**Syllabus**

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| **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.

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| **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.

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**Assignments and assessment:**The participants will be selected on the basis of the SUN application and completion of a Distance Learning (DL) assignment. The DL assignment will be sent out to pre-selected candidates upon receipt of the SUN application. Each participant is expected to prepare a presentation on the fiscal decentralization issues of her/his country and on the issues of one public sector. These papers will be presented during the course.

The participants will be evaluated according to their attendance and contribution to class discussions and workshop exercises.

**Teaching methods:**The course aims to achieve the right mix of exercises, lectures, and interactive learning methods. This includes the dissemination of materials prior to the course presentation (paper and/or electronically) and supplementing the content with simulations, case studies and interactive discussions. Preceding the course the students will receive a distance learning package covering "Concepts of Decentralization" and "Expenditure and Revenue Assignment". Teaching of the DL stage will be conducted via email discussion, guided reading, and a series of exercises via email. It is expected that students will continue to receive support after the course using Internet and Email.