Objectives:

This course will present comparative information on:

- a) budgetary theory
- b) analytic techniques for budget formulation,
- c) analysis and comparison of national budgets,
- d) institutional incentives and budget management,
- e) budget reform experiments that have been conducted in the CEE/FSU region and elsewhere.

Note: The Economics Department is offering “Fiscal Policy in Practice,” a three credit course taught by Balázs Romhányi during the Winter 2013 semester. That course focuses mainly on revenues and overall fiscal policy, while this course concentrates on expenditures and budgeting systems at the national level.

For improvements in a particular budget process, it is important that we recognize common problems, and compare the effectiveness of solutions across international borders. In this course, we will compare

(1) budget systems, practices and institutions,
(2) budget and policy issues, and
(3) budget reforms in the context of modernization of the state efforts.  (ZBB, PPB, MTEF etc.)

The adoption of output based, or program based budgets in transition countries implies a conscious political choice to link policy goals to expenditure and revenue policy. Fiscal and economic pressure from international organizations trying to deal with the global crisis since 2008 may actually stall progress in national-level budgeting given these organizations’ obsession with overall balances regardless of their economic cost.

Grading and Requirements:

There are no examinations in this class. The basis for the final grade will be your performance in the areas of:
Class participation and “budgets in the news” comments (10%); Each student will be asked to prepare one, 5 minute oral commentary on a budgetary issue in the news during the course of semester. The negative side of class participation means that two unexcused absences reduce your grade significantly in accordance with DPP rules.

Literature Review (25%) discussing most common criticisms of line-item budgeting in the context of one of the following: program budgeting, performance budgeting, results-based budgeting, output-based budgeting, level of service budgeting, and finally, zero-based budgeting (5 pages);

Group policy presentation (15%) on application of one of the budget framework questionnaires discussed in class to a country of choice;

Policy Brief (50%) arguing for/against budget reform, as you define it, in a country of choice (5 pages). This could be based on the group presentation, mandatory and optional readings and own research.

Course Readings and Additional Resources:

The following books will be referred to throughout the course. Most of them have been placed in the library reserve collection. Students will also be provided with materials on an e-learning site.


Country case studies (selected):

Many case studies available at: www.fiscalreform.net

Multiple case studies from around the world: Charles E. Menifield, editor, Comparative Public Budgeting: A Global Perspective, Sudbury, MA: Jones & Bartlett Learning, Inc, 2011.


Turkey, Lithuania, Moldova in OECD Journal on Budgeting, issue 3, 2010.


Session 1: Introduction and Comparative Framework (September 17)

What is budgeting? Who makes budget decisions? What are the micro and macro levels? How to compare? Impact of political tradition on Constitutions?

Readings:

Irene Rubin, Chapter 1, “The Politics of Public Budgets.”

Guess and Leloup, Chapter 1, “Comparative Budgeting.”

Optional Readings:

Robert D. Lee, Chapter 1, “Introduction.”

Wildavsky, Chapter 1: “Toward a Comparative Theory of Budgetary Processes.”

Session 2: Core Budget Elements: (September 24)

Here we cover basic budgeting concepts such as appropriations and outlays. The four types of classifications---economic, functional, organizational and program, are reviewed and compared with line-item or object of expenditure. Comparison of conditions and methods in CEE/FSU.

Readings:


Axelrod: Chapter 1, “Budgeting as the Nerve Center of Government.”

Practical Application: Budgeting Glossary from Serbia Budget Guide.

Session 3: Organization and Management of Finance and Budget Functions (October 1)

The effectiveness of budgeting depends on how the function is organized in government. What do the Laws on Budget Systems in FSU/CEE say? Ideal models proposed by international organizations. The evaluative frameworks for the group presentation form the core of the readings for this week. What is a budget system law anyway?

Reading:


Example of a Briefing on the Budget System of a Country: Rwanda


Readings for preparing the group presentations:


Optional Readings:

Session 4: Macroeconomics and Budget Planning (October 8)

How are national macroeconomic and development goals reflected in the budget process? How do international organizations interfere in budget-making? Fiscal rules are covered in the optional reading. What are fiscal councils and independent fiscal institutions?

Readings:

Rubin, Chapter 6: “The Politics of Balancing the Budget.”

Optional Reading:

Vito Tanzi, “The Role of the State in the Next Generation.”

Session 5: Budget Formulation (October 15)
(no class October 22)

This is an introduction to the large topic of budget preparation. How do budgets look and what information do they convey? Prevailing budget types. Explaining budget formats to politicians.

Readings:

Lee, Chapter 5: “Budget Preparation: The Expenditure Side.”

Optional Readings:

Axelrod, Chapter 11: “Budget Reform: Elixir or Mirage?”

Session 6: Revenue Planning and Analysis (October 29)

LITERATURE REVIEWS DUE

Why is it difficult to estimate revenue? What drives revenues?

Readings:
Rubin, Chapter 2: “Revenue Politics.”

Session 7: Budget Reforms: Performance, Results, Output? (November 5)

What is budget reform? What are its prerequisites? What are we trying to achieve? The role of the accounting, classification and financial management systems? Impact of political institutions and political culture?

Readings:
Harry Hatry, “Results-Based Budgeting,” in Redburn et al Chapter 16.

Examples of Budget Reforms (Optional Readings):
Teresa Curristine, “OECD Countries’ Experiences of Performance Budgeting and Management: Lessons Learned,” in Redburn et al Chapter 12.


Background only:
Guess and Leloup, “Conclusion: Dissemination of Budget Lessons and Innovations,” Chapter 8.

**Session 8: Audit and Accounting (November 12)**

The basis of good budgeting is a sound accounting and financial reporting system.

*Readings*


**Session 9: Current Budget Analysis—Performance Measurement: (November 19)**

**POLICY BRIEFS DUE**

Does performance measurement work in practice? How do you measure outputs and results in the public sector in the first place?

*Readings*


*Practical Applications (optional):*


**Session 10: Current Issues in Budgeting Theory and Practice (November 26)**

Impact of IMF and EU “suggestions and requirements on the budget process in Europe and elsewhere. Contracts, rules and institutions, gender.

*Readings*


Session 11: Group Presentations (December 3)

There is no term paper nor final exam for this class.