

Public Sector Financial Management

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OUTLINE

- Part 1: Scope and principles of public finance
- Part 2: Managing revenues, expenditure and debt
- Part 3: Performance based budgeting
- Part 4: Budget Execution / internal controls
- Part 5: Cost benefit analyses

Part 1:

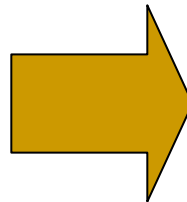
Scope and Principles of Public Finance

- 1) Stabilization
 - 2) Allocation
 - 3) Distribution
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Stabilization

Govt. Decisions on

- Revenues
- Spending
- Surplus
- Deficit
- Lending
- Borrowing

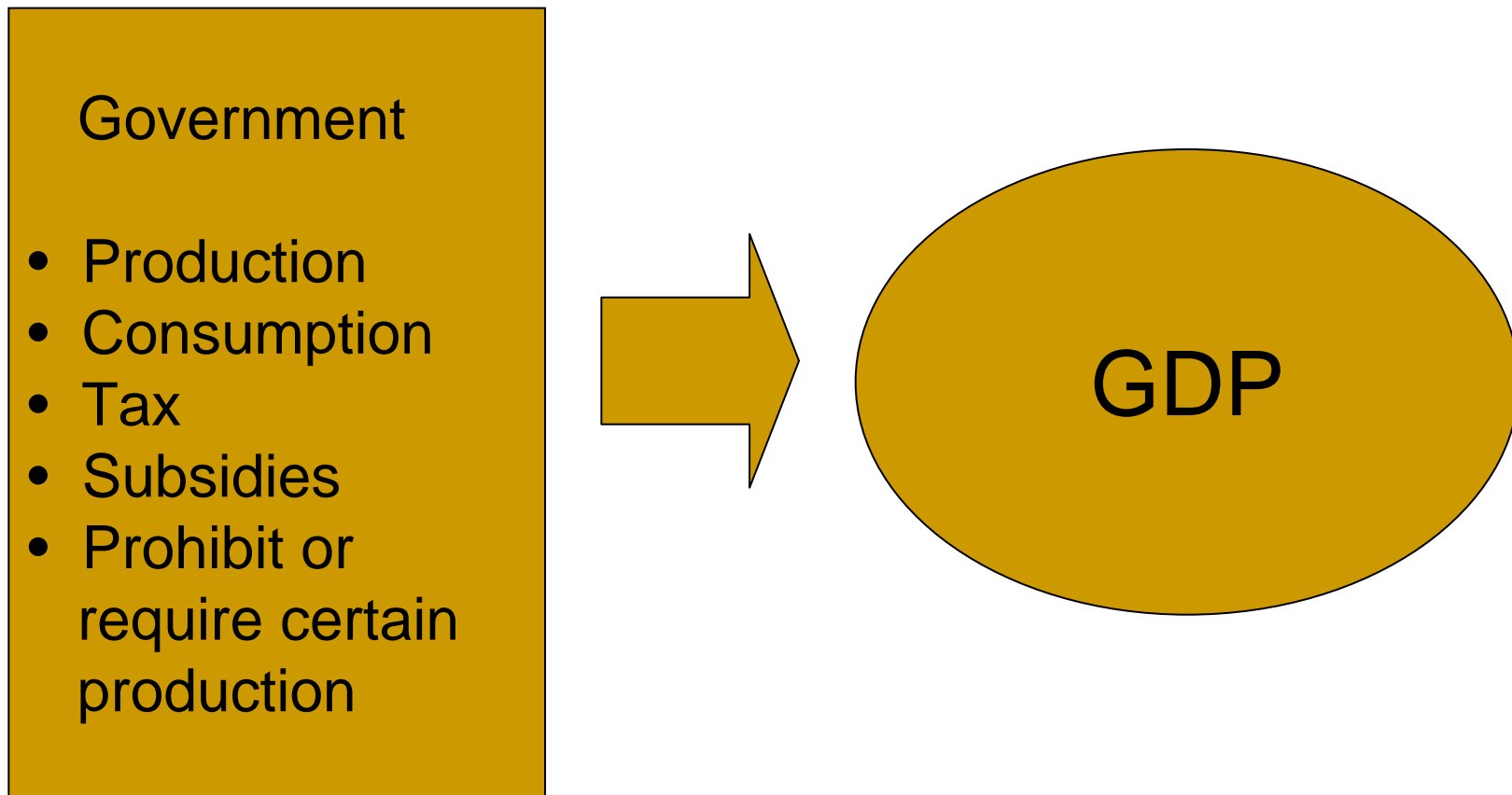


Income
Prices
Savings
Investment
Balance of payments
Rate of Monetary Growth

Principles of Stabilization

- 1) non-inflationary financing;
- 2) sustainability of expenditure & revenue decisions and debt financing;
- 3) credibility and predictability

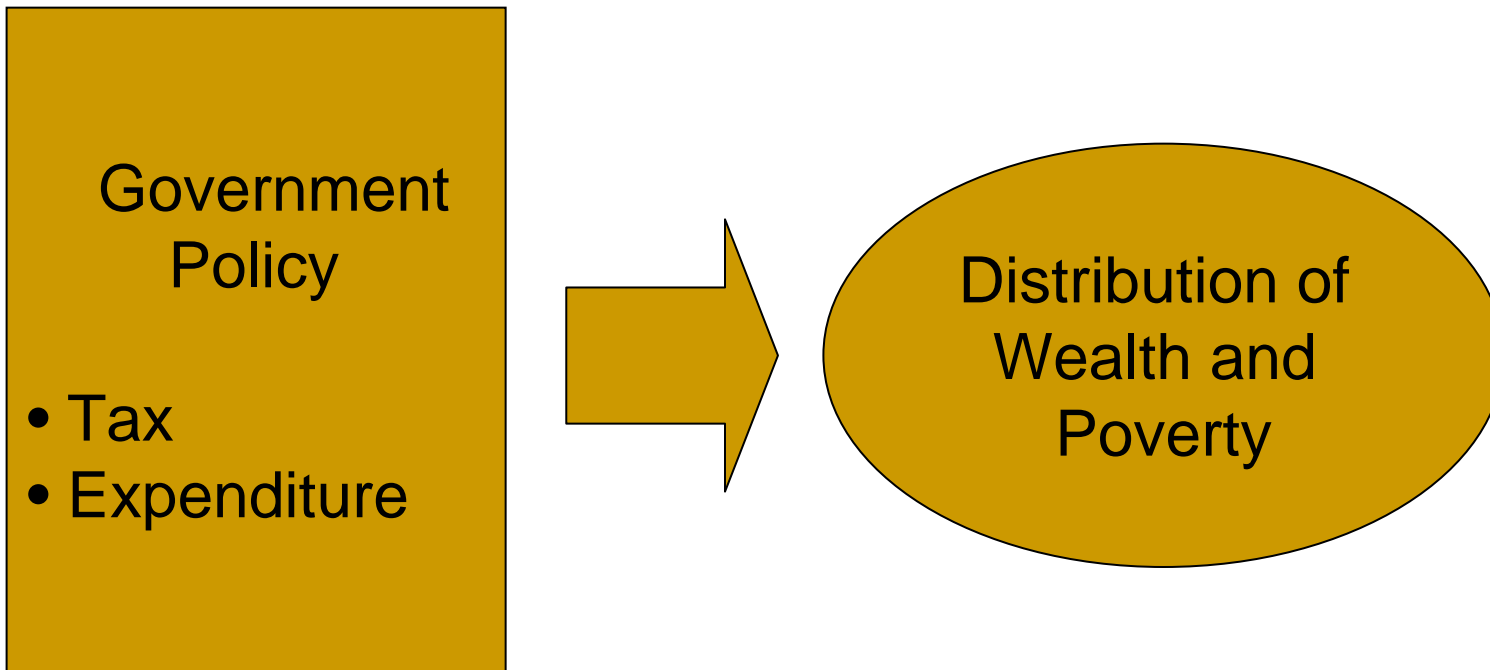
Allocation



Allocation Principles

- Tax policies that reflect the taxable capacity of the economy (% of GDP) and distort relative prices as little as possible;
- Expenditure decisions that contribute most to the provision of public goods and services;
- Decentralising budget decision-making as much as possible consistent with good financial control;

Distribution



Distribution Principle:

- a preference in tax and expenditure policy change for policies that relatively benefit poor people.