General learning objectives:

- Budgetary theory and how to read a budget;
- Types (organizational, functional, economic) and formats (line item, program, performance, MTEF etc.) of budgets and why this matters,
- Analysis and comparison of national budgets and relating to global and regional best practice frameworks,
- Broad policy implications of budgeting procedures and methods,
- Budget reform experiments that have been conducted worldwide and their challenges, successes.

The adoption of output-based, or program-based budgets in transition countries at mainly the national level implies a conscious political choice to link policy goals to expenditure and revenue policy. But 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 fiscal balances regardless of their economic cost. A key question of this course is whether long term budget reform has been affected by short term macroeconomic objectives enforced by the market and international organizations?

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 (25%).** Each student will be asked to prepare one, 7-10 minute long oral commentary on a budgetary issue in the news during the course of semester. The presentation should identify themes from the readings that are detectable in the video clips. In other words, show how reality and the readings come close.

Regular class attendance is mandatory and recorded. Students are expected to arrive punctually for the class. Students should notify the course instructor and TA in advance if they need to be absent from a class for any reason. In case of absence for medical reasons, students should submit a medical opinion (doctor’s note) to the Coordinator who will keep it on file.

**Missed classes** must be made up with written assignments, unless the absence occurred for medical reasons (sickness accompanied by a doctor’s note).
up assignment is a 500-word summary of the readings assigned for the missed class. The make-up assignment is due within a week of the missed class or of the student’s return from an approved absence (Sunday by the end of the day).

Normally, no more than one excused class absence is allowed during a 2-credit course. In accordance with SPP and CEU rules, note that unexcused class absence(s) may result in a failing grade for the course. It is the responsibility of students to be fully aware of the course requirements and relevant deadlines. Each day exceeding the deadline will result in a reduction of 0.2 points from the final grade.

- **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);

- **Policy brief (50%)** arguing for/against budget reform of a certain type, as you define it, in a country of choice (5 pages). This could be based on mandatory and optional readings and own research, and you are expected to take a stand since the audience is a decision-maker.

Please see the separate instructions for these two assignments.

**Auditing**

Auditing students are expected to observe the same attendance and participation rules as the students who are taking the course for grade. In addition, they should prepare the short commentary presentation “Budgets in the News”. Auditing students are not required to submit written assignments, i.e. Literature Review and Policy Brief.
Session 1: Introduction and Comparative Framework (September 19)

What is budgeting? Who makes budget decisions? What are the micro and macro levels? How to compare? Impact of political tradition on Constitutions? Who are the technical, political and other related actors? Role of process and structure vs. political expediency?

Readings:

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

Optional Readings:

Robert D. Lee, Chapter 1, “Introduction.”
Wildavsky, Chapter 1: “Toward a Comparative Theory of Budgetary Processes.”
Guess and Leloup, Chapter 1, “Comparative Budgeting.”

Session 2: Core Budget Elements: [September 26]

Here we cover basic budgeting concepts such as budget classifications, typical budget structures and look at some of the political impacts of seemingly technical concepts such as classifications---economic, functional, organizational and program. What are line-items and why does it dominate budgeting globally? Comparison of conditions and methods in various global areas and political cultures.

Readings:


Practical Application: Budgeting Glossary from Serbia Budget Guide.

Optional:

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

Session 3: Frameworks for Comparing Budgeting Systems (October 3)

The effectiveness of budgeting depends on how the function is organized in government. What do Laws on Budget Systems say? Ideal models proposed by international organizations. Evaluative frameworks form the core of the readings for this week. What is a budget system law anyway? Learning to use the appropriate framework, and parts of multiple evaluative frameworks to analyze national and sub-national budget system laws. How does practice differ from the intentions of the legal framework? Should budget system laws develop organically?

Reading:


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

similar information available at: http://www.budgetstrengthening.org/

Examples of evaluative frameworks:


Session 4: Macroeconomics and Budget Planning (October 10)

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? Are balanced budgets a non plus ultra objective? How do you define a “deficit?”

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 and Introduction to Performance Budgets (October 17—class by Gorana Misic)

This is an introduction to the large topic of budget preparation from the perspective of expenditure items. What information do they convey to support evaluation and planning? Explaining budget formats to politicians. What steps are needed to add a performance component to budget documents?

Readings:


Optional Readings:

Lee, Chapter 5: “Budget Preparation: The Expenditure Side.”
Axelrod, Chapter 11: “Budget Reform: Elixir or Mirage?”

Session 6: Review Session for Literature Review (October 24)

Literature review due COB October 31st

NO CLASS ON OCTOBER 31 DUE TO HOLIDAY

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

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? Why is this kind of reform unpopular among all actors except technical experts?

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:

Session 8: Medium-term expenditure frameworks: beyond political cycles? (November 14, Gorana Misic)

Medium-term frameworks are advocated by most donor organizations, yet their implementation has been most successful in sophisticated, stable and wealthy democracies.
Do MTEFs translate well in developing or unstable economies? What are most useful implementation lessons learned, and how can these be translated into policy proposals?

Readings:

“What are MTEFs and What Can They Do?” (Chapter 2) and “MTEF Foundations” (Chapter 3) in Beyond the Annual Budget, pp. 7-34.

Optional:

“Requirements for Effective MTEFs,” (Chapter 5), pp. 57-80.

Session 9: Performance Measurement: (November 21)

Does performance measurement work in practice? How do you measure outputs and results in the public sector in the first place? Linkage to public management reforms. How can a political expectation of value for money or better use of public funds be translated into a different type of budgeting system? Why is performance measurement difficult to implement and easy to abuse?

Readings


Practical Applications (optional):


Session 10: Current Issues in Budgeting Theory and Practice (November 28)

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

Readings


Session 11-12: Revenue Planning and Analysis (December 5)

Why is it difficult to estimate revenue? What drives revenues? Types of revenues and their sensitivity to economic, political and “technical” conditions. Technical vs. policy-driven “enhancements” to revenues across various political cultures.

Readings:

Rubin, Chapter 2: “Revenue Politics.”


*POLICY BRIEFS DUE ON DECEMBER 12TH

*There is no term paper nor final exam for this class*
Course Readings and Additional Resources:

Some of the following books will be referred to throughout the course. Students will also be provided with materials on an e-learning site.


**Country case studies (selected):**

Many case studies available at: [www.fiscalreform.net](http://www.fiscalreform.net)

Multiple case studies from around the world:


MTEFs in developing countries:


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


