax rates very low across jurisdictions leading to what the literature refers to as ‘beggar-thy-neighbor’ policies or ‘race to the bottom’. The conventional approach also suggests that the subnationals should use only such type of taxes which have a relatively stable yield to avoid forecasting and planning problems. Finally the subnationals should levy taxes on bases distributed relatively evenly across jurisdictions to prevent horizontal fiscal imbalances.

The normative approach has been criticized on various grounds. First, it assumes that the governments and politician are benevolent and maximize social welfare. In practice the governments and the politicians may seek rents. Under centralized revenue generation the politicians at the helm of affairs in the center may spend more in their own electoral constituency

[1]Tax base implies the source upon which the tax is to be levied. For example for income tax the base is ‘income’.

[2]Tax bases which may relocate from one geographic jurisdiction to another. For example land is an immobile tax base while a construction firm mostly all firms are mobile.

rather than distribute fairly. The demand for new provinces in Pakistan has roots in this kind of grievance. Second, the theory only poorly explains the observed assignment of taxes in the real world. For example some countries, like Canada have either successfully devolved to the provinces or are sharing the mobile tax bases like the tax on corporate profits without generating, fiscal competition among the provinces. The practice shows that institutions, like the 'harmonized tax agreements', can be developed to avoid the fiscal competition. Moreover much against the prediction of the normative theory the subnationals do successfully engage in income distribution and do not always make use of benefit taxation. Finally, it is argued that the theory completely ignores the political bargaining and the role of the interest groups that goes into government's decisions and actions.

In the Brennan and Buchanan approach the government (including politicians, bureaucrats and dictators) is considered non-benevolent, they attempt to maximize tax revenues from the private sector to maximize their spending power. To avoid the excesses of the Leviathan[3] (i.e. large government) Brennan and Buchanan argue for encouraging tax competition within the subnationals to restrain the tax design and budget size of the governments. If one were to apply the Brennan and Buchanan framework then, contrary to postulates of the normative theory, the subnationals would be encouraged to impose tax on mobile tax bases. As in the Tiebout model competition imposes limits on the power of the government to expropriate citizens because people 'vote with their feet' i.e. migrate from less attractive geographic areas to more greener pastures — attractive in terms of high service delivery and low tax burden. The Brennan and Buchanan model is criticized on the ground that in practice governments are not as monopolists as is assumed in the model. Moreover tax competition can lead to serious distortions in the economy in the shape of beggar-thy-neighbor policies. Finally evidence in favour of the Leviathan hypothesis is at best mixed [Ambrosano and Bordinon, (2006)].

Winer (2000) rejects the two approaches outlined above to argue that the observed tax assignment in a federation is the result of struggle between the different tiers of the government to raise their respective share of the taxing power. Ambrosano and Bordinon (2006) argue that while the Oates and Musgrave are concerned with solving the benevolent social planner's problem the Brennan and Buchanan are focused on limiting the 'predatory appetite' of the

[3]The literal meaning is sea monster. The word 'Leviathan' is used in public policy literature to refer to a government that has vast powers. Typically, in public policy literature this reflects a government that spends too much however occasionally 'Leviathan' is also used to imply the vast authority of the government that might be used for personal advantage.

Leviathan. Both the models, argue Ambrosano and Bordinon, are static and do not explain the observed assignment of taxes in the economy.

Ambrosano and Bordinon (2006) begin their unified approach with a simple case where there are no differences across jurisdictions; regions are identical in terms of population, resources, preferences and income of the resident individuals. It is further assumed that factors are completely immobile across regions. Ambrosano and Bordinon argue that in this highly abstract world there will be no role of local taxation or even local governments as all decisions can be taken by the central government without any risk of inducing discrimination across regions. They further argue that even in this abstract world creating several jurisdictions rather than relying on a single one would pay if those in charge of governance are not uniformly benevolent or competent across regions. In this case creating several regions would allow the citizens to compare the quality of their governments.

After considering the abstract case, Ambrosano and Bordinon relax the assumptions of the abstract economy one by one. Relaxing the immobility assumption, the authors point towards the conventional wisdom that the mobility of agents induces inefficiency in spatial allocation of agents and therefore yield sub optimal equilibria. They argue the conventional wisdom may be reversed if the rulers are non-benevolent or if political failures of other kinds occur. For example tax competition among jurisdiction may be beneficial if the rulers are Leviathans i.e. spend too much. Competition might also be beneficial if politicians are benevolent but are unable to commit, for example, due to uncertainty of their tenure or due to reliance on unstable ruling coalitions.

Finally Ambrosano and Bordinon, (2006) relax the assumption of homogeneous preferences and argue that if preferences are heterogeneous across jurisdictions then tax rates would have to be different. For example if region X wants more public goods than region Y, then those residing in region X will have to pay more tax as well. The benefit-taxation (e.g. user charge) is the main instrument to solve the allocation problem and address the issue of heterogeneity of preferences across regions. Ambrosano and Bordinon, (2006) argue that if subnationals also offer essential services like health and education which have a redistributive content as well then there is little justification for refusing to assign personal income tax to the subnationals as this is the main tool used to finance these services.

Assignment of taxes: Levels of government

The traditional theory of taxation put forth by Musgrave and others suggests that the subnationals should impose benefit taxes. These benefit taxes would come as charges or quasi charges payable by the beneficiary of the public services. The main economic role of the subnationals, as discussed earlier, is allocation of resources and the benefit taxation efficient resource allocation

(McLure 1999b, p.14). There are two hurdles in the way of implementation of benefit taxation. First user charges and user fee cannot yield enough revenues to meet all the expenditure needs of the subnationals. Second, the subnationals perform redistributional functions as well which cannot be catered with benefit taxation and lastly, but more importantly, the public goods produced by the subnationals generate generalized benefits which cannot be closely related to specific beneficiaries.

Overall the desirable features of subnational taxation drawn from literature are; should promote efficient resource allocation, should not encourage tax-exporting[4], should avoid predatory competition, should not produce vertical and horizontal fiscal imbalance and should be easily administered and enforced. [see Ambrosano and Bordinon, 2006, Shah, (2007)]. The principle of economic efficiency suggests that taxes on mobile tax bases[5] should preferably be with national government. If mobile tax bases are decentralized the sub nationals might engage in socially wasteful competition to attract the tax bases, leading to what is referred to as race-to-the-bottom or beggar-thy-neighbor policies. Tax bases that are redistributive in nature should also be with the national government because otherwise the subnationals may attempt to attract high income people and repel the ones with low income. To minimize administrative and compliance cost taxes should be levied at such tier of the government which can monitor the tax assessment better at the least cost. To ensure accountability it is essential that revenues should be matched with expenditure needs. It is clear that at times there is trade off involved in observing these principles e.g. the desire to lower administrative costs may require that most of taxes be with the central government thereby compromising on accountability aspect of revenue generation.

Conclusion

Despite some skepticism against decentralization of tax assignment it is clear that decentralization offers several advantages, like greater revenue collection and more accountability, which a number of countries are successfully reaping. It is therefore suggested that high yield tax bases, like personal income tax and corporate tax, be shared between the center and the provinces. The possibility of retaining greater amount will induce provinces to make a greater effort to collect more. Moreover the competition among provinces is also likely to increase collection. The net result will be that the sum of collection of the four provinces will be greater than the preset-day collection of the federal government.

[4] Tax levied on production of goods in one region is largely paid by the residents of other regions because the good is consumed in regions other than where it is produced e.g. Oil

[5] Tax bases which can relocate itself to avoid excessive taxation e.g. labour or some type of firms.

A criticism against the above referred proposal could be that this would require greater fiscal equalization, as smaller provinces that have will little economic activity will not be able to generate enough to meet their own fiscal needs. Even if this is true, still the possibility of provinces making a greater effort than FBR to collect more will makes the proposal worth consideration. The fears regarding smaller provinces (Balochistan and KP) being at the receiving end can be taken care of by guaranteeing a minimum of what the provinces are getting now for the next ten years – transfers to the smaller provinces will off course be financed by the transfers from larger provinces (Sind and Punjab) to the federal government. This system is analogous to the ‘haves’ and ‘have-nots’ concept used in a number of countries.

Bibliography

Ambrosania, M.F., and Massimo Bordignon (2006) Normative versus Positive Theories of Revenue Assignments in Federations.In Ehtisham Ahmad and Giorgio Brosio (eds.) *Handbook of Federalism.* Cheltenham, UK: Edward Elgar Publishing.

Bhal R., Sally W. and Musharraf C. (2008) The Challenges of Intergovernmental Fiscal Relations in Pakistan: Property Tax Dimension. International Studies Program, Working Paper 08-25.

Boadway, Robin (2007) Canada. In Anwar Shah (ed.) *A Global Dialogue on Federalism.* Vol. 4, Forum of Federations and iacfs, Montreal: McGill-Queens University Press.

Dafflon, Bernard (2006) The Assignment of Functions to Decentralized Governments: from Theory to Practice. In Ehtisham Ahmad and Giorgio Brosio (eds.) *Handbook of Federalism.* Cheltenham, UK: Edward Elgar Publishing.

Feld, Lars P. and Jurgen V.H. (2007) Federal Republic of Germany. In Anwar Shah (ed.) *A Global Dialogue on Federalism.* Vol. 4, Forum of Federations and iacfs, Montreal: McGill-Queens University Press.

Epko, Akpan H. (2007) Federal Republic of Nigeria. In Anwar Shah (ed.) *A Global Dialogue on Federalism.* Vol. 4, Forum of Federations and iacfs, Montreal: McGill-Queens University Press.

Fox, William F. (2007) United States of America. In Anwar Shah (ed.) A *Global Dialogue on Federalism.* Vol. 4, Forum of Federations and iacfs, Montreal: McGill-Queens University Press.

Galligan, Brian (2010) Institutions of Federalism.In Ehtisham Ahmad and Giorgio Brosio (eds.) *Handbook of Federalism.* Cheltenham, UK: Edward Elgar Publishing.

Khumalo, Bongani and MokateRenosi, (2007) Republic of South Africa, In Anwar Shah (ed.) *A Global Dialogue on Federalism.* Vol. 4, Forum of Federations and iacfs, Montreal: McGill-Queens University Press.

Kirchgassner, G. (2007) Swiss Confederation. In Anwar Shah (ed.) *A Global Dialogue on Federalism.* Vol. 4, Forum of Federations and iacfs, Montreal: McGill-Queens University Press.

Mclure, C.E. Jr (1999b) The Tax Assignment Problem: Conceptual and Administrative Problems in Achieving Subnational Fiscal Autonomy, Washington DC, World Bank.

Ma J. (1997) Intergovernmental Fiscal Transfers: A Comparison of nine countries, Washington Dc: World Bank, Economic Development Institute.

Musgrave R.A. (1959) *The theory of Public Finance: A Study in Public Economy*, New York: McGraw-Hill.

Morris, Alan (2007) Commonwealth of Australia. In Anwar Shah (ed.) *A Global Dialogue on Federalism.* Vol. 4, Forum of Federations and iacfs, Montreal: McGill-Queens University Press.

Nambiar, Shankaran (2007) Malaysia, in Shah, Anwar (ed.) In Anwar Shah (ed.) *A Global Dialogue on Federalism.* Vol. 4, Forum of Federations and iacfs, Montreal: McGill-Queens University Press.

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

Oates, W.E. (1999) An Essay on Fiscal Federalism, *Journal of Economic Literature*, 37, 1120-49.

Rao, M. Govinda (2007) Republic of India. In Anwar Shah (ed.) *A Global Dialogue on Federalism.* Vol. 4, Forum of Federations and iacfs, Montreal: McGill-Queens University Press.

Rezende, Fernando (2007) Federal Republic of Brazil. In Anwar Shah (ed.) *A Global Dialogue on Federalism.* Vol. 4, Forum of Federations and iacfs, Montreal: McGill-Queens University Press.

Rodden, J. and Erik W. (2002) Beyond the Fiction of Federalism: Macroeconomic Management in Mutitiered Systems, World Politics 54: 494-31.

Shah, Anwar (2006) Fiscal decentralization and macroeconomic management, *International Tax Public Finance*, 13:437–462.

Shah, Anwar (2007)The Practice of Fiscal Federalism: Comparative Perspectives. In Shah, Anwar (ed.) *A Global Dialogue on Federalism.* Vol. 4, Forum of Federations and iacfs, Montreal: McGill-Queens University Press.

Shah, Anwar (2007) Comparative Conclusions on Federalism. In Anwar Shah (ed.) *A Global Dialogue on Federalism.* Vol. 4, Forum of Federations and iacfs, Montreal: McGill-Queens University Press.