Federal Governments Around the World: A Comparative Perspective

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Abstract

Proposals for the Philippine government to shift to a federal form of government appear to imply that such form of government is 'better' than unitary governments and that all federal governments operate the same. The study sheds light on this misguided idea by examining the similarities and differences of 15 federal governments around the world. Various data on different indicators concerning a federal government's history, sociopolitical and cultural context, their form of government and fiscal federal features were utilized. Comparison-and-contrast is done on these federal governments against a set of indicators and assessed if they follow the theoretical features of federalism. Federal governments were then grouped according to income and equality to check if a pattern may be observed in terms of federal characteristics. The results reiterate existing literature that similarities between federal governments are only limited to their foundational elements—constitutions and an outline of expenditure and revenue responsibilities. Apart from this, there is no one-size-fits-all form of government as presented by the wide differences in the indicators. Also, even when federal governments were grouped according to income or according to equality, no distinct pattern can be observed between the groupings. Further, numerous examples of divergence between theoretical principles and actual practice (through the constitution) have been outlined. Finally, federal governments are constantly evolving organizations, frequently experiencing constitutional amendments and experiencing amendments according to political desirability.

Keywords: Federalism; Philippines; Fiscal Federalism; Public Finance

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I.   Introduction

Since time immemorial, countries around the world established their own government—a ruling body over people of an established territory, and an important element of human civilization. Governments around the world perform many functions, some of them being: (1) to provide public goods and services, (2) to promote economic growth and development, (3) to maintain domestic order and (4) to protect civil liberties (Way, n.d.).

While there are widely different forms of government, taking several elements into consideration, there are, in general, two types in terms of the concentration of power—centralized and decentralized governments. On one side of the spectrum, centralized governments have powers for decision-making concentrated in the hands of the top authorities of a whole country. On its opposite, decentralized governments provide powers to those at the lower levels of government. In between these two polarities is a spectrum of governments, which differ according to powers for decision-making and other dimensions of governance. Centralized and decentralized governments each has its own pros and cons. Analysis of a government requires a standard of what makes an efficient, effective and equitable government, considering context.

The need to shift to another form of government in the Philippines is an idea that has been floating around many vocal advocates and policy-makers for quite a while. Since the Philippines gained independence, the country is under a unitary state, particularly a highly centralized, multi-tiered government. The passage of the Local Government Code (LGC) 27 years ago was an effort made by the Philippines to become a unitary but decentralized multi-tiered government. However, a review of the Code was deemed necessary because the degree of decentralization was not enough; hence, the Philippine government remained highly centralized (Gavilan, 2016; Llanto, 2014). Some of the complaints which prompted a review of the Code were: (1) the inadequate share of the local level in the Internal Revenue Allotment; (2) mismatch between the funds received at the local level and the corresponding responsibilities; and (3) compulsory implementation of programs by the Congress without funding (Go, 2014; Llanto, 2014).

There were also somewhat unrealistic expectations with regards to the passage of the local government code. For instance, it is expected that through decentralization, greater social welfare is gained and there is an improved governance and accountability at the local level. It is expected that local public goods and services are of good quality easily accessed by the people. It is expected that the fiscal capacity of local government units (LGUs) would be self-sustaining, not heavily reliant on revenues from central government. As shown in several studies [Diokno (2012), Llanto (2012) and Manasan (2005)], these ideals have not been met, hence a clamor for major overhaul in the constitution.

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These advocates and policy-makers support the shift from a unitary, decentralized government to a federal, decentralized one. Federalism refers to a political organization whose basic characteristic is the *"vertical separation of powers among different levels of government"* (de la Garza, 2016). Federal governments are characterized by a combination of partial self-government with partial shared government; the two levels of government are intrinsically independent but adopt coordination mechanisms [International idea, 2015, in Araral, E. et. Al (2018); de la Garza, 2016].

It is important to note that a unitary, decentralized state and a federal government both have vertical power-sharing systems, but that federal governments have constitutionally guaranteed autonomy (Araral, E. et. Al, 2018). It can be said that advocates of federalism in the Philippines deem that constitutional guaranteed autonomy is important, and the LGC is not enough. They imply that those constitutionally guaranteed autonomy achieves objectives of an effective, efficient and equitable government.

Worldwide, federal governments have been in place, some for as long as 200 years, and as recent as 10 years. Studies on the link between governance and economic development have produced mixed results; there is either a causal link or no causal link between the two (Bardhan, 2002; World Bank, 2005; OECD, 2016; Kim and Dougherty, 2018) . Further, according to the Organization for Economic Cooperation and Development (2016), *"decentralization is not a panacea for any type of problem a country can face."* Hence, it is fallacious to attribute a country's economic successes to federalism.

I.A.   Objectives

The study examines the similarities and differences of federal governments around the world, particularly on different indicators concerning their history, sociopolitical and cultural context, their form of government and fiscal federal features (i.e. expenditure assignments, revenue responsibilities, public investment mechanisms and the structure of intergovernmental transfers). It aims to answer the following questions:

1. What are the overall similarities and differences found in different federal countries and their corresponding subnational governments around the world?
2. Segregating countries on the basis of country GDP, what features of the federal government are similar among the subgroups? What features of the federal government are contrasting among the subgroups?

3. Segregating countries on the basis of an average Gini coefficient, what features of the federal government are similar among the subgroups? What features of the federal government are contrasting among the subgroups?
4. What is the theoretical ideal model of federalism and what is actually practiced?
5. Which countries may be tagged as ideal models of federalism?

I.B.   *Analytical framework*

I.B.1   *Overview of the analytical framework*

Federations are theoretically envisioned to fulfill the objective of a balanced "self-rule plus shared rule". Coined by Daniel Elazar, the "self-rule plus shared rule" phrase is operationalized through the constitutional allocation of powers between (1) the federal or central government with the aim of achieving national objectives, and (2) the constituent units or subnational governments with aims of enhancing local autonomy and preserving identities and interests (Elazar cited in Burgess, 2006). In a similar manner, Wheare (1964: 4–5, in Forum of Federations, 2016) mentioned that for a state to be federal, both central and subnational government must be "coordinate and independent in their respective spheres". The conceptual framework of this paper is centered on "self-rule plus shared rule" theoretical objective of federations, as shaped by the federation's fiscal arrangements to ultimately achieve economic growth and equity in the long run. The interactions between these fiscal indicators and the theoretical and actual economic outcomes are embedded within and consequently determined by the sociocultural and political landscape of the federations.

Figure 1 presents an illustration on how the analysis is executed. Several indicators may provide an idea on how federal countries fulfill the theoretical objective of establishing a federal government, which is a "balanced self-rule and shared rule". These were narrowed down into the following aspects: (1) the form of government, (2) the legal features from which the established federal government is based on, and (3) a country's fiscal arrangements, particularly those related to expenditure, revenue, investment and transfers (ERIT). After having discussed how the various indicators fulfill the theoretical objective of establishing federalism, the sociocultural and political context will be taken into consideration (i.e. the rationale for which the federal countries were formed). Through these indicators, federal governments will be compared in terms of their similarities, differences, and the extent to which they have achieved the balanced self-rule and shared rule. The country's rationale then provides a story on how these features came about, why a federal government is being desired. Development outcomes of economic growth and equality are also gathered so as to show comparison among federal

governments. Countries will be grouped according to their economic growth and equality characteristics. No causation is made between these features of federalism, rationale and development outcomes.

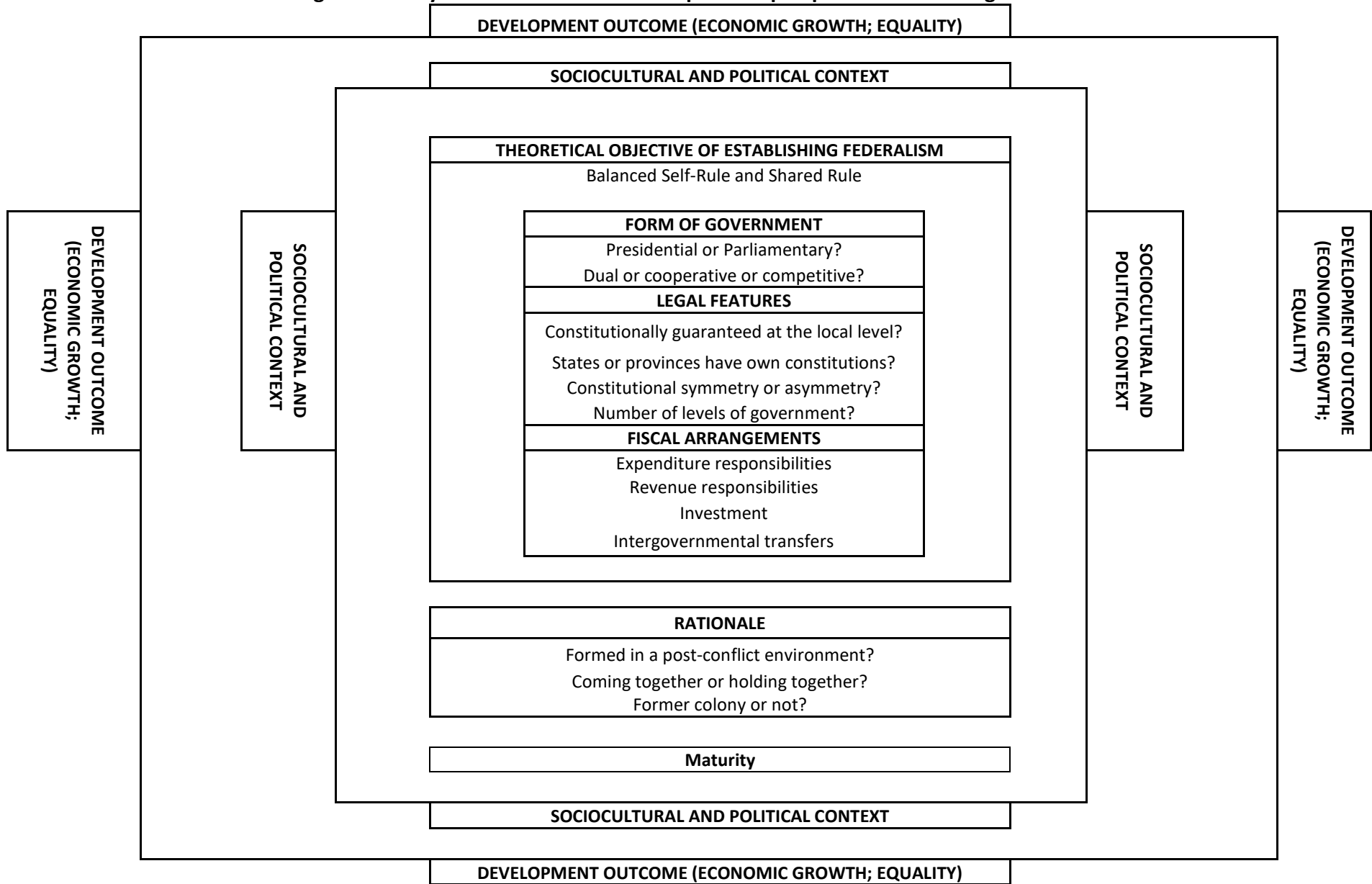### I.B.2. *Sociocultural theory of federalism*

Federalism is a function not of constitutions, but of societies, said Livingston (1952, in Tarlton, 1965) whose work centered on a sociocultural perspective of federalism. This is because societies have their own history, culture, economic characteristics and politics, which they are closely integrated with. Hence, societies can be assessed if they are more or less "federal". In sum, he said that federalism lies in society, not merely in the institutions, and that federalism is merely *"a device by which the federal qualities of the society are articulated and protected."*

I.B.3. *Theoretical Foundations of Fiscal Federalism*

At the heart of fiscal federalism is the delineation of expenditure responsibilities, assignment of revenue-raising functions to various orders of the government, and the intergovernmental transfers to address horizontal and vertical fiscal imbalances (Shah, 2007). These building blocks of fiscal arrangements of any federations are guaranteed by the constitution and other country-specific laws to achieve the broader goal of enhancing regional autonomy to preserve sociocultural diversity while at the same time coming or holding together still as one nation or federation (Negussie, 2016). These are also shaped by each of the federations' historical backgrounds and political forces and thus, vary in terms of institutional structure and implementation. This section provides a brief discussion on the basic principles of fiscal arrangements of a federation, namely: principles of expenditure responsibilities, principles of tax assignment, and intergovernmental transfer mechanisms and rationale.

Figure 1. Analytical framework for a comparative perspective of federal governments.

DEVELOPMENT OUTCOME (ECONOMIC GROWTH; EQUALITY)

SOCIOCULTURAL AND POLITICAL CONTEXT

THEORETICAL OBJECTIVE OF ESTABLISHING FEDERALISM

Balanced Self-Rule and Shared Rule

FORM OF GOVERNMENT
Presidential or Parliamentary?
Dual or cooperative or competitive?

LEGAL FEATURES
Constitutionally guaranteed at the local level?
States or provinces have own constitutions?
Constitutional symmetry or asymmetry?
Number of levels of government?

FISCAL ARRANGEMENTS
Expenditure responsibilities
Revenue responsibilities
Investment
Intergovernmental transfers

RATIONALE
Formed in a post-conflict environment?
Coming together or holding together?
Former colony or not?

Maturity

SOCIOCULTURAL AND POLITICAL CONTEXT

DEVELOPMENT OUTCOME (ECONOMIC GROWTH; EQUALITY)

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SOCIOCULTURAL AND POLITICAL CONTEXT

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DEVELOPMENT OUTCOME (ECONOMIC GROWTH; EQUALITY)

Principles of Expenditure Responsibilities

The underlying principle on allocating expenditure responsibilities is centered on determining which functions belong to what tiers of the government in order to fulfill efficient and equitable delivery of public goods and services, as well as establish accountability. Assignment of expenditure responsibilities is mainly established by the federal constitution and typically characterized by the interlocking aspects of the constitutional division of powers between the legislative and executive branches of the government (Negussie, 2016) and tiers of the government. Generally-speaking, functions and competencies whose benefits are deemed to be national in scope are assigned to the federal government (Manasan, 2017). These include national defense, foreign affairs, macroeconomic management such as fiscal and monetary policies, and functions relating to the redistributive role of the government (Manasan, 2017; Hueglin and Ferna, 2015).

On the other hand, expenditure assignment of subnational governments is anchored on Oates' (cited in Shah, 2007:9) argument that public services should be provided *"by the jurisdiction having control over the minimum geographic area that would internalize benefits and costs of such provision"*. Among the pivotal considerations of allocating subnational government expenditure responsibilities include economies of scale, economies of scope, cost-benefit spillovers, proximity to beneficiaries, consumer preferences, and budgetary choices on the composition spending (Shah, 2007:16). The provision of quasi-private goods such as health, education, and social insurance, are typically assigned to subnational governments on the basis of equity because the benefits of these services accrue to residents of different jurisdictions (Shah, 2007). While the actual provisions of these services are given to the subnational governments, the federal government is still tasked on ensuring the uniformity of horizontal and minimum standards of these services across all jurisdictions (Shah, 2007).

In principle, the allocation of expenditure responsibilities is predicated upon the grounds of efficiency, manageability, autonomy, accountability (Negussie, 2016), and equity. However, as Martinez-Vazquez argues (cited in Manasan, 2017), there exists no single best assignment of expenditure responsibilities in practical terms. The final decision on assigning functions and competencies, according to Negussie (2016), is still largely a political matter.

Given these principles, a country is characterized as being more decentralized if the state and provincial governments shoulder more responsibilities (more public goods and services).

Principles on Revenue Powers

Fiscal federalism literature states that once expenditure responsibilities have already been defined and agreed upon, tax (and non-tax) assignments and transfer mechanisms should then follow suit to match expenditure needs with revenue capacities of various tiers of the government (Shah, 2007; Negussie, 2016). The basic principles on taxing assignments, according to Shah (2007) are the following: economic efficiency, national equity, administrative feasibility, and revenue adequacy. The first principle, economic efficiency, prescribes that taxes that affect macroeconomic stability, taxes on mobile factors (e.g. income taxes) and tradable goods (e.g. international and inter-jurisdictional trade) which have bearing on economic efficiency should be assigned to the federal government. Taxes on immobile factors such as real property tax and user charges are then assigned to subnational governments (Manasan, 2017). The second principle, national equity considerations suggest that progressive redistributive taxes such as taxes on personal income should be at the hands of the national government.

The third principle, administrative feasibility, emphasizes that taxes should be assigned to the jurisdiction with the best ability to monitor relevant assessments (Shah, 1997). This principle aims to minimize administrative costs of collecting taxes while at the same time increasing tax compliance. Lastly, revenue adequacy principle suggests that revenue capacities at each tiers of the government should match as closely as possible their expenditure needs to ensure accountability. This means that each order of the government must have their own revenue sources which they can control at the margin (McLure cited in Manasan 2017).

In assigning taxes, Hueglin and Ferna (2015:168-169) prescribed three basic approaches, namely, exclusive tax assignment, concurrency, and tax-sharing. The exclusive tax assignment suggests that each tier of the government must have their own, exclusive tax powers as guaranteed by the constitution. With the concurrent taxation power, the federal and subnational governments can impose the same kind of tax on the same category of persons, businesses, and other matters (Negussie 2016). The last approach is tax-sharing wherein revenue from the major tax sources is divided among the different orders of government in accordance to a fixed or prescribed reliable formula.

Assigning taxing powers to various orders of government to match their expenditure needs in the most economically efficient, equitable, and administratively feasible manner is not simply an economic matter but also, a political matter, as with the assignment of expenditure responsibilities. While there is a normative framework to follow, country-specific sociocultural and political contexts as well as the inevitable existence of uneven natural, human, and productive resources distribution across subnational regions must be taken into consideration when allocating taxing powers.

Given the principles of revenue powers, , a country is characterized as having greater fiscal autonomy if, in that level of government, tax revenues are greater than expenditures. Furthermore, it is then expected that subnational government (composed of state and provincial government, and local government) can generate its own tax revenue and it can generate at a relatively sufficient level. It is also acknowledged that there are other sources of revenues, namely, grants and subsidies, property income and other fees. But since subnational governments are expected to generate their own tax revenues, they should not be heavily reliant on intergovernmental transfers from the central government. Hence, it is expected that the level of tax revenues is greater than grants and subsidies at the subnational level.

Principles of intergovernmental transfers

Intergovernmental transfers or grants are designed to address fiscal disparities vertically and horizontally. Yet, the power of intergovernmental transfers goes beyond closing fiscal gaps. Through transfers, federal governments can influence subnational government spending in fulfilling the national government objectives (Manasan, 2017). In addition, transfers also create incentives to ensure the efficiency and effectiveness of the provision of public services at the local level and the accountability of subnational governments (Manasan, 2017). Transfers come in a wide array of forms to address different types of fiscal imbalances.

There are two types of fiscal imbalances, namely, vertical and horizontal fiscal imbalances. Vertical fiscal gap occurs when there is a mismatch between the revenue capacities and expenditure needs of the subnational governments. In most cases, the federal government collects more revenue that it requires for its own operations and programs while the subnational governments raise less revenue than they need for the programs assigned to them (Hueglin and Ferna, 2015). In theory, vertical fiscal gaps are addressed through tax-base and revenue-sharing mechanisms (Shah, 2007:21). Tax-base sharing means that several orders of government impose tax rates on a common base with the national or state government determining the tax-base while the state or local governments levying supplementary rates using the same base. Revenue-sharing mechanism, on the other hand, means that one tier of government has unconditional access to a specified share of revenues collected by another tier of government. This mechanism specifies how revenues are to be shared between the federal and subnational governments based on a set of criteria for allocation, and for the eligibility and use of funds.

The other type of fiscal imbalance is horizontal fiscal imbalance. Horizontal fiscal disparity happens because of the *"regional differences in revenue base due to differing levels of economic development or access to valuable natural resources, and differences in regional expenditure needs"* (Hueglin and Ferna, 2015:172). Equalization transfers are then designed to potentially

even out fiscal disparities among regional jurisdictions. Through equalization transfers, regions with lower fiscal capacity relative to their expenditure needs are given more resources so that they can provide comparable level of public services and goods to their constituents (Manasan, 2017).

Another set of intergovernmental transfers is broadly classified into two categories, namely, general-purpose (unconditional) and specific-purpose (conditional or earmarked) transfers (Shah, 2007:25-26). General-purpose transfers are considered as general budget support, typically mandated by the constitution or law (but sometimes can be ad hoc or discretionary), and envisaged to preserve local autonomy and interjurisdictional equity. These transfers are used to support general expense category of subnational expenditure (e.g. education or health) while at the same time, allowing recipients to decide as to how they will allocate the funds for other particular matters. In most cases, general-purpose transfers are computed based on a specific formula.

Specific-purpose transfers or conditional transfers, on the other hand, are given to subnational governments as incentives to fulfill certain programs of the national or state government. In some cases, conditional transfers specify the expenditure category that shall be financed (input-based conditionality) while others require accomplishment of particular results in service delivery (output-based conditionality). Conditional transfers can be further classified into two: conditional non-matching and conditional matching transfers. With conditional non-matching transfers, the national government gives funds without local matching provided that such funds are intended for a specific purpose. This type of transfer is ideal for subsidizing programs which are considered top priority of the national or state government but low priority of the local governments. As for conditional matching-transfers, recipients are required to fund a specified percentage of expenditures using their own resources. Such matching provisions encourage greater accountability and local ownership of grant-financed expenditures.

All subnational governments will likely receive transfers of any form from the central government. However, since the design of the transfer is dependent on the objective set by the government, the kind of transfers prevalent in a particular federal government will merely be described in this paper.

I.B.4. *Logic and hypotheses behind other indicators used in the study*

In this study, countries were grouped categorically, according to their (1) country conditions, (2) rationale, (3) form of government, (4) legal features, and (4) fiscal federal arrangements. First, these were categorized according to country conditions namely, (1) income classification, (2) equality, and (3) the maturity of the government. For the first two variables, countries are

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determined according to their Gross Domestic Product (GDP) and their Gini coefficient. The maturity of the federal government was also determined, given the idea that a long-standing federal government is likely to be an established one, and hence, are likely to imbibe features which follow the theoretical ideas of fiscal arrangements, and other theoretical features of federalism. A mature federation is defined as one which has been established for more than 100 years.

Rationale

Second, in order to understand the **rationale** of a federal government, the following questions were asked: (1) Is it a coming together or holding together form of federalism? [Coming Together (CT) vs. Holding Together (HT)], (2) Is it formed in a post-conflict environment? [Yes or No?], (3) Is it a former colony? [Yes or No?] and (4) Is it a symmetric or asymmetric form of federalism? [constitutional symmetry or constitutional asymmetry].

Coming Together (CT) vs. Holding Together (HT)

To elaborate on coming together or holding together forms of federalism, those classified as coming together have formed an alliance of already existing independent states because they recognized the "*legitimacy of an overarching central government to make decisions on some matters*" (Shah, 2007). Out of interest and shared identity they created such federal arrangements (Forum of Federations, 2016). On the other hand, holding together federal governments are those which decentralized powers to the states to resolve state conflict or issues with central policies.

It is hypothesized that governments which are coming together are more likely to be established in the subnational level as compared to as compared to governments which are classified as holding together. Subnational governments of coming together countries can already govern themselves well and hence, are more autonomous. They are likely to have greater expenditure responsibilities and are more capable of producing their own tax revenues. They are also likely to have their own state constitutions.

A positive side of coming together federal governments is that public goods and services are likely to be delivered efficiently, due to established subnational governments. A negative side of coming together federal governments is that given their autonomy, there might be differing ways of delivering public goods and services, there might be ways of earning tax revenues among the states/provinces. This might have a negative impact to the GINI coefficient.

Former colony or not

A federal government is also categorized according to whether it is a former colony or not, and who colonized them. This is because in some countries, their motive for forming the alliance is to fight against their colonizer (Punongbayan, 2017). Also, features of the federal government from former colonies of a particular country are possibly the same, hence this might well explain the similarities of some federal governments.

Formed in a post-conflict environment or not

Federal governments were also classified as to whether they were formed in a post-conflict environment or not because various literature have noted federalism as a tool to resolve conflict between states or to establish peace in the territory after a war (Forum of Federations, 2016; Keil, 2012). Although conflict is normal in almost all governments around the world, unitary or federal, some conflicts are so persistent to the point of mobilization. One common form of conflict is ethnic politics. According to Choudry (2014), ethnic groups or minority groups mobilize politically in response to their experience of economic and political disadvantage. These minority groups have experienced a history of neglect from central government. They may (1) demand recognition, autonomy and representation in central institutions, (2) demand an overhaul of state institutions or (3) entertain secession. It may be noted that conflict resolution does not necessarily mean the end of violence (Keil, 2012). In these cases, federalism is used as a tool to balance unity and diversity in post-conflict democratic settlement (Erk, 2016).

Form of government

Third, several variables classify federal countries according to their **form of government**— parliamentary or presidential and dual, cooperative or competitive. Brief discussion of these concepts are seen below.

Presidential or parliamentary

There are two forms of government prevalent around the world: the presidential and the parliamentary. In between is a hybrid (i.e. semi-presidential). Carpizo (2007) summarizes this as seen below:

Table 1. Differences between presidential and parliamentary form of government

Parliamentary	Presidential
a. Cabinet members (Executive branch) are also Members of Parliament (Legislative branch).	a. Executive Power is undivided. It is deposited in a president who is both the head of State and the head of government.
b. Cabinet is formed by majority party leaders or the party leaders who, through a coalition, form the parliamentary majority.	b. The president is elected by the people and not by the Legislative Branch, which gives him independence before this branch.
c. Dual executive branch composed of the head of State and a head of government.	c. The president freely appoints and removes the secretaries of State.
d. There is one person in the cabinet who has preeminence and who is generally referred to as the Prime Minister.	d. Neither the president nor the secretaries of State are politically responsible before Congress.
e. Cabinet exists as long as it has the support of the parliament majority.	e. Neither the president nor the secretaries of State, as a general rule, can be members of congress.
f. Public administration is entrusted to the Cabinet, but the Cabinet is under constant supervision from the Parliament.	f. The president can be affiliated to a political party different to that of the congress majority.
g. There is mutual control between the parliament and government. The parliament can demand political responsibility from the government, whether it be one of its members or the cabinet as a whole.	g. The president cannot dissolve the congress, but the congress can give him a vote of censure.

Source: Carpizo (2007)

It cannot be ascertained if there is an ideal form of government. There are advantages and disadvantages of implementing either a parliamentary or a presidential form of government. According to Araral et. Al. (2017), advantages of having a parliamentary system are: (1) preservation of stronger political parties, and hence more centralized decision-making processes and more centralized and hierarchical administrative structures; (2) more institutionalized policymaking; and (3) greater accountability between constituents and their political party at the national level.

On the other hand, advantages of having a presidential system are (1) free-floating style of leadership; and (2) greater accountability at the local level between constituents and their elected representatives due to means of checks and balances. However, according to Fukuyama, Dressel and Chang (2005, in Araral, et. Al, 2017), disadvantages of a presidential system are: (1)

inflexibility of presidential terms and difficulties in removing a president; (2) the dual legitimacy of elected executives and legislatures which may often lead to gridlock; and (3) personality politics.

Dual or competitive or cooperative

According to Shah (2007:5), federal countries follow either of these two broad models of federalism: dual federalism or cooperative federalism. With dual federalism, the federal and subnational governments' responsibilities are clearly distinct from each other such that (a) two levels of government govern the same land and people, (b) each tier has at least one sphere of action in which it is autonomous, and (c) certain degree of autonomy of each government order is guaranteed. Meanwhile, in cooperative federalism, responsibilities of the federal and subnational governments are mostly interconnected. Finally, competitive federalism refers to state of affairs between regional governments (horizontal competition) and between central and regional governments (vertical competition) (Curtin University, n.d.). In horizontal competition, subnational governments compete with each other for human capital and financial investments. On the other hand, in vertical competition, competition is established between central and subnational government to *"level the overlapping between two or more state governments in the spirit of common economic interests"* (Rout, 2016)[1].

Legal features

Wheare (1964: 4–5, in Forum of Federations, 2016) highlighted the necessity of a federal constitution, a fundamental blueprint wherein the following elements are present: (1) an outline of powers held by central and subnational governments, (2) identification if said powers are exclusive and shared, (3) a system of elections and (4) the existence of an independent high court. While there are a number of indicators signifying a federal constitution, the legal features of federalism are narrowed down to the following questions: (1) Is the local level constitutionally guaranteed in the Federal constitution? [Yes/ No] (2) Do states or provinces have their own constitutions? [Yes/ No]? (3) Is there constitutional symmetry or asymmetry? [symmetry or asymmetry]? (4) How many are the levels or government?

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[1] Answered in quora

Constitutionally guaranteed local level

A constitutionally guaranteed local level means that local governments are not dependent on state or provincial government. Their powers are outlined in the federal constitution, and not merely in the state or provincial constitutions. In countries where constitutional powers are not guaranteed from the local level, powers flow from state, regional or provincial legislation, thereby characterizing a less autonomy at the local level. According to the United Nations Human Rights Advisory Committee (2015), a constitutionally guaranteed local level is indeed important, because *"constitutional protection provides the greatest guarantee of stability".* It was also emphasized that a proper legal framework for local government, either through national legislation or through the constitution is important to ensuring effective local governance. A study by the OECD (2018) emphasizes local government autonomy as imbibing a favorable institutional and political environment. From this, their study, they have concluded that first, *"effective autonomy of local governments is required to allow preference matching and the allocative efficiency hypothesis to operate."* Next, *"strong accountability of local authorities vis-à-vis the local population is necessary to allow the productive efficiency hypothesis to operate".* And finally, *"capacity needs to be strengthened at the local level".*

It is then hypothesized that a local government means greater fiscal autonomy for the local level. A constitutionally guaranteed local government is a symbolic recognition of local government. The federal government recognizes the autonomy and capacity of local government in particular functions. It empowers the local government to be self-reliant. This has positive implications on the efficiency of delivery of public goods and services. Another advantage of this is that given this guarantee, federal governments can provide funding directly to the local level, not having to rely on any prerogative from the states.

State/ provincial constitutions

Federal constitutions, well known as, supreme law of the land, define the structure of the central government, its scope and limitations of powers at all levels of government. Articles and amendments of the constitution, which can be summed up as constitutional law, are present in all federal governments.

However, in some federal governments, states and provinces have their own constitutions, with a format similar to the federal constitution. In these state constitutions, information on the government structures in place are written and their bill of rights are outlined.

There are observed differences between state constitutions and the federal constitution. State constitutions are: (1) more detailed (especially on structure and processes of government

powers); (2) more focused on limits of powers, given that powers (shared and exclusive) have already been outlined in the constitution; (3) have statute-like provisions and details which are not "constitutional" in nature.

Between states, of course, there are wide differences in how their constitutions are written and the extent to which they detail constitutions (O'Flaherty, 2008). But even in state/ provincial constitutions between countries, constrasting features are observed. For instance, in Australia, state constitutions are considered as more codified or rigid while in the United States, they are more open to amendments (O'Flaherty, 2008; paralegaledu.org, n.d.; encyclopedia.com, 2003).

Not having state and provincial constitutions means that it will simply adhere to the default provisions for provincial government provided in the national constitution. Given this, a possible positive implication of having state and provincial constitutions are greater decentralization and autonomy at this level, while a negative implication would be greater inequality in a federal country due to differing administration of states, and hence, on delivery of public goods and services.

Constitutional symmetry or asymmetry

There are federal countries which do not necessarily treat subnational governments in an identical manner, hence the concept of symmetric and asymmetric federalism. A country is considered as constitutionally symmetric if each constituent state possesses equal powers and no distinction is made between the states. Representation in the central government would be equal for each state. On the other hand, a country is constitutionally asymmetrical if certain regional jurisdictions may have greater or specialized demand/s, "special status", thereby, accruing wider powers or autonomy compared to other regions. They also typically emerge due to demands from mobilized nationality groups. Asymmetry is considered to be a common feature of federalism in pluri-ethnic or pluri-national settings (Choudhry, Khosla, Mehta, 2016), or that there are territories strong in a particular ethnicity or race. In relation to conflict resolution, these states in asymmetric countries provide special powers to accommodate their ethnicity. Through the provision of these special powers, territorially concentrated cultural groups or nationalities achieve a degree of self-determination.

A logical thought relating constitutional asymmetry and equality would mean that a granting of special powers to these states leads to a relatively unequal country. However, perhaps there is a plausible reason to say otherwise. As Requejo (in Choudhry, Khosla, Mehta, 2016) argues, '*To equate national minority communities with mere regions, or to treat them exactly the same as federal subunits that are controlled by members of the national majority, is intrinsically*

inegalitarian, both in substantive and procedural term'. Hence, there are social welfare considerations in the implementation of greater constitutional powers in a particular state.

There is an observation found relating asymmetry and the way federations were formed. Asymmetry is said to happen more in aggregative federations (or those coming together federations) than in devolutionary systems (or those holding together federations) where formal constitutive authority is originally vested in institutions and political processes that belong to the unitary state as a whole (Max Planck Encyclopedia of Comparative Constitutional Law, 2016). This is because when *"negotiating the terms of a federal constitution, the constituent states, no matter what their size, population or economic or military power, tend to insist on being treated equally in the negotiations and under the constitution being negotiated."*

Number of levels of government

Federal countries are multi-tiered government with each tier possessing some form of institutional and/or constitutional authorities. There are countries which are composed of two orders of government: the federal and subnational governments (termed as regional or state governments). There are also countries which are constitutionally divided into three orders of government: the federal, subnational, and municipal governments[2]. There are also countries constitutionally divided into four orders of government: the federal, regional, state (intermediary level), and municipal (OECD and UCLG, 2016).

Table 2 summarizes the indicators used in the study, according to the analytical and conceptual framework discussed above.

Table 2. Indicators used in comparative analysis.

Country conditions	Income classification	High income [HI] or Middle income [MI]
	Equity/equality	Relatively equal [RE] or relatively unequal [RU] (via GINI coefficient)
	Maturity of the government	Mature federation (>100 years) [Y/N]
Rationale / Historical Context		Formed in a post-conflict environment? [Y/N]
		Coming Together [C] or Holding Together [H]?
		Former colony or not? [Y/N] / of what country?
Th eo		Presidential [PR]/ Parliamentary [PA]?

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[2] In most cases, municipalities are considered as administrative jurisdiction and not necessarily as a political jurisdiction.

Form of government	Dual or cooperative or competitive?	
Legal Features	Constitutional symmetry? Asymmetry [S/A]	
	Constitutionally guaranteed even at the local level? [Y/N]	
	States and provinces have own constitutions?	
	Number of levels of government [2, 3, or 4]	
Expenditure	Expenditure responsibilities (Federal, State, Local level)	
	Total General Government Expenditure (as percentage of GDP)*	
	Total Subnational Government Expenditure (as percentage of GDP)*	
	Total Local Government Expenditure (as percentage of GDP)*	
Investment	Total General Government Investment (as percentage of GDP)*	
	Total Subnational Government Investment (as percentage of GDP)*	
	Total Local Government Investment (as percentage of GDP)*	
Revenue	Revenue responsibilities (Federal, State, Local level)	
	Total General Government Revenue (as percentage of GDP)*	
	Total Subnational Government Revenue (as percentage of GDP)*	
	Total Local Government Revenue As a percentage of GDP*	
	Tax Revenue (as percentage of GDP)*	
	Grants and Subsidies (as percentage of GDP)*	
	Other revenues (as percentage of GDP)*[3]	
Transfers	Kinds of transfers (General purpose transfers, Specific purpose transfers/conditional grants, Fiscal equalization transfers)	

I.C.   *Methodology*

In order to answer the research questions, different publications on federalism, country government documents, and statistics were gathered. A review of concepts on federalism, and an understanding of their application in theory and practices is necessary for comparative analysis. Comparison and contrast of federal governments would require indicators pegged

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[3] Other revenues is composed of property income, tariffs and fees and social contributions

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against a standard indicated in the theory. Analysis implemented in this paper is largely qualitative, coming from various literature on comparative perspectives and recent data on subnational governance.

According to Forum of Federations (2018), there are 25 functioning federations worldwide (presented in Table 3). From these 25 countries, 15 of them were randomly chosen to be examined for this research, ensuring representation from all continents and income level. This is shown in Table 4.

Table 3. Federal governments around the world.

1. Argentina	14. Mexico
2. Australia	15. Nigeria
3. Austria	16. Pakistan
4. Belgium	17. Palau
5. Bosnia and Herzegovina	18. Papua New Guinea
6. Brazil	19. Russia
7. Canada	20. Saint Kitts and Nevis
8. Comoros	21. South Africa
9. Ethiopia	22. Switzerland
10. Federated States of Micronesia	23. United Arab Emirates
11. Germany	24. United States
12. India	25. Venezuela
13. Malaysia	

Source: Forum of Federations (2018)

Table 4. Countries of focus

Asia	India, Malaysia, Russia, UAE
Europe	Germany, Switzerland
North America	Canada, United States of America
South America	Brazil, Argentina, Mexico
Africa	Nigeria, South Africa, Ethiopia
Oceania	Australia

Federal governments were then grouped according to their income classification. The purpose is to examine if there are similarities between subgroups, namely, high income countries and medium income countries, as well as distinct differences between subgroups. The economic growth[4] indicator is measured by the income classification of the countries based on the latest

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[4] Used as development outcome in the analytical framework.

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data of the World Bank. In particular, the economies were classified by World Bank according to: high income economies, upper middle income economies, lower middle income economies, and low income economies, and this is based on the reported GNI per capita of the countries for 2016. To simplify the analysis, high income economies were grouped under the label high income (HI). Upper middle income economies and lower middle income economies, meanwhile, were lumped together in the group middle income (MI).

After examining similarities and differences between high-income and medium income countries, federal governments are grouped according to equality. Country equality and inequality is measured using Gini coefficient. a proxy indicator for measuring income inequality among individuals or households within a country.[5] It "*measures the extent to which the distribution of income among individuals or households within an economy deviates from a perfectly equal distribution*" (World Bank, 2018, in indexmundi.com, 2018).[6] A Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality. In order to determine whether or not a country is relatively equal to other countries or relatively unequal to other countries, the average of the Gini coefficients of all federal governments in focus was obtained. From this average, the 15 countries were determined is they are classified as a relatively equal country (if the country Gini coefficient is less than the average Gini coefficients of the 15 countries), or a relatively unequal country (if the country Gini coefficient is more than the average Gini coefficients of the 15 countries).

I.D.   Limitations

Given this methodology, this study is limited to the data available online and limited to already existing analyses on comparative perspectives of federal governments. Of course, not all countries have abundant literature regarding their federal governments, nor do they allow open access to data on subnational governance. This study would be better substantiated with access to actual data, and if it could be validated with experts and policy makers from said countries of focus.

Another limitation is that, during the data gathering stage, it was discovered that countries Ethiopia and UAE have very sparse data and literature, hence not much analysis were made on these countries.

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[5] Year 2016 Gini coefficients were obtained from World Bank.
[6] The Gini coefficient is also expressed as Gini ratio and Gini index A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line.

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Regarding expenditures, revenue, investment and transfers (ERIT) data, it was discovered that non-OECD countries do not have available data on the indicators enumerated below, which, of course, comes at a disadvantage (table 5). Further, data on ERIT for federal governments are not of the same year. For OECD countries, the latest data available is 2015 while for non-OECD countries it is year 2013. Given this, it is assumed that no significant change in the proportion of ERIT occurred over the two years and hence, are comparable.

Table 5. Data limitations on particular indicators.

1. Total General Government Expenditure (as percentage of GDP)*
2. Total Local Government Expenditure (as percentage of GDP)*
3. Total General Government Investment (as percentage of GDP)*
4. Total Subnational Government Investment (as percentage of GDP)*
5. Total Local Government Investment (as percentage of GDP)*
6. Total General Government Revenue (as percentage of GDP)*
7. Total Local Government Revenue As a percentage of GDP*

II. Results and discussion

II.A. Overall similarities

Fundamental blueprint. All federal governments around the world have Federal/National Constitutions and an outline of expenditure and revenue responsibilities of the central government and the subnational government. In these constitutions, exclusive and shared responsibilities between the central government and the subnational government are listed. Other elements found in all federal governments are (1) a system of elections and (2) the existence of an independent high court.

II.B. Overall differences

II.B.1. No distinct difference when grouped by income or by equality.

In every feature, countries widely differ and hence, no single feature is owned by all high-income countries, all middle-income countries, all relatively equal countries, and all relatively equal countries[7]. The discussion below presents differences between federal governments around the world.

Before comparing and contrasting the federal countries' fiscal features, the countries are first categorized based on their reported level of income classification as identified by the World Bank for the current 2019 fiscal year. Using the World Bank Atlas Method, it defined low-income

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[7] No data on UAE.

economies as those with a GNI per capita of USD 995 or less in 2017; lower-middle income economies have a GNI per capita between USD 996 and USD 3,895; upper middle-income economies have a GNI per capita between USD 3,896 and USD 12,055; and high-income economies have a GNI per capita of $12,056 or more. Among the 13 examined federal countries, 6 countries are categorized as high-income economies; 5 are upper middle income economies; and 2 are lower middle income economies. The table below summarizes the income classifications of the federal countries (table 6). For the analysis of the study, the countries were further lumped into two groups: high income and middle income (table 7a).

Table 6. Countries' income classification according to World Bank Atlas Method

High income economies (HI)	Upper middle income economies (UMI)	Lower middle income economies (LMI)	Low income economies (LI)
USA	Mexico	India	
Canada	Malaysia	Nigeria	
Germany	Brazil		
Australia	South Africa		
Switzerland	Russia		
Argentina			
UAE			

Table 7a. Countries grouped on the basis of income.

High income countries	Middle income and Low income
USA, Canada, Germany, Australia, Switzerland, Argentina, UAE	South Africa, Russia, Malaysia, Mexico, Brazil, India, Nigeria, Ethiopia

Federal governments are then grouped according to income equality. To reiterate, the average Gini coefficient was used as the basis in determining whether a country is relatively equal and relatively unequal. Among the federal governments in focus, the most equal is Germany (30.1) while the most unequal is South Africa (63). Given an average of 40.9 in the Gini index, countries are then determined if they are relatively more equal or relatively unequal compared to other countries. Shown below is the result of such groupings. Canada, India, Switzerland, Ethiopia, Australia, Germany and Russia belong to the relatively equal (RE) group while USA, Mexico, Argentina, Nigeria, Brazil, Malaysia and South Africa belong to the relatively unequal (RU) group (table 7b).[8]

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[8] Most countries in the relatively equal group are part of the OECD and hence, these have implications in the data collection. (See data limitation)

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Table 7b. Countries grouped on the basis of equality.

Relatively equal	Relatively unequal
Canada, India, Germany, Australia, Ethiopia, Switzerland, Russia	USA, Mexico, Malaysia, Brazil, Nigeria, Argentina, South Africa

II.B.2. Mature or new federations.

Among the countries being examined, USA is the oldest federal government, having formed in 1789, and is running at 229 years of age. In contrast, the Republic of South Africa was formed in 1997, and at 21 years old, is the newest federal government in the sample. Results here manifest that there is no relationship between the maturity of a federal government and its development state. What can be inferred here are countries which happen to be high-income, highly equal countries and mature federal governments are: Canada, Germany, Australia and Switzerland.

Table 8a. Countries classified according to maturity of the federal government and income.

High-income and mature federal governments	Middle and low-income and mature federal governments
USA, Canada , Germany, Australia, Switzerland	Mexico, Brazil, Argentina
High income and new federal governments	**Middle and low-income and new federal governments**
UAE	Malaysia, Nigeria, South Africa, India, Ethiopia, Russia

Table 8a. Countries classified according to maturity of the federal government and Gini coefficient.

Relatively equal and mature federal governments	Relatively unequal and mature federal governments
Canada, Germany, Australia, Switzerland	USA, Mexico, Brazil, Argentina
Relatively equal and new federal governments	**Relatively unequal and new federal governments**
India, Ethiopia and Russia	Malaysia, Nigeria, South Africa

II.B.3.   All federal countries being examined were formed in a post-conflict environment.

It turns out that many federations around the world, mature or new, are products of post-conflict settlements. In this case, it was discovered that all federal countries examined were formed in a post-conflict environment. Ethno-political conflicts in many of these societies were due to unequal power-sharing as expressed by the minority groups. For many governments, federalism

is used as a conflict-resolution, peace-building tool. It is used as a tool which ensures a more equal power-sharing between societal groups.

Why is federalism a useful means of conflict resolution? According to Topperwien (2009), federalism allows policy areas important for an identity of a minority group, such as culture, policy and religion, to be decentralized down to the subnational government. This promotes self-determination and help avoid escalation of conflicts at the national level. Also, there is greater participation of all federal units in the upper chamber and lower chambers of legislature. Lastly, all political actors are assured that *that changes to the system will only take place on the basis of a constitutional consensus.*

While federalism is a tool for conflict resolution, not all federal governments formed have achieved peace right away. Peace-building is a complex matter and requires lengthy mediation between all the groups during formation of a new government.

Table 9a. Countries classified according to Post-conflict federal governments and income.

High income federal governments which were formed in a post-conflict environment	Middle and low income which were formed in a post-conflict environment
USA, Canada, Germany, Argentina, Switzerland, UAE	Mexico, India, Brazil, Nigeria, South Africa, Malaysia, Russia, Ethiopia
High income federal governments which were not formed in a post-conflict environment?	**Middle and low income which were not formed in a post-conflict environment**
none	none

Table 9b. Countries classified according to Post-conflict federal governments and Gini coefficient.

Relatively equal federal governments which were formed in a post-conflict environment	Relatively unequal federal governments which were formed in a post-conflict environment
Canada, India, Germany, Australia, Switzerland, Russia	USA, Mexico, Brazil, Nigeria, Argentina, South Africa, Ethiopia
Relatively equal federal governments which were not formed in a post-conflict environment	**Relatively unequal holding together federal governments which were not formed in a post-conflict environment**
none	none

II.B.4.   All high-income countries are categorized as coming-together federal governments.

USA, Canada, Mexico, Malaysia, Germany, Australia, Argentina and Switzerland constitute coming together federal governments while Ethiopia, UAE, Nigeria, Brazil, India, South Africa constitute holding together federal governments. As observed, when grouped by income, all coming together federal governments are the high-income ones, while for middle-income countries, only Mexico and Malaysia are coming together federal governments.

Table 10a. Federal governments classified according to rationale (coming together or holding together) and income.

High income coming together federal governments	Middle and low income coming together federal governments
USA, Canada, Germany, Australia, Switzerland, Argentina	Mexico and Malaysia
High income holding together federal governments	**Middle income holding together federal governments**
	Ethiopia, UAE, Nigeria, Brazil, South Africa, India, Nigeria, Russia

However, when it comes to grouping relatively equal and relatively unequal federal governments, results are mixed.

Table 10b. Federal governments classified according to rationale (coming together or holding together) and income.

Relatively equal coming together federal governments	Relatively unequal coming together federal governments
Canada, Germany, Australia, Switzerland	USA, Mexico, Malaysia, Argentina
Relatively equal holding together federal governments	**Relatively unequal holding together federal governments**
India, Ethiopia, Russia	Brazil, Nigeria, South Africa

II.B.5.   Many federal governments were former colonies.

Many of the federal governments formed were once former colonies and only Russia and Germany were not colonized. The USA, Australia, South Africa, Canada, UAE, and Nigeria, were all former colonies of British empire. Meanwhile, Brazil and India were former Portuguese colonies; Argentina and Mexico were former colonies of Spain. Finally, the Swiss federation was once a colony of the Holy Roman Empire. The small states found themselves weak and vulnerable

should other colonizers attack them. Hence, in order to gain greater political power and independence, the small states allied themselves and formed the federation.

Not only was forming a federal government a defense tool because, diving a bit into history, many British colonies were federal governments mainly because the British themselves attempted to create a global federated state. According to Mohr (2016), imperial federation was a movement in the late-nineteenth and early twentieth centuries that sought to turn the British Empire into a global federal state. In attempts to maintain British control despite sovereignty and democratic governance over all colonies, imperial federation was proposed. This was initially heavily supported by the colonies but after the World War I, attempts to pursue this state waned.

Table 11a. Countries classified according to formerly colonized federal governments and income.

High income federal governments which were former colonies	Middle and low income which were former colonies
USA, Argentina, Canada, Switzerland, UAE, Australia	Mexico, South Africa, Brazil, Nigeria, India
High income federal governments which were not former colonies	**Middle and low income which were not former colonies**
Germany	Russia

Table 11b. Countries classified according to formerly colonized federal governments and Gini coefficient.

Relatively equal federal governments which were former colonies	Relatively unequal federal governments which were former colonies
Canada, India, Australia, Switzerland	USA, Mexico, Malaysia, Brazil, Nigeria, Argentina, South Africa
Relatively equal federal governments which were not former colonies	**Relatively unequal holding together federal governments which were not former colonies**
Russia, Germany	

II.B.6. Relatively equal countries are mostly parliamentary; relatively unequal countries mostly federal governments.

Canada, India, Malaysia, Germany, Australia, Ethiopia, Switzerland all implement parliamentary forms of government. On the other hand, USA, Mexico, Brazil, Nigeria, UAE, Argentina, Russia[9]

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[9] Semi-Presidential form of government

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all implement the presidential form of government. When these were grouped according to income, results are mixed. But when these were grouped according to equality, a majority of relatively equal countries have parliamentary systems while a majority of relatively unequal countries have presidential governments. Malaysia is the only parliamentary government in the relatively unequal group. Russia is the only presidential government in the relatively equal group.

Table 12a. Countries classified according to form of government and income.

High income parliamentary federal governments	Middle and low income parliamentary federal governments
Canada, Germany, Australia, Switzerland	Malaysia, India, Ethiopia
High income presidential federal governments	**Middle income presidential federal governments**
USA, UAE, Argentina	Russia, Mexico, Brazil, Nigeria

Table 12b. Countries classified according to form of government and Gini coefficient.

Relatively equal parliamentary federal governments	Relatively unequal parliamentary federal governments
Canada, India, Germany, Australia, Switzerland, Ethiopia	Malaysia
Relatively equal presidential federal governments	**Relatively unequal presidential federal governments**
Russia	USA, Mexico, Brazil, Nigeria, Argentina

II.B.7.   Mixed results for dual and cooperative federalism. None of the countries were considered as competitive forms of federalism. In the data gathered, Mexico, Malaysia, Russia, Australia, Canada, India, USA are all considered as dual federalism while Germany, South Africa, Brazil, Nigeria are considered as cooperative forms of federalism.

Dual federalism can be further classified into types: layer-cake and coordinate-authority approach. With the layer-cake approach, the hierarchy among the various orders of government is evident. The federal government is considered as the highest order of government and it deals with the local governments either through state governments or even more directly. This approach is practiced in Mexico, Malaysia, and Russia. On the other hand, in the coordinate-authority approach, the state governments are relatively independent or autonomous from the federal government while the local governments are considered as mere extensions of the state governments and possess little or no relationship at all with the federal government. Australia, Canada, and India practice the coordinate-authority type of dual federalism.

Cooperative federalism has three types: interdependent spheres, marble cake, and independent spheres. Germany and South Africa both practice interdependent sphere of cooperative federalism wherein the federal government is considered as the policy-maker while the subnational governments implement or administer these policies. In the marble cake approach, various tiers of government have concurrent and shared responsibilities and are all treated equally in the federation. The last type of cooperative federalism is the independent spheres. In this type, all tiers of government possess autonomy and equal status within the federation. Such is currently practiced in Brazil.

Table 13a. Countries classified according to models of federal governments and income.

High income countries which implement dual model of federalism	Middle and low income which implement dual model of federalism
Canada, Australia, USA	Mexico, Malaysia, Russia, India
High income federal governments which implement cooperative model of federalism	**Middle and low income countries which implement cooperative model of federalism**
Germany	South Africa, Brazil, Nigeria

Table 13b. Countries classified according to models of federal governments and Gini coefficient.

Relatively equal federal governments which implement dual model of federalism	Relatively unequal federal governments which implement dual model of federalism
Mexico, Malaysia, USA, Russia	Australia, Canada, India
Relatively equal federal governments which implement cooperative model of federalism	**Relatively unequal holding together federal governments which implement cooperative model of federalism**
Brazil, Nigeria	Germany, South Africa

II.B.8. ***Mixed results with regards to constitutional symmetry.*** Canada, Germany, India, Malaysia and Russia are countries with constitutional asymmetry. How is this so? First, Canada grants special constitutional status to Quebec. Second, India grants special status to Jammu and Kashmir. Also, India is considered as asymmetrical because "*it consists of 29 states and seven Union Territories. The states are members of the union, while the Union Territories are parts of India but not part of any state*" (Bulmer, 2017). Third, Malaysia grants special constitutional status to states Sabah and Sarawak. Fifth, Russia grants special constitutional status to Chechnya.

Some countries were said to be constitutionally asymmetric (i.e. Germany, Nigeria and South Africa), but have now gone through reconstitutions and have been reshaped to be more symmetric (Watts, 2000).

Table 14a. Countries classified according to constitutional symmetry and income.

High income countries which are constitutionally symmetric	Middle and low income which are constitutionally symmetric
USA, Australia, Switzerland, Germany, UAE	Mexico, Nigeria, Germany, South Africa, Brazil, Argentina
High income federal governments which are constitutionally asymmetric	**Middle and low income countries which are constitutionally asymmetric**
Canada	India, Malaysia, Russia

Table 14b. Countries classified according to constitutional symmetry and Gini coefficient.

Relatively equal federal governments which are constitutionally symmetric	Relatively unequal federal governments which are constitutionally symmetric
USA, Mexico, Germany, Australia, Switzerland	South Africa, Brazil, Argentina, UAE
Relatively equal federal governments which are constitutionally asymmetric	**Relatively unequal holding together federal governments which are constitutionally asymmetric**
Canada, India,	Malaysia, Russia

II.B.9. ***Mixed results on constitutionally guaranteed local governments.*** It appears that many high income and relatively equal economies have local governments not constitutionally guaranteed. If the local government is not constitutionally guaranteed at the national constitution, responsibilities of the local governments may be outlined at the state or provincial constitutions. Although constitutional provisions provide the greatest degree of stability, it does not immediately imply that there are adverse effects of unconstitutionally guaranteed local governments.

Table 15a. Countries classified according to local government constitutional guarantee and income.

High income countries whose local governments are constitutionally guaranteed	Middle and low income whose local governments are constitutionally guaranteed
Argentina, Germany	India, Malaysia, South Africa, Brazil, Mexico,

High income federal governments whose local governments are not constitutionally guaranteed	Middle and low income countries whose local governments are not constitutionally guaranteed
Canada, USA, Russia, Australia, Switzerland, UAE	Ethiopia, Nigeria

Table 15b. Countries classified according to local government constitutional guarantee and Gini coefficient.

Relatively equal federal governments whose local governments are constitutionally guaranteed	Relatively unequal federal governments whose local governments are constitutionally guaranteed
India, Germany	Argentina, Mexico, Brazil, Malaysia, South Africa
Relatively equal federal governments whose local governments are not constitutionally guaranteed	**Relatively unequal federal governments whose local governments are not constitutionally guaranteed**
Canada, Ethiopia, Russia, Australia, Switzerland	USA, Nigeria

II.B.10. ___*Majority of the states and provinces have their own constitutions?*___[10] Only Germany, UAE, Russia and Nigeria have states and provinces without constitutions.

Table 16a. Countries classified according to state and provincial constitutions and income.

High income countries whose states and provinces have their own constitutions	Middle and low income whose states and provinces have their own constitutions
Canada, Australia, Switzerland, USA, Argentina	Ethiopia, India[11], South Africa[12], Mexico, Malaysia, Brazil
High income federal governments whose states and provinces do not have their own constitutions	**Middle and low income countries whose states and provinces do not have their own constitutions**
Germany, UAE	Russia, Nigeria

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[10] No data for UAE
[11] Only for the province Jammu and Kashmir
[12] Only for Western Cape province

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Table 16b. Countries classified according to state and provincial constitutions and Gini coefficient.

Relatively equal federal governments whose states and provinces have their own constitutions	Relatively unequal federal governments whose states and provinces have their own constitutions
Canada, Australia, Switzerland, India[13], Ethiopia	South Africa[14], Mexico, Malaysia, Brazil, Argentina, USA
Relatively equal federal governments whose states and provinces do not have their own constitutions	**Relatively unequal federal governments whose states and provinces do not have their own constitutions**
Germany, Russia	Nigeria

II.B.11. Majority of the federal governments have 3 levels of government. Except for USA, Russia and Germany, almost all countries have 3 levels of government composed of: (1) central, (2) regional and (3) local government. USA, Russia and Germany have levels of government composed of (1) central, (2) regional, (3) an intermediary level (state / province) and (4) local government.

Table 17a. Countries classified according to number of levels of government and income.

High income countries which have 3 levels of government	Middle and low income which have 3 levels of government
Canada, Australia, Argentina, Switzerland,	Mexico, India, Malaysia, Brazil, Nigeria, Ethiopia, South Africa
High income federal governments which have 4 levels of government	**Middle and low income countries which have 4 levels of government**
USA, Germany,	Russia

Table 17b. Countries classified according to number of levels of government and Gini coefficient.

Relatively equal federal governments which have 3 levels of government	Relatively unequal federal governments which have 3 levels of government
Canada, Australia, Switzerland, India	Mexico, Brazil, Argentina, Malaysia, Nigeria, South Africa
Relatively equal federal governments which have 4 levels of government	**Relatively unequal holding together federal governments which have 4 levels of government**
USA	Germany, Russia

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[13] Only for the province Jammu and Kashmir
[14] Only for Western Cape province

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II.B.12. Fiscal Autonomy

The design of fiscal autonomy, according to Blochliger and King (2006), shapes subnational governments' performance and affects outcomes such as public sector efficiency and equity in access to public services and goods. In this section, fiscal autonomy and budget balance of the selected 13 federations' subnational governments[15] (SNGs) were given a closer look through indicators such as their SNG expenditures as % of general government, SNG revenues as % of general government, and SNG intergovernmental transfers (through grants and subsidies as % of GDP). These fiscal indicators provide a glimpse as to how autonomous their SNGs are.

Expenditure and Revenues

The SNG expenditure as a proportion of total general government expenditure[16] were compared among federal countries. Data was obtained from OECD. The average percentage of SNG expenditure for all the 13 countries is 49%. The chart below (figure 2) shows the SNG expenditure for each of the countries in focus.

Among the 13 countries examined, Canada and Switzerland have the highest SNG expenditure as a proportion of the total general government spending, with 76.5% and 61%, respectively. These two countries are both high-income (HI) economies and relatively equal (RE) countries. On the other hand, the lowest performing countries in terms of SNG expenditure are Malaysia with 9.9% and Nigeria with 38.1%. These two countries are both middle income (MI) economies and relatively unequal countries.

When the countries are grouped into two based on their income classification (high-income and middle-income economies), the average total SNG expenditure as percentage of general government is 54% for the HI economies while 44.8% for the MI economies. Canada SNG (76.5%) has the highest spending as percentage of general government spending among the HI economies while Russia's SNGs (58.4%) have the highest for the MI economies. As for the countries which have relatively low reported SNG expenditure as percentage of general government spending, Argentina has the lowest SNG expenditure among the HI economies with 44.70%. While among the MI economies, Malaysia has the lowest SNG spending with only 9.9%.

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[15] Excluded in this analysis are countries Ethiopia and UAE due to the unavailability of data.

[16] General government spending generally consists of central, state and local governments, and social security funds.

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Figure 2. Total SNG Expenditure as percentage of General Government expenditure
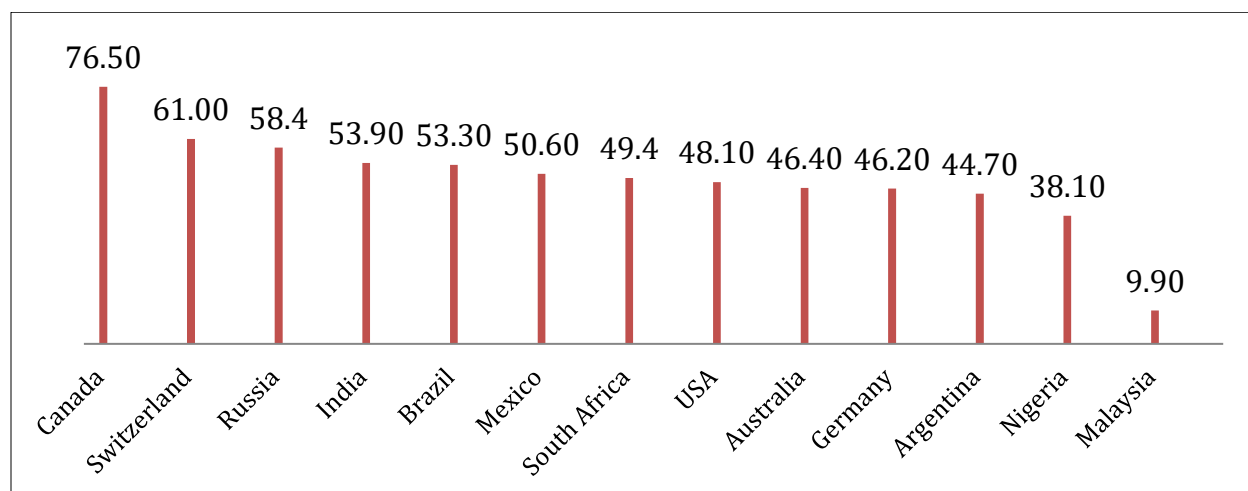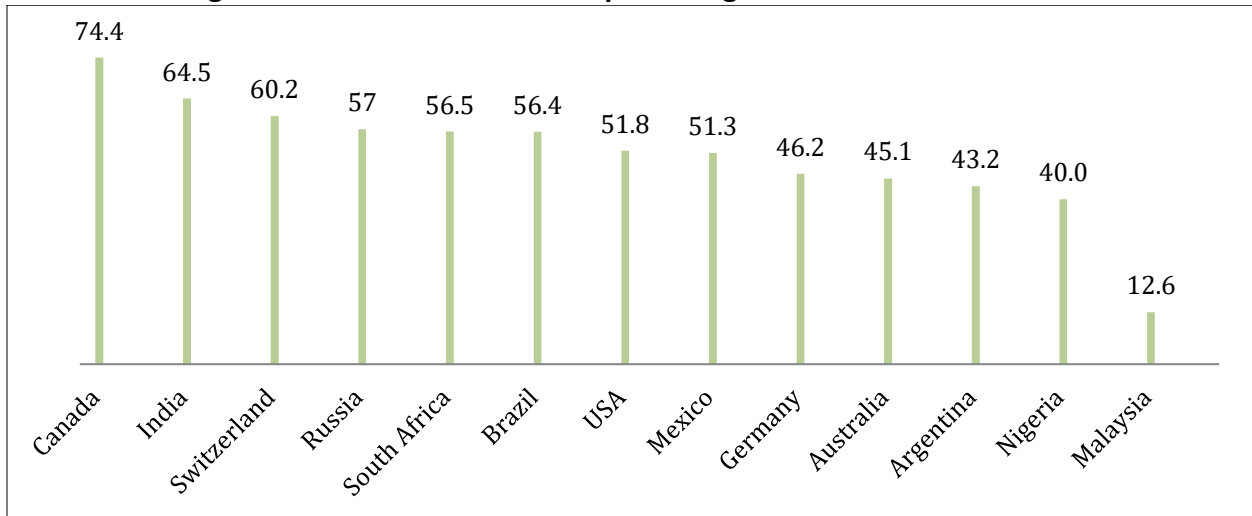

Source: OECD (2013); OECD (2016)

Meanwhile, segregating the two groups by equality, SNGs in the RE group had greater spending at an average of 54.4% of general government spending. SNGs in the RU group, in contrast, spent at an average of 42.7%. Among the relatively equal countries, Canada SNG at 76.5% still has the highest proportion of spending. Meanwhile, Brazil has the highest level of spending among the SNGs in relatively unequal group with 53.3%. Countries with the lowest SNG expenditure as percentage of general government spending among the RE countries is Nigeria with 38.1% and among RU countries is Malaysia 9.9%.

In terms of subnational government revenue, all federal governments have a relatively sufficient level of revenues when examined through the indicator SNG revenue as percentage of general government. The average SNG revenue for all the 13 countries is 50.71% of general government spending. Canada and India (both high income and relatively equal countries) have the highest revenue capacities with 74.4% and 64.5%, respectively. On the other hand, the lowest were again Malaysia with only 12.6%, and Nigeria with only 40.0%. Both countries are middle income and relatively unequal economies. The SNG revenue as percentage of general government for each of the federation is shown in figure 3.

As seen below, Figure 4 summarizes the SNG expenditure and general revenue capacities as % of general government. The two indicators were placed side-by-side, per country, in order to get an idea if countries have budget balances. A budget surplus is observed if SNG revenues are greater than SNG expenditures while for the HI economies and the MI economies. Conversely, a budget deficit is observed if SNG expenditures are greater than SNG revenues. It is observed that some countries have a budget surplus (India, South Africa, USA, Malaysia), meaning SNG revenues are
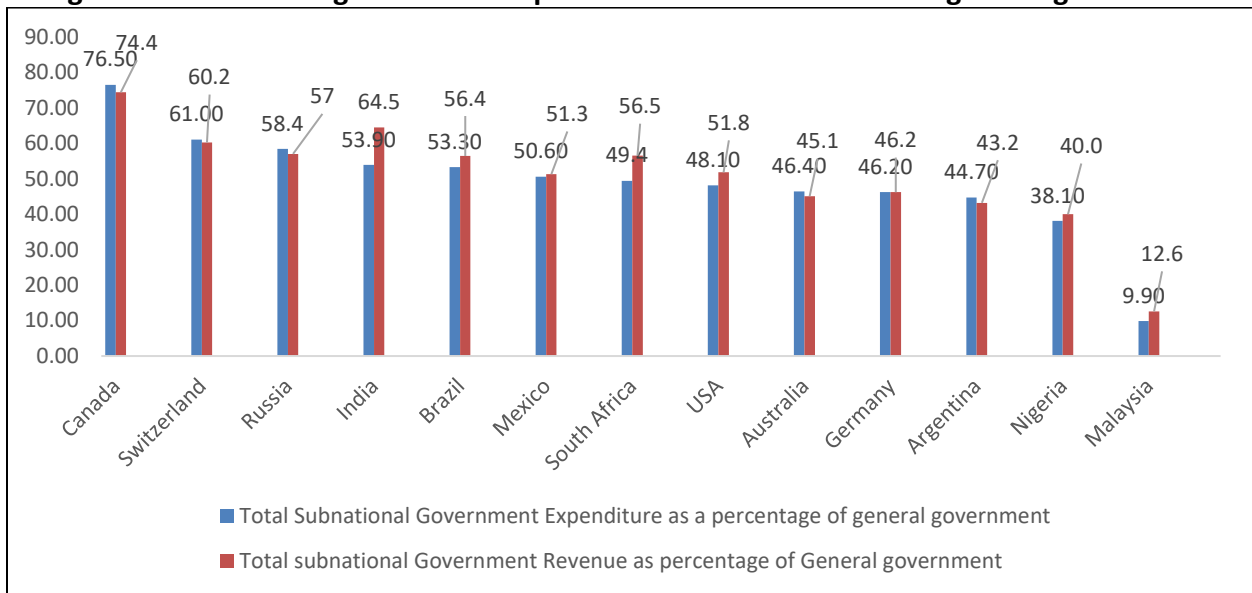
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greater than SNG expenditures. Some countries have almost the same proportion of expenditure and revenues.

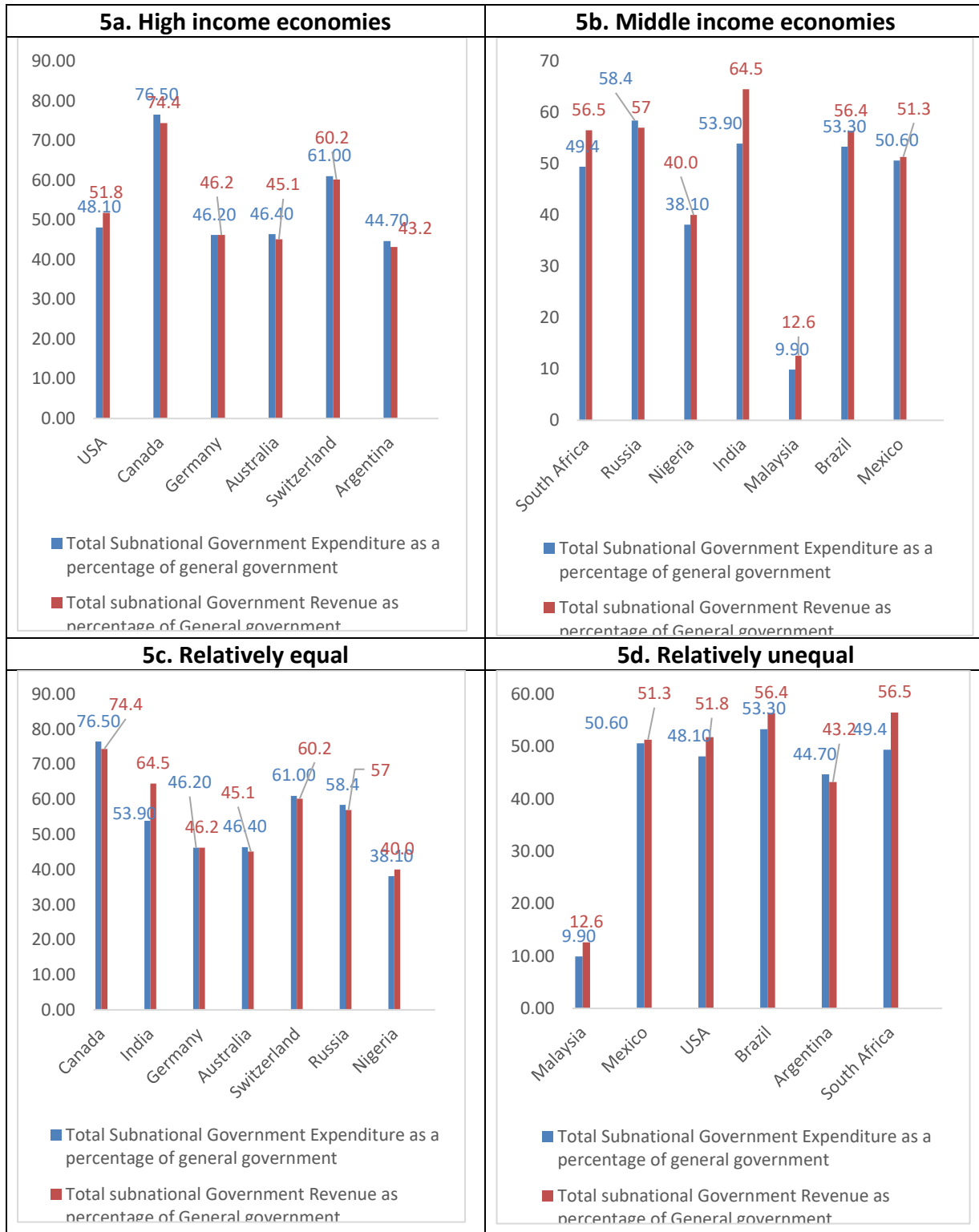**Figure 3. Total SNG Revenue as percentage of General Government**

Source: OECD (2013); OECD (2016)

Figure 4. Subnational government expenditure and revenue as % of general government

Source: OECD (2013); OECD (2016)

Figure 5. Subnational government expenditure revenues grouped according to income and GINI coefficient.

Source: OECD (2013); OECD (2016)

The SNG expenditure and general revenue capacities as percentage of general government for the HI economies and MI economies and RE and RU countries are all seen in the charts above. In terms of expenditure and general revenue capacities of the SNGs in the HI economies and RE economies, Canada is considered as the top performing country. Examining the MI economies, India has highest SNG revenue, collected as percentage of general government and Russia has the highest SNG spending and general.

Among the HI economies, Argentina has the lowest SNG expenditures and revenues as % of general government. It must be noted that this may due to the fact that Argentina was previously categorized as an upper middle-income economy and was just recently reassigned as a high-income economy based on the latest World Bank data on income classification of countries. For the MI economies and relatively unequal economies, however Malaysia has the lowest SNG spending and revenue capacities. Malaysia, in particular, has a powerful federal government, exhibiting great measure of control over its SNGs (Nambiar, 2007). As noted by Burgess (2006), the Malaysian constitution clearly establishes "federal supremacy" and even allowing encroachment of the federal government on state competences. Malaysia exhibits features which manifest a more centralized federal government than a decentralized one. Among relatively equal economies, Nigeria has the lowest SNG expenditure and revenues.

A better measure of fiscal autonomy is the subnational government's ability to collect their own tax revenues (figure 6). Hence, total SNG tax revenues (as percentage of general government) were compared.[17] As observed, India has the highest level of SNG tax revenues (56.6%) followed by Canada, with 54.9% SNG tax revenues. In contrast, South Africa has the lowest level of tax revenues (5.3%), followed by Mexico at 7.3%.

Subnational tax revenues were placed side-by-side with subnational government expenditures to check subnational governments' fiscal autonomy. The question to be tested is: do SNG tax revenues sufficiently cover their revenues. Results show that only SNGs in Argentina (MI and RU country), India (MI and RE country) and Germany (HI and RE country) do tax revenues sufficiently cover their expenditures. Even in Canada, Switzerland, Russia, all three being high-income and relatively equal countries, revenues from taxes are not able to cover their expenditures, thereby highlighting the need for the central government to provide grants and subsidies. It was also expected gaps between SNG expenditure and tax revenues are not wide. However, as seen in figure 7, Mexico and South Africa have SNG expenditures roughly 6 times and 10 times higher than what they are capable of covering (via tax revenues). Hence, it is implied that in these countries, there is a very high reliance on grants and subsidies.
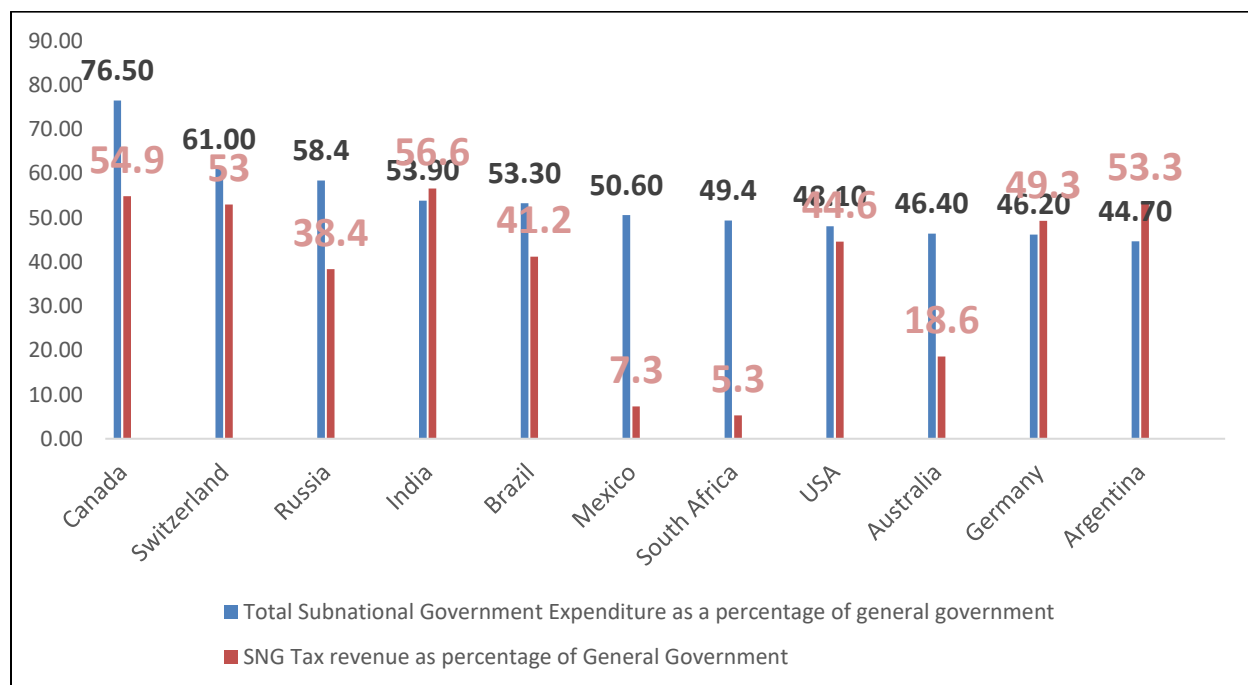
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[17] No data for Nigeria, Malaysia, UAE and Ethiopia.

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Figure 6. Total SNG Tax Revenue as % of General Government
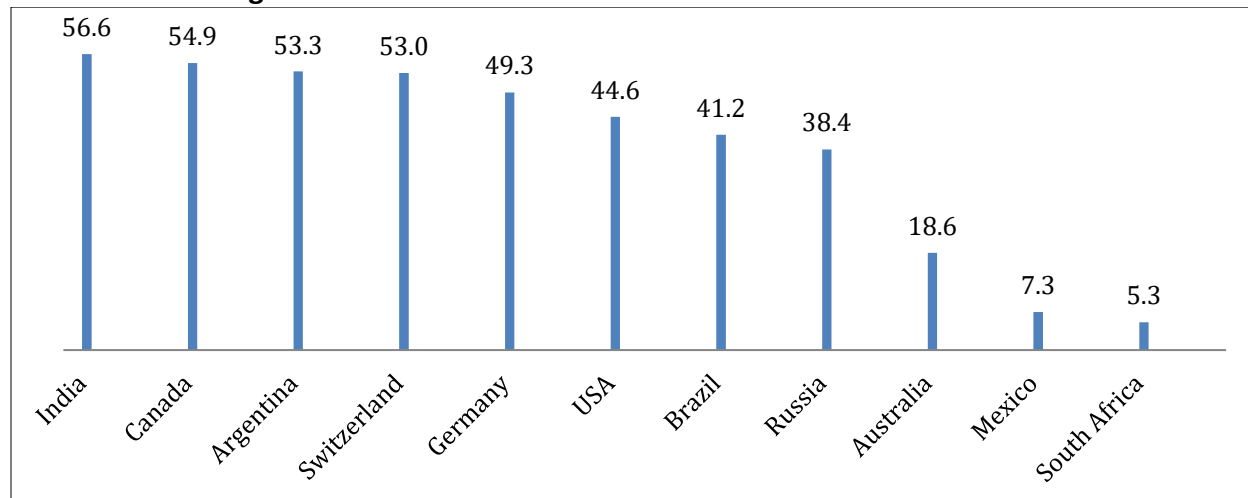
Figure 7. Subnational government expenditures vs Subnational tax revenues as % of general government

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Zooming into the types of revenues collected by the SNGs, proportions between the tax and grants and subsidies, as well as oter revenues, were examined to loosely determine how autonomous in terms of our fiscal indicators the SNGs of each of the countries are. It may be noted that other revenues refer to property income, tariffs and fees and social contributions. A breakdown of SNG revenues would better explain if the subnational government heavily depends on the central government.

Figure 8 below summarizes the tax revenues, grants and subsidies, and other revenues as % of GDP[18] for all the 13 countries examined. In terms of SNG tax revenue, Canada SNG, a HI and RE country, registered the highest with 14.3% while Malaysia, a MI and RU country, registered the lowest SNG tax revenue with only 2.7% of GDP. In terms of grants and subsidies, South Africa SNG receives the highest level of grants and subisidies, at 14.9%. Meanwhile, Malaysia and Argentina receive the lowest level of grants and subsidies, at 0.6% of GDP. Lastly, in terms of other revenues[19], Canada SNG has the highest level of other revenues, at 5.5% of GDP. On the other hand, Mexico SNG, a MI and RU country has only 0.2% of GDP gained from other revenues.

Figure 8. Subnational Government Revenues by type (as % of GDP)
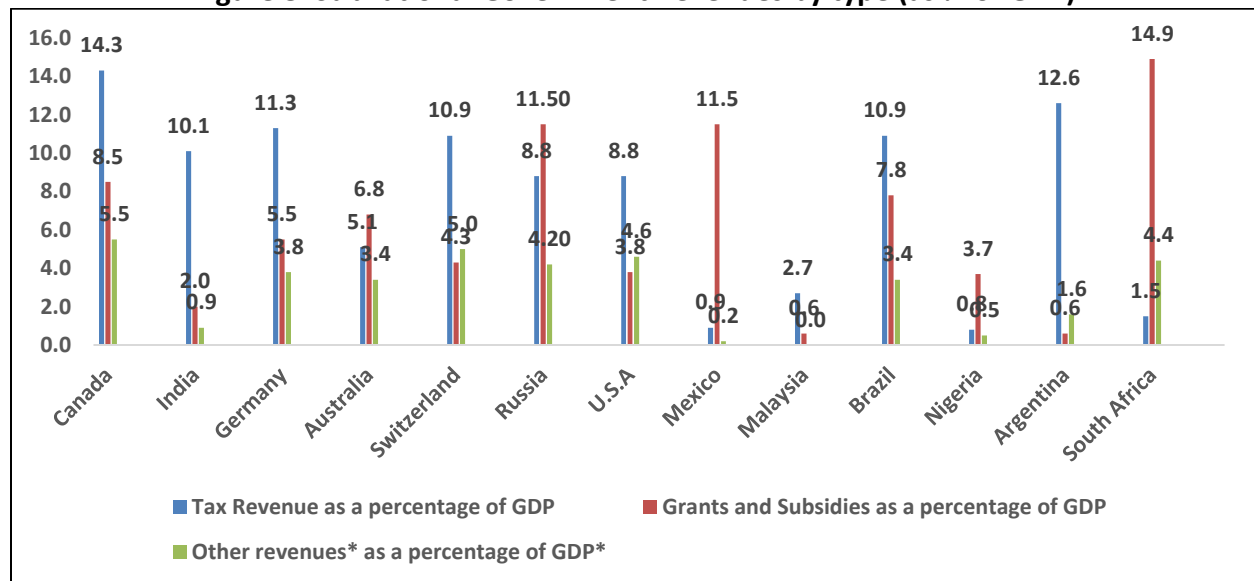
Source: OECD (2013); OECD (2016)

Canada is the highest in both SNG tax revenue and grants and subsidies. Canada's revenue capacities and spending responsibiliies at its subnational level are aligned with each other yet its intergovernmental transfers (grants and subsidies) are relatively high. Taking into consideration

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[18] A better indicator for this would be SNG types of revenues as a percentage of general government spending. However, such data was not available.
[19] No data for Malaysia, UAE and Ethiopia.

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the high revenue capacities of Canada's SNGs, we can infer that their SNGs are relatively autonomous. However, with relatively large federal transfers (in the forms of unconditional equalization transfers and equal per capita bloc transfers) to support local social programs, the federal government's influence to SNGs in order to further their macroeconomic objectives is still quite evident.

II.B.13. Expenditure responsibilities

Federal constitutions have differing ways of outlining expenditure responsibilities. In discussing expenditure responsibilities, concepts such as exclusive and shared powers, legislative and executive responsibilities will also be explained.

Exclusive and shared powers

When areas of responsibility are categorized as exclusive powers, these mean that only one level of government is constitutionally entitled to legislate. On the other hand, shared powers refer to areas of responsibility wherein two levels of government are constitutionally allowed to legislate. In almost all federal governments, all federal and state or subnational governments have shared legislative powers in some areas of responsibility. However, in cases of conflict, federal legislation preempts state legislation. It is assumed that expenditure responsibilities outlined in the constitutions already refer to a level of government's legislative responsibility. However, due to the different wordings in the different constitutions in examination, legislative responsibilities outlined may already be the same as their executive responsibilities.

There are advantages and disadvantages of identifying areas of responsibility as either exclusive or shared powers. The advantages of assigning an exclusive responsibility is that (1) it "*reinforces the autonomy of that government*" (de la Garza, 2016) and (2) it creates a clear responsibility, thereby also making clear which level of government is accountable. Regarding the concept of shared responsibilities, it is inevitable that federal government has a degree of influence over subnational government in terms of programs and legislations. The purpose of shared responsibility is largely to ensure national standards are upheld in all territories. Shared responsibilities may either be in (1) assignment of legislative responsibilities, via the (2) provision of intergovernmental transfers, (3) access to both tax (4) federal-provincial agreements (in the case of Canada [Agreement on Internal Trade and the Social Union Framework Agreement and bilateral agreements]). Of course, the main disadvantage of shared responsibilities is conflict between the two levels of government. To remedy this, federal governments negotiate through different policy options. For example, in order to address the problem of vertical imbalances,

central and subnational government negotiate to simultaneously lowering federal tax rates and increasing provincial tax rate or increasing the size of transfers. Another example is in addressing horizontal imbalances, the two levels of government negotiate on how to enhance the equalization program.

Legislative and executive responsibilities

As already mentioned, presented in table 18 are the different expenditure assignments of all federal governments. The main source of these assignments are the constitutions of the federal governments in focus. However, it may be noted that legislative and executive responsibilities cannot be distinguished just be merely examining the constitutions. Whether or not a particular level holds a legislative responsibility or the executive responsibility on a particular public good is not explicitly stated in all constitutions. Hence, interviews with experts would better determine the different expenditure responsibilities in countries. Below are the many instances in which legislative and the executive responsibilities are different (Shah, 2007).

First, in Canada, even if public services such as education and social welfare are the legislative responsibility of the provincial government, such functions are allocated to both provincial and local government. Also in Canada, even if immigration is said to be the legislative responsibility of the federal and provincial governments, its executive allocation is at the federal level.

Second, in Germany, even if the land holds responsibility for regional economic policy, coastline preservation, and agricultural policy, they are executive responsibilities of both the federal and land governments. Also in Germany, even if water supply and sewerage are the executive responsibilities of the local government, legislative responsibility is at the federal and the land level.

Third, in India, even if forests and fisheries, public lands and natural resources are the legislative responsibilities of the state and local, these are the legislative responsibility of the state.

Fourth, in Brazil, even if health is the executive responsibility of the state and local government, it is the sole legislative responsibility of the federal. Also in Brazil, even if social assistance is the executive responsibility of the local government, it is the sole legislative responsibility of the state.

Fifth, in Nigeria, primary education is the executive responsibility of the local government, but legislative responsibility is at the federal and state level.

Sixth in Russia, secondary education is the executive responsibility of the local government, but legislative responsibility is at the federal and provincial level.

Seventh, in South Africa, even if local government has executive responsibility of the municipal health services, all three levels of government (national, provincial and state) have the legislative responsibility.

Eighth, in Switzerland, even if trade, industry and labor regulations are the legislative responsibility of the federal government, they are the executive responsibility of the canton. Also in Switzerland, even if cantons have executive responsibility for social security, the legislative responsibility is at the federal government.

It would take an in-depth examination of all public goods for a thorough analysis of the matrix above. But what can be inferred here is that these assignments are the result of the negotiations between the central and the subnational government. Best practice principles, however, can be summarized into five: (1) national public goods should be assigned to the federal government; (2) subnational government (regions or provinces) responsible for public services and target transfers delivered to citizens; (3) federal government retains responsibility for major social insurance transfers; (4) expenditure programs that affect provincial residents but have some spillover effects are 'shared responsibilities'; and (5) federal government provides transfers to the subnational government (regions or provinces), while the SPGs provide transfers to the local government.

In order to provide an idea on how different the expenditure priorities are between governments, the different expenditures by area as a % of general government expenditures are presented. The areas included here are education, social protection, general services, health, and economic affairs (see table 19 for specific sub-areas). Figure summarizes the data for the four countries, Australia, Canada, Germany and Switzerland.

**Table 18. Expenditure responsibilities as sourced from country constitutions.**

Representative Assignment of Expenditure responsibilities Country and corresponding constitution		Foreign affairs	Digital infrastructure	Transfer payments	Interstate Commerce / Regional economic development /Local economic	Industry and Agriculture	International trade / Trade and Commerce	Fiscal policy	Natural Resources/ Environment protection	Education, Health	Social welfare	Roads, Highways, airways, railways, ports	Water, sewer, refuse and fire protection	Disaster Risk Reduction and Management	Public order/ defence
Canada	FG	Y	Y	Y	Y	Y	Y	Y			Y	Y	Y		Y
	SPG			Y	Y	Y		Y	Y	Y	Y	Y	Y		
	LG										Y		Y		Y
Germany	FG	Y	Y			Y	Y	Y	Y	Y	Y	Y		Y	
	SPG				Y			Y	Y	Y	Y			Y	Y
	LG									Y	Y	Y	Y		
Australia	FG							Y							
	SPG				Y	Y	Y	Y	Y	Y	Y	Y			Y
	LG										Y	Y	Y		
Switzerland	FG	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	SPG									Y	Y	Y	Y		
	LG														
India	FG	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y			

	SPG					Y			Y	Y	Y				Y
	LG					Y			Y						Y
Russia	FG	Y		Y	Y		Y	Y	Y	Y	Y			Y	
	SPG				Y	Y	Y		Y	Y	Y	Y		Y	Y
	LG				Y		Y		Y	Y	Y	Y	Y		Y
South Africa	FG	Y				Y	Y		Y	Y	Y			Y	Y
	SPG				Y	Y			Y	Y	Y	Y		Y	Y
	LG				Y		Y		Y	Y	Y	Y	Y	Y	Y
Mexico	FG	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	SPG			Y		Y				Y	Y	Y	Y	Y	Y
	LG								Y	Y	Y	Y	Y		
Malaysia	FG	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	SPG					Y	Y		Y	Y	Y	Y	Y		
	LG								Y	Y	Y		Y		
Nigeria	FG	Y					Y	Y	Y	Y		Y		Y	Y
	SPG					Y			Y	Y		Y			Y
	LG				Y		Y		Y	Y		Y			Y
Brazil	FG	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y			Y	Y
	SPG					Y			Y	Y	Y		Y	Y	
	LG					Y			Y	Y	Y	Y	Y	Y	

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Country	Level														
Argentina	FG	Y		Y	Y		Y	Y	Y	Y	Y		Y	Y	Y
	SPG		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	LG				Y			Y			Y				
United States of America	FG	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y
	SPG				Y	Y	Y	Y	Y	Y	Y	Y	Y		Y
	LG				Y			Y	Y	Y	Y	Y	Y		Y
Ethiopia	FG	Y			Y		Y	Y	Y	Y	Y	Y	Y	Y	
	SPG							Y		Y		Y			Y
	LG														
United Arab Emirates	FG	Y	Y			Y		Y	Y	Y		Y			Y
	SPG				Y		Y						Y	Y	
	LG														

Source: country constitutions of the different federal governments in examination

Figure 9. Subnational government expenditures by area as % of general government expenditures
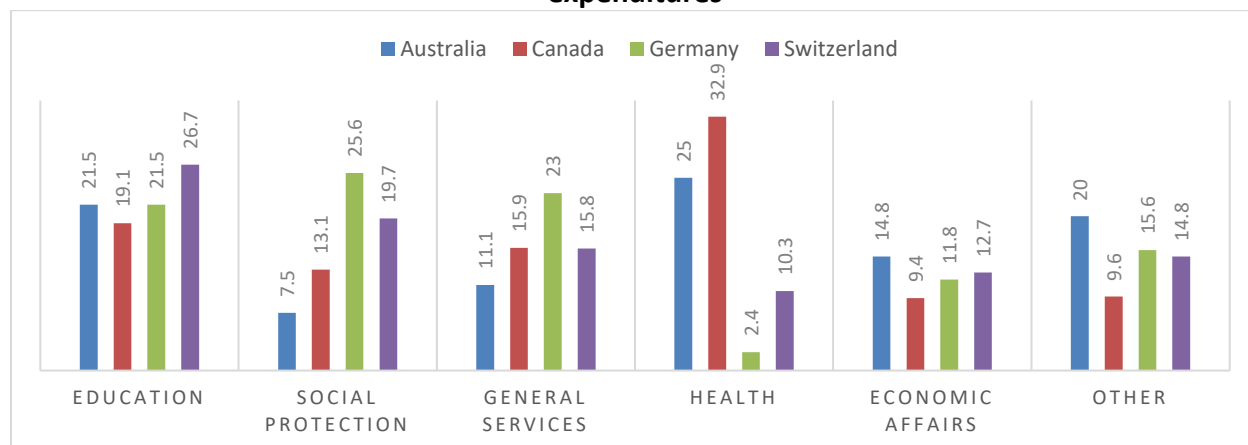
Here are a few observations gleaned from the chart above. First, in all areas, there are widely varying proportions of allotment for SNG spending. Second, for education, they have relatively close proportions of spending for such area, at a range of 19-27%. Third, Germany SNGs spending priority is on social protection, yet it allots very minimally on health, implying a centralized health care system. Fourth, Canada SNG allots a very high proportion on health, implying a more decentralized health care system.

Local government

Another point to be made is regarding the established is the listing of local government responsibilities. Since not all countries in focus have constitutionally guaranteed local governments, expenditure responsibilities of the local government may perhaps be outlined in the state or provincial constitutions. Whether or not local government expenditure responsibilities are vested on implications on the The extent of autonomy of local governments is limited to data on local government expenditures as % of general government expenditures. Further, only 3 countries have provided data. Figure 10 presents the levels of government expenditures in education, social protection, general services, health, economic affairs and other expenditures. Observations from this are the following:

1. Spending on health is a low priority at the local government level.
2. Education is high priority for local governments in Switzerland.
3. Social protection is a high priority for local governments in Germany.
4. Housing and community amenities are high priorities in Australia (other expenditures).

Figure 10. Local government expenditures by area as % of general government expenditures
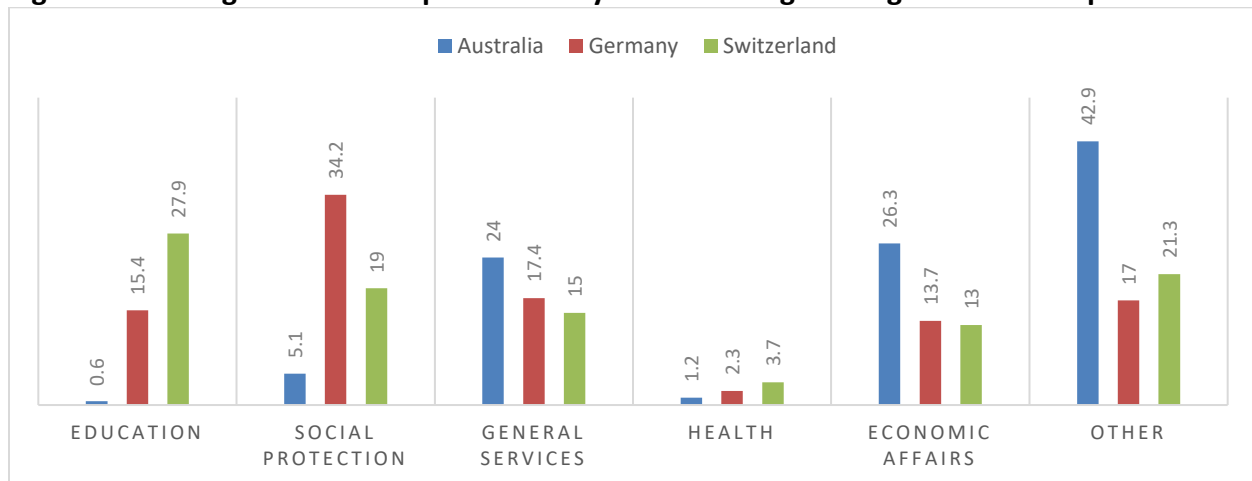
Source: OECD (2013); OECD (2016)

II.B.14. Revenue responsibilities

The table below presents the revenue assignments gathered from the different constitutions around the world. In theory, Shat (1997) suggests the following:

1. Corporate income taxes and resource rent taxes should be assigned to the national government, with subnational governments compensated through revenue sharing or stabilization pools.
2. Taxes on mobile factors—such as corporate and personal income taxes, multistage sales taxes such as VAT, tax policy instruments to further national policy objectives, and progressive redistributive taxes—should be assigned to the federal government.
3. State governments should levy residence−based taxes, sales taxes, excises, supplementary income taxes, sin taxes, and congestion tolls, as well as benefit charges such as payroll taxes, vehicle taxes, business registrations, court fees and stamps, resource royalties and fees, poll taxes, and other user charges.
4. Local governments should levy property taxes, frontage taxes, tolls on local roads, taxes on fairs and markets, poll taxes, and user charges.

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Table 19. Revenue responsibilities as sourced from country constitutions.[20]

Country		Corporate Income	Resource Taxes (e.g. mining)	Personal Income	Sin taxes / Excise Taxes	Business tax	Consumption taxes (Sales tax)	Property, Land taxes	User charges (eg. Toll fee)	Payroll taxes	Customs
U.S.A	FG	Y		Y	Y	Y				Y	Y
	SPG	Y		Y	Y	Y	Y	Y		Y	
	LG			Y			Y	Y	Y		
Canada	FG	Y	Y	Y	Y		Y		Y	Y	Y
	SPG	Y	Y	Y	Y	Y	Y	Y	Y	Y	
	LG					Y		Y	Y		
Mexico	FG	Y	Y	Y	Y	Y	Y				Y
	SPG			Y				Y	Y		
	LG							Y		Y	
India	FG	Y		Y	Y	Y	Y		Y	Y	Y
	SPG		Y		Y	Y	Y	Y	Y		
	LG							Y	Y		
Malaysia	FG	Y		Y	Y	Y	Y		Y	Y	
	SPG		Y		Y		Y	Y			Y
	LG										
Brazil	FG	Y	Y	Y	Y			Y	Y	Y	Y
	SPG				Y	Y	Y	Y	Y		
	LG										
Germany	FG	Y	Y	Y	Y	Y	Y		Y		Y
	SPG	Y		Y	Y	Y	Y	Y	Y		
	LG					Y	Y	Y			
Nigeria	FG	Y	Y	Y	Y					Y	Y

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	SPG			Y	Y		Y	Y	Y		
	LG					Y	Y	Y	Y		
Australia	FG	Y		Y	Y		Y				Y
	SPG		Y	Y	Y			Y		Y	Y
	LG									Y	
Argentina	FG	Y	Y	Y	Y	Y	Y			Y	Y
	SPG	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	LG						Y				
Switzerland	FG	Y	Y	Y	Y		Y			Y	Y
	SPG	Y		Y		Y		Y	Y	Y	
	LG	Y				Y		Y			
Ethiopia	FG	Y		Y		Y	Y	Y		Y	Y
	SPG		Y	Y	Y	Y	Y	Y	Y		
	LG										
United Arab Emirates	FG	Y		Y			Y	Y			
	SPG										
	LG										

Source: country constitutions of the different federal governments in examination

As expected, federal governments do not follow the principles of revenue responsibilities. An example would be the collection and administration of corporate income tax. The national government is solely responsible for corporate income taxes in countries such as Mexico, India, Malaysia, Brazil, Nigeria, Australia and UAE. On the other hand, in countries such as the USA, Canada, Germany, Argentina and Switzerland, such revenue responsibility is allotted to the state and provincial level.

Another example is excise taxes, which in principle, should be administered by the state government. As observed in the data gathered, excise tax is the sole responsibility of the state government in countries only in Ethiopia. In all the other countries, excise tax is the responsibility of both the national government and the state government.

Revenue responsibilities listed in country constitutions do not provide the whole story of which taxes are administered by whom. In addition, they do not explain the tax-sharing and revenue-sharing mechanisms being pursued by each government.

II.B.14. Intergovernmental transfers

Same as the variation in expenditure and revenue responsibilities, there is variation in terms of grants and intergovernmental transfers. What may be inferred in this topic is that federal governments have different mechanisms through which the grant or the transfer is designed. A country may task a special independent expert commission to review the currently existing transfers, or it may be decided through legislature. From such a mechanism, the grant is designed, fulfilling an pre-identified need. What is important is that grant design fulfills an identified objective, otherwise it would lead to unintended consequences.

Shah (2007) has compiled the predominant types of grants seen in a federal country. First, majority of the countries in examination use conditional types of transfers (Australia, Brazil, Canada, Germany, India, Nigeria, Russia, South Africa, Switzerland and the United States). In theory, the use of conditional grants is for the federal government to have an influence in policies at the subnational government (Shah, 1997). Second, grants in Australia and South Africa are characterized by unconditional types of grants. In theory, federal governments who design unconditional grants are geared to the objective of granting the subnational government and the local government levels greater autonomy to use the funds according the needs at the local level. Third, revenue-sharing types of grants are most common in Malaysia, Mexico, India, Nigeria and Brazil. This may imply that these countries are more focused on addressing their vertical fiscal gaps through this revenue-sharing mechanism between the federal and subnational governments (or between the subnational governments and local governments). Fourth, equalization grants are the most dominant types of intergovernmental transfers in Canada,

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Switzerland, Russia and Germany. It may be inferred that these countries are more concerned on promoting and preserving equality among their regional jurisdictions by addressing horizontal fiscal disparities through equalization transfers. As such, these have relatively low GINI coefficient. That is, income equality among these countries is relatively high.

Shah (2007) narrowed down those which were deemed as better practices among the wide variety of grant designs. First, the implementation of tax abatement and tax-base sharing alongside a reassignment of responsibilities in Canada, was considered as successfully bridging the fiscal gap. Second, the general non-matching fiscal capacity equalization transfers in Canada and Germany were designed with explicit standards which include the total pool and allocation. Such design was seen to effectively reduce regional fiscal disparities. Grants for teaching hospitals in South Africa were designed in such that these were open-ended matching transfers with matching rates consistent with spill out of benefits. Such design achieved the objective of compensating for benefit spillovers. Education transfers in Brazil were non-matching output-based block transfers were designed such that conditions were imposed on standards on service and access. Such a design allowed standards on education to be imposed throughout the country. Highway construction grants in the USA, were matching, conditional grants. Similar to Brazil, the design allowed the same standards for highways to be uniform throughout the country.

Shah (2017) also enumerated a few practices to avoid. General revenue sharing with multiple factors, a practice in Brazil and India, do not appear to achieve the objective of reducing regional fiscal disparities. Implementing fiscal equalization with a fixed pool, a practice in Australia, did not enable a reduction of fiscal disparities. Pork barrel transfers a practice in USA, do not achieve uniform minimum standards throughout the country.

II.B.15. Public investment.

Subnational government and local government are capable of pursuing public investment mechanisms. This is evidenced by figure 11 below, which shows the percentage of GDP being directed to government investment, limited to data from countries such as Canada, Germany, Australia, Switzerland, Russia, USA, Mexico and South Africa. At the general government level, investment is at a range of 2.1 to 3.9 percent. At the subnational government level, investment is at a range of 1.4 to 3.6 percent. And at the local government level, investment is at a range of 0.6 to 1.7 percent.

. **Figure 11. Total Government Investment as % of GDP, by level of government**
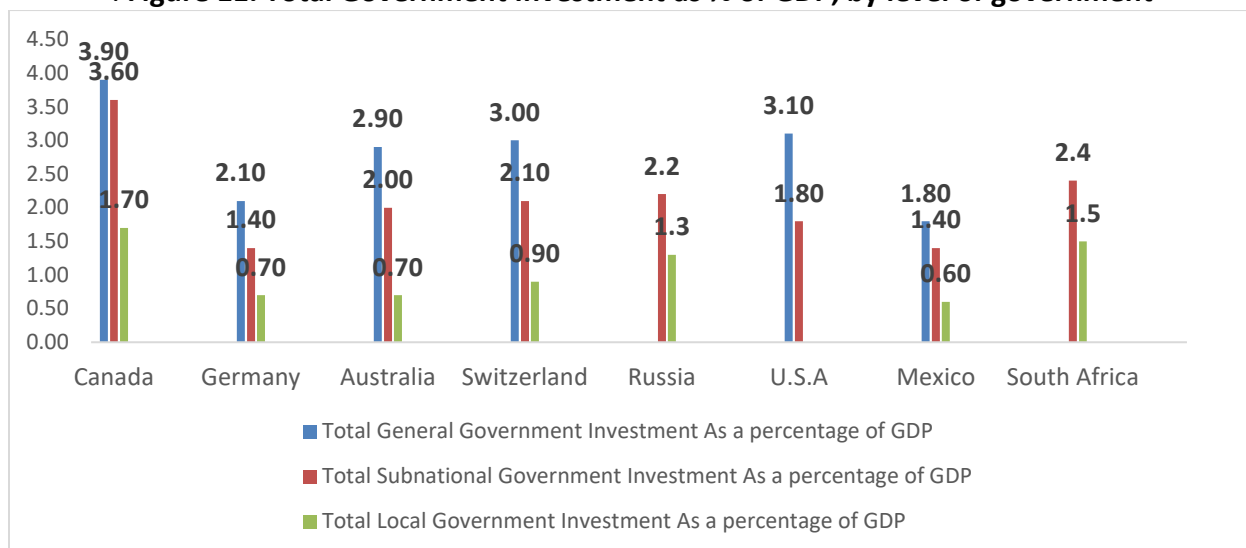
Source: OECD (2013); OECD (2016)

III. Synthesis

Overall similarities and differences between federal governments are summarized in table 20. To reiterate, a similarity between federal governments is only confined to its legal elements. Differences between federal governments are wide, although these were categorized as possible into groups.

Table 20. Overall similarities and differences between federal governments

Similarities
1. **Constitutions and an outline of expenditure and revenue responsibilities of the central government and the subnational government.**
2. **Exclusive and shared responsibilities between the central government and the subnational government.**
Differences

1. **Maturity of the federation**
    a. Greater than 100 years [8]– USA, Canada, Germany, Australia, Switzerland, Mexico, Brazil, Argentina
    b. Less than 100 years [7] – UAE, Malaysia, Nigeria, South Africa, India, Ethiopia, Russia

2. **All federal governments examined were formed in a post-conflict environment**

3. **Rationale for forming a government**
    a. Coming together (C) [8]- USA, Canada, Mexico, Malaysia, Germany, Australia, Argentina, Switzerland
    b. Holding together (H) [6] - Ethiopia, UAE, Nigeria, Brazil, India, South Africa

4. **Former colony**
    a. Former colonies [11] – USA, Argentina, Canada, Switzerland, UAE, Australia, Mexico, South Africa, Brazil, Nigeria, India
    b. Not former colonies [2] – Germany, Russia
5. **Form of government**
    a. Parliamentary (PA) [7] - Canada, India, Malaysia, Germany, Australia, Ethiopia, Switzerland
    b. Presidential (PR) [8] -USA, Mexico, Brazil, Nigeria, UAE, Argentina, Russia[21], Argentina
6. **Dual vs. Cooperative vs. Competitive Federalism**
    a. Dual Federalism [7] - Mexico, Malaysia, Russia, Australia, Canada, India, USA
    b. Cooperative Federalism [4] - Germany, South Africa, Brazil, Nigeria
7. **Constitutional symmetry or asymmetry**
    a. Constitutional Symmetry [6] – UAE, USA, Switzerland, Australia, Germany, Mexico, and Nigeria, South Africa, Germany, Brazil, Argentina
    b. Constitutional Asymmetry [2] - India, Canada, Russia, Malaysia
8. **Constitutionally guaranteed local governments**
    a. Local government constitutionally guaranteed [7] – Argentina, Germany, India, Malaysia, South Africa, Brazil Mexico
    b. Local government not constitutionally guaranteed [7]– Canada, Ethiopia, Russia, Australia, Switzerland, USA, Nigeria
9. **States and provinces have their own constitutions**
    a. With own constitutions [10]– Canada, Australia, Switzerland, USA, Argentina, Ethiopia, India, South Africa, Mexico, Malaysia
    b. Without own constitutions [4] – Germany, UAE, Russia, Nigeria
10. **Levels of Government**
    a. Levels of government composed of: (1) central, (2) regional and (3) local government [11] -Canada, India, Australia, Ethiopia, Switzerland, Mexico, Malaysia, Brazil, Nigeria, Argentina, South Africa
    b. Levels of government composed of (1) central, (2) regional, (3) an intermediary level (state / province) and (4) local government [3]- Germany, Russia and USA
11. **Features of federal government explicitly stated in the Constitution**
    a. only focused on powers of the central government and the state government [4]: Ethiopia, Australia, Canada, USA;
    b. focused on powers of the central government, state government and local government (Constitutionally guaranteed at the local level) [10]: Mexico, India, Malaysia, Brazil, Germany, UAE, Argentina, Switzerland, South Africa, Russia
12. **Fiscal Autonomy**
    a. **SNG expenditures as a proportion of general government expenditure.**
        Canada and Switzerland have the highest SNG expenditures; Malaysia and Nigeria have the lowest SNG expenditures

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[21] Semi-Presidential form of government

> b. **SNG revenues as a proportion of general government revenues.** Canada and India have the highest revenue capacities; Malaysia and Nigeria have the lowest revenue capacities
> c. **SNG tax revenues as a percentage of GDP.** Canada had the highest tax revenues while Malaysia had the lowest tax revenues.
> d. **SNG grants and subsidies as a percentage of GDP.** South Africa has the highest proportion of grants and subsidies while Malaysia and Argentina receive the lowest proportion of grants and subsidies.
> e. Legislative responsibilities and executive responsibilities differ from each other.
> f. Executive responsibilities and revenue responsibilities do not strictly follow theoretical principles.
> g. Government investment is being pursued by the subnational and the local government.

The following are main takeaways from the research made on a comparative perspective of federal governments. First, Canada follows theoretical features of federalism, thereby calling Canada as a textbook model of federalism (Shah, 2007; Watts, 2006). As reported earlier, Canada has a high level of subnational government expenditures and revenues. It also has a very high level of tax revenues and these are higher as compared to grants and subsidies.

Second, no single ideal model/ feature of government found as ideal. Rather there are many practical variations (Watts, 2007). As already evidenced above, there is not much similarities between federal governments except that they have federal constitutions, and they have exclusive and shared responsibilities between levels of government. It was also proven earlier that there is no level of subnational government expenditure, no level of subnational government revenues, no level of grants and subsidies that can be deemed as idea. What may be concluded, however, is that the government performs the role of addressing inefficiency and equity in the delivery of public goods and services. In addressing a pre-identified problem, it pursues a particular mechanism. This is very much the case in the design of intergovernmental transfers. Further, many factors—cultural, social, political, influence the allocation of powers of a federal state. Whatever is negotiated by players from the central government and the subnational government is implemented.

Third, there is a huge difference between what is stipulated in the constitution and what is being practiced. This means that there is a difference between the constitutional form and the operational reality of the distribution of powers. It also means that the implementation and operation of this federal government is largely dependent on the people who rule.

Fourth, federal governments are constantly evolving organizations and never static ones. Rather, they are constantly evolving. The distribution of powers in each level of government, and in every country, needs to adapt and evolve to respond to changing needs and circumstances and the development of new issues and policy areas. This is further supported by data from the Comparative Constitutions Project (2018). In this data visualization tool, timelines of all constitutional amendments and creation of new constitutions, are presented. This covers countries all over the world.

Figure 12. Number of Constitutional Amendments
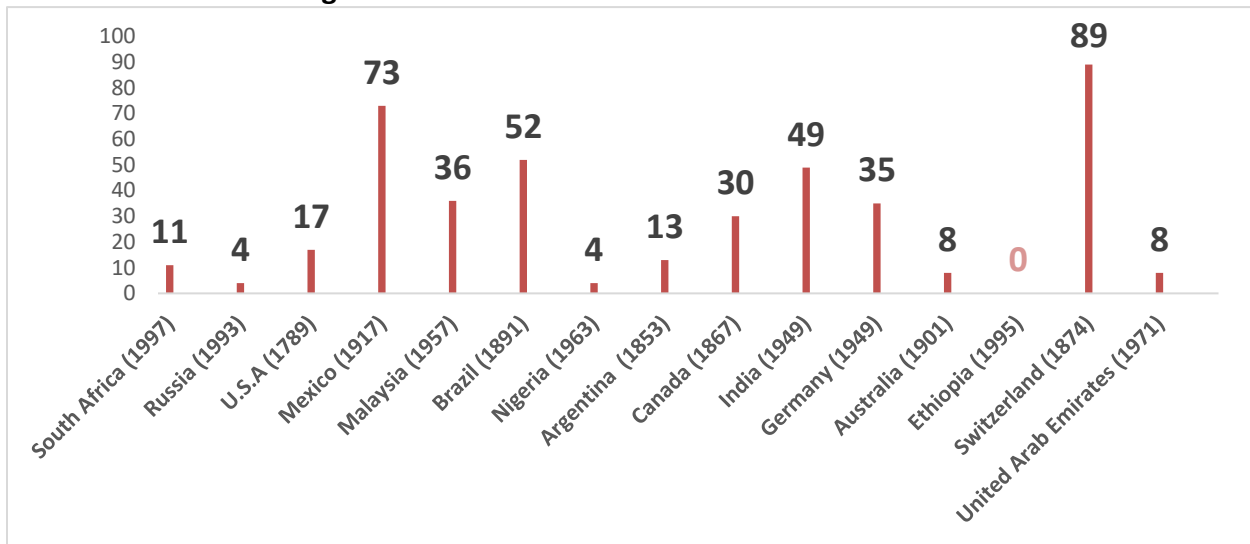
Source: Comparative constitutions project (2018)

As seen in this table, only Ethiopia had 0 constitutional amendments since the establishment of its federal government. Meanwhile, other countries such as Brazil, Nigeria and Switzerland, had entirely new constitutions in between amendments. A notable finding even, is that some countries amend their constitutions very frequently. Switzerland had as many as 89 constitutional amendments while Mexico 73 constitutional amendments.

IV. Further study

Expanding this research to a more in-depth comparative analysis would be of value in the overall research of federal governments around the world. The following are possible topics for future research which all entail comparison and contrast between countries:

1. Legislative responsibilities for all levels of government, per public good, in policy and in practice

2. Revenue responsibilities for all levels of government, per tax item, in policy and in practice

3. Asymmetry contributes to equality or inequality

4. Unitary countries which actually imbibe decentralized features; Federal countries which actually imbibe unitary features.

It would make the study more valuable if all information reported in this study can be validated with experts from economies in focus. It would also be very much recommended it if the currently existing institution which collects data on subnational government finance (OECD and UCLG) can be encouraged and funded to collect data on subnational government finance indicators on all governments and at a frequent basis.

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