

Course title: Urban Finance				
Course code: MEU 123		No. of credits: 3	L-T-P: 40-2-0	Learning hours: 42
Pre-requisite course code and title (if any): none				
Department: Department of Energy and Environment				
Course coordinator: Dr Abhijit Datey			Course instructor: Dr Abhijit Datey & Mr Alok Shiromany	
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Course type: Compulsory			Course offered in: First semester	
Course description: <p>The purpose of the Course is to create a basic understanding and knowledge on (i) the principles that determine the finances of urban local bodies (ULBs) and the shifts that have come into the principles as a result of decentralization and worldwide emphasis on subsidiarity, (ii) the alternative models of financing urban infrastructure and services and their relative merits and relevance, and (iii) budgeting and accounting at the level of ULBs, including participatory budgeting.</p> <p>The course is structured under five modules: Module 1 introduces the Theory of Local Government Taxation and Module 2 covers the Municipal Finance: Receipts and Expenditures.</p> <p>Module 3 focuses on the Financing Urban Infrastructure and Services and Module 4 focuses on the Role of the Finance Commission Article (280) and State Finance Commission (Article 243 I and 243 Y) in determining the financial architecture of Urban Local Bodies (ULBs), Module 5 deals with Budgeting, Accounting, and Asset Management.</p>				
Course objectives:				
<ul style="list-style-type: none"> • To acquire basic knowledge of principles that determines urban finance • To learn assessment of financial situation in cities and its impact • To understand alternatives financing mechanism to finance functioning of cities 				
Course contents				
Module	Topic	L	T	P
1	Module 1: Theory of Local Government Taxation a) Benefits theory of taxation b) Principle of tax immobility, spillovers and externalities c) Principle of subsidiarity and its impact on local government finance	4		
2	Module 2: Municipal Finance: Receipts and Expenditures a) Principles for determining revenue bases, tax and non-tax bases b) Property taxation c) User charge – marginal cost/average cost pricing for services that are discrete and chargeable on the basis of consumption d) Determining expenditure priorities – establishment versus operations and maintenance e) The nature of capital expenditure in municipal finance f) Transfers and grants-in-aid: general-purpose, specific-purpose and incentive grants g) Role of subsidies in pricing local public goods and targeting subsidies h) Reforms for improving municipal revenue and financial management	8		
3	Module 3: Financing Urban Infrastructure and Services a) Intergovernmental transfers b) Municipal Borrowing c) Capital market financing (Municipal bonds, credit rating and fiscal health) d) Public-private partnership	8	2	

	<ul style="list-style-type: none"> e) Parastatals and financing of urban infrastructure f) International financing of urban infrastructure g) TNUDF Model h) JNNURM Model 			
4	Module 4: Role of the Finance Commission Article (280) and State Finance Commission (Article 243 I and 243 Y) in determining the financial architecture of Urban Local Bodies (ULBs) <ul style="list-style-type: none"> a) SFCs mandate and the 74th Amendment and execution of its mandate i.e., estimation of the expenditure requirements of ULBs and laying down the principles for allocation of tax powers, for grants-in-aid etc. b) SFSs mandate, i.e., estimating the financial gap and laying down the procedures for bridging the gap. c) The 13th Finance Commission and the new financing architecture d) Hard budget constraint for ULBs 	5		
5	Module 5: Budgeting, Accounting, and Asset Management <ul style="list-style-type: none"> a) Budgeting including participatory budgeting b) Double entry accrual based accounting c) Asset valuation and management 	6		
	Exercises: <ul style="list-style-type: none"> a) Estimation of vertical and horizontal fiscal gap b) Rating and fiscal health of ULB's Cases: <ul style="list-style-type: none"> a) HPEC Report b) JNNURM Model of Finance c) Performance Grant d) Property Tax Reform e) Reform of Accounting and auditing systems 	2		
		7		
	Total	40	2	0
Evaluation criteria:				
	Weightage (%)			
Minor test	: 20%			
Written Assignment	: 30%			
Final examination	: 50%			
Learning outcomes:				
On completion of this course, the students would:				
1. Understand the various aspects of municipal finances, revenues, services, expenditure and municipal budgeting.				
2. Assess the fiscal health of municipalities and parastatals				
3. Evaluate alternative financing options.				
4. Learn ways to manage municipal assets.				
Pedagogical approach:				
The course will use a mix of teaching methods – lectures, exercises, and cases.				
Materials:				
Books				
1. Anwar Shah (Ed). 2006. Local Governance in Developing Countries. The World Bank. Washington D.C.				
2. Anwar Shah (Ed). 2007. Local Budgeting. The World Bank. Washington D.C.				
3. Bird, Richard and Vaillancourt, Francois (1998). Fiscal Decentralization in Developing Countries, Cambridge: Cambridge University Press.				
5. Bird Richard M. (1994). "Financing Local Services: Patterns, Problems, and Possibilities"				
6. Paper presented for Global Report on Human Settlements, April.				
7. George Peterson and Patricia Annez. Financing Cities. Sage Publications. New Delhi.				

8. Kala Sridhar and Om Prakash Mathur. 2009. Costs and Challenges of Local Urban Services. Oxford University Press. New Delhi.
9. Roy W. Bahl and Johannes F Linn. 1992. Urban Public Finance in Developing Countries. A World Bank book. Oxford University Press. New York.
10. Om Prakash Mathur. 2011. Municipal Finance Matters: India Municipal Finance Study. ADB Website.2012. Intergovernmental Transfers in Local Government Finance. A Report to the UN-HABITAT. Unpublished. NIUA. New Delhi.
11. Jorge Martinez-Vazquez, and Joan Youngman. 2008. Making the Property Tax Work: Experiences in Developing and Transitional Countries. Lincoln Institute of Land Policy. Cambridge.
12. Deborah L. Wetzel. 2013. Financing Metropolitan Governments in Developing Countries. Lincoln Institute of Land Policy, Cambridge
13. Swianiewiaz, Pawl (Ed). 2004. Local Government Borrowing: Risks and Rewards. Open Society Institute Budapest. Hungary.
14. Wallace E. Oates. 2001. Property Taxation and Local Government Finance. Lincoln Institute of Land Policy. Cambridge.

Additional information (if any):

Student responsibilities:

Attendance, feedback, discipline as per university rules.

Course reviewers:

Professor G Jha, Former Professor, NIUA, New Delhi

Dr Narayanan Edadan, Urban Economist, IPE, New Delhi