Fiscal Decentralization and Fiscal Policy Performance
Fiscal Decentralisation, Local Government and Policy Reversals in Southeastern Europe
The Economics of Centralism and Local Autonomy
Fiscal Decentralization and Local Public Finance in Japan
Reforming Intergovernmental Fiscal Relations and the Rebuilding of Indonesia
The Politics and Economics of Regional Transfers
Fiscal Decentralisation and Local Level Gender Responsive Budgeting in Morocco
Fiscal Federalism and Decentralization in Mongolia
Local Finance, Fiscal Decentralisation and Decentralised Planning
Decentralization in Asia and Latin America
OECD Fiscal Federalism Studies
Measuring Fiscal Decentralisation Concepts and Policies
Fiscal Federalism and Local Finance in India
Zambia
OECD Fiscal Federalism Studies
Local Public Finance and Capacity Building in Asia
Issues and Challenges
Income Inequality, Fiscal Decentralization and Transfer Dependency
Macro Federalism and Local Finance
Reforming Regional-local Finance in Russia
The Impact of Fiscal Decentralization and Market Transition on Local Public Finance in China
OECD Fiscal Federalism Studies
Measuring Fiscal Decentralisation Concepts and Policies
Fiscal Decentralization and Intergovernmental Relations in Transition Economies
Strengthening Local Government Finance
Restructuring Local Government Finance in Developing Countries
The Economics of Fiscal Federalism and Local Finance
Local Finance Fiscal Decentralization and Local Finance in Developing Countries
Does Decentralization Enhance Service Delivery and Poverty Reduction?
Fiscal Decentralization and Local Public Finance in Japan
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Fiscal Decentralization and Public Subnational Financial Management in Peru
Central and Local Government Relations in Asia
Fiscal Federalism and Political Decentralization
Decentralization and Service Delivery
Fiscal Decentralization and Local Finance Reforms in the Philippines
Fiscal Decentralization Reforms in Developing and Transitional Countries
Fiscal Decentralisation and Local Government Finance in Relation to Infrastructure and Service Provision in Uganda: Main report
The Challenge of Local Government Size
Fiscal Decentralization and Fiscal Policy Performance Sustainable and inclusive growth in emerging Asian economies requires high levels of public investment in areas such as infrastructure, education, health, and social services. The increasing complexity and regional diversity of these investment needs, together with the trend of democratization, has led to fiscal decentralization being implemented in many Asian economies. This book takes stock of some major issues regarding fiscal decentralization, including expenditure and revenue assignments, transfer programs, and sustainability of local government finances, and develops important findings and policy recommendations.

Fiscal Decentralisation, Local Government and Policy Reversals in Southeastern Europe Subnational governments’ capacity to effectively fund and deliver public services are crucial for the realisation of the benefits of decentralisation. However, subnational capacities often suffer from significant weaknesses, ranging from inadequate assignments of own-revenues, through to flaws in tax administration, the design of intergovernmental transfers, spending assignments and various aspects of public financial management.

The Economics of Centralism and Local Autonomy One of the frequently observed issues related to fiscal decentralisation in developing and transition countries is that subnational governments may not have adequate resources to finance the expenditure responsibilities decentralised to them. This often results in expenditure needs not being met in poorer areas. In China, fiscal decentralisation has taken place in an extreme form, where the social security responsibility, a conventional central government function, has been devolved to subnational governments during the fiscal reforms. While existing studies have anatomised the problem of unmet fiscal needs in poorer areas of China using economic and political economy theories of fiscal federalism, they tend to under-estimate or neglect the fiscal needs induced by market transition—the increasing demand for social security by workers from state and non-state sectors since the mid-late 1990s. This research illustrates that excess fiscal decentralisation, as in the case of China, could also create serious fiscal burdens for relatively affluent local areas and generate unmet social security needs in these localities. It is discovered that in response to the emerging social security burdens, even the relatively affluent local governments are forced to adopt measures that may counter the intent of social benefit programs or produce other detrimental consequences. In addition, this dissertation applies statistical analysis to ascertain a few inconclusive issues raised by the China-specific literature. It is perceived that the negative correlation between the share of consolidated provincial budgetary spending on social security and health sector has become stronger and more significant in more recent time. This suggests that the expansion of social security expenses at subnational
levels might have bid away budgetary resources for health. The result from
the multiple regression analysis indicates that the degree of market
transition has explanatory power on the size of provincial government, even
when a number of other independent variables are controlled for. However,
the explanatory power of market transition on the size of central-provincial
fiscal transfer is not robust.

Fiscal Decentralization and Local Public Finance in Japan The book
examines Kerala’s experience of fiscal decentralization, finances and
decentralized planning of rural and urban local governments, and draws
lessons for achieving sound fiscal decentralization. It presents the 5th State
Finance Commission’s approach and methodology on the devolution of the
State taxes to local governments. This book presents a number of lessons
on the transfer of financial powers, mobilization of own sources of revenue
and inter-governmental transfer of funds, and argues that the outcome of
fiscal decentralization in Kerala is poor or unsatisfactory due to partial and
distorted implementation. It shows that transferring a large number of
expenditure functions at an early stage of fiscal decentralization without the
assignment of adequate administrative and financial powers has resulted in
poor execution of all the functions. The study points out the need to move
from partial to full fiscal decentralization.

Reforming Intergovernmental Fiscal Relations and the Rebuilding of
Indonesia This book presents an in-depth analysis of key recommendations
of the consecutive state finance commissions (SFCs) across states of India
in the local and national perspective. It reviews the working of SFCs and
their critical role in strengthening local governments, both Panchayats and
municipalities in the various states. The volume attempts to identify some of
the emerging issues related to the efficacy of SFC in fiscal decentralization.
It appraises nearly eighty SFC reports and actions taken thereon by the
respective State Governments with contextual analysis.

The Politics and Economics of Regional Transfers Within the context of
reigniting post crisis macroeconomic growth, income inequality has
emerged as a topic of significant interest for both academics and
policymakers (Bastagi, Coady, and Gupta, 2012) This study builds on past
literature on fiscal decentralization suggesting that redistribution is most
effectively carried out at sub-central levels of government. Using the IMF’s
multi-sector Government Finance Statistics Yearbook database, this paper
tests the impact of decentralized redistribution on income inequality for a
globally representative sample of countries since 1980. The findings
suggest that the decentralization of government expenditure can help
achieve a more equal distribution of income. However, several conditions
need to be fulfilled: i) the government sector needs to be sufficiently large,
ii) decentralization should be comprehensive, including redistributive
government spending, and, iii) decentralization on the expenditure side should be accompanied by adequate decentralization on the revenue side, such that subnational governments rely primarily on their own revenue sources as opposed to intergovernmental transfers.

Fiscal Decentralisation and Local Level Gender Responsive Budgeting in Morocco Public sector decentralization has emerged prominently in many Asian and Latin American countries as a strategy to promote development and political reform. Results in both cases have been mixed. Despite broad similarities in intent and outcome, contextual differences between the regions have led to striking differences in the way decentralization has been structured and implemented. This volume takes an atypically historical and interdisciplinary perspective on decentralization, highlighting how fiscal and political forces together have been shaping its evolution in the two regions.

Fiscal Federalism and Decentralization in Mongolia This highly original book analyzes political decentralization and fiscal federalism in Canada and Germany, both traditional federal countries, and in Spain, a unitarian country engaged in the last two decades in a process of decentralization. The three key issues required for a well designed financing system are analyzed in depth herein, namely: tax assignment, equalization grants (i.e. redistribution of money from the wealthy regions or the national government to poorer regions) and the role of regional government in the administration of taxes. Fiscal Federalism and Political Decentralization will be of particular interest to academics and researchers of economics, public economics, public finance and public choice. It will also appeal to politicians and policy makers as well as organizations and agencies related to the economy and fiscal federalism.

Local Finance, Fiscal Decentralisation and Decentralised Planning The design of a federal system to deal with growth, stabilization, and regional and local development issues is the primary concern of this volume, edited by Anwar Shah. The book provides analytical tools to address issues arising from globalization, localization, and regional integration. It discusses tax harmonization issues associated with subnational value added tax administration. It provides a framework for fiscal discipline in a federal system. Lessons from international experiences from policies to deal with lagging regions are drawn. The book empirically examines the effect of fiscal decentralization on the overall size of the public sector. Finally, it draws lessons from industrial countries’ experiences on local governance. This important new series represents a response to several independent evaluations in recent years that have argued that development practitioners and policy makers dealing with public sector reforms in developing countries and, indeed, anyone with a concern for effective public governance could benefit from a synthesis of newer perspectives on public
sector reforms. This series distills current wisdom and presents tools of analysis for improving the efficiency, equity, and efficacy of the public sector. Leading public policy experts and practitioners have contributed to the series.

Decentralization in Asia and Latin America A comparative analysis of the process of public sector transition from central planning to market democracy. It is the story of the difficulties and complexities of moving to a system of greater autonomy for the subnational governments of the Czech and Slovak Republics, including the future of fiscal policies after the global recession.

OECD Fiscal Federalism Studies Measuring Fiscal Decentralisation Concepts and Policies Recent years have seen an increasing trend in worldwide fiscal decentralization. In particular, many developing countries are turning to various forms of fiscal decentralization as an escape from inefficient and ineffective governance, macroeconomic stability, and inadequate growth. Fiscal Decentralization in Developing Countries: An Overview edited by Professors Bird and Vaillancourt and featuring important, original and up-to-date research from leading scholars assesses the progress, problems and potentials of fiscal decentralisation in a variety of developing countries around the world. With rich and varied case-study material from countries as diverse as India, China, Colombia, Bosnia-Herzegovina and South Africa this volume complements neatly the recent collection Fiscal Aspects of Evolving Federations edited by David Wildasin and also published by Cambridge, which presented theoretical advances in the area of research. Fiscal Decentralization in Developing Countries: An Overview is the latest volume in the distinguished Cambridge series Trade and Development.

Fiscal Decentralization in India A collection of most of the papers and comments presented at the conference held in honor of Richard Bird in the spring of 2001. Section I: Intergovernmental fiscal relations; Section II: Tax evasion, tax administration and the role of government; Section III: Fiscal policy.

Zambia

OECD Fiscal Federalism Studies Local Public Finance and Capacity Building in Asia Issues and Challenges

Income Inequality, Fiscal Decentralization and Transfer Dependency The book examines Kerala’s experience of fiscal decentralization, finances and decentralized planning of rural and urban local governments, and draws lessons for achieving sound fiscal decentralization. It presents the 5th State
Finance Commission’s approach and methodology on the devolution of the State taxes to local governments. This book presents a number of lessons on the transfer of financial powers, mobilization of own sources of revenue and inter-governmental transfer of funds, and argues that the outcome of fiscal decentralization in Kerala is poor or unsatisfactory due to partial and distorted implementation. It shows that transferring a large number of expenditure functions at an early stage of fiscal decentralization without the assignment of adequate administrative and financial powers has resulted in poor execution of all the functions. The study points out the need to move from partial to full fiscal decentralization.

Macro Federalism and Local Finance This paper explores the impact of fiscal decentralization on fiscal policy performance in a large sample of advanced and developing economies. The findings suggest that a larger share of decentralized expenditure is associated with a stronger fiscal balance; however, fiscal decentralization can lead to more pro-cyclical fiscal policy. Thus, the design and pace of fiscal decentralization need to be tailored to the specificities of the economy. Countries that have already established strong accountability and budget management capacity at the local level can benefit from fiscal decentralization. In contrast, in economies prone to large volatility from internal and external shocks, the central government may need to retain a sufficient share of expenditure and revenue to conduct counter-cyclical policies. Finally, the pace of expenditure and revenue decentralization should be aligned.

Reforming Regional-local Finance in Russia This book deals with two issues. The first concerns the various measurement of fiscal decentralization in general and their usefulness for policy analysis. The second and more specific issue concerns the taxonomy of intergovernmental grants and the limits of the current classifications.

The Impact of Fiscal Decentralization and Market Transition on Local Public Finance in China There is increasing interest in fiscal decentralization in Peru as a mechanism to generate more involved decision-making at the subnational level. This is tempered with a continuing emphasis on overall fiscal stability. However, considerable work needs to be undertaken to define more clearly expenditure responsibilities and financing mechanisms that increase local accountability. In addition, a more transparent fiscal transfer system is needed, together with clarity in expenditure management at all levels of government. The paper suggests that a substantial work agenda is needed to extend the decentralization process with greater transparency.

OECD Fiscal Federalism Studies Measuring Fiscal Decentralisation Concepts and Policies This edited collection provides a comprehensive
geographic and chronological overview of the decentralisation processes in the successor states of former Yugoslavia and Albania during their transition and EU integration years, from 1990 until 2016. These countries present a unique laboratory for the analysis of economic, social and political change, having traversed armed conflicts, dramatic economic and political changes, and EU pre-accession processes involving deep institutional reform. They have also endured the Eurozone crisis, which has led to high levels of unemployment, wide fiscal gaps and dangerously high levels of indebtedness. Observing the quarter century-long transition from socialism to capitalism through the prism of decentralisation sheds new light on studying the political economy of the region and the current status of the individual countries in terms of economic development and their EU integration progress. The contributors enrich the wider literature on fiscal decentralisation in transition countries by exploring several broad questions on democratisation, the political economy of post-communist transition, the role of external actors in policy transfer and the issue of financial stability in the post-crisis period.

Fiscal Decentralization and Intergovernmental Relations in Transition Economies Does decentralization enhance service delivery and poverty reduction? The expert contributors to this book address this fundamental question faced by policymakers and scholars in developing and advanced countries. The book illustrates that it is equally important for international agencies as well as bilateral donors to provide advice and assistance on decentralization that effectively supports poverty reduction. The volume builds on insights from the recent, political economy developments in the intergovernmental literature reviewed in the Handbook of Fiscal Federalism, and presents new empirical evidence on the effects of decentralization in different parts of the world. Policy-oriented papers evaluating the effectiveness of decentralized service delivery are presented. The role of institutions and the importance of sequencing of policies in ensuring effective outcomes are also considered. The volume presents some insightful empirical studies of the decentralization process from Latin America, Eastern Europe, and Africa. With a detailed empirical analysis of effective outcomes of public policies implemented at the sub-national level, and a focus on method, this book will be of great interest to academics specializing in public sector economics and public finance, and to national and international policymakers.

New edition of the Fiscal Decentralisation Indicators Report (2006-2015) Which programmes of income redistribution across jurisdictions are likely to be chosen in democratic countries and why? How does the degree of government centralization affect these choices? This book tries to answer these questions and others related to the issue of income redistribution across states and regions.
Strengthening Local Government Finance Indonesia is currently facing some severe challenges, both in political affairs and in economic management. One of these challenges is the recently enacted decentralization program, now well underway, which promises to have some wide-ranging consequences. This edited volume presents original papers, written by a select group of widely recognized and distinguished scholars, that take a hard, objective look at the many effects of decentralization on economic and political issues in Indonesia. There are many questions about this program: how will it be implemented, is there capacity at the local level to implement its reforms, is there sufficient local political accountability to make it work, and how will the decentralization affect the broader program of economic growth and stabilization? Topics covered include: the historical and political dimensions of decentralization, its macroeconomic effects, its effects on poverty alleviation, the assignment of expenditure and revenue functions across levels of government, the design of transfers, the role of natural resource taxation and the effects of local government borrowing. An authoritative, comprehensive collection, Reforming Intergovernmental Fiscal Relations and the Rebuilding of Indonesia will be of interest to economists and policy makers as well as students of public finance, development, and Asian economics.

Restructuring Local Government Finance in Developing Countries This book deals with two issues. The first concerns the various measurement of fiscal decentralization in general and their usefulness for policy analysis. The second and more specific issue concerns the taxonomy of intergovernmental grants and the limits of the current classifications.

The Economics of Fiscal Federalism and Local Finance The intergovernmental fiscal issue is highly relevant given the worldwide movement toward more decentralized governance in both industrial and developing countries. Over the course of five decades Japan has developed a robust system of decentralized governance. This book investigates fiscal decentralization and local finance in Japan with a view to understanding how the process of decentralization has unfolded there and what the rest of the world can learn. The author sheds light on the drives leading up to a need for decentralization reform over the last decade and evaluates so-called ‘Trinity Reform’ implemented by the Koizumi administration during 2004-2006. Finally, the book considers the decentralization process in Asian developing countries and discusses what lessons might be drawn from Japanese experiences. This excellent study of an important subject area will be particularly useful for all those studying intergovernmental fiscal relations, public finance and public sector economics. It will also be of interest to specialist international organizations and policy makers who are involved in intergovernmental issues.
Local Finance Dissatisfied with centralized approaches to delivering local public services, a large number of countries are decentralizing responsibility for these services to lower-level, locally elected governments. The results have been mixed. The paper provides a framework for evaluating the benefits and costs, in terms of service delivery, of different approaches to decentralization, based on relationships of accountability between different actors in the delivery chain. Moving from a model of central provision to that of decentralization to local governments introduces a new relationship of accountability between national and local policymakers—while altering existing relationships, such as that between citizens and elected politicians. Only by examining how these relationships change can we understand why decentralization can, and sometimes cannot, lead to better service delivery. In particular, the various instruments of decentralization—fiscal, administrative, regulatory, market, and financial—can affect the incentives facing service providers, even though they relate only to local policymakers. Likewise, and perhaps more significantly, the incentives facing local and national politicians can have a profound effect on the provision of local services. Finally, the process of implementing decentralization can be as important as the design of the system in influencing service delivery outcomes.

Fiscal Decentralization and Local Finance in Developing Countries The exposition is based on an analytical framework covering all building blocks of fiscal federalism: size and structure of jurisdictions, expenditures, revenues, transfers, and borrowing. The application of this framework to Russian settings results in a comprehensive assessment of the state of intergovernmental fiscal relations in Russia.

Fiscal Decentralization in Developing Countries

Does Decentralization Enhance Service Delivery and Poverty Reduction? Examining cutting-edge issues of international relevance in the ongoing redesign of the South African local government fiscal system, the contributors to this volume analyze the major changes that have taken place since the demise of apartheid. The 1996 Constitution and subsequent legislation dramatically redefined the public sector, mandating the development of democratic local governments empowered to provide a wide variety of key public services. However, the definition and implementation of new local functions and the supporting democratic decision-making and managerial capabilities are emerging more slowly than expected.

Fiscal Decentralization and Local Public Finance in Japan

Local Finance, Fiscal Decentralisation and Decentralised Planning
Fiscal Decentralization and Budget Control in the efficient delivery of local public services, size matters. Many countries around the world have vertical government structures that are perceived as inefficient because of their high levels of jurisdictional fragmentation. This timely volume examines the different strategies used to address local government fragmentation and their observed results and consequences. Expert contributors in economics and political science offer a comprehensive breakdown of the issue of local jurisdictional fragmentation and provide recommendations for successful policy reform. Topics discussed include economies of scale, the costs and benefits of voluntary and forced amalgamation programs, the correlation between government size and corruption, privatization, and inter-municipal cooperation. A combination of theory and empirical evidence provides depth and makes this book an invaluable addition to the literature. Economists, public administrators and political scientists will find much of interest in this innovative volume, as will professors, students and international institutions with an interest in local government structure and reform.

Fiscal Decentralization and Public Subnational Financial Management in Peru . . . this compilation of articles to fiscal federalism and local finance is of highest quality and a must for each scholar interested in this field. Moreover, it is edited by Wallace Oates who is the father of the analysis of fiscal federalism. Thus, it is no surprise that the book contains the most outstanding classical papers in the field. All in all, this selection of papers is the best that can be drawn from the literature. . . . this volume . . . has been published right in time to set the pace for the future.' - Lars P. Feld, Kyklos

This volume presents an authoritative collection of the most significant papers on fiscal federalism and local finance. In addition to some classic papers, it offers clear and insightful presentations of conventional wisdom in the field as well as recent papers which illuminate important issues and point the way to ongoing research. Topics covered include federal tax structure and the division of fiscal functions among levels of government, the effect of local taxes on economic growth, the systems of governmental grants, income redistribution, the theory and practice of local finance and fiscal decentralization in developing countries and transitional economies.

Central and Local Government Relations in Asia

Fiscal Federalism and Political Decentralization The intergovernmental fiscal issue is highly relevant given the worldwide movement toward more decentralized governance in both industrial and developing countries. Over the course of five decades Japan has developed a robust system of decentralized governance. This book investigates fiscal decentralization and local finance in Japan with a view to understanding how the process of decentralization has unfolded there and what the rest of the world can learn. The author sheds light on the drives leading up to a need for
decentralization reform over the last decade and evaluates so-called 'Trinity Reform' implemented by the Koizumi administration during 2004-2006. Finally, the book considers the decentralization process in Asian developing countries and discusses what lessons might be drawn from Japanese experiences. This excellent study of an important subject area will be particularly useful for all those studying intergovernmental fiscal relations, public finance and public sector economics. It will also be of interest to specialist international organizations and policy makers who are involved in intergovernmental issues.

Decentralization and Service Delivery

Fiscal Decentralization and Local Finance Reforms in the Philippines

Fiscal Decentralization Reforms This book draws on experiences in developing countries to bridge the gap between the conventional textbook treatment of fiscal decentralization and the actual practice of subnational government finance. The extensive literature about the theory and practice is surveyed and longstanding problems and new questions are addressed. It focuses on the key choices that must be made in decentralizing, on how economic and political factors shape the choices that countries make, and on how, by paying more attention to the need for a more comprehensive approach and the critical connections between different components of decentralization reform, everyone involved might get more for their money.

Public Finance in Developing and Transitional Countries How can governments control spending pressure from influential groups, often representing powerful regional interests? This book is concerned with institutional solutions that allow modern nation states to balance historically grown cultural, political and economic diversity. Laura von Daniels combines different literatures in economics and political science, and draws on interviews with former government leaders, and country experts from international organizations. She applies this research to topics such as fiscal institutions and budget balances, presenting a critical review of different institutional approaches to resolving fiscal imbalances and public indebtedness. Students and scholars of various disciplines, including politics, public and social policy, economics and business will find the discussions and detailed description of institutional reforms in emerging market nations to be of use to their research. It will also be of interest to practitioners working on fiscal decentralization and budget control.

Fiscal Decentralisation and Local Government Finance in Relation to Infrastructure and Service Provision in Uganda: Main report Finding a proper way of financing in the process of fiscal decentralization is a challenging task facing many countries across the globe. This is also a
critical issue in the Republic of Azerbaijan. That is, significant deficiencies observed in local governance financing present one of the challenging problems at present. This research identifies that the key problem hindering the effective functioning of municipalities is closely related to the present form of financing. Through examining available sources of municipal financing in the Azerbaijani context, it is concluded that there should be more focus on a grant type of intergovernmental transfers with an emphasis on county-specific corrections. The research is based on a content analysis of documents, laws and background research, as well as an evaluation of semi-structured (e-mail) interviews conducted with twelve fieldworkers who have been closely involved in work with local governments in Azerbaijan. The research could a useful source for researchers, experts in the field, policy practitioners and students.

The Challenge of Local Government Size This book examines the impacts of fiscal decentralization reforms on the efficiency of local governments in Central and Eastern European (CEE) countries. By offering a comparative perspective and by applying econometric methods and regression models, it analyses various reform trajectories and their effects on individual CEE countries. Furthermore, the book discusses input and output indicators for evaluating the efficiency of municipalities. Readers will learn about the common features of these countries, the impact of path dependence, and future prospects for decentralization reforms. In closing, the book discusses modern management and administration methods, opportunities for cooperation between municipalities, co-creative service delivery, and other measures that could improve the efficiency of public service provision.

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