Instructor Information

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Course Information

- Class Time: Mondays, 9/10 – 12/10, 4:55-6:35 p.m.
- Class Location: 60 Fifth Avenue, Room 125

Course Description

Many developing countries have been significantly reforming the scope and organization of the public sector in recent years. This course critically examines the changing structures and operations of government fiscal systems in developing countries, with particular emphasis on the growing trend to strengthen subnational levels. Major topics include: understanding broader national fiscal reform processes; determining an appropriate division of fiscal responsibilities among levels of government; evaluating major mechanisms for subnational government revenue mobilization; and, assessing the prospects and options for pursuing pragmatic and productive decentralization and intergovernmental fiscal reform. The course focuses on economic analysis, but attention is also given to political, institutional and cultural considerations that are critical for effective policy design and implementation.

Main Learning Objectives

1. To familiarize participants with key public finance issues and challenges in developing countries with an emphasis on the subnational level;
2. To enable participants to apply basic public finance principles for analysis of fiscal decentralization and local government finance in developing countries with diverse political, institutional, and cultural contexts; and
3. To expose participants to the practice of fiscal decentralization and local government finance reform in developing countries.

Course Format

The class will meet once a week. The format will blend lecture, discussion and in-class participatory assignments. There will be occasional guest speakers. Class participation is encouraged and expected.
Requirements

The grade will be based on the following requirements:

- Team Policy Analysis Assignment (15%)
- Mid-term Examination (25%)
- Individual Policy Analysis Assignment (20%)
- Class Participation (10%)
- Final Examination or Individual Term Paper (30%)

Team Policy Analysis Assignment:
The team policy analysis assignment involves an evaluation of a public sector fiscal issue conducted by small teams of students. Each team produces a memo of five to six pages.

Midterm Exam:
The midterm exam (take-home) consists of short answer questions with some choice provided. More information will be provided in class in advance of the exam date.

Individual Policy Analysis Assignment:
The individual policy analysis assignment involves an evaluation of a particular aspect of an intergovernmental fiscal system (choices allow each class member to focus on a topic of interest to them). Each individual produces an analytical policy memo of up to six pages.

Class Participation:
Active class participation consists of coming to class prepared to engage in a reflective discussion and to ask good questions. There will be several ungraded in-class exercises and your participation in these exercises will also contribute to your class participation grade.

Please note that the attendance requirement is subject to the NYU Policy on Religious Holidays, which states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. Please notify me in advance of religious holidays so that we can plan to deal with any material you might miss.

Final Examination or Individual Term Paper:
For the final assignment, participants may choose to take a final exam or write a term paper. The final exam (take home) covers a choice of essay questions that focus on the synthesis of concepts and applications covered in the class. The term paper (up to ten pages) may be on (a) any topic covered in the course on which you would like to do additional work; or (b) the intergovernmental fiscal system or some aspect of it in one or more countries. Paper topics must be cleared in advance with the instructor.

More details on each assignment will be provided as per the course schedule.
Academic Integrity and Grading Policy

The course will abide by the NYU Wagner School policy guidelines on academic integrity and grading. It is each student’s responsibility to become familiar with these policies. All Wagner students have already read and signed the Wagner Academic Oath and are expected to pursue and meet the highest standards of academic excellence and integrity. Plagiarism of any form will not be tolerated and students in this class are expected to report violations to me. If any student in this class is unsure about what is expected of you and how to abide by the academic code, you should consult with me. Please see the NYU Wagner Student Portal for detailed information on the academic code and grading policy.

- Academic Code (https://wagner.nyu.edu/portal/students/policies/code)
- Grading (https://wagner.nyu.edu/portal/students/policies/grading)

Henry and Lucy Moses Center for Students with Disabilities at NYU

Academic accommodations are available for students with disabilities. Please visit the Moses Center for Students with Disabilities (CSD) website and click on the Reasonable Accommodations and How to Register tab or call or email CSD at (212-998-4980 or mosescsd@nyu.edu) for information. Students who are requesting academic accommodations are strongly advised to reach out to the Moses Center as early as possible in the semester for assistance.

Required Readings

We will read selected chapters from a textbook: R. Bahl, J. Linn and D. Wetzel, eds. Financing Metropolitan Governments in Developing Countries (Cambridge, MA: Lincoln Institute Press, 2013). This book is available to read in electronic form from the NYU library or can be purchased (paperback) or downloaded as a PDF for free from the Lincoln Institute of Land Policy website: Financing-Metropolitan-Governments-in-Developing-Countries (https://www.lincolninst.edu/publications/books/financing-metropolitan-governments-developing-countries)

All primary readings that are not from the textbook are available on the NYU Classes course site in the appropriate subsection under the Resources tab. The reading list also provides optional supplementary readings—some are older foundational papers and others are more recent treatments of major topics. Those with an interest in particular issues, methods, regions or countries can consult these additional readings. Some of the supplementary readings--many of the papers and articles, but mostly not books and larger volumes--are posted on NYU Classes, but you will have to find others you are interested in--most of the books and journals they are published in are available in Bobst Library or online.

Please note that there is a great deal of reading listed for this course, although it can only touch on selected aspects of the vast literature on this topic. Some required readings are more important than others, and they are generally listed in order of importance for the material to be covered in class. In addition, although each reading is included because it makes a unique contribution, some readings are partly redundant (i.e. more advanced readings and empirical papers often spend time reviewing basic principles covered in earlier readings) and thus can be read more rapidly once you have read others. In
addition, a few readings involve sophisticated econometrics—you are not expected to follow technical
details, only to take note of the basic findings and their implications. Guidance about the most
important readings and which to skim will be given in advance of each class.

A number of overview volumes that do not include required readings are posted in the General folder
under Resources on the NYU Classes site for this course. These include:

- C. Farvacque-Vitkovic and M. Kopanyi, eds. Municipal Finances: A Handbook for Local
  Governments (Washington, DC: The World Bank, 2014). This includes practical summaries of
  fiscal decentralization issues and examples of practice—a good basic resource for students of
  applied local public finance in developing countries.
- The Challenge of Local Government Financing in Developing Countries (Nairobi: UN
  Habitat, 2015). This includes a set of papers focused on subnational revenues and issues related
to the environments in which they are managed.
- Local Government Finances: The Challenges of the 21st Century. Global Observatory on
  Local Democracy and Decentralization—GOLD II. (Barcelona: United Cities and Local
  Governments, 2010). This is an overview of local government finance issues and reform
  directions, and it is particularly useful for those who have regional interests because it is one of
  the few publications that offers individual chapters on different regions of the world.
- Subnational Governments Around the World: Structure and Finance. (Barcelona: United
  Cities and Local Governments and Paris: OECD, 2016). This provides a more synthetic overview
  of subnational governments globally. Although there are likely nontrivial issues with the data, it
demonstrates the great diversity of intergovernmental systems, usefully compares different types
  of systems around the world, and provides some snapshots of the systems in selected countries.
- Financing Sustainable Development in the Least Developed Countries. New York, NY:
  United Nations Department for Economic and Social Development, Financing for Development
  Office and United Nations Capital Development Fund, 2017). This provides an overview of
  subnational finance in the least developed countries and selected country case studies.

A number of additional volumes with relevance for fiscal decentralization and decentralization more
generally are listed at the end of the syllabus.
PADM-GP 2245: Financing Local Governments in Developing Countries
Course Meeting Schedule: Fall 2018

I. Economic and Fiscal Reform in Developing Countries
September 10: Fiscal Policy, Public Expenditures and Development
September 17: Tax Reform in Developing Countries

II. Theories and Models of Multi-level Government Finance
September 24: An Overview of Fiscal Federalism
(Team Policy Analysis Assignment Distributed)
October 2: Fiscal Federalism in Practice and Relevance for Developing Countries
October 8: Fall Recess (No class on Monday, held as per NYU regulations on Tuesday October 9)
October 9: Expenditure and Revenue Assignment in Developing Countries
(Team Policy Analysis Assignment Due)

III. Sub-national Government Own-Source Revenues
October 15: Property Taxation
October 22: Other Local Own-Source Revenues
October 29: Local Government User Charges
(Midterm Exam Distributed)

IV. Intergovernmental Transfers, Borrowing and Privatization
November 5: Intergovernmental Transfers
(Midterm Exam Due; Individual Policy Assignment Distributed)
November 12: Subnational Borrowing
November 19: Privatization/Public Private Partnerships
(Individual Policy Assignment Due; Final Exam Distributed)

V. Prospects and Strategies for Fiscal Decentralization
November 26: Linking Components of Intergovernmental Fiscal Reform
December 3-10: Strategic Decentralization and Intergovernmental Reform

December 17: Take-home Final Exam or Final Paper: due by 5 pm.
PADM-GP 2245 Reading List: Fall 2018

Primary readings are available in Bahl, Linn and Wetzel 2013 (signified by a star ★) or on NYU Classes. Most supplementary readings are available on NYU Classes.

I. Economic and Fiscal Reform in Developing Countries (September 10-17)

A. Fiscal Policy, Public Expenditures and Development (September 10)

Primary Readings


Supplementary Readings


B. Tax Reform (September 17)

Primary Readings:

Supplementary Readings
II. Theories and Models of Multi-Level Government Finance (September 24-October 16)

A. Overview of Fiscal Federalism (September 24)

Primary Readings


Supplementary Readings


B. Fiscal Federalism in Practice & Relevance for Developing Countries (October 1)

Primary Readings


Supplementary Readings


C. Expenditure and Revenue Assignment in Developing Countries (October 9)

Primary Readings


Supplementary Readings


III. Subnational Government Own-Source Revenues (October 15-29)

A. Property Taxation (October 15)

Primary Readings

• “The Time May Be Right for Land-Value Taxes,” The Economist, August 9, 2018.

Supplementary Readings
• R. Bahl and Sally Wallace, “Reforming the Property Tax in Developing Countries: A New Approach.” International Studies Program Working Papers No. 08-19. (Atlanta, GA: Andrew Young School of Policy Studies, Georgia State University, 2008).
B. Other Subnational Revenues (October 22)

Primary Readings


Supplementary Readings


C. User Charges (October 29)

Primary Readings

Supplementary Readings


IV. Intergovernmental Transfers, Borrowing and Privatization (November 5-19)

A. Intergovernmental Transfers (November 5)

Primary Readings


Supplementary Readings


• M. Alam. Intergovernmental Fiscal Transfers in Developing Countries Case Studies from the Commonwealth (London: Commonwealth Secretariat, 2014).


B. Subnational Government Borrowing (November 12)

Primary Readings


• M. Friere and J. Petersen, eds., Subnational Capital Markets in Developing Countries: From Theory to Practice (Oxford: Oxford University Press, 2004), Chapters 1,13.


Supplementary Readings

C. Privatization/Public-Private Partnerships (November 19)

Primary Readings
Supplementary Readings


V. Prospects and Strategies for Fiscal Decentralization (November 29-December 10)

A. Linking Components of Intergovernmental Fiscal Reform (November 29)

Primary Readings

B. Strategically Implementing Broader Intergovernmental Reform (December 3-10)

Primary Readings


Supplementary Readings

Selected Volumes of Relevance for Fiscal Decentralization