Urban public finance in developing countries

Bahl, Roy W.
Linn, Johannes F.
Office of the Publisher (EXTOP) [Corporate Author]

Abstract
The publication of this volume on urban public finance is timely. The book distills the lessons learned by the authors during many years of work. These lessons will be of great value for policymakers, who are recognizing that urban development is still a major challenge for developing countries. Investments by urban local governments in social and physical infrastructure are now recognized as critical. Maintenance of public capital assets in urban areas is now the responsibility of local authorities, thus fiscal discipline and reliance on local resources have become the watchwords of the 1990s. There has been a growing demand to involve citizens more directly in governance. Related to this is the notion that people will pay more taxes if they see a closer relation between what they pay and what they receive in public goods and services. This volume provides a policy framework for urban public finance in developing countries. On the basis of an in-depth survey of global experience during the past two decades, it offers detailed guidance on issues of how to design local revenue instruments. Beyond this, it seeks a better understanding of the critical elements that connect urban policy and national economic development. By following the lessons of comparative experience gathered here, cities can begin to overcome their government's failures to provide them with critical physical and social infrastructure.
financing in developing countries. The dynamics of political economy: A key condition determining the success of reform. Reforming municipal finance is not easy. Perhaps the most significant challenges facing financing of urban authorities in developing countries are related to political economy issues. Mobilizing adequate financial resources, urban authorities in developing countries require financing instruments for capital infrastructure development. These involve a mix of capital grants and borrowing from different sources. Annette M. Kim Problem Set 1 ANSWERS Question 1. As you go about your normal activities one day, record all the public services you use and benefit from. Compile this inventory and then rank how rivalrous they are on a scale of 1-5 (5 being non-rivalrous) and how excludable these services are on a scale of 1-5 (5 being non-excludable). The aim was to sensitize you to the public goods we consume which you may be surprised by when you count them – I could think of about 15 public services. Hopefully, you had a healthy discussion about rivalrous and excludable goods which may vary with how the good is structured across time and space. An Urban Development Fund (UDF) is a financing vehicle that can bring institutional investors, development finance and the public sector within cities together in a PPP. International development partners have played a major role in financing public services in developing countries. There has been some volatility in the overall share of ODA going to support infrastructure (it declined during the privatization focused period that emerged in the 1980s but recovered later), and the sectors being targeted have evolved, but ODA remains very important in some countries.