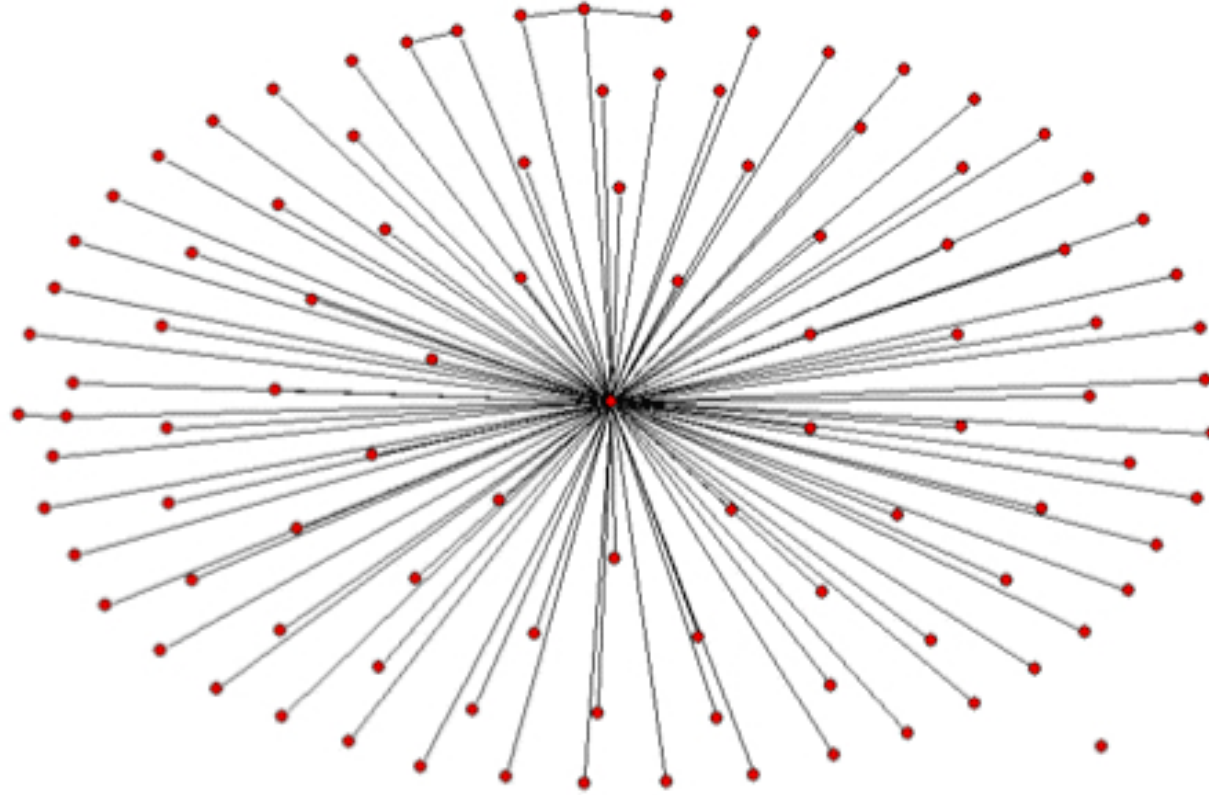


Administrative Decentralization and Management for Myanmar: Decentralization and Local Governance (Part 2)



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Session Roadmap

- Expenditure and revenue assignment
 - National
 - Subnational
- Resource transfers
 - Resource allocation options
 - Design of grant transfers

EXPENDITURE



& REVENUE



ASSIGNMENT



Guidelines For Decentralization Of Expenditures

- National
 - National/interjurisdictional infrastructure and services
 - National entitlement programs
 - National debt
 - National contingent liabilities
 - State-owned enterprises
 - Redistribution/equalization
 - Macroeconomic stability
- Subnational (State/Provincial & Local)
 - Subnational/single jurisdiction infrastructure and services
 - Subnational entitlement programs
 - Subnational debt
 - Subnational contingent liabilities
 - Subnationally-owned enterprises

Guidelines for Revenue Assignment

- National
 - Redistributive/progressive taxes based on ability to pay
 - Taxes for macroeconomic stabilization
 - Taxes requiring international harmonization
 - Taxes on highly mobile production factors/tax bases
 - Taxes on tax bases distributed unequally between subnational jurisdictions
 - “Mega Revenue” taxes for national expenditures
 - User charges based on the benefit principle
- Subnational (State/Provincial & Local)
 - Taxes on production factors/tax bases with low/no mobility
 - Residence/location-based taxes
 - Surtaxes on national taxes
 - User charges based on the benefit principle

RESOURCE TRANSFERS



Purpose

- **Economic**
 - Allocative Efficiency
 - Tax Efficiency
- **Social**
 - Horizontal Equity
 - Income Redistribution
- **Political/Institutional**
 - Good Governance
 - National Stability

Resource Allocation Options

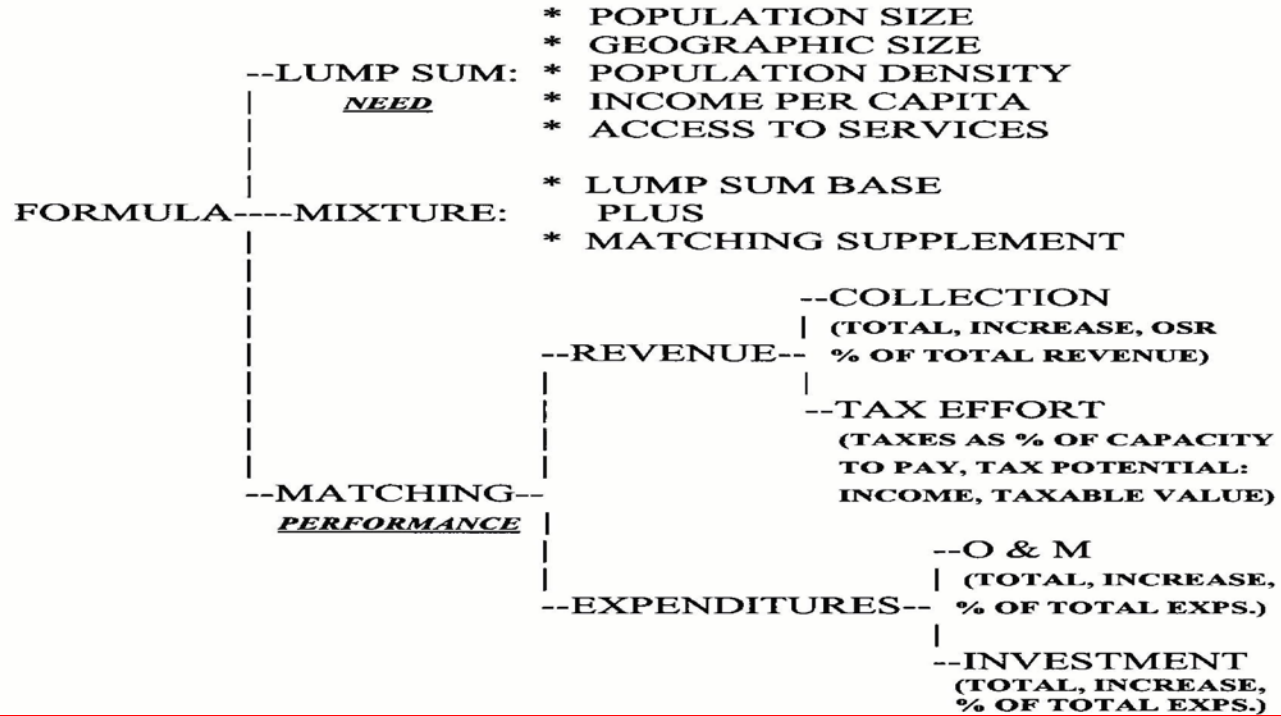
- **Independent Local Taxation:**
Revenue Base Assignment
- **Centrally Assisted Local Taxation:**
Co-Administration
- **Surtaxes:**
Piggy-Backing
- **Tax Sharing:**
Off-Budget Transfer
- **Revenue Sharing:**
On-Budget Transfer

TYPES OF GRANTS

I. CONDITIONS ON USE:

CATEGORICAL (EARMARKED) (SPECIFIC) (TIED)	<----- BLOCK -----> DISCRETION WITHIN BROAD RESTRICTIONS	UNRESTRICTED (GENERAL PURPOSE) (GENERAL USE) (DISCRETIONARY)
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II. ALLOCATION METHOD:



III. CEILING:

CLOSE-ENDED (LIMITED) VS. OPEN-ENDED (UNLIMITED)

- | | |
|---|--|
| <ul style="list-style-type: none"> * INSTITUTIONAL * SECTORAL | <ul style="list-style-type: none"> * INDIVIDUAL * SOCIAL SAFETY NET/ENTITLEMENTS |
|---|--|

Effective Grant Formulas

- Simple and transparent
- Predictable and stable
- Fit needs and objectives
- Administratively feasible
- Adequate revenue
- Minimal ancillary effects

General Guidelines

Increase expenditures on specific functions →
Categorical, Matching, Open-Ended Grant

Redistribute resources among subnational jurisdictions →
General, Lump-Sum, Close-Ended Grant