

## TEACHING METHODS

The program is based on formal sessions that combine presentations with case studies and class discussions. Participants are divided into groups to work on specific cases and to develop an in-depth study for presentation to the class.

Case studies are drawn from contemporary examples. Many are works in progress in which faculty members are directly or peripherally involved; this enables the extensive use of primary source materials. Cases are intended to give insights into practical questions facing governments as they try to improve their public financial management systems and to provide a basis for participants to discuss and reflect on their own experiences.

## LEAD FACULTY



**Dr. Stephen Peterson**, Lecturer in Public Policy and Senior Fellow in Development at Harvard Kennedy School, is faculty chair of **Public Financial Management**. For twenty-one of the past twenty-three years, he has been in residence in Africa advising governments on financial reform. In 2008, he completed a twelve-year reform of Ethiopia's financial management system. He also has worked in the Middle East and Eastern Europe.

Other Harvard faculty members for the program have included Jeffrey Frankel, Dwight Perkins, Jay Rosengard, and Mike Scherer.



[www.hks.harvard.edu/ee/pfm](http://www.hks.harvard.edu/ee/pfm)

**“Leadership and learning are indispensable to each other.”**

*John F. Kennedy*

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## PUBLIC FINANCIAL MANAGEMENT



**HARVARD Kennedy School**  
Executive Education



## THE PROGRAM

The **Public Financial Management** program offers a comprehensive and critical review of the current theories and practices of public financial management (PFM) in order to provide participants with an opportunity to evaluate their own experiences, share with colleagues from other countries, update and upgrade their knowledge and skills, and cultivate an interest in further research. The program is in its twenty-third year and was co-founded by Stephen Peterson, the current faculty chair.

Governments face greater demands than ever before as they respond to the pressures of globalization, demographic change, and challenges related to economic growth and social development. The current global financial crisis has created tremendous strains on public sector management, particularly on the capacity of governments to finance investments needed for development while maintaining their recurrent operations. Given these pressures, how should governments react? A major focus of this program is on evaluating workable solutions to this question.

Most countries in the world are currently undergoing some form of change to their PFM systems, ranging from radical reform to improvement of existing processes. Many are also dependent on foreign aid for much of their budget financing, making them subject to pressures from creditor and donor institutions to reform or modernize their systems.

The move from traditional budget systems (cash-based, strong line-item ex ante control, often incrementalist in nature) toward more aggregated, performance-based budgeting, longer-term budget planning, and complex systems of accounting involves fundamental changes to PFM systems, and requires commensurate increases in skill levels. These transitions need to be considered carefully. There are many actors in a budgetary system—accountants, economists, sectoral managers, public sector workers, and legislators—and any change requires understanding the impact that new practices will have at a systems level.

The field of public financial management essentially concerns how governments manage the liabilities they create and subsequently must fund within a hard budget constraint from the revenues they raise. The basic questions of PFM therefore include: how much governments can raise in taxation, how they allocate revenues, and how far their spending can exceed current revenues through deficit financing.

## THE CURRICULUM

The **Public Financial Management** program emphasizes practical rather than theoretical approaches to PFM. It looks closely at the “reform” process within PFM as well as at current trends and assumptions of best practice. The focus is on transitional and developing countries, but material is also drawn extensively from OECD countries.

The program is constructed around a set of themes, each made up of interconnected units. PFM is a very broad field that can be explained through a variety of frameworks. Participants who are specialists in one aspect of PFM will gain insights into other aspects with which they are less familiar, and will understand how their work fits in the broader PFM landscape.

- **Basic macroeconomic questions (internal and external balances, exchange rates, and monetary policy) at a level of detail appropriate for non-economists.** How are deficits defined? How does one analyze fiscal position? What is the meaning of “fiscal space”? How should recipient countries treat foreign aid grants? What is an appropriate level of investment? What decisions need to be made with respect to fiscal deficits?
- **Fiscal policy (the basics of tax policy and administration, levels of expenditure) and fiscal architecture (determinants of revenue and expenditure, revenue structure).** How much can governments raise in current revenues, and what basic principles need to be followed? What are the methods of forecasting revenues? What kinds of taxes create the least distortion?
- **Budget allocation methods (budget planning, the design of financial calendars, multi-year planning, allocation techniques and different budget types and formats such as block grant formula-driven aggregate allocations, performance, and output budgeting).**

How can budget managers manage fixed costs in the budget, give more discretion to managers, and relate financial inputs to outcomes? How far can expenditures really be planned? What are the conditions for making medium-term frameworks “bite the budget”?

- **Budget execution (public sector accounting, treasury operations, and the use of information technology).** How can managers make budget execution more efficient and effective? What are the best ways to improve accounting systems and design Charts of Accounts (budget structure and classification)? Should governments adopt accrual accounting, and if so, what elements of accrual? The program includes in-depth examinations of GFS (Government Financial Statistics), COFOG (Classification of the Functions of Government), IPSAS (International Public Sector Accounting Standards) and other international guidelines.
- **Financial Information systems.** A major challenge for governments is to implement workable, cost-effective information systems that meet their requirements. Governments are typically advised to adopt some type of Integrated Financial Management Information System (IFMIS). The program will examine the choices finance officials have in selecting an automated solution including: the custom versus commercial-off-the-shelf (COTS) approach, what are core and non-core financial modules, and the trends in the industry.

- **Politics and structural factors.** How do issues of political economy, the role of government, and the structure of government, including fiscal aspects of decentralization, affect PFM? The program emphasizes the critical role of elected representatives and legislatures in policy and oversight, and the impact of international guidelines such as the IMF Code of Fiscal Transparency.
- **Fostering growth.** How can policymakers effectively incorporate concerns about the need for economic growth into their considerations of PFM reforms? Growth is essential to raise both standards of living and fiscal revenues that governments rely on to fund their expenditures. The program explores the role of government in creating the conditions for growth and increasing productivity, including industrial policy, social policy, and public investment.

## WHO SHOULD APPLY

The program is mainly intended for government officials and members of legislatures. It is also suitable for senior officials in national and international institutions who have an interest in financial management, and academics, consultants, and senior NGO staff who wish to deepen their knowledge of the field. The program attracts a wide range of participants from varied backgrounds, and is designed to make it accessible to participants with different degrees of knowledge of, and experience in, PFM.

## ADMISSION

**Public Financial Management** is a three-week program that takes place each July at Harvard Kennedy School.

To apply for **Public Financial Management** or for details on program dates, application deadlines, and tuition, please visit [www.hks.harvard.edu/ee/pfm](http://www.hks.harvard.edu/ee/pfm).

Admission to the program is competitive and is based on professional achievement and organizational responsibility. Though there is no formal educational requirement, fluency in written and spoken English is a necessity for participation in the program.

Because of the interactive nature of this program, the number of participants is limited. Early application is encouraged as qualified candidates are admitted on a rolling, space-available basis and the program often fills quickly. Applications received after the deadline will be considered only if space remains in the class.

Please feel free to contact the program director to determine whether the program is suitable for you.