

INTERGOVERNMENTAL FISCAL RELATIONS IN CENTRAL AND EASTERN EUROPE: A SOURCE BOOK AND REFERENCE GUIDE, Francis J. Conway, Brien Desilets, Peter Epstein, Juliana H. Pigey, Graeme Frelick and Fred Rosensweig, the World Bank Institute, 2005, 128 pp.

Review*

After the bankruptcy of communism, as far as the countries of Central and Eastern Europe (CEE) were concerned a transitional period started. The fundamental objective of the many transitional reforms was to move the economies of these countries closer to the market economies, along with aims that the societies of the countries in question should attain a level of democracy as high as was feasible. One of the reforms that these countries are passing through is that of intergovernmental fiscal relations.

This is the reason the Urban Institute has issued this *Intergovernmental Fiscal Relations in Central and Eastern Europe: A Source Book and Reference Guide*. Along with the reference guide and source book the package contains a CD containing materials on the topic. The work was commissioned by the American Agency for International Development and the World Bank Institute. Their intention was to foster an active dialogue about intergovernmental fiscal relations in the region.

The source book and guide (source book below) should enable users to find in various ways and to apply the relevant materials from the CD and thus to find out more about the intergovernmental fiscal relations in CEE. Albania, Bulgaria, the Czech Republic, Hungary, Latvia, Macedonia, Poland and Romania are dealt with in detail. Apart from that, countries such as Austria, BH, Germany, Sweden and the USA are dealt with less extensively.

In most of the countries there are several levels of government at work: central government and lower levels of government. Lower levels are, for example, the federal states in Mexico, or the counties, municipalities and cities in Croatia. Many of the important functions of government are carried out at lower levels, and certain kinds of education are implemented at the county, municipal or city level. Or perhaps the lower levels of government collect certain revenues, which they then share, or do not, with central government.

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That is why it is said that in different states there are different forms of inter-governmental fiscal relations. They differ according to which level of authority conducts which function, which level of government collects which revenue, how transfers are allocated from one level to another, and so on.¹

The most important reason for the reform of inter-governmental fiscal relations in the transitional countries is the rise in the number of proponents of fiscal decentralisation – the process through which the power to make decisions about revenue and expenditure is devolved from higher to lower levels of government. Thus there is a great deal of discussion about the restructuring of government finances and functions between the two levels, which in turn gave rise to the publication of this handbook.

The manual consists of five parts: introductory information about the reference book itself, a guide through the key areas of fiscal decentralisation, instructions for lecturers, a guide to the materials on the CD according to key topics and references.

At the very outset, the purpose and manner of using the manual and the CD are described. The second part is a guide through the key areas of fiscal decentralisation, conceived as a kind of list of questions to which attention must be paid, questions that need answering when there is consideration of inter-governmental relations and fiscal decentralisation in CEE. The writing handles the three areas most important at the moment: local functions and responsibilities; financial resources (revenues) of local units and some general issues related to inter-governmental financial relations. Answers are yielded to various questions. Which level of government should be charged with a given function (a certain kind of traffic for example)? Who decides or ought to decide about the quantity, quality and costs of services in the context of some function (e.g., whether some local road is going to be built or not)? Do lower levels of government have, or ought they to have, the right to decide what they will spend the money from local taxes on? How should one determine whether the lower levels of government have enough revenue to cover their own outgoings? And in connection with this, instructions are given as to how on the CD it is possible to find the current valid legislation in the countries covered, examples from theory and practice, and relevant provisions of the European Local Government Charter.

Part three of the manual gives instructions about how to present this set of issues to others. Here one can find basic instructions about how to organise several-day-long seminars about inter-governmental fiscal relations, or even lectures on the theme for students, spread over a year. Information on the organisation of lectures is given – on such practical topics as how long a single lecture should last, and what should be highlighted), and basic references are given.

The two last parts in their different ways make the access to materials on the CD easier. In the guide to the contents of the CD it is possible to find a brief summary about what there is on the disc in terms of key topics. Here there are the provisions of the European Charter, inter-governmental fiscal relations, theory of inter-government fiscal relations, various current statutory instruments from different countries and examples from

¹ Odd-Helge Fjeldstad, 2001. Intergovernmental fiscal relations in developing countries: A review of issues. WP 2001: 11. Available on line: <http://www.cmi.no/publications/2001/wp/wp2001-11.pdf#search=%22intergovernmental%20fiscal%20relations%22>

practice. At the end is a bibliography containing a complete list of works on the CD listed according to authors.

One basic criticism of the manual is that it is somewhat unclearly organised and if it is not read from beginning to end, the reader wanting instead to find some specific issue, it is hard to know where to start. For an identical or similar issue is treated in different ways in several places (in the second, fourth or fifth part of the work) and sometimes it is impossible to be sure whether one has really seen everything on the given topic one is interested in. Still, everyone who has dealt even superficially with problems related to inter-governmental fiscal relations will at once perceive that this is an extremely valuable handbook in which in a single place it is possible to find a large number of high-quality works of authors with established relations; this is greatest quality. The work, then, will be extremely useful to investigators and lecturers already familiar with the area who wish to give their knowledge some extra finesse and rounding to be able to present this problem area and discuss it with others. Anyone interested in the manual can borrow it in the library of the Institute of Public Finance.

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