

Public Financial Management

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Course Description

Management of tax-payers money is of great concern to governments and politicians. This course provides a comprehensive understanding of the way government spends public money in the best interest of the society. The course is designed in a way that will provide answers to key questions such as when should the government intervene in the economy, how might the government intervene, what is the effect of government policies on economic outcomes and why do governments choose to intervene in the way that they do? In addition, this course will offer explanation on key topics such as budget analysis and deficit financing, externalities and provision of public goods, cost-benefit analysis of public projects, federal and provincial government expenditures, social insurance and re-distribution and taxation. Many exciting issues will be discussed in this course in an interactive way.

Objectives:

- To familiarize students with the basics of public finance and public policy intersection.
- To introduce students with the ways governments, raise and spends their funds for the interest of society.
- To introduce students to the public sector reform in Pakistan with a focus on public finance issues especially recent legislations such as Public Financial Management Act 2019.
- To develop analytical skills of the students in budgeting and performance evaluation systems for public sector institutions

Main Text:

- *Public Finance and Public Policy*, Firth Edition (2016) by Jonathan Gruber (Prof. of Public Finance at MIT), Worth Publisher.
- Public Finance Management Act, 2019 (amended up to 30th June 2020) Government of Pakistan, Finance Division, Islamabad, www.finance.gov.pk
- Selected papers and Reports to be shared in the due course of time.

Mode of Teaching

As per the NUST policy, the course will be taught in DL mode in the first week, and later, as per the NUST policy, the mode of teaching will be adopted.

Tentative Evaluation Criteria:

Finals	50-60
Mid/Projects/Assignment*	20-30
Quiz/Class Participation	10-20

Course Outline

Course Content (Weekly)

Week	Lecture Topic	Reading
1	<ul style="list-style-type: none"> • Introduction and Background • Four Key Questions of Public Finance 	Chapter 1
2	<ul style="list-style-type: none"> • Governments and the Need for Public Financial Management <ul style="list-style-type: none"> ○ The Size and Growth of Government ○ Decentralization ○ Spending, Taxes, Deficits, and Debts ○ Distribution of Spending ○ Distribution of Revenue Sources ○ Regulatory Role of the Government 	Chapter 1
3	<ul style="list-style-type: none"> • Theoretical Tools in Public Financial management <ul style="list-style-type: none"> ○ Equilibrium and Social Efficiency ○ Choosing Equity Criterion 	Chapter 2
4	<ul style="list-style-type: none"> • Empirical Tools of Public Finance <ul style="list-style-type: none"> ○ The Important Distinction Between Correlation and Causality 	Chapter 3
5	<ul style="list-style-type: none"> • Budget Analysis and Deficit Financing <ul style="list-style-type: none"> ○ Government Budgeting ○ Why Do We Care About the Government's Fiscal Position 	Chapter 4
	<ul style="list-style-type: none"> • Externalities and Public Goods <ul style="list-style-type: none"> ○ Private-Sector Solutions to Negative Externalities ○ Public-Sector Remedies for Externalities 	Chapter 5
6	<ul style="list-style-type: none"> • Public Provision of Public Goods <ul style="list-style-type: none"> ○ Optimal Provision of Public Goods ○ Public Provision of Public Goods 	Chapter 7
7	<ul style="list-style-type: none"> • Central and Local Government Expenditures <ul style="list-style-type: none"> ○ Fiscal Federalism ○ Redistribution 	Chapter 10
8	<ul style="list-style-type: none"> • Mid Term Exam 	
9	<ul style="list-style-type: none"> • Social Insurance and Redistribution <ul style="list-style-type: none"> ○ Reasons for Government Intervention in Insurance Markets ○ The Problem with Insurance: Moral Hazard 	Chapter 12
	<ul style="list-style-type: none"> • 	
10	<ul style="list-style-type: none"> • Social Security <ul style="list-style-type: none"> ○ Social Security and Retirement 	Chapter 13
11	<ul style="list-style-type: none"> • Public Financial Management in Pakistan <ul style="list-style-type: none"> ○ The Public Financial Management Act, 2019 	PFMA Document

12	<ul style="list-style-type: none"> • Income Distribution and Welfare Programs <ul style="list-style-type: none"> ○ Welfare Policy in Pakistan 	Chapter 17 & Additional Readings
13	<ul style="list-style-type: none"> • Taxation in Theory and Practice <ul style="list-style-type: none"> ○ Types of Taxation ○ Measuring the Fairness of Taxation 	Chapter 20
14	<ul style="list-style-type: none"> • Public Financial Management and Accountability Assessment <ul style="list-style-type: none"> ○ World Bank Report 	World Bank Report
15	<ul style="list-style-type: none"> • Course Revision 	
16	<ul style="list-style-type: none"> • Final – Term Exam Week 	

*Papers related to the topic to be assigned (TBA) in the due course of time.