**Syllabus**

**I.  Fiscal decentralization**
The Concept of Fiscal Decentralization; Why Such Current Interest in Fiscal Decentralization? What are the Benefits of Fiscal Decentralization?; What are the Benefits of Centralization?; Do Countries Decentralize?; What Are the Basic Approaches to Fiscal Decentralization?; The Revenue Instruments for Fiscal Decentralization.; Intergovernmental Transfers; Rules to Follow in Decentralizing Government Finance

**II.  The assignment of expenditure responsibilities**
The Importance of a Decentralization Strategy; The Roles of the Public and Private Sectors in the Economy; The Primacy of Expenditure Assignment in Intergovernmental Fiscal Relations Design; Examples of Current Assignment of Expenditure Functions; General Principles of Expenditure Assignments; Most Common Problems with Expenditure Assignments and the Need for Reform; Capital Investment Responsibilities and Borrowing; Divestiture of Social Responsibilities by Enterprises; Vertical and Horizontal Fiscal Imbalances; Are Subnational Expenditure Needs Covered?; Will Subnational Governments Provide Minimum Desired Service Levels?; The Need for Privatization and Greater Efficiency in Public Expenditures at the Subnational Level; General Recommendations for reform in Expenditure Assignments

**III. The tax assignment problem: conceptual and administrative considerations in achieving**
       **subnational fiscal autonomy**
Narrowing the Scope of Inquiry: Musgrave's Three-Function Framework; Realizing the Political Benefits of Tax Assignment;  Constraints on Tax Assignment; Conceptual Arguments; Alternative Methods of Revenue Assignment; Administrative Considerations;  Vertical Imbalance and Horizontal Disparities; Concluding Remarks: Tax Competition Revisited

**IV. The intergovernmental systems and grant structure**
The Reasons For More Than One Tier Of Government; Central Intervention With Subcentral Authority Services; The Assignment Of Services Among Levels Of Government; The Optimum Size Of Authority For The Provision Of A Given Service; Intergovernmental Grants in World-Wide Context; Case Study Part I:  Current System Of Intergovernmental Grants In Hungary
Case Study Part II:  Grant Structure for a Capital City: districts and municipal government

**V.  Framework for enhancing local government creditworthiness, municipal credit markets**
Framework for International Local Creditworthiness; General Features, and Issues Underlying the Development, of Municipal Credit Markets; Analytical Parameters of Fixed Income Securities; "Structured" Financing in Municipal Credit Markets; Legal and Regulatory Framework; Local Government Institutional Capacity; Infrastructure Financing and Access to Private Capital Markets; Market-based Financial Intermediaries for Local Investments; Links to Capital Market Development Issues ; Credit Ratings; Municipal Bond Markets Experience Of The USA; Municipal Bond Markets Prospects for Developing Countries

**VI. Own source revenues: Property Tax, User Charges**
Increased importance of the property tax in the OECD countries; Advantages of a property tax; The property tax as a local tax; Basing the property tax on market values; Taxing both land and buildings or taxing land alone; Administration of the property tax; Exercise: designing  property tax (simulation).  Concept of user fee finance; Design options for user charges; Implementation: metering, collection, enforcement, billing; Case study.

**VII.  Local Government Budgets**
Budget purpose; Types of budgets; Budgeting and Accounting; Stages of the budget process;
Capital Budgeting; Evaluation of performance.
**VIII. Sector approach: housing**
Role of the state in housing in the pre-transition and after the transition; Different privatization strategies: alternative service delivery (municipal, non-profit and private); Central and local housing programs: structure of grants and subsidies (housing allowances, vouchers, construction subsidies, etc.), combining central and local programs; Private and public partnership in  housing development at local level; Local Housing Funds: revenues and expenditures, operational issues; Issues of regulation: rent control (central and local solution), building regulations, land development, arrears; Issues of externalities: grant "leakage"; Local housing indicators; Exercise: designing a housing program grant (simulation)

**IX. Sector approach: education**
Basic issue of the education programs and financing education; Responsibilities: different level of sub-national governments; Alternative services delivery: role of the non-profit sector; Institutional setting: relative autonomy of the institutions; Dilemmas of the grant structure: using task financing or general purpose grants; Externalities: problem of the agglomeration (commuting students); International outlook: example of the school districts; Exercise: role of performance measurement

**X. Sector approach: social policy**
Basic issue of social policy in transition; Problem of the "agency" or "choice" model; Interaction between the sectors: health care, housing, public services and social; Financing institutions and benefit programs; Local social policy and central programs; Financing institutions providing social care; Grant structure: role of matching grants in social services, Exercise: Designing local social program

**XI. Sector approach: environment (water and sewage)**
Structure of the sector in pre-transition period, Fragmentation or decentralization: institutional restructuring, Alternative service delivery: one-purpose districts, Privatization of water services: advantages and possible dangers, Role of the user charge in public services: Water price structure, willingness to pay, and arrears issues, Environment regulation: role of supervisory agencies, EU accession: investments needs, Investment grants, Exercise: case study of privatization.