Innovative Budgeting and Finance for the Public Sector

11.147J/11.487J – Spring 2013
Meeting time: Tuesdays 2pm - 5pm in Room 9-450A
Instructor: Dr. Gabriella Y. Carolini (carolini@mit.edu)
Office hours: 5-7pm Tuesdays, or by appointment, in my office (9-515).

Course Description

Governments across the globe grapple with adequately and effectively attending to public sector responsibilities for basic services with limited financial and human resources to do so. Particularly in the context of significant demographic shifts – both in terms of rapid population growth as well as shrinkage - governments are searching for innovative means of meeting public finance and planning challenges. This course provides an introductory framework for understanding typologies and methods of budgeting, accounting, and financial mobilization in the public sector. In addition to establishing financial literacy and familiarity with this basic tools portfolio, students will practice exercises to explore revenue and expenditure estimation strategies, build a knowledge base around how accounting systems and reports influence budgeting dialogues and perceptions of public sector health, and study cases to understand pioneering examples of funding mobilization via taxation, capital markets, and experimental experiences with mechanisms such as land-value capture. The practical nature of the subjects covered in this course requires full attendance and active participation from students.

Objectives

By the end of the semester, students will have a globally comparative foundation of reference in budgeting and financing experiences in the public sector. More specifically, students will be able to:

- Understand budgeting typologies and challenges in different income settings
- Conduct in-depth budgetary analyses;
- Connect data production (through accounting methodologies and objectives) to budget politics and fiscal health status.
- Formulate policy recommendations for funding budget requirements

Evaluation

A. Exercises (75%)*

*Please note that you will need access to Excel spreadsheets to complete assignments.

Students will complete three exercises (handed out in class) to establish fluency with:

I. Estimation techniques for revenues and expenditures (25%) – Due March 5th
II. Budgetary analysis (25%) – Due April 2nd
III. Financial condition analysis (25%) – Due May 14th
B. Periodical analysis, Attendance, and Participation in Class (25%)

Full attendance in class and participation in class discussion is central to this practice-based course. In addition to the student’s own initiatives in providing in-class feedback from assigned course readings, all students are required to identify and post six periodic articles on the Stellar Website – under Forum - that concern budgeting, accounting, and/or finance for the public sector. Students may choose which six (distinct) weeks to which they will contribute a news article for class discussion, but will be required to post the article by 6pm on Sundays before class meetings on Tuesdays. All students are required to check the Forum discussion and read the periodicals posted before class on Tuesday afternoon.

Course Readings

Almost all course readings will be available on the class Stellar site. However, there are several readings from one case study text, so I recommend you download the text from Amazon by renting it (definitely the more affordable option), or if you prefer, by purchasing it (n.b.: Follow the links on the site below to the Kindle download for rental or purchase – you do not need an actual Kindle; you can read the text on your pc).


I have also requested that the text be purchased and put on Reserve in the MIT Library. The text is:

*Case Studies in Public Budgeting and Financial Management, Second Edition - Revised and Explained*
Edited by Aman Khan and W. Bartley Hildreth
2003 CRC Press

I. Budgeting

Wk 1 - Feb. 5: Cycle Overview, Typologies, and Country Comparisons


Wk 2 - Feb. 12: Understanding, Projecting, and Challenges of Revenues


Wk 3 - Feb. 26: Understanding and Estimating Expenditure Requirements


Wk 4 - March 5: Budgetary Analysis: Searching for Equity and Efficiency

***ASSIGNMENT 1 DUE***


**Wk 5 - March 12: Budgetary Analysis – Improving through Evaluative Power?**


**Wk 6 - March 19: Guest Speaker – Readings TBA**

**Wk 7 - April 2: Budgetary Analysis – Innovating through Participation? Participatory Budgeting Exercises**

***ASSIGNMENT 2 DUE***


II. **Accounting and Reporting**

**Wk 8 - April 9: Understanding Accounting Typologies and Financial Reports**


**Wk 9 - April 23: Building Better National Accounts – and Why it Matters...**


III. **Financial Mobilization**

**Wk 10 - April 30: Funding Local Capital Investments**


Wk 11 - May 7: Revenue trends in Taxation


Wk 12 - May 14: Assessing and Improving Fiscal Conditions

***ASSIGNMENT 3 DUE***

