

Freie Universität Berlin  
 Institute for East European Studies  
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 Winter Semester 2021/22

## **Intergovernmental Relations & Local Economic Development**

**Seminar:** TBA.

### **Office Hours**

Elguja Khokrishvili: Upon request.

### **Module:**

Master of Arts in East European Studies: *TBA*.

In the current era of state reform, everybody seems to agree that decentralization of government is a good thing – governments themselves, aid donors and other international agencies, many of the citizens of various countries, and certainly many academic writers on good governance, public service reform and development. The case for decentralization is argued on both political grounds – as strengthening democracy, accountability and participation by bringing government 'closer' to its citizens – and economic grounds, those of enhancing the efficiency and effectiveness of public service provision. Decentralization is also seen by many agencies as being effective in promoting local economic development. The course is divided into three parts. The first part discusses the process of fiscal decentralization. Distinctions between various types of fiscal decentralization are outlined and discussed. A variety of theoretical perspectives of fiscal decentralization, fiscal federalism, and expenditure and revenue assignments are presented. In the second part, attention is given to the fiscal decentralization reforms in developing countries and lessons learned, as well as their implications for both constraints and opportunities for further reform steps in Georgia. The third part provides an introduction to Local Economic Development (LED) and examines the context of LED activity and action within an increasingly globalized economy. It focuses on how to organize the effort for the strategic planning of local economic development, and it explores the role that LED strategic planning has in strengthening the local economy.

### **Grade:**

Final Exam.

## **Part I Fiscal Federalism and Fiscal Decentralization**

### **Week 1: Overview of course/ Introduction to the role of decentralized government**

- Stiglitz, J.E. (2000), Economics of the Public Sector, New York: Norton&Company (3rd edition), Chapter 1,3,4
- Litvack J. & J. Seddon (eds.) 1998 “Decentralization Briefing Notes” (What and Why), pp 1-8, <https://documents1.worldbank.org/curated/en/873631468739470623/pdf/multi-page.pdf>
- Andrew, C. & Goldsmith, M. (1998) From Local Government to Local Governance – and Beyond? International Political Science Review 19(2): 101-117

## **Week 2: Basic principles of fiscal federalism**

- Litvack J. & J. Seddon (eds.) 1998 “Decentralization Briefing Notes” pp 19-38, <https://documents1.worldbank.org/curated/en/873631468739470623/pdf/multi-page.pdf>
- Oates, Wallace. 1999. “An Essay on Fiscal Federalism,” *Journal of Economic Literature*. Vol. 37 (3). p 1120-49.
- Dafflon, Bernard, The Assignment of Functions to Decentralized Government: From Theory to Practice, in: *Handbook of Fiscal Federalism*, 2006, 271-305.
- Rose-Ackerman, Susan. “The Economics and Politics of Federalism: Tensions and Complementarities,” *APSA-CP* 11, 1: 17-19.
- Oates, Wallace, Toward A Second-Generation Theory of Fiscal Federalism, in: *International Tax and Public Finance*, 2005, 12, 349–373.
- Prud’Homme, Remy (2003) Fiscal decentralization in Africa: A framework for considering reform. *Public Administration & Development* 23: 17-27

## **Week 3: Expenditure assignment – theoretical and practical aspects**

- McLure Charles E. / Martinez-Vazquez J.(2008): The assignment of revenues and expenditures in Intergovernmental Fiscal Relations, World Bank’ Institute Decentralization, pp. 2-11
- Boadway, Robin and Anwar Shah, *Fiscal Federalism. Principles and Practice of Multiorder Governance*. 2009, Chapter 3, 124-156.

## **Week 4: Revenue and tax assignment – theoretical and practical aspects**

- Boadway, Robin and Anwar Shah, *Fiscal Federalism. Principles and Practice of Multiorder Governance*. 2009, Chapter 4, 157-184.
- Martinez-Vazques, J./McLure, Ch./Vaillancourt, F.(2006): Revenues and Expenditures in an Intergovernmental Framework, In: Richard M. Bird and François Vaillancourt, (eds.): *Perspectives on Fiscal Federalism*, The World Bank, Washington DC, pp.15-32
- Bird, R.M. (2006): Local and Regional Revenues: Realities and prospects. In: Richard M. Bird and François Vaillancourt, (eds.): *Perspectives on Fiscal Federalism*, The World Bank, Washington DC, pp.177-195

## **Week 5: Other Subnational Revenues/ User Charges**

- J. Martinez-Vazquez, "Local Non-Property Revenues," in Bahl, Linn and Wetzel (2013), pp. 182-212.
- V. Quinn, et. al. “The Impact of User Charges on Health Outcomes on Low-Income and Middle-Income Countries: A Systematic Review.” *BMJ Global Health* (2019).
- A. Hillman and E. Jenkner, “User Payments for Basic Education in Low-Income Countries,” in Gupta, Clements and Inchauste (2004), pp. 233-264.

- R. Bird, "Subnational Taxation in Developing Countries: A Review of the Literature." Policy Research Working Paper 5450 (Washington, DC: The World Bank, 2010).

### **Week 6: Intergovernmental Transfers, Grants and Revenue Sharing**

- Martinez-Vazquez, Jorge and Jameson Boex. "The Design of Equalization Grants: Theory and Applications." Part One: Theory and Concepts
- Boadway, Robin and Anwar Shah, Fiscal Federalism. Principles and Practice of Multiorder Governance. 2009, 293-302; 306-326

### **Week 7: Workshop**

- Bird, R.M. (2006): Local and Regional Revenues: Realities and prospects. In: Richard M. Bird and François Vaillancourt, (eds.): Perspectives on Fiscal Federalism, The World Bank, Washington DC, pp.177-195
- Boadway, Robin and Anwar Shah, Fiscal Federalism. Principles and Practice of Multiorder Governance. 2009, 293-302; 306-326
- Dafflon, Bernard, The Assignment of Functions to Decentralized Government: From Theory to Practice, in: Handbook of Fiscal Federalism, 2006, 271-305.

## **Part I International experience and Prospects and Strategies for Fiscal Decentralization**

### **Week 8: Introduction to international experience and lessons learned**

- J.P. Faguet, "Decentralization and Governance," World Development, Vol. 53, No. 1 (2014), pp. 2-13.
- Richard M. Bird and François Vaillancourt, eds., "Fiscal Decentralization in Developing Countries: An Overview," in Fiscal Decentralization in Developing Countries (Cambridge, U.K.: Cambridge University Press, 1998), pp. 1-48.
- P. Smoke, "Managing Public Sector Decentralization in Developing Countries: Moving Beyond Conventional Recipes." Public Administration and Development, Vol. 35, No. 4 (2015), pp. 250-262.
- Martinez-Vazquez, Jorge and Jameson Boex. "The Design of Equalization Grants: Theory and Applications." Part Three: Country Case Studies,
- Khemani, S., 2010, 'Political Capture of Decentralization: Vote-Buying through Grants-Financed Local Jurisdictions', Policy Research Working Paper 5350, World Bank, Washington, D.C.,
- Shah, Anwar (2004): Fiscal Decentralization in Developing and Transition Economies. Policy Research Working Papers 3282. World Bank.

### **Week 9: A review of the fiscal decentralization process in selected transition countries**

- EU Committee of the Regions (2016): The place of local and regional self-government in eastern partnership policy-making and delivery, <https://op.europa.eu/de/publication-detail/-/publication/72b1a9ea-c58b-11e5-a4b5-01aa75ed71a1>
- Davit Narmania (2008): Rights of Local Jurisdictions and Tax Revenue Distribution in Georgia
- Congress of Local and Regional Authorities of the Council of Europe (2014): Report on the state of local democracy in Armenia, <https://rm.coe.int/local-democracy-in-armenia-recommendation-nigel-mermagen-united-kingdo/168071a25f>
- J. Martinez-Vazquez and F. Vallencourt, "An Overview of the Main Obstacles to Decentralization," In Decentralization in Developing Countries: Global Perspectives on the Obstacles to Fiscal Devolution. (Cheltenham, UK: Edward Elgar, 2011), pp. 1-21.
- P. Smoke, Fiscal Decentralization in Developing Countries: A Review of Concepts and Practice, (Geneva: UN Research Institute for Social Development, 2001).

### **Week 10: Workshop**

- Tengiz Shergelashvili / Davit Narmania (2007): Fiscal Equalization in Georgia, In: The Fiscal Decentralization Initiative for Central and Eastern Europe. pp.5-20
- Petr Janský & Miroslav Palanský (2020) Fiscal decentralization and equalization transfers in Georgia: evidence from municipality-level data, Post-Communist Economies, 32:1, 54-76
- Congress of Local and Regional Authorities of the Council of Europe (2018): Report on the state of local and regional democracy in Georgia, [https://search.coe.int/cm/pages/result\\_details.aspx?objectid=09000016808e551a](https://search.coe.int/cm/pages/result_details.aspx?objectid=09000016808e551a)
- EU Committee of the Regions (2016): The place of local and regional self-government in eastern partnership policy-making and delivery, <https://op.europa.eu/de/publication-detail/-/publication/72b1a9ea-c58b-11e5-a4b5-01aa75ed71a1>

## **Part I Introduction to local economic development strategies**

### **Week 11: Conceptualizing local development in the global and national context**

- Swinburn, G. Goga, S., Murphy, F. (2006): Local economic development: A Primer, Bertelsmann Stiftung, Gütersloh; The World Bank, Washington, D.C., Section 1
- Malecki, E. 2003. Jockeying for position: what it means and why it matters to regional development policy when places compete. Regional Studies, 37, 6&7, 1101-1120
- World Bank, 2009. Reshaping economic geography. World development report 2009. Washington: The World Bank. Chapter 8 Unity not Uniformity; Effective approaches to territorial development. Pp 230-260.

### **Week 12: Introduction to LED and strategic planning process**

- Swinburn, G. Goga, S., Murphy, F. (2006): Local economic development: A Primer, Bertelsmann Stiftung, Gütersloh; The World Bank, Washington, D.C., Section 1.5, and 2

- Poister, T.H. & Streib, G. (2005) 'Elements of strategic planning and management in municipal government: Status after two decades' Public Administration Review 65(1):45-56
- Humphreys, Eileen. (1996). LEDA Pilot Actions: Synthesis Report. Local and Regional Development Planning. London.
- Gordon, G.L. 1993. Strategic Planning for Local Governments, ICMA, Practical Management Series, chapter 2, pp 15-26
- Martinelli, F. 1999. Strategic Planning Manual. Pages 1-11.

### **Week 13: Strategic planning process – Organizing the effort**

- Swinburn, G. Goga, S., Murphy, F. (2006): Local economic development: A Primer, Bertelsmann Stiftung, Gütersloh; The World Bank, Washington, D.C., Section 3.1-3.4
- Overseas development Administration (ODA), (1995) Guidance Notes on How to Do Stakeholder Analysis of Aid Projects and Programmes, London; Social Development Department
- Helmsing, A.H.J. 2003. Local economic development. New generations of actors, policies and instruments. Public Administration and Development, 23, 1, 67-76.

### **Week 14: Introduction to local economy assessment**

- Swinburn, G. Goga, S., Murphy, F. (2006): Local economic development: A Primer, Bertelsmann Stiftung, Gütersloh; The World Bank, Washington, D.C., Section 4.1-4.2

### **Week 15: Workshop**

- Hadjimichalis, C. and R. Hudson 2007. Rethinking local and regional development: implications for radical political practice in Europe. European Urban and Regional Studies 14 (2): 99-113.
- Overseas development Administration (ODA), (1995) Guidance Notes on How to Do Stakeholder Analysis of Aid Projects and Programmes, London; Social Development Department

### **Week 16: Final Review**