

**Syllabus for SUN
2002 course**
Intergovernmental Fiscal Relations

Session no.		
1	Teacher's Name/ Teachers' Names	A. Ionescu
	Length of the session	1 hour
	Topic/Title	Fiscal Decentralisation Overview
	Teaching Mode	Presentation and discussion
	Rationale/ Objectives/ Summary	The course participants will have taken part in the DL course on four topics, the presentation will summarise the main trends in decentralisation and some of the theoretical issues or dilemmas with respect to decentralisation
	Reading and/or writing Assignments	Decentralisation: rethinking government World Development Report 2000/2001 5 chapter, pp. 108-123
2	Teacher's Name/ Teachers' Names	J. Hegedüs
	Length of the session	2 hours
	Topic/Title	Feedback on DL assignments
	Teaching Mode	Group discussion and panel discussion
	Rationale/ Objectives/ Summary	To give feedback on the assignments the participants prepared.
	Reading and/or writing Assignments	
3	Teacher's Name/ Teachers' Names	M. Kopányi
	Length of the session	2 hours
	Topic/Title	Decentralisation and the macroeconomic issues
	Teaching Mode	presentation
	Rationale/ Objectives/ Summary	Introduction to the basic macroeconomic terms and issues related to the fiscal decentralization e.g. macroeconomic control, stabilization policy, economic growth, and coordination of central and local budgets in a decentralized fiscal system; rent-seeking behavior, moral hazard and principal-agent challenges in a centralized system.
	Reading and/or writing Assignments	Paul Berd Spahn: Intergovernmental Relations, Macroeconomic Stability, and Economic Growth, Goethe-University, Frankfurt am Main, pp 1-13.

4	Teacher's Name/ Teachers' Names	N. Levrat
	Length of the session	3 hours
	Topic/Title	The legal framework of decentralisation
	Teaching Mode	Presentation and short exercises, discussion
	Rationale/ Objectives/ Summary	The session introduces the problems of the political and administrative structures of a State: the way they are designed, organized, function, develop and are re-organized. The <i>European Charter on Local Self-government</i> will be discussed and the group will identify the elements of their own respective self-government systems that were relevant for setting common standards.
	Reading and/or writing Assignments	Nicolas LEVRAT: Writing the Local Government Law (10 p)
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5	Teacher's Name/ Teachers' Names	J. Hegedüs
	Length of the session	2 hours
	Topic/Title	Expenditure assignment
	Teaching Mode	Presentation, group discussion and exercise
	Rationale/ Objectives/ Summary	Discussions proceed from the overview of decentralization practice to the "practice" of sorting out fiscal roles and responsibilities and the operations of a multi-tier government. To stress the axiom that finance follows function, the first such topic is that of the assignment of expenditures--the theory and practice of the dividing line between private and public sector activities, principles to guide expenditure assignment, and the problems that may result from failure of clarity and stability in the assignment process. Then, specific policy choices are discussed: operating vs. capital spending, (and borrowing) responsibilities, need for an appropriate regulatory framework, and the role of privatization of public services. The specific country groups discuss the advantages and disadvantages of their present practice.
	Reading and/or writing Assignments	Writing exercise: problems of the expenditure assignment of the country (2 pp)
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6	Teacher's Name/ Teachers' Names	J. Hegedüs
	Length of the session	2 hours
	Topic/Title	Revenue assignment

	Teaching Mode	
	Rationale/ Objectives/ Summary	The session focuses on Musgrave's Three-Function Framework; and discusses the political benefits of tax assignment. The following issues will be covered: constraints on tax assignment; conceptual arguments; alternative methods of revenue assignment; administrative considerations; vertical imbalance and horizontal disparities; concluding remarks: tax competition revisited. The country groups – following the previous session structure – will discuss the existing models in the region.
	Reading and/or writing Assignments	Writing exercise: problems of the revenue assignment of the country (2 pp)
7	Teacher's Name/ Teachers' Names	Pr. Akuriki
	Length of the session	2 hours
	Topic/Title	Case study: Japan
	Teaching Mode	Presentation, discussion
	Rationale/ Objectives/ Summary	This session will give an overview of the Japanese "Top-Down" Approach to Decentralization, and it will trace the evolution of inter-governmental relations in Japan in the postwar period with a view to understanding how the process of decentralization has unfolded there and what lessons might be drawn from the Japanese experience. The main reason to study Japan is because, despite recent problems, it remains an outstanding example of a successful broad-based development experience.
	Reading and/or writing Assignments	Michio Muramatsu and Farrukh Iqbal: Understanding Japanese Central-Local Government Relations: Perspectives, Models and Salient Characteristics (49 pp.)
8	Teacher's Name/ Teachers' Names	Linder
	Length of the session	1 hour
	Topic/Title	Culture and decentralisation
	Teaching Mode	Presentation

	Rationale/ Objectives/ Summary	The session will explore why participation and democracy matter in decentralisation processes. The goal of this session will be to outline the political aspects of (fiscal) decentralisation. Why does politics matter in fiscal decentralisation? The allocation and redistribution of resources through the government is a highly political process because control over resources is directly linked to power.
	Reading and/or writing Assignments	George Lutz – Wolf Linder: Democracy and participation: Solutions for improving governance at the local level ? (13.pp)
9	Teacher's Name/ Teachers' Names	R. Ebel and S. Yilmaz
	Length of the session	2 hours
	Topic/Title	Equalisation grants:
	Teaching Mode	Presentation, discussion
	Rationale/ Objectives/ Summary	Recognizing a multiplicity of governments and government functions raises questions regarding macroeconomic control by a central government. The session discusses the objectives of an intergovernmental grant system: correcting or adjusting for vertical imbalance, horizontal imbalance, and externalities, coordinating central and subnational spending; and providing incentives for certain forms of local behavior (tax effort, inter-governmental cooperation, structure of government)
	Reading and/or writing Assignments	Martinez-Vazquez, Jorge and Jameson Boex. "The Design of Equalization Grants: Theory and Applications." Part One: Theory and Concepts (44.pp.)
10	Teacher's Name/ Teachers' Names	R. Ebel and S. Yilmaz
	Length of the session	2 hours
	Topic/Title	Designing equalisation grant: computer exercise
	Teaching Mode	exercise
	Rationale/ Objectives/ Summary	The computer exercise helps to understand the effects of the equalisation grants.
	Reading and/or writing Assignments	Running simulation models, and giving short evaluation of the results
11	Teacher's Name/ Teachers' Names	Pr. Atkuri
	Length of the session	1 hour
	Topic/Title	Japanese case study: equalisation grant

	Teaching Mode	Presentation
	Rationale/ Objectives/ Summary	This is a presentation of the equalization grant of the Japanese model. The method to manage the vertical and horizontal imbalance is the key element in the intergovernmental fiscal relations. Japan is a good example of a successful solution to the problem.
	Reading and/or writing Assignments	<i>Michio Muramatsu and Farrukh Iqbal: Understanding Japanese Central-Local Government Relations: Perspectives, Models and Salient Characteristics (49 pp.) The same as for session 7.</i>
12	Teacher's Name/ Teachers' Names	J. Hegedüs
	Length of the session	1 hour
	Topic/Title	Own revenues: user charges and fees
	Teaching Mode	Presentation, discussion
	Rationale/ Objectives/ Summary	In this module, traditional local revenues are examined: revenue sharing versus surcharges of income and receipts levies, local taxes. The session will focus on the benefit-based levies commonly used by local governments. The experiences in the country of the region will be discussed as well.
	Reading and/or writing Assignments	Richard M. Bird "Subnational Revenues: Realities and Prospects" Part on User charges(10 pp.)
13	Teacher's Name/ Teachers' Names	A. Ionescu/
	Length of the session	1 hours
	Topic/Title	Local tax revenues: property tax
	Teaching Mode	Presentation, discussion
	Rationale/ Objectives/ Summary	According to the public finance theory one of the most efficient local taxes is the property tax. The session will discuss the arguments in relation to its efficiency, fairness and the administrative aspect of the use of the property tax..
	Reading and/or writing Assignments	Michael E. Bell :An optimal property tax: concepts and practices (30 pp.)
14	Teacher's Name/ Teachers' Names	A. Ionescu/G. Balázs
	Length of the session	3 hours
	Topic/Title	Property tax exercise
	Teaching Mode	Computer simulation exercise

	Rationale/ Objectives/ Summary	The exercise will show the different outcomes of the decisions with respect to tax design.
	Reading and/or writing Assignments	Students will run simulation models, and give short evaluation of the results
15	Teacher's Name/ Teachers' Names	A. Novikov
	Length of the session	2 hours
	Topic/Title	Municipal Borrowing
	Teaching Mode	Presentation, discussion
	Rationale/ Objectives/ Summary	The session will focus on municipal credit issues. It will discuss the question how one measures subnational (e.g., municipal) creditworthiness. It will cover the general features of municipal credit markets as well and review some important analytical parameters of municipal fixed income instruments (e.g., duration of security as a measure of interest rate risk, definition and measurement of market credit). It will provide examples of structured financing using examples from the Russian Federation.
	Reading and/or writing Assignments	Samir El Daher :Specialized Financial Intermediaries for Local Governments A Market-based Tool for Local Infrastructure Finance (10 pp)
16	Teacher's Name/ Teachers' Names	A. Novikov: Case study: Russia
	Length of the session	2 hours
	Topic/Title	Case study: Russia
	Teaching Mode	Presentation, discussion
	Rationale/ Objectives/ Summary	Russia has a federative form of government, and there has been overwhelming and continued pressure for decentralization. The session will deal with the motivations behind decentralization, such as achieving a more efficient and fair government, but also will show the problems of the present form of decentralisation, resulting from a lack of national solidarity and a desire of regions to prevail over common national interests in many cases. In the session the question of the difference between the legislated system of intergovernmental relations and reality will be discussed as well.
	Reading and/or writing Assignments	Richard M. Bird :A perspective on fiscal federalism in Russia (30 pp.)

17	Teacher's Name/ Teachers' Names	K. Jokay
	Length of the session	2 hours
	Topic/Title	Fiscal stress and bankruptcy regulation
	Teaching Mode	Presentation, discussion
	Rationale/ Objectives/ Summary	This session will address: a) the nature of and general causes of deficits, unpaid bills and other forms of fiscal stress at the municipal level; b) efforts by national governments to prevent, adjust and finance such gaps at the local level (comparing Latvia, Hungary and Bulgaria); c) elements of national municipal borrowing frameworks and how they affect creditworthiness; d) solutions offered in various countries to address municipal borrowers in default (debt adjustment, reorganization), Hungary and Latvia in particular.
	Reading and/or writing Assignments	Kopányi, Mihály, editor. Hungary–Subnational Modernization Challenges, selected chapters, World Bank Institute, forthcoming 2001. (20 pp.)
18	Teacher's Name/ Teachers' Names	J. Hegedüs
	Length of the session	2 hours
	Topic/Title	Budgeting and financial management
	Teaching Mode	Presentation, discussion
	Rationale/ Objectives/ Summary	The session will focus on the role of the local budgeting process as a critical tool of financial management. The different elements of the budgeting process will be covered by the presentation, such as accounting, auditing, operating and investment budget, and performance measurements. The advantages and disadvantages of the different types of budgets will be discussed. Local financial management is a key factor in the local structural adjustment process. In the group discussion the problem of the lack of expenditure autonomy will be discussed, and it will be shown how it has led to the decline in the level of services, the importance of cash management (e.g. local treasury) and of reorganizing public services (contracting out and privatization).
	Reading and/or writing Assignments	Schick, Allen, 2001 Does Budgeting Have a Future? (30 pp)
19	Teacher's Name/ Teachers' Names	J. Hegedüs/R. Kovács
	Length of the session	2 hours
	Topic/Title	Financial management exercise
	Teaching Mode	Computer simulation exercise

	Rationale/ Objectives/ Summary	This exercise will cover the problems of local government's budget analysis and investment decisions, and uses of the computer as a background tool.
	Reading and/or writing Assignments	Students will run simulation models, and giving short evaluation of the results
20	Teacher's Name/ Teachers' Names	K. Pallai
	Length of the session	3 hours
	Topic/Title	Budapest case study
	Teaching Mode	Presentation, discussion
	Rationale/ Objectives/ Summary	Budapest represents an outstanding case for decentralisation. The case study will cover the problems Budapest faced in the process of transition, such as privatisation, restructuring services, local taxation, etc.
	Reading and/or writing Assignments	
21	Teacher's Name/ Teachers' Names	K. Varga
	Length of the session	1 hour
	Topic/Title	Politics of operational surplus
	Teaching Mode	Presentation
	Rationale/ Objectives/ Summary	The presentation will give an overview of the political options Budapest had in designing its budget.
	Reading and/or writing Assignments	
22	Teacher's Name/ Teachers' Names	J. Hegedüs/A. Ionescu
	Length of the session	8 hours
	Topic/Title	Students assignments and presentations
	Teaching Mode	Discussion, group presentations
	Rationale/ Objectives/ Summary	The students form 5/6 groups and prepare a presentation about the intergovernmental fiscal issues of the selected country, and prepare a decentralisation strategy for the country
	Reading and/or writing Assignments	Written assignments by groups with overhead presentation