

**The Impact of Fiscal Decentralization on Economic Growth in Morocco:
An Empirical Analysis Based on Panel Data**

**L'incidence de la décentralisation fiscale sur la croissance économique au
Maroc : une analyse empirique basée sur des données de panel**

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Abstract

This article analyzes the impact of fiscal decentralization on regional economic growth in Morocco by drawing on a classical theoretical framework (Tiebout, Oates, Musgrave) and applying the Generalized Method of Moments (GMM) estimation to panel data covering the period from 2017 to 2022. Using a dynamic panel model, the empirical results reveal that local government revenues have a significant and positive effect on regional GDP, highlighting the central role of fiscal autonomy in territorial development. In contrast, local government expenditures do not show a significant effect on economic growth, which may reflect management inefficiencies or governance failures. The robustness of the estimates is confirmed by rigorous statistical tests. The study recommends strengthening the mobilization of local own-source revenues and optimizing the efficiency of public spending to maximize the positive outcomes of decentralization.

Keywords: Fiscal decentralization; Economic growth; Local government revenues; Local government expenditures; GMM.

Résumé

Cet article analyse l'impact de la décentralisation financière sur la croissance économique régionale au Maroc en mobilisant un cadre théorique classique (Tiebout, Oates, Musgrave) et en appliquant la méthode d'estimation des moments généralisés (GMM) sur des données de panel couvrant la période de 2017 à 2022. À travers un modèle dynamique en panel, les résultats empiriques révèlent que les recettes des collectivités territoriales exercent un effet significatif et positif sur le PIB régional, mettant en lumière le rôle central de l'autonomie fiscale dans le développement territorial. En revanche, les dépenses des collectivités territoriales ne présentent pas d'effet significatif sur la croissance économique, ce qui pourrait refléter des inefficacités de gestion ou des défaillances de gouvernance. La robustesse des estimations est confirmée par des tests statistiques rigoureux. L'étude préconise de renforcer la mobilisation des ressources propres locales et d'optimiser l'efficacité des dépenses publiques afin de maximiser les retombées positives de la décentralisation.

Mots clés : Décentralisation financière ; Croissance économique ; Recettes des collectivités territoriales, Dépenses des collectivités territoriales, GMM.

Introduction

Fiscal decentralization is currently a major challenge for developing countries, particularly for Morocco, where reforms undertaken within the framework of advanced regionalization aim to strengthen the fiscal autonomy of local governments. This approach reflects a desire to bring decision-making centers closer to citizens and to promote more balanced economic development across the various regions of the country. Indeed, allowing local authorities to have their own resources, decide on their allocation, and directly finance strategic projects fosters better consideration of the specific needs of each territory. The ability of local governments to effectively manage their fiscal resources, mobilize sustainable revenues, and direct them toward productive public investments thus represents a fundamental lever for supporting regional economic growth. This dynamic is all the more crucial in a context marked by persistent territorial disparities, where some regions still struggle to catch up in terms of infrastructure, employment, and public services.

However, despite the growing interest in fiscal decentralization, its actual impact on economic growth remains insufficiently explored in the Moroccan context. Existing research has often focused on the efficiency of local governance, the quality of public services, or territorial governance, without thoroughly analyzing the relationship between fiscal autonomy and economic performance. This gap in the empirical literature fully justifies the relevance of the present study. The objective of this work is to provide an original contribution by examining the effect of local government revenues and expenditures on economic growth, measured through regional GDP. To achieve this, the analysis will rely on a panel dataset covering Morocco's 12 regions over the period 2017–2022, thereby capturing regional dynamics and recent developments in local public finance. This approach aims to deepen the understanding of the mechanisms through which fiscal decentralization may—or may not—foster stronger and more equitable regional economic development.

Thus, the central question of this study is: To what extent does fiscal decentralization, through local government revenues and expenditures, influence economic growth at the regional level in Morocco?

This article is structured into four main sections. First, we begin with a review of the theoretical and empirical literature, presenting the economic theories related to fiscal decentralization, along with an analysis of stylized facts to identify the main trends and characteristics of fiscal decentralization in Morocco. Next, the methodology will be detailed, with a focus on the econometric model used—based on the Generalized Method of Moments

(GMM)—applied to panel data to analyze the impact of local government revenues and expenditures on the economic growth of Moroccan regions. Finally, the empirical results will be presented and analyzed. The article concludes with a summary of the key findings.

1. Review of the theoretical literature

Fiscal decentralization is a central concept in public finance theory and has become a recurring lever in public administration reforms (Yushkov, 2015). Long overlooked by researchers—particularly until the early 1990s—it has since attracted growing attention in the context of global governance reforms and the reconfiguration of institutional structures (Chandra Jha, 2012). Several economic approaches have sought to explain the foundations and impacts of this process on economic efficiency, the quality of public services, and growth. Among the most influential theoretical contributions are those of Tiebout, Oates, and Musgrave, further enriched by more recent analyses that emphasize the role of institutions and local capacities (Tanzi, 1999; De Mello, 2000).

Charles Tiebout's model (1956) introduced an innovative perspective: citizens, viewed as consumers of public services, choose to settle in the locality that best matches their preferences in terms of services and taxation. This behavior, known as “voting with their feet,” creates a form of competition between local governments, encouraging them to improve the efficiency and quality of public services in order to attract residents. In theory, this mechanism can lead to an optimal allocation of public resources.

However, the model is based on assumptions that often diverge from real-world conditions, particularly in developing countries. It assumes perfect citizen mobility, full information, and local governments with similar resource endowments—conditions that are rarely met. Moreover, it overlooks regional externalities and socio-economic inequalities, which can exacerbate disparities between territories.

Wallace E. Oates (1972), in his foundational work *Fiscal Federalism*, formulated what became known as the Decentralization Theorem, a cornerstone of the economic theory of decentralization. According to this theorem, the provision of public goods and services should be entrusted to the most decentralized level of government—that is, the one closest to the citizens—provided that this level is capable of delivering them efficiently.

The main argument is that citizens' preferences vary from one region to another, and that local governments are better positioned to tailor public policies to local needs and specificities. In this way, decentralization would enable a more efficient allocation of public resources by reducing information asymmetries between the administration and the governed.

However, Oates (1972) makes an important distinction between different governmental functions. He argues that certain functions—such as income redistribution and macroeconomic stabilization—should remain under the responsibility of the central government. Redistribution requires a mechanism of interregional solidarity, which may be undermined if delegated to local levels, as these are often inclined to favor local interest groups.

Similarly, stabilization policies (such as fiscal or monetary policy) must be centralized to ensure a coherent response to economic shocks and to preserve national macroeconomic stability. Centralizing these functions helps prevent uncoordinated fiscal behavior that could exacerbate economic or social imbalances between regions.

In a later work, Oates (1999) revisits the practical implications of the decentralization theorem in an increasingly globalized and complex context. He emphasizes that the effectiveness of decentralized policies heavily depends on local institutional conditions. Oates cautions against the notion of decentralization being universally beneficial, stressing that its potential advantages can be negated by weak institutional capacity or flawed governance mechanisms. Thus, the success of decentralization relies not only on the principle of proximity but also on the presence of competent and accountable administrative structures.

In his seminal work *The Theory of Public Finance* (1959), Richard Musgrave identifies three essential functions of public finance: resource allocation, income redistribution, and economic stabilization. This typology has profoundly influenced how economists analyze the role of the state in the economy and serves as a theoretical foundation for assessing the optimal distribution of responsibilities among different levels of government.

The resource allocation function corresponds to the state's role in providing public goods and services, especially when the market fails to produce them efficiently. Musgrave argues that this function can, in many cases, be effectively carried out at the local level. Local governments are generally better positioned to identify the specific preferences of their citizens, allowing for a more tailored provision of public services (such as education, transportation, road maintenance, and local services).

This perspective aligns with the principles of Wallace Oates' decentralization theorem (1972), which advocates for proximity between public decision-makers and users to better address local needs. Thus, in contexts where citizens' preferences are heterogeneous, decentralizing the allocation function is likely to improve the overall efficiency of the public sector.

In contrast, the income redistribution function—which aims to correct economic and social inequalities through transfers and fiscal policies—is more effectively carried out at the central level. Musgrave explains that redistribution requires mechanisms of solidarity between territories, implying a capacity for equalization and risk-sharing that local governments generally lack.

If decentralization were applied to redistribution, it could become confined within localities with highly unequal resources, thereby exacerbating territorial disparities. Moreover, local redistributive policies might encourage opportunistic behaviors such as tax competition or “social dumping,” where local governments seek to attract wealthy taxpayers at the expense of poorer populations.

Finally, the macroeconomic stabilization function concerns the cyclical regulation of economic activity through fiscal and monetary policies. Musgrave emphasizes that this function must necessarily be the responsibility of the central government, as it is the only actor capable of implementing large-scale countercyclical policies.

In times of crisis, the role of the state is to support aggregate demand, smooth economic cycles, and ensure the stability of the financial system. Decentralizing this function could lead to unsynchronized or contradictory fiscal policies across regions, reducing the effectiveness of public intervention and weakening macroeconomic coordination.

In summary, financial decentralization can enhance economic efficiency and improve the quality of services if it is well-structured and supported by robust local governance and accountability mechanisms.

2. Empirical Literature Review and Development of Research Hypotheses

The analysis of the relationship between financial decentralization and economic growth has attracted increasing interest in the economic literature over the past two decades. Numerous empirical studies, conducted at various levels (international, national, and regional), have attempted to assess the impact of decentralizing public resources on economic development dynamics. However, the results remain heterogeneous, reflecting the diversity of institutional, economic, and social contexts.

Hung and Thanh (2022) explored the relationship between financial decentralization, economic growth, and human development using a panel of 18 countries over the period 2011–2017. Employing generalized method of moments techniques (3SLS-GMM and GMM-HAC), their results indicate that financial decentralization has a positive effect on economic growth but a negative effect on human development. This duality highlights the complexity of

the underlying mechanisms and the need for an appropriate institutional framework to maximize the benefits of decentralization.

In the Baltic context, Slavinskaite et al. (2022) used a fixed effects model to assess the effect of financial decentralization on economic growth over the period 2005–2017. Their results reveal a negative correlation, suggesting that in certain institutional configurations, decentralization can lead to economic inefficiencies.

Sima et al. (2023) conducted a comparative analysis of the effect of financial decentralization on economic growth across 23 African countries and 23 OECD countries between 2013 and 2021. Using two-stage estimation methods (2SLS, GMM, and LIML), their findings highlight a significant positive effect of decentralizing revenues and expenditures on GDP per capita, with a slightly stronger impact observed in developing countries. This study underscores the potential of decentralization as a growth driver in diverse socioeconomic contexts.

In the Moroccan context, the study by Idalfahim et al. (2025) examines the effect of financial decentralization on regional economic growth using panel data from the 12 Moroccan regions over the period 2017–2022. By applying the GMM method, the authors demonstrate that local government revenues have a positive and statistically significant impact on regional GDP, whereas local public expenditures, although positive, are not statistically significant. These results highlight the importance of fiscal autonomy in stimulating regional growth while emphasizing the need to improve the efficiency of local public spending.

At the international level, several studies have deepened the understanding of this issue. Iimi (2005), analyzing a panel of 51 countries (1997–2001) using an instrumental variables approach, highlighted a significant and positive effect of expenditure decentralization on GDP per capita growth. Rodríguez-Pose and Ezcurra (2010), on the other hand, demonstrated that the effects of decentralization vary depending on a country's level of development: it tends to reduce disparities in high-income countries but to exacerbate them in low- and middle-income countries.

Neyapti (2010), using a panel of 16 countries (1980–1998), reveals that fiscal decentralization contributes to better budgetary discipline, particularly in countries with large populations. However, this effect can be weakened in contexts characterized by poor governance quality or societal fragmentation.

In a study focused on OECD countries, Baskaran and Feld (2013) show that fiscal autonomy, measured by local revenues, significantly stimulates economic growth, unlike expenditure decentralization, whose effect remains ambiguous. Similarly, Blöchliger and Akgun (2018),

in an analysis of 33 OECD countries (1985–2014), highlight that the positive impact of fiscal revenue decentralization is more pronounced in unitary states, while expenditure decentralization can hinder growth in federal countries due to persistent vertical imbalances.

At the regional level, Mendoza-Velázquez et al. (2021) analyze the case of Mexico (1998–2016) and conclude that federal transfers have a positive effect on regional growth. However, the emergence of the “soft budget constraint” phenomenon calls into question the effectiveness of these transfers in the absence of rigorous budgetary discipline mechanisms.

Overall, this body of literature suggests that the effects of fiscal decentralization on economic growth depend on several factors: actual fiscal autonomy, institutional quality, local administrative capacities, and interregional equalization mechanisms. Therefore, effective implementation of decentralization must be accompanied by strengthened governance and an appropriate institutional framework.

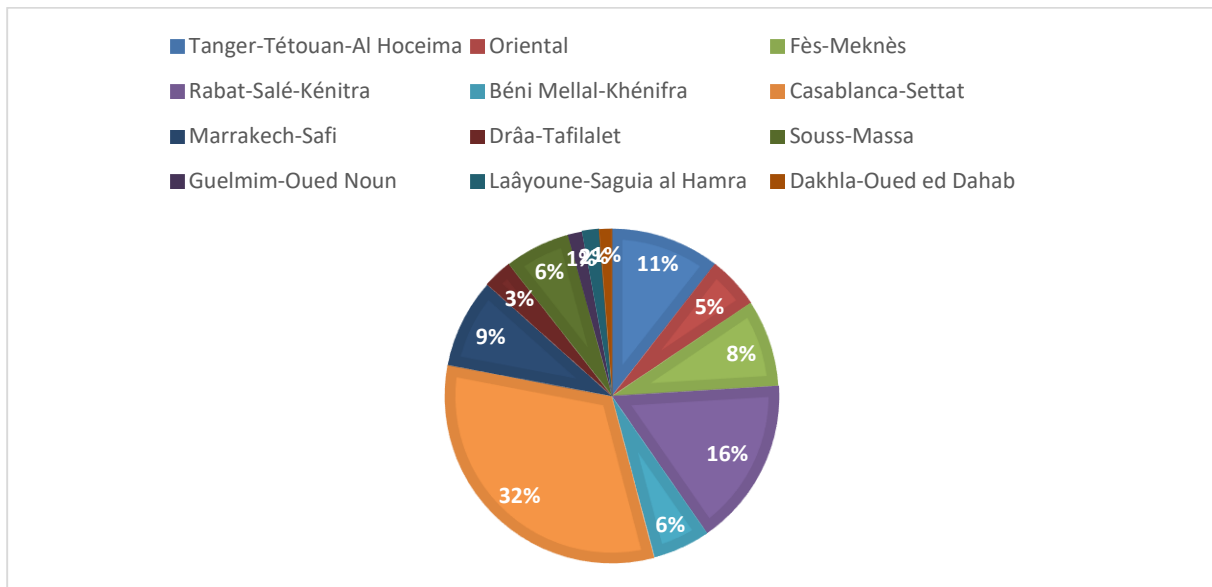
In light of this critical review, the following research hypotheses are proposed:

- **Main Hypothesis (H₁):** Local revenues and expenditures of territorial collectivities have a positive effect on regional GDP. This hypothesis is based on the premise that greater financial autonomy enables local governments to respond more effectively to local needs, thereby fostering regional production growth and economic development.
- **Secondary Hypothesis 1 (H₂):** An increase in local revenues of territorial collectivities is associated with significant growth in regional GDP. This hypothesis assumes that the ability of local governments to mobilize their own resources (local tax revenues) strengthens their financial autonomy, which enhances their capacity for action and investment, leading to positive effects on regional economic development.
- **Secondary Hypothesis 2 (H₃):** Public expenditures of territorial collectivities have a positive effect on regional GDP. This hypothesis postulates that local spending, especially when directed towards infrastructure and basic services (health, education, transport), can generate positive externalities, stimulate demand, and improve production conditions, thereby contributing to growth.

3. Analysis of Stylized Facts: The Case of Moroccan Regions

The analysis of stylized facts helps identify the main trends and characteristics of financial decentralization in Morocco. It focuses on the evolution of local finances, regional disparities in resources and public expenditures, as well as the dependence of local authorities on state transfers. This approach provides an overview of the economic and institutional dynamics that influence the effectiveness of local governance and territorial development.

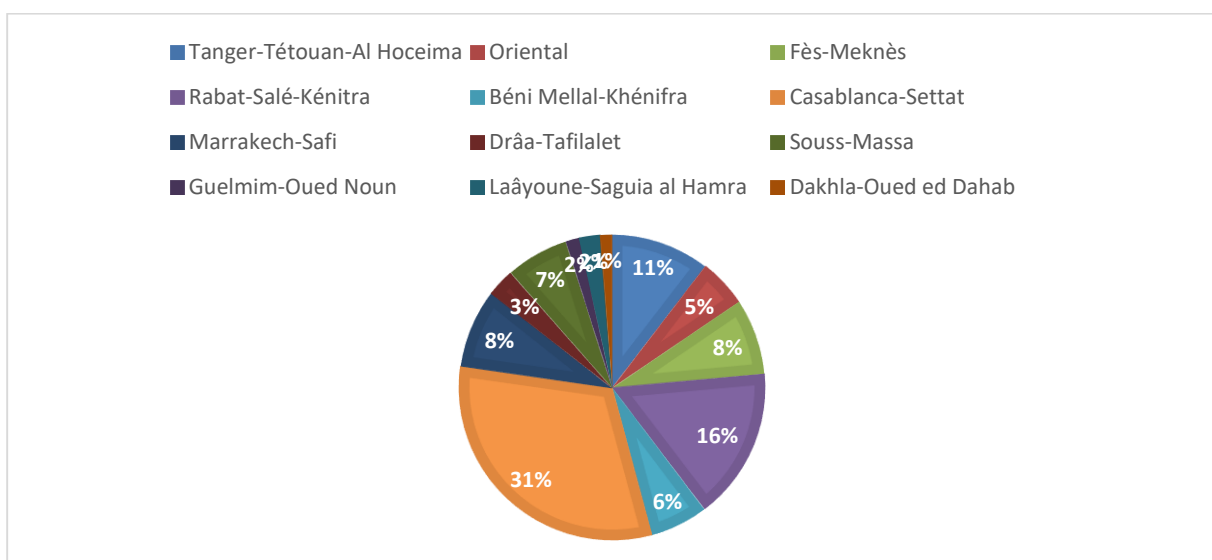
Chart 1: Contribution of regions to the national GDP in percentage (%) in 2017



Source: Prepared by the authors

The graph illustrates the contribution of the different regions of Morocco to the national GDP in percentage for the year 2017. The Casablanca-Settat region is the most significant, contributing 32% to the national GDP. It is followed by the Rabat-Salé-Kénitra region with 16%, Marrakech-Safi with 11%, and Fès-Meknès with 9%. The Tanger-Tétouan-Al Hoceima and Souss-Massa regions each contribute 8%, while the Oriental and Béni Mellal-Khénifra regions contribute 6% and 5% respectively. The Drâa-Tafilalet, Guelmim-Oued Noun, Laâyoune-Sakia El Hamra, and Dakhla-Oued Ed Dahab regions have the lowest contributions, with 3%, 1%, and unspecified percentages respectively. This graph highlights the regional disparities in economic contribution within Morocco.

Chart 2: Regional Contribution to National GDP in Percentage (%) in 2022



Source: Prepared by the authors

The chart shows the contribution of Morocco's different regions to the national GDP as a percentage for the year 2022. The Casablanca-Settat region remains the most dominant, contributing 32% to the national GDP. It is followed by the Rabat-Salé-Kénitra and Marrakech-Safi regions, contributing 16% and 11% respectively. The Fès-Meknès region contributes 9%, while Tanger-Tétouan-Al Hoceima and Souss-Massa each contribute 8%. The Oriental and Béni Mellal-Khénifra regions contribute 6% and 5% respectively. The Drâa-Tafilalet, Guelmim-Oued Noun, Laâyoune-Sakia El Hamra, and Dakhla-Oued Ed Dahab regions have the lowest contributions, at 3%, 2%, and 1% respectively. This chart highlights regional disparities in economic contribution within Morocco, with a marked concentration in urban and economically developed regions.

4. Data and Research Methodology

This section presents the methodological choices related to the estimation of the econometric model, as well as the selection of variables, the study period, and the statistical tools used to analyze the impact of financial decentralization on economic growth in Morocco. The objective of this study is to examine the effect of local government fiscal revenues and expenditures on regional GDP in Morocco. To this end, we have chosen a dynamic panel data econometric model. This model allows us to account for both temporal variations (over the years) and cross-sectional variations (between regions).

To conduct our analysis, we used observations of three variables: Gross Domestic Product (GDP), Local Government Revenues (LGR), and Local Government Expenditures (LGE). These variables cover the 12 regions of Morocco (Tanger-Tétouan-Al Hoceima, Oriental, Fès-Meknès, Rabat-Salé-Kénitra, Béni Mellal-Khénifra, Casablanca-Settat, Marrakech-Safi, Drâa-Tafilalet, Souss-Massa, Guelmim-Oued Noun, Laâyoune-Saguia al Hamra, Dakhla-Oued ed Dahab) over a 6-year period from 2017 to 2022. The observations are expressed in Dirhams. The description of the variables, their sources, and units of measurement are detailed in Table 1.

Table 1: Data Sources

Variables	Notation	Source	Unit of measurement
Gross Domestic Product	PIB	High Commission for Planning	Dirham
Local Government Revenues	RCT	Ministry of Economy and Finance	Dirham
Local Government Expenditures	DCT	Ministry of Economy and Finance	Dirham

Source: By authors

To examine the impact of financial decentralization on economic growth in Morocco, the proposed model is expressed as follows:

$$\log(PIB_{i,t}) = \beta_1 \cdot \log(RCT_{i,t}) + \beta_2 \cdot \log(DCT_{i,t}) + e_{i,t}$$

Where $PIB_{i,t}$ represents the Gross Domestic Product, $RCT_{i,t}$ represents the revenues of local authorities in region i at period t , $DCT_{i,t}$ represents the expenditures of local authorities in region i at period t , β_n is a coefficient to be estimated, $i=1,2,\dots,N$ indicates the regions, $t=1,2,\dots,T$ indicates the time periods, and $e_{i,t}$ is the error term.

The dependent variable (variable to be explained) is:

- Regional GDP: This variable measures the economic performance of the different Moroccan regions and is used as the main indicator of economic growth.

The explanatory variables are as follows:

- Local government revenues (RCT): Represent the total amount of tax revenues generated by local governments, which serve as a key indicator of fiscal decentralization. They reflect the level of fiscal autonomy of the local authorities and their capacity to finance local expenditures.
- Local government expenditures (DCT): This variable measures the public spending carried out by local governments, including investments in infrastructure, public services, and local development programs. Local government expenditures can have a direct effect on local economic growth by stimulating demand and investment.

In this study, we estimate the coefficients of our model using the system generalized method of moments (System GMM), implemented with the R software. This method is particularly suitable for correcting biases related to simultaneity and endogeneity, which are commonly encountered in the estimation of dynamic models, especially when using ordinary least squares (OLS). There are two main variants of the GMM estimator: the difference GMM proposed by Arellano and Bond (1991) and the system GMM developed by Blundell and Bond (1998). For our analysis, we adopt the latter.

System GMM improves estimation efficiency by combining the differenced equation with the level equation, under the assumption that the first differences of the explanatory variables are not correlated with the unobserved individual effects. This assumption allows the use of an expanded set of instruments, thereby enhancing the robustness and precision of the estimates (Sevestre, 2002).

5. Results and Discussion

First, we conducted a descriptive statistical analysis of our data. According to the table, the real Gross Domestic Product (GDP) in our sample ranges from a minimum of 15,633.04 to a maximum of 417,758.01. Similarly, centralized revenues have a minimum value of 666 and a maximum of approximately 9,255. Regarding centralized expenditures, we also observe significant variations, with values ranging from 629 to 8,863. Furthermore, the relatively high standard deviations, particularly for GDP, indicate substantial dispersion among observations, reflecting notable economic disparities between the analyzed units.

Table 2 : Descriptive statistics

Variables	PIB	DCT	RCT
Mean	102 596,3022	3 359,27778	3 446,38889
Median	72 600,9457	3 263,5	3 188
Min	15 633,04497	629	666
Max	417 758,0066	8 863	9 255
Standard deviation	101 769,6365	1 973,52818	2 028,16979

Source: By authors

By studying the correlation, it appears that:

- When public expenditures increase, Gross Domestic Product also tends to increase, and vice versa. This relationship may reflect the active role of public spending in stimulating economic activity.
- When tax revenues increase, Gross Domestic Product also rises, which may indicate that a higher level of public income (generated through taxation) is associated with greater economic activity, or that wealthier regions mechanically generate more tax revenues.

Table 3: Correlation between GDP and Other Variables

	PIB
DCT	0,93500825
RCT	0,93997773

Source: By authors

The estimation results are presented in the table below. The Sargan over-identification test indicates that the instruments used are valid, as evidenced by the non-significant p-value of the test. Furthermore, the Wald test confirms the overall significance of the model, demonstrating

Table 4: Estimation Results of the Model Using the GMM

	The dependent variable LPIB
LRCT	1,163** (0,001)
LDCT	0,236 (0,517)
Test de Sargan	10,881 (0,143)
Test de Wald	35,934 (0,000)
<i>Note :</i> * $p > 0,1$; ** $p > 0,05$; *** $p > 0,01$ (...): P-value	

Source: By authors

The coefficient of local government tax revenues is significantly positive (1.163). This indicates that a 1% increase in local tax revenues is associated with a significant 1.163% increase in regional GDP. This result suggests that enhancing the fiscal autonomy of local authorities allows for better management of local resources, thereby contributing to the stimulation of regional economic growth. By strengthening tax collection capacity, regions can finance development projects that have a direct impact on their economic growth, particularly in infrastructure and public services.

In contrast to tax revenues, the impact of local government expenditures on regional economic growth is not significant in this study (coefficient of 0.236 with a p-value of 0.517). Although increased local public spending is generally expected to stimulate the economy through improved infrastructure and provision of public services, the results suggest that these expenditures do not have a measurable short-term effect on regional GDP in Morocco during this specific period.

The instrument validity tests (Sargan test) show a high p-value (0.143), indicating that the instruments used to address endogeneity are valid. These results reinforce the robustness of the estimates and confirm that the GMM estimation relies on appropriate instruments, thus ensuring the reliability of the findings. Likewise, the Wald test confirms the overall significance of the model coefficients.

The results of this study are consistent with previous empirical work on fiscal decentralization and its impact on economic growth. In particular, they confirm the findings of Nantharath et al. (2020), Huynh and Tran (2021), and Sima et al. (2023), which highlight a positive and significant effect of local revenues on economic growth. Conversely, the effect of local

expenditures, although positive, remains statistically insignificant, in line with the observations of Slavinskaite et al. (2022), Korotun et al. (2020), Sima et al. (2023), and Idalfahim et al. (2025).

The empirical analysis based on GMM estimation partially validates the main hypothesis (H_1). While local revenues have a positive and statistically significant impact on regional GDP, local public expenditures do not show a significant relationship. This suggests that financial autonomy fosters growth, provided that resources are mobilized efficiently.

The secondary hypotheses provide further insight: hypothesis H_2 , regarding the effect of local revenues, is confirmed, emphasizing the importance of regions' capacity to generate their own resources. Conversely, hypothesis H_3 , concerning the effect of local public expenditures, is only partially validated, which may be explained by inefficient allocation or a focus on sectors with limited economic impact.

In summary, this study highlights the crucial role of fiscal autonomy in promoting regional growth in Morocco, while underscoring the need to optimize the quality and efficiency of public spending to maximize its economic effect.

Conclusion

The study on the impact of fiscal decentralization on economic growth in Morocco, conducted through an empirical analysis based on panel data covering the period 2017–2022 and involving the 12 regions of Morocco, reveals significant results regarding the effect of local government revenues on economic growth. The results obtained using the Generalized Method of Moments (GMM) estimation show that an increase in local tax revenues leads to a significant rise in regional GDP, thereby confirming the importance of fiscal autonomy in stimulating economic growth at the territorial level. This suggests that regions with better access to own-source fiscal resources are more capable of financing investments, particularly in infrastructure and public services, which are essential for local economic development.

However, the study also reveals that the impact of local government expenditures on economic growth is less pronounced. Although these expenditures theoretically have a positive effect on growth, they do not show a statistically significant relationship with GDP. This lack of significant linkage could be attributed to various factors, such as inefficiencies in resource management or insufficient levels of local public investment in key sectors. It thus highlights the importance of not only increasing spending but also ensuring optimal management of local public funds.

This research makes an important contribution to the existing literature on fiscal decentralization by specifically focusing on the differentiated impact of local revenues and expenditures on economic dynamics. It underscores the need to improve the efficiency of local public spending so that it has a tangible impact on economic growth, rather than focusing solely on the amount of resources allocated. The potential inefficiency of public spending also suggests that a better management framework and greater transparency at the local government level are essential to maximize the benefits of fiscal decentralization.

In conclusion, this study provides valuable insights into the mechanisms of fiscal decentralization in Morocco and opens the way for future research to explore more deeply the institutional and governance factors influencing the effectiveness of local public expenditures. It appears crucial that future fiscal decentralization reforms do not merely focus on increasing local revenues but also aim to strengthen expenditure management capacities so that local governments can genuinely contribute to national economic growth.

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