



INTERNATIONAL DEVELOPMENT

Public Finance and Economic Growth



Expertise

- Intergovernmental finance and fiscal decentralization
- Local government finance
- Sectoral finance
- Subnational borrowing, credit systems, and private finance of social services
- Local economic development
- Financial modeling
- Economics and finance of service provision
- Information for accountability

Effective systems of public finance and management and vibrant, growing economies are key underpinnings of a society's well-being. Together, they provide opportunities and resources for citizens and the channels through which governments support the delivery of vital services. RTI International's Public Finance and Economic Growth (PFEG) group helps partner governments achieve both through assistance with system design, program implementation, and monitoring and evaluation.

Our staff consists of development professionals with expertise in fiscal decentralization, sectoral finance, credit analysis, capital planning, debt policy, economic feasibility, fiscal-impact analysis, traditional and participatory budgeting, financial modeling and analysis, and local/national government financial management. When additional skills are needed, the group can call upon RTI statisticians, survey researchers, economists, and information technology specialists, among others.

Intergovernmental finance and fiscal decentralization

Intergovernmental finance is a key means for national governments to support subnational service delivery and governance, and also can introduce important incentives that influence the behavior of subnational governments. We work with stakeholders at multiple levels of government to design and implement improved intergovernmental finance systems in countries in Africa, Asia, and Europe/Eurasia.

RTI helps local and regional government finance and planning departments as well as individual service delivery and implementation units to develop better finance and budgeting systems. Our assistance in Indonesia, El Salvador, Bulgaria, and Romania has been especially fruitful in improving citizen input into budgeting and decision-making processes.

Local government finance

Efficiently managing own-source and other resources requires broad skills:

- Tying finances and budgeting to strategic planning of service delivery
- Ensuring that unit finances are transparent to citizens
- Ensuring that units do not incur unmanageable debt

Sectoral finance

Finance of individual sectors, particularly education and health, consumes a large portion of national and subnational revenues. Structuring financial systems within these sectors is therefore a key aspect of "getting finance right." RTI works closely with host-country counterparts to ensure that laws, policies, and implementing regulations are clear, well-coordinated, and supportive of effective, efficient, and transparent sectoral finance.



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Subnational borrowing, credit systems, and private finance of social services

RTI helps national governments design and implement frameworks that allow local governments to borrow prudently from their own capital markets. This assistance involves creation of regulatory and prudential frameworks and agencies, supervision of local governments by national governments, and training of local government officials. Examples of RTI's innovative work in this area include evaluation of proposals for private financing of schooling and health, and assistance in developing municipal-credit legislation in South Africa.

Local economic development

Local governments play a key role in fostering local economic development. They help education institutions understand and meet the human-capital needs of businesses and can establish special economic zones or "incubator" institutions to foster the growth of local economies. Local governments can ensure that basic systems, such as permitting and registration, are simple, efficient, and transparent. RTI supports economic-development improvements in local government projects throughout the world.

Financial modeling

RTI develops models that help local governments assess their financial situation and that help national governments evaluate policies that impact subnational

governments and service delivery. These models allow municipalities to assess their debt capacity, financing needs, and impacts of recurrent costs created by infrastructure investments. They help national governments understand the impacts of policies and standards. RTI has built and applied such models in Bulgaria, Indonesia, Poland, Russia, Tunisia, and Ukraine.

Economics and finance of service provision

Local governments and service-delivery units generate revenue through user fees, taxes, or transfers. Design, implementation, and evaluation of fee-for-service systems, including determination of willingness and ability to pay, are integral parts of the services RTI provides. We analyze financing strategies to help governments determine whether to rely on transfers, fees for service, debt, or own-source taxes. RTI has provided these types of analyses of education, water services, municipal waste, and other issues in Bulgaria, Indonesia, Russia, and South Africa.

Information for accountability

As governments decentralize services, the relevant model of accountability shifts from one of bureaucratic supervision to one based on "voice" derived from citizen input and pressure. Governments need systems that inform citizens about the quality of services and that gather input about service delivery, pricing, and other concerns. RTI helps local, provincial,



RTI helped communities and schools in Central Java organize and implement their recovery from the earthquakes of May 2006. [Photo: DBE1 Central Java Team]

and national governments develop and use Information for Accountability (IFA) systems and tools to

- Understand client preferences across services
- Identify specific improvement priorities within individual services
- Communicate to clients how their preferences and priorities are being addressed
- Determine whether and how to more closely link funding of service providers and subnational governments to performance

RTI projects with an IFA emphasis include open publication of school and local-government budgets in Indonesia; the use of the Internet to disseminate school-performance information in South Africa; and client satisfaction and priorities surveys for water utilities, solid waste and sanitation, schools, and community health centers in Indonesia.

RTI International is one of the world's leading research institutes, dedicated to improving the human condition by turning knowledge into practice. With projects in more than 40 countries and a staff of more than 2,600, RTI offers innovative research and technical solutions to governments and businesses worldwide in the areas of health and pharmaceuticals, education and training, surveys and statistics, advanced technology, democratic governance, economic and social development, energy, and the environment. For more information, visit www.rti.org.

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