

Course Outline: Public Financial Management

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Course Description

The management of taxpayers' money is of great concern to governments and citizens. This course provides a comprehensive understanding of how governments raise and spend public funds, with a focus on Pakistan. Key themes include budget analysis, deficit financing, decentralization, social insurance, taxation, fiscal accountability, and emerging issues such as climate finance, digital reforms, and fiscal sustainability.

Objectives

- Familiarize students with the fundamentals of public finance and its policy implications.
- Introduce students to how governments mobilize and allocate resources for social welfare.
- Examine PFM reforms in Pakistan, especially the Public Financial Management Act (2019).
- Develop analytical skills in budgeting, debt analysis, and fiscal accountability.
- Engage students in debates on fiscal policy, IMF programs, and climate-responsive financing.

Main Texts and References

- Gruber, Jonathan. *Public Finance and Public Policy*, 5th Edition (2016), Worth Publishers.
- Government of Pakistan, *Public Financial Management Act, 2019*.
- World Bank & IMF reports on PFM reforms in Pakistan.
- Selected papers and policy reports (to be shared during the semester).

Teaching and Learning

The course will be taught through lectures, interactive discussions, case studies, debates, and student presentations. Students are expected to stay updated on Pakistan's budgetary and fiscal developments.

Weekly Schedule (16 Weeks)

1. Foundations of Public Financial Management (Weeks 1–2)

- Four Key Questions of Public Finance.
- Role of Government: Size, Growth, and Functions.
- Spending, Taxes, Deficits, and Debts.
- Regulatory role of government in Pakistan.
- Readings: Gruber Ch. 1; Pakistan Budget in Brief.

2. Analytical Tools of PFM (Weeks 3–4)

- Theoretical Tools: Efficiency, Equity, Social Welfare.
- Market Failures and Rationale for Government Intervention.
- Empirical Tools: Correlation vs. Causality.
- Evaluating fiscal policies and spending impacts.
- Case examples: Empirical studies on fiscal federalism in Pakistan.
- Readings: Gruber Ch. 2–3.

3. Budgeting, Fiscal Sustainability, and Public Goods (Weeks 5–6)

- Budgeting process in Pakistan.
- Budget deficit, financing, and fiscal sustainability debates.
- Case: Pakistan's IMF programs and fiscal conditionalities.
- Externalities and Public Goods: public vs. private provision.
- Pakistan's experience in health, education, and energy as public goods.
- Readings: Gruber Ch. 4–5, 7; Pakistan Federal Budget Docs.

4. Fiscal Federalism and Decentralization (Week 7)

- Central vs. provincial responsibilities.
- The 18th Amendment and intergovernmental fiscal relations.
- Provincial PFM practices.
- Case Study: Public Financial Management in Punjab.
- Readings: Gruber Ch. 10; World Bank Report on Punjab PFM.

5. Midterm Examination (Week 8)

6. Social Insurance, Redistribution, and Pensions (Weeks 9–10)

- Rationale for social insurance and redistribution.
- Social protection in Pakistan: BISP, Ehsaas, PSPA.

- Issues of moral hazard and equity.
- Social security and pension systems.
- Challenges of pension reforms in Pakistan.
- Readings: Gruber Ch. 12–13; Govt Social Protection Strategy; Pension Reform Reports.

7. PFM in Pakistan: Laws and Reforms (Week 11)

- Public Financial Management Act (2019) and reform agenda.
- Treasury Single Account (TSA) reforms in Pakistan.
- Case Study: “Public Finance Management Reforms in Pakistan: TSA Regimen.”
- Readings: PFMA 2019; TSA Case Study.

8. Welfare, Income Distribution, and Fiscal Accountability (Week 12)

- Welfare policies and poverty reduction in Pakistan.
- Accountability frameworks for welfare spending.
- Open Budget Survey (Pakistan) and global benchmarks.
- Readings: Gruber Ch. 17; OBI Country Report (Pakistan).

9. Public Debt, Fiscal Sustainability, and IMF Programs (Week 13)

- Public debt dynamics in Pakistan.
- Debt servicing vs. development spending debate.
- IMF conditionalities and fiscal policy.
- Comparative perspectives on debt sustainability.
- Readings: IMF Article IV Reports; Pakistan Debt Policy Statements.

10. Climate Finance and PFM Innovations (Week 14)

- Climate-responsive budgeting.
- Case: Khyber Pakhtunkhwa Climate Change Financing Framework.
- Public-Private Partnerships (PPPs) in Pakistan.
- Innovations in financing sustainable development.
- Readings: WB Climate PFM Frameworks; KP CCFF.

11. PFM Accountability, Transparency, and Global Best Practices (Week 15)

- Pakistan Federal Government: PFM and Accountability Assessment (World Bank).
- Role of Auditor General, Public Accounts Committee, and NAB.
- Global lessons: OECD and international best practices in fiscal transparency.
- Readings: World Bank PFM & Accountability Assessment; OECD Reports.

12. Final Examination (Week 16)

Innovative Learning Component: PFM Hackathon

To promote applied learning, a **Public Financial Management Hackathon** will be organized during Weeks 11–13. Students will form teams and work intensively on real-world fiscal policy problems such as budget transparency, debt sustainability, climate finance, or digital accountability tools. The Hackathon will conclude with team presentations judged on analytical rigor, creativity, and policy relevance.

This component aims to:

- Enhance problem-solving and teamwork skills.
- Allow students to apply theoretical concepts to real-world PFM challenges.
- Foster innovation in public sector financial management.

Evaluation from the Hackathon will contribute to participation/assignments marks.

Evaluation

- Final Exam: 50–60%
- Midterm Exam / Assignment: 20–30%
- Quizzes / Participation: 10–20%