Local Government Public Finance in Transition and Developing Economies

Course Objectives
This course is designed to review the special problems faced by subnational governments in transition and developing countries. Subnational governments face unique problems since they are nearly always the creations of the higher level of government and, as such, must operate within limitations imposed by the higher level of government. Within developing countries the problems of public finance are especially severe, particularly in urban areas. Their rapidly growing populations have increased demands for public goods; yet the taxing powers provided to these local bodies are usually limited and their ability to administer these own-source revenues are often inadequate.

The course will consider (1) the reasons for local governments and why they might be strengthened; (2) the demands for services from these local bodies; (3) the alternative sources of locally-raised revenues available to meet these demands; and (4) the role which higher levels of government can and must play in helping local governments meet the demands.

Much of the analysis in the course will be based on economic theory. The role of administration will not, however, be ignored since, in many instances, it is administration that constitutes the greatest obstacle to an effective local finance system. Particularly important in this regard are the incentives that institutional arrangements provide to those who have the task of administering local government affairs.

Course Requirements
The requirements include (a) one exam given at the end of the course, (b) one major research paper, (c) presentation of that paper, and (d) several shorter written assignments. You will also be expected to participate actively in the class discussions since I do not intend to make this a “lecture” class.

a. The final exam will be given at the end of the course. It will be a 24-hour take home exam.

b. You will need to decide on the topic of your paper by February 16. Greater detail concerning the paper will be made available in another handout to be distributed within a week or so. This paper will be approximately 20-25 pp. in length (right for a journal submission) and should address an issue associated with public finance (broadly-defined) in developing or transition countries.

Your paper is due on April 28 (but can be submitted sooner). I am willing to scan your draft paper and make comments, but only if it is submitted to me at least one week prior to the deadline. Authors of the “best” papers in the course will be encouraged to submit their papers to the Journal of Development and Social Transformation. There they will go through a formal referee process and, if deemed adequate, will be published.

c. You will also make a formal oral presentation of your paper during the final two class sessions on April 22 and 27 (depending on enrollment, these sessions may begin earlier
than 8 a.m.). You will be expected to attend both of these classes even if you are not making a presentation at one.

d. There will be three additional short writing assignments during the course. These will consist of papers 2-4 pp. in length and you will be expected to discuss your findings in class. During the second class (Jan 14) you will choose a country from a list of developing and transition economies that I have constructed. If you are an international student, you may NOT choose your native land! The three short papers (2-4 pp. MAX) will focus on (a) the structure of governments in your chosen country, (b) the services provided by sub-national governments in that country, and (c) the revenues of sub-national governments in your country. The three short papers will be due on **Feb. 2, Feb. 25, and March 30**. On each of these days, the class period will focus on your reports. (*It is NOT necessary that your term paper be focused on the country you will become an ’expert’ on!!*)

All written assignments submitted after the stated deadline will be penalized one “mark” – an otherwise A- paper will be counted as a B+ paper, a B+ paper will receive the grade B, etc. Also, please be aware that any plagiarism in your paper or exam will result in an automatic failure in the course. See the final page of the syllabus for more on academic integrity.

e. Ph.D. students will be required to complete one additional assignment – reviewing a non-published paper that has (hypothetically) been submitted for publication at a refereed journal and you may also be asked to ‘teach’ one class session.

Grades will be based upon the following:

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<tr>
<th>Component</th>
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<tr>
<td>Exam</td>
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<tr>
<td>Major Paper</td>
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<tr>
<td>Short Papers</td>
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<td>Formal presentation of paper</td>
<td>5%</td>
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<tr>
<td>Class Participation</td>
<td>10% (includes oral presentation assignments)</td>
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There is no single adequate textbook being published for a course such as this. And rather than burden you with a very expensive reader, I have decided this year to place all of the readings in a course folder on the shared G: drive \shared.ad.syr.edu. The folder is MAX-Collab.Devel Countries-Idschroe.S08 Distribution Materials

**Course Outline and Reading List**
*(dates are approximate and may be changed; also, the reading marked with ** are optional)*

I. Introduction (January 12)

II. Why local governments? (January 14 and 21)


**If you are not familiar with local government in the United States, you may wish to spend a bit of time skimming my “Local Government Organization and Finance in the United States,” in *Local Governance in Industrial Countries*, Anwar Shaw, ed. The World Bank, 2006.
III. Decentralization

A. Rationale (January 26 and 28)


**R. Bird and F. Valillancourt, “Fiscal Decentralization in Developing Countries: An Overview,” Ch. 1 in *Fiscal Decentralization in Developing Countries*, Cambridge University Press, 1998.**

Report on structure of governments in chosen country, February 2.

B. Sectoral Expenditure Assignments (February 4, 9 and 11; the latter two days will focus on the sectors with students leading the discussion)


*Each student will be required to be responsible to explain and discuss the written material for only one of the following sectors.*

1. Education


2. Health

S. Burki, G. Perry and W. Dillinger, *Beyond the Center: Decentralizing the State*, World Bank Report, 1999, Ch. 5 (The document also contains Ch. 4 concerning education and Ch. 6 concerning roads.)


3. Local Infrastructure
S. Burki, G. Perry and W. Dillinger, *Beyond the Center: Decentralizing the State*, World Bank Report, 1999, Ch. 6 (The document also contains Ch. 4 concerning education and Ch. 5 concerning health.)


4. Agricultural Extension


C. Accountability and Corruption (Feb. 16 and 18)


D. Measuring Decentralization (Feb. 23)


Report on service responsibilities of local governments in chosen country, February 25

IV. Own Source Revenues

A. Evaluating Revenue Sources (March 2)

Fisher, Ch. 12.

B. Revenue Assignments and Administration (March 4)

C. Property Taxation (March 16, and 18)

Food and Agriculture Organization of the UN (FAO), *Decentralization and Rural Property Taxation*, FAO Land Tenure Studies, No. 7. (2004)


D. Other Local Taxes (March 23 and 25)

R. Bahl and J. Linn, Ch. 7


**R. Bahl and J. Linn Ch 8.


Report on revenues of local governments in your chosen country, March 30

E. User charges (April 1 and 6)


V. Local Government Credit (April 8)


VI. Intergovernmental Fiscal Relations (April 13, 15 and 20)


**Oral presentation of papers April 22 and 27.**

Papers due on 28 April at 4:30 p.m. The timing for the final exam will be determined later.

**CALENDAR OF ASSIGNMENTS (also subject to change)**

| Jan. 14: | Choose country for expert commentary |
| Feb. 2: | First short paper due |
| Feb 9-11: | Oral discussion of sectoral decentralization (no paper required for this) |
| Feb 16: | Paper topic proposal due |
| Feb 25: | Second short paper due |
| March 30: | Third short paper due |
| April 22 & 27: | Oral presentations of papers |
| April 28: | Term Paper Due |
STATEMENT OF PLAGIARISM
The Board of Graduate Studies of Syracuse University has prepared the following Statement of Plagiarism. All students are expected to be guided by it during their attendance at the University.

Plagiarism, i.e., the presentation as one's own work the words, ideas, and opinions of someone else, is a serious concern in any academic setting. This University, like all academic institutions in the United States, assumes that the written work of a student is literally the student's own, and that any original idea or research contributions taken from the published works of others will be properly acknowledged.

When any material is taken directly from a published source, it must be appropriately cited. If a statement is used verbatim, it must be enclosed in quotation marks, as well as otherwise acknowledged. Syracuse University, through its various colleges and departments, will readily refer students to writing and style manuals that are universally recognized as acceptable by scholars and that very adequately demonstrate how students should handle the issue of proper citation of material. Examples of such works include the student manual distributed by the English Department of Syracuse University, *A Manual for Writers* by K. Turabian, and the *Publication Manual* of the American Psychological Association.

Students must understand that, like cheating on examinations, plagiarism is a serious instance of academic dishonesty. In this University, it will be dealt with as such.

For a fuller statement on expectations for academic integrity, see
http://supolicies.syr.edu/ethics/acad_integrity.htm