Fiscal Decentralization as an Approach to Finance and Achieve SDGs in Africa[1]

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I. Introduction

Development constitutes a main concern for countries around the world to ensure better lives for its citizens. The world leaders adopted the Sustainable Development Goals 2030 (SDGs) in 2015 to be a universal Agenda aiming at ending poverty and hunger; promoting economic growth; preserving environment; fostering peaceful and inclusive societies; promoting governance, and encouraging partnerships.

Contrary to the Millennium Development Goals (MDGs), the new agenda accentuates the role of developed countries in implementing SDGs. Hence, their role goes beyond providing development assistance to developing countries, rather they would participate with the developing countries in the implementation of the Agenda. Also, the 2030 Agenda focuses on priority areas that touch upon social, economic and environmental pillars, which differs from MDGs that focused mainly on human development.

The African continent contains most of the least developed countries and a number of the developing ones. The United Nations identified 49 countries under the category of least developed countries, 33 of which are in Africa (UN-OHRLLS, 2009). The situational analysis conducted during the preparation for the Agenda 2063 in 2014 showed various challenges encountering Africa. These challenges include the high level of poverty; infrastructural deficit resulted from urbanization; unequal access to public services such as education and health; low enrollment rates in secondary and tertiary education; low coverage and quality of health services; high unemployment rates; low productivity; lack of physical Information and Communication Technology (ICT) structure; and the lack of financing capital investments (African Union Commission, 2014). These challenges urged the African leaders to adopt the 2063 Agenda in January 2015, which is based on seven aspirations and twenty goals. Seemingly, this agenda was approved prior to the adoption of SDGs. However, Agenda 2063 is not working in isolation from the 2030 Agenda, as a specialized technical committee is formed by the African Union includes ministers of Finance, Monetary Affairs, of Economy and Development Planning to work on the integration of the both agendas, and to ensure the existence of single accountability mechanism (African Union, n.d.)

However, a report on the African Economic Outlook 2016 indicates that the African external financial resources estimated with $208.3 billion recorded decline by 1.8% as compared to 2015 as a result of the declining oil prices and other commodities. This requires the governments to work towards stabilizing the financial flows and to expand the domestic revenues. Additionally, despite the progress achieved in education and health, the African countries still need to work hardly to realize the 2030 Agenda. The African governments need to work on promoting equality and capacitating institutions (African Development Bank et.al, 2016).

Localizing SDGs needs collective efforts of different stakeholders such as private sector, local governments and communities and civil society to guarantee the ownership. There are three main components of financing SDGs. First is the official development assistance that needs to expand its resources. Second is the private sector finance, which requires the governments to work on policies that contribute to conducive business climate. Third component is the domestic resources that necessitates the governments to work on tax administration and spending policies (Mohieldin, n.d.). Yet, financing SDGs remains a significant challenge for Africa. For instance, Africa needs between an incremental $200 billion and $1.2trillion each year to finance SDGs (SDGs Center for Africa, 2017).

Indisputably, domestic resource mobilization represents one of the main areas of financing SDGs, as it contributes to reducing poverty and enhancing the service provision. Therefore, world countries, in Addis Ababa Action Agenda (AAAA) on financing for development, realized the importance of domestic resources and put it as one of the main mechanisms to finance SDGs besides domestic and international private business; international development cooperation; and science, technology, innovation and capacity building. The AAAA emphasizes on strengthening the capacity of the local level; enhancing local revenue mobilization; promoting inclusive growth; supporting debt management; and promoting local participation in decision making (UN, 2015).

Fiscal decentralization is an important domain of decentralization process. It focuses on distribution of expenditures and revenues powers among the different tiers of governments. Despite the contradicting views from different researchers on the impact of fiscal decentralization on economic growth, various studies indicate that it promotes efficiency, effectiveness and transparency, which consequently leads to economic growth (Rodríguez-Pose and Krøijer, 2009). Furthermore, it has positive impact on the quality and efficiency of service provision since the local governments are closer to people and in a better place to provide services than the central governments (Klugman, 1994).

Since fiscal decentralization contributes to achieving the local priorities and the overall national objectives, it is important to question its relationship with SDGs. This paper sheds the light on the extent to which fiscal decentralization can influence financing and implementing SDGs. The first part of this paper provides an overview on the concept of fiscal decentralization and its pillars. The second part explores the expected impact of fiscal decentralization pillars on SDGs.

II. The Concept of Fiscal Decentralization and Its Pillars

In its simplest definitions, decentralization refers to the transfer of authority and responsibilities of major government functions from central to regional and local governments (World Bank, 2013). Different countries took fundamental steps to move towards decentralization. However, the drivers behind such transformation vary from a country to another based on the political, economic and social conditions. The drivers behind adopting decentralization include the need for economic transformation to reach democracy; support post-conflict areas, improve public service provision and enhance participation.

Observably, decentralization represents a mean to promote democracy, human rights and support governance. Decentralization has three forms, delegation; de-concentration and devolution. Delegation is the most unusual form that transfers power and resources of a central government to an actor to perform the work on its' behalf. De-concentration is the transfer of power and resources to central government representatives at the sub-national level. Devolution transfers central power and resources to elected subnational governments that possess some level of autonomy (Litvack et al., 1998).

There are three dimensions of decentralization. The first is political decentralization, which is characterized by sub-national elections and is most closely associated with the democracy goal. The second form is represented in fiscal decentralization that is associated with the development goal and is reflected in sub-national strategies to control and mobilize revenues and to make expenditures decision closer to citizens. The last form is the administrative decentralization seen in addressing the ability to plan, manage and control sub-national functions.

Fiscal decentralization is fundamental for any decentralization process, as it represents the public finance dimension of intergovernmental relations. It tackles the reform of the expenditure system and revenue transfers from central to local governments. The importance of fiscal decentralization emanates from the degree of fiscal empowerment to local governments, which shapes the decentralization process.

Fiscal decentralization involves four main pillars represented in assignment of expenditure responsibilities; allocation of revenue sources; design of intergovernmental transfers and structure of subnational borrowing.

The **Assignment of expenditure responsibilities** should be the first step in adopting fiscal decentralization, as it should be prior to the assignment of revenue responsibilities. Such order is required as the government should identify its expenditure needs at all levels of government earlier to revenue assignment, since the efficiency of revenue assignment needs a quite good understanding of expenditure assignment (Bahl, 1998). Also, this order is imperative to allow for proper assessment of the effectiveness of the revenue and tax assignment, in addition to the intergovernmental transfer system. There is no best way for expenditure assignment, as it depends on the nature of decentralization strategy adopted by the country. However, the proper assignment of expenditure responsibilities relies on the extent of achieving the preset goals by the government (McLure and Martinez-Vazquez, n.d).

Undoubtedly, the expenditure assignment has political cost more than revenue assignment. This emanates from the diminishing control of the central government over the expenditure budget, which alters the balance of power between central and local levels. The revenue is easy to control, as its assignment is not as much as permanent like expenditure. For instance, local taxes could be subject to the approval of the central government (Bahl, 1998).

In terms of service provision, there are some services that are very close to people, which need to be provided at the lower tier of government to ensure their efficiency and effectiveness. These services include education, health, social protection and environmental protection. The assignment of expenditure responsibilities of these services differs from one country to another. In many countries, the responsibilities are co-shared between central and local levels. For instance, in education sector, the responsibilities of building schools and developing curricula are mainly assigned to the central level of government. Moreover, in the health sector, the responsibilities of treatment guidelines, and other operational services remain at the central level (Boex and Yilmaz, 2010).

Furthermore, the clear assignment of responsibilities is fundamental for achieving local economic development, which is, despite the challenges, in a better place with a decentralized system (Khumalo, 2017). The assignment of expenditure functions allows for increasing the quality of the services provided by the local level such as, the basic infrastructure and urban development services for private sector. This contributes to a great extent to the enhancing the local competiveness and consequently the local economic development (Elena, 2014).

There is no doubt that well-defined expenditure responsibilities is needed to guarantee the institutional stability and efficient provision of service delivery. Additionally, it should be noted that the lack of formal expenditure assignment, vagueness of specific assignments and the co-sharing assignment are among the main problem facing the assignment of expenditure responsibilities (McLure and Martinez-Vazquez, n.d).

In order to finance its expenditures, the local governments depend on a variety **of local source revenues**. The assigned revenues to the local level contain taxes, user fees and rent or sale of local government owned properties. Commonly, the local governments do not have high discretion over the local revenues. Therefore, the local government with the limited discretion relies to a great extent on the central government transfers. It is worth noting that there are few countries providing high discretion to the local level in terms of revenue assignment, which indicates the strong capacity of the local government to assess and set the tax base, rate and manages the revenue collection (Boex and Yilmaz, 2010).

The effective local taxes are those locally administrated, imposed on local citizens and do not generate competition problems between local governments (*horizontal*) or between national and local governments (*vertical*). Mainly, the central government lacks the tendency towards providing the local governments with access to specific types of taxes such as, the income tax. Therefore, the local governments tend to work on property tax and user charges as main sources of revenue. However, it should be highlighted that the property tax is not able to finance key services such as, education and health. Thus, most of local governments rely to a great extent on the intergovernmental transfers (Brid, n.d.).

Taxes are always perceived as a source of revenue that contribute to the provision of public services. Establishing effective tax administration at the local level contributes to a great extent to the sustainable economic growth through opening the door for informal sector to be part of the formal one; reducing the tax evasion and supporting small and medium enterprises to grow. It is worth noting that strengthening tax systems in developing countries is crucial to lessen the dependence on the foreign aid. The developing countries are negatively affected by the tax evasion and illicit outflows, which result in a very limited fiscal space for service delivery and consequently affect the social and economic development, as well as undermine the trust between citizens and government (IMF, 2011).

The user charges are another source of local revenue. User charges include utility, market, garbage, licensing and collection fees. It represents one of the main elements that contributes to the efficiency of the local public services, as in order to provide quality public service, it should be appropriately charged (Brid, n.d.). Presumably, utilizing user charges in financing local services does not only represent a source of revenue, rather it is important to help in obtaining information regarding the nature of services that should be provided, and its quantity and quality (Brid, 2000).

Furthermore, mobilizing local resources could be done through adopting innovative financing approaches. The World Bank Group refers to the innovative financing as any financing that helps in generating additional funds for development by adopting non-traditional approaches such as, the partnership with donors and private sector; ameliorating the efficiency of the financial flows through decreasing the service delivery time and costs; and promoting result-oriented financial flows through linking funds with performance measurements (World Bank, n.d.). Different countries utilized innovative financing initiatives to enhance the local social and economic conditions such as, diaspora bonds in India (Ketkar and Ratha, 2009). Moreover, debt swap is one of the common innovative finances that invests in sectors like education and health. For instance, Germany and Australia decided to waive part of interest on condition to be invested in health through the Global Fund to Fight AIDS, Tuberculosis and Malaria to Indonesia, Pakistan and Côte d'Ivoire (UNDP, 2012).

Intergovernmental Fiscal Transfers (IFTs) have an essential role in fiscal decentralization. Local governments are almost never self-sufficient, but rather rely on IFTs from the national government. Revenue decentralization does not necessarily generate sufficient revenue to provide services. Since each local government has different needs and costs of providing services, equalizing transfers is necessary so that local governments can provide acceptable levels of public services to citizens. The national government typically incorporates equalizing elements in transfers to specific jurisdictions (Boadway and Shah 2007).

Equity and efficiency are the main goals of IFTs. Regularly, disparities exist in revenue raising capacity among the different levels of government. The richer jurisdictions would have an advantage of spending more on public local services rather than the poorer ones in case of the dependent of the local level on its resources. This kind of disparity affects the equity among different jurisdictions, as well as impacts the efficiency of the public local services. Additionally, providing services like infrastructure would be difficult on the poorer jurisdictions, as this would consequently lead to negative impact on the local economic development. Furthermore, IFTs guarantees that the national priorities and goals are reflected at the local level (Smoke and Kim, 2002).

It is worth highlighting that there are two categories of IFTs to help achieving its intended goals. The first is the General-Purpose Transfers, which are provided as general budget support without earmark. They are typically mandated by law, preserve local autonomy and enhance inter-jurisdictional equity. The transfers can be spent on any combination of public goods or services or used to provide tax relief to citizens. The second category is the Specific-Purpose or Conditional Transfers that provide incentives for specific programs or activities. This type is based on specific criteria to match funds (Shah, 2007).

Borrowing at sub-national or local level can be permitted but it should be limited. Local governments that highly depend on the central transfers may increase their expenditures beyond their capacity to finance them and rely on borrowing to close the gap. Therefore, borrowing should be limited, specifically, borrowing abroad, as it contributes to the overall national debt. However, intergenerational equity and efficiency need investment projects that contribute to the productivity of a country. These investment projects are suggested to be financed by borrowing rather than depending only on the central transfers (Litvack et al., 1998). Local governments can borrow through loans from financial or credit institutions or by issuing bonds and securities in the capital market (Martinez-Vazquez and Vulovic, 2016).

Local borrowing has benefits. It allows the local government to increase its fiscal space for infrastructure and investment and consequently respond to citizens' demands for enhancing infrastructure, as well as ensure the efficiency and intergenerational equity. Also, the access to financial market puts local government market in exposure to international market requirements and procedures and hence, enhance the fiscal transparency, public financial management and accountability. It also increases the local market financial opportunities with various financial options. However, local borrowing should be rationalized to avoid its risks that include debt crisis and cause insolvency (Liu and Waibel, 2008). To avoid the risks of borrowing, national government should have ex-ante and ex-post measures to guarantee that the fiscal rules are in accordance with the laws and regulations (Martinez-Vazquez and Vulovic, 2016).

Outstandingly, fiscal decentralization, with its four pillars, represents a foundation for promoting governance through enhancing transparency, participation, effectiveness, efficiency and accountability. Despite all challenges and obstacles, it is an approach that predominantly focuses on stimulating growth, promoting equality and enhancing the living standard of citizens. Hence, it has a close relation with the SGDs, which is discussed further in the following section.

III. Fiscal Decentralization and SDGs

Noticeably, the nature of SDGs is attributed with integration and interrelation between the different goals. This could derive from the comprehensive focus of their priority areas, which concentrate on social, economic and environmental pillars of sustainable development. Therefore, in contrary to MDGs, each SDG cannot be treated stand-alone without examining its direct and indirect impact on the other goals.

There are different attempts within the international organizations to cluster SDGs into specific groups. Some tried to cluster it from its very broad perspective of human development; economic growth and preserving environment and climate change. Others tried to cluster SDGs in accordance with the stakeholders, in which the central government has the main responsibility of certain goals and so the local government, private sector and global community. However, for this paper it is important to assess the effect of fiscal decentralization on each SDG without any clustering to broaden the scope of analysis. The analysis provided by this paper is based on the author’s understanding of the philosophy of the SDGs and rationale behind their targets. It is also shaped by the author’s comprehension of the real drivers of fiscal decentralization pillars, which is based on the literature and international experiences.

Furthermore, this paper perceives the positive expected impact of fiscal decentralization on financing and implementing SDGs. This originates from the fact that fiscal decentralization embodies in its philosophy the improvement of local performance through the distribution of expenditures and revenues powers among the different tiers of governments, which consequently results in enhancing the local service provision and building the trust between citizens and government. Thus, fiscal decentralization would serve the realization of SDGs.

The following part shows the expected impact of fiscal decentralization pillars on SDGs. Table 1 indicates three degrees of expected impact: direct, indirect and no impact. The ***high impact*** denotes to the high positive effect of fiscal decentralization pillar on financing and implementing the SDG. The ***moderate impact*** means that the fiscal decentralization pillar has a moderate positive influence on the SDG. The ***low impact*** indicates a possible indirect effect from the fiscal decentralization pillar on SDG.

Table 1: The Expected Impact of Fiscal Decentralization on SDGs

SDGs \ FD Pillars	Assignment of Expenditure Responsibilities	Assignment of Revenue Sources	Intergovernmental Fiscal Transfers	Borrowing
Goal 1: End poverty in all its forms everywhere	High	Moderate	High	Low
Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture	High	Moderate	High	Moderate
Goal 3: Ensure healthy lives and promote well-being for all at all ages	High	Moderate	High	Moderate
Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	High	Moderate	High	Moderate
Goal 5: Achieve gender equality and empower all women and girls	Moderate	Moderate	Moderate	Low
Goal 6: Ensure availability and sustainable management of water and sanitation for all	High	Moderate	Low	High
Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all	Low	Low	Low	Low
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	High	High	High	High
Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	High	High	High	High
Goal 10: Reduce inequality within and among countries	Low	Low	High	Low
Goal 11: Make cities and human settlements inclusive, safe, resilient & sustainable	High	High	Low	High
Goal 12: Ensure sustainable consumption and production patterns	High	High	Low	Low
Goal 13: Take urgent action to combat climate change and its impacts	Low	Moderate	Low	Moderate
Goal 14: Conserve and sustainably use the ocean, seas and marine resources for sustainable development	Low	Moderate	Low	Moderate
Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystem, sustainably manage forests, combat desertification, and halt and reserve land degradation and halt biodiversity loss	Low	Moderate	Low	Moderate
Goal 16: Promote peaceful & inclusive societies for SD, access to justice & build effective, accountable & inclusive institutions at all levels	High	High	Moderate	Low
Goal 17: Strengthen the means of implementation & revitalize the global partnership for SD	High	High	Moderate	High

● = High Impact = ● Moderate Impact ● =Low Impact

As reflected in table 1, the impact of fiscal decentralization varies from one pillar to another. The assignment of expenditure responsibilities has a high impact on ending **poverty (SDG1)**, as the local government is closer to citizens, it has the ability of targeting poor and identifying their needs. Also, the local government is able to target the disadvantaged groups and to track the status of local citizens against poverty over time. The moderate impact of revenue assignment emanates from the ability of local government to develop different tax schemes that take into consideration the socioeconomic conditions of the local communities and groups. Since IFTs aim at targeting the developmental gaps among different jurisdictions, it could provide specific funds for elevating poverty programs. However, borrowing has low impact, as it focuses on financing investments that may affect the poor who always get benefited from recurrent expenditure.

The SDG on ending **hunger (SDG2)** is highly affected by the assignment of expenditure responsibilities. The local government has the ability to tailor specific programs to ameliorate the malnutrition conditions and infant health for women to decrease maternal mortality. Local governments are in a better position compared to central governments in designing more effective hunger combatting programs and projects. The moderate impact of revenue assignment is represented in assigning specific revenues to certain expenditures on ending hunger programs, as well as the local government may impose fees to be directed to agriculture programs. Through decentralization governments will be able to assign specific revenue to serve specific expenditure. The IFTs has high impact on ending hunger, since the central government may take “ending hunger” factor within its funding formula. The central government also may work on targeting the areas with high levels of malnutrition and increasing rates of infant mortality. Borrowing has low impact on hunger, as ending hunger often relies on recurrent expenditure.

The fiscal decentralization pillars have high and moderate impacts on good **health (SDG3)** and well-being. Since the demographics, health needs and priorities are different from local jurisdiction to another, through the assignment of expenditure responsibilities, the local governments are in a better place to identify the health needs and to develop customized programs that would serve the needs of local citizens. The assignment of revenue sources has moderate impact on health, as the local governments can develop cross-subsidization programs in which higher fees are imposed on health units that serve rich people to be directed to the health units serving poor people. Moreover, the local governments may impose fees on contaminated industries that would negatively affect health. Also, adopting innovative finances such as, debt swap for health, specifically to target the eradication of epidemics such as AIDs, tuberculosis and malaria would result in enhancing health conditions. The quality of health is always one of the national priorities of the central government, therefore, health programs might be one of the major factors in its funding formula to finance local level. The central government may transfer funds to be directed to health issues such as, fighting endemic diseases, targeting elderly groups, providing vaccinations to children. Borrowing has a moderate impact, as the local government may borrow to invest in public health infrastructure.

Furthermore, **education (SDG4)** is affected by the fiscal decentralization pillars. Decentralization is based on the idea of that services are better provided at the local level. Education services manifest this idea. Horizontally, there are cultural and educational differences among jurisdictions. Decisions pertaining to education process such as, the number of education hours and appointment of teachers require the empowerment of the local government to take such decisions. Thus, the assignment of expenditure responsibilities has high impact on education, as the local government may take specific expenditure decision regarding the educational process. It could assign expenditures to overcome the problems of the low enrollment rates and high dropout rates in primary education, as well as the lack of capacity of teachers which affect the quality of education. Also, the local government should have information regarding the local workforce and the market needs, which serve the local economic development. As a result, local governments would be able to design professional education programs that effectively serve the local economy and domestic business needs.

The assignment of revenue sources has moderate impact on education. The local government may impose specific taxes to be directed to education. For instance, in many countries the property tax is directed to education and local governments annually set the property tax rate in a way that serve the standards of education service provision. Also, adopting innovative finances such as, debt swap for education would result in ameliorating education. Given its positive externalities on macro-economic indicators, education represents one of the national priorities that make the central government keen to support. The IFTs help the central government to urge the local level to support education programs. For example, the central government may develop a matching fund with the local government to serve education improvement programs. The moderate impact of borrowing on education comes from the fact that local government may borrow to invest in education infrastructure such as, school buildings and ICT.

Gender equality (SDG5) is one of the most important SDGs. The assignment of expenditure responsibilities has a moderate impact on gender equality, as the local government may encourage inclusive policies that would ensure women participation in labor market. The local government may direct its expenditures towards positive discrimination polices that grant the appointment of specific percentage of women in jobs. Additionally, the local government has the ability to formulate rules and regulations to hamper discrimination. The assignment of revenue sources tends to have moderate impact on gender equality. The local government may impose less taxes on women or exempt them from specific fees. In many countries, local governments may levy less tax rate on households rather than individuals to encourage marriage and family sustainability. Moreover, the innovative financing approaches such as gender-based micro finance and microcredit would help women to run their own business. The IFTs have also moderate impact, as the central government may develop specific policies to bridge the gender gap and reflect such policies as a factor in the funding formula provided to the local government. Borrowing has low impact on gender equality, since the role of investments in such issue is limited.

The management of **water and sanitation (SDG6)** is purely the responsibility of the local government. Therefore, it is highly impacted by the assignment of expenditure responsibilities, as the local government is capable for conducting the needs assessment and ensure citizens participation to reflect their needs in the expenditures on water and sanitation issues. The local governments can also implement the advanced methods of waste management and to expand their revenues from these activities. The moderate impact of revenue sources stems from the ability of local government to impose taxes and fees to provide better water and sanitation services. The management of water and sanitation does not require the intervention of the central government, therefore, the impact of IFTs is low. Borrowing has a high impact since the local government may borrow to fund water and sanitation infrastructure.

In terms of promoting affordable and **clean energy (SDG7)**, it is more the responsibility of the central government since investing in energy needs plenty of resources. This service experiences the economy of scale so it is better provided by the central government. Therefore, the pillars of fiscal decentralization have low impact on it.

Promoting **decent jobs and economic growth**; and promoting **industry, infrastructure and innovation (SDGs 8 and 9)** are very much interrelated. The analysis indicates the same high impact of fiscal decentralization pillars on both goals. Since the local government is responsible for the local economic development, they should develop rules and regulations that facilitate the business environment, which helps in job creation and stimulate growth. Moreover, Clear assignment of expenditure responsibilities would help the local government to identify its needs and would allow for more investments in the quality of health, education and other local services, which consequently affect the economic growth. Moreover, the tax administration and binding the tax evasion through corrosive measurements would lead to widening the tax base and including the shadow economy, opening the door for improved productivity, competitiveness, and decreased unemployment, which contribute to economic growth. Also, using innovative finances would foster the participation of youth and entrepreneurs, as well as the small and medium enterprises.

The central government aims at achieving equality and national growth. Trough IFTs, the central government can provide funds to encourage local economic development in specific jurisdictions to ensure equality. Also, it can through its funding formula, provide funds to specific areas to decrease unemployment rates and increase growth rates and competitiveness. Borrowing supports investing in infrastructure that would help in creating new jobs and increase productivity. In addition, it would open the door for exposure to the international market that could promote local and cultural tourism and other economic activities. Also, borrowing would help in closing the gap of financing infrastructure to enhance services provision, specially, the ICT infrastructure. Thus, private sector would be able to establish inclusive and sustainable industries that would help in achieving economic growth.

Reducing inequality (SDG9) is usually related to redistribution policies, which usually are better in the hands of central government. Local governments are responsible for the distribution policies such as providing basic services. However, this does not mean that the central government cannot intervene to ensure the effectiveness and efficiency of the distribution policies. Therefore, IFTs have high impact on reducing inequality, while other decentralization pillars have low impact. It is noteworthy though to mention that some international experiences proved the ability of local governments to decrease inequality within local jurisdiction. Also, the adjacent local governments can work together to decrease inequality within specific regions, especially if this inequality is associated with significant people migration.

As for **sustainable cities and communities (SDG11)**, the assignment of expenditure responsibilities has high impact. Regularly, capitals and large cities are regulated by specific rules and regulations that provide the local government more power in terms of expenditure and revenues assignment. Thus, decentralization would allow the local governments to allocate resources to the safety, resilience and sustainability of cities. The assignment of revenue sources has also high impact on the sustainability of cities, as the local government would be able to impose taxes, user charges, and collect taxes properly, which would positively affect the sustainability factor. The IFTs have low impact, but the existence of central government in the capital cities leads to avail them more resources, which affect its safety, resilience and sustainability. Borrowing has high impact as it could overcome the problem of infrastructure deficit resulted from rapid urbanization, and hence, foster resilient and sustainable cities.

The **sustainable consumption (SDG12)** is highly affected by the assignment of expenditure responsibilities and revenue sources. Since the expenditures and revenues are key determinants to demand and supply. When the public expenditures on specific services increase, the private expenditure on them decreases. Also, if the local government increases taxes, this would lead to decrease in the net income of corporate and individuals which affect the consumption and production. Thus, the impact of both fiscal decentralization pillars could have both negative and positive consequences. The IFTs and borrowing have low indirect impact on consumption. Increasing IFTs affects local consumption and increasing the level of debt service would have a negative impact on local consumption.

The goals related to **climate change, life below water and life on land (SDGs 13, 14, and 15)** have the same impact of fiscal decentralization pillars. In most of developing countries, the environmental policies are the responsibility of the central government and usually there are international and national standards and measures to work on. In that sense, the role of local governments is to facilitate the work of central government through assessing the environmental conditions and enforcing the implementation of these standards. Therefore, the assignment of expenditure responsibilities and IFTs have low impact on the three goals. However, the local government may impose taxes and fees to hamper the irrational consumption of natural resources. It can impose taxes on the manufactures producing chemical waste and ensure measurements for waste disposal. Also, taxes could be imposed on marine pollution and fines on certain types of fisheries. Borrowing plays a moderate role as local government can work on innovative finances such as, green bonds that help in energy and environment projects taking into account the environmental considerations.

The impact on **peace, justice and strong institutions (SDG16)** varies from one pillar to the other. Proper adoption of decentralization needs to capacitate and strengthen the local institution to ensure accountability and justice. This requires recurrent and investment expenditures. Therefore, the assignment of expenditure responsibilities has high impact on this goal. Additionally, in the early stages of implementing decentralization, the local governments find itself responsible for revenue mobilization, which encourages them to invest in the infrastructure of tax administration, collection and tracking taxpayers, which contribute to promoting transparency and accountability. Hence, revenue mobilization has high impact on this goal. The IFTs have moderate impact, as the central government, in the early stage of decentralization, needs to ensure a minimum level of effectiveness and efficiency, therefore it provides funds for capacity building and enhancing institutional setup. Borrowing has low impact on this goal, given the fact that governments at the central and local levels have minimal appetite to borrow for institutional reforms.

The targets of the last **SDG 17** are revolving around, **finance, technology, building capacity and institutional coherence**. Most of the sub-targets are directed to the developed countries to fulfill their commitments towards developing countries. However, the targets pertaining to finance emphasize on the importance of mobilizing local resources, enhance the capacity of tax systems, and find additional financial resources. These sub-targets fill at the core of the second pillar of fiscal decentralization, which would inevitably have high impact on this goal. The assignment of expenditure responsibilities has also high impact as any increase in the resources, especially the ones provided through global partnerships would lead to increase in the expenditures. The IFTs have moderate impact on this SDG, as the international donors in most cases prefer to channel their assistance directly to the local governments. For grants channeled to the central government, IFTs would be a good tool by which the central government can ensure the equality of distribution. Borrowing through partnerships is not unusual at the local level. This opens the door for local investments at very low cost.

IV. Conclusion

The analysis shows that all fiscal decentralization pillars have impact on SDGs. The degree of influence differs from one pillar to another. For instance, the assignment of expenditure responsibilities has the highest impact on SGDs. The revenue assignments has also a significant impact on SDGs, as it has a combination of high and moderate expected impacts. Also, the analysis shows that the role of central government cannot be neglected. The least impact is that of borrowing, which indicates the need to rely more on domestic autonomous resources.

Presumably, financing SDGs in Africa is a challenge and needs collective efforts from different actors. The implementation of SDGs cannot be done by the central governments solely in isolation from the local governments. Thus, local governments need to be empowered to help in financing and realizing SDGs. Fiscal decentralization is one of the solutions at the hands of governments that grants the promotion of domestic resources mobilization to help in achieving the intended goals.

Axiomatically, fiscal decentralization, in case of proper design and implementation, would contribute to overcome the development challenges in Africa and help in financing and implementing SDGs. However, the positivity or negativity of fiscal decentralization impact remains bounded by specific determinants. **First** is the design of fiscal decentralization. The design should take into account the multifaceted nature of decentralization and deals with fiscal decentralization pillars as building blocks that complement each other and fit into the comprehensive philosophy of decentralization. **Second** is the capacity of local institution to undertake fiscal decentralization responsibility, as well as the adequacy of laws and regulations to be in line with the decentralization approach. **Third** is the effectiveness of the tax administration system that contributes to broadening the tax base and would determine the extent to which the revenue assignment is well-functioning and help in closing the fiscal gap to achieve SDGs. **Fourth** is the existence of effective and adequate IFTs system that complements the local revenue and ensures equality among different jurisdictions. **Fifth** is the limits on local borrowing that should be enforced through laws to avoid the risks of insolvency. **Sixth** is the consistent and steady political will, since transformation towards decentralization needs long time and requires consistency to achieve the intended goals and objectives.

It is crucial to highlight that not only fiscal decentralization impacts the realization of SDGs. Though, SDGs in turn affect the adoption of fiscal decentralization. This can be explained through the complex nature of SDGs that call for more transparency, accountability and participation to foster social inclusion, economic growth and environment preservation. Hence, the governments would work hard to achieve these goals in order to fulfill its international commitments. Fiscal decentralization represents one of the means by which the government can attain SDGs. Therefore, the agenda 2030 and fiscal decentralization reinforce each other.

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