

Financing and economic management

Deciding on public expenditure



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ



Content:

1. Public expenditure,
2. Public expenditure - breakdown,
3. Classification of public expenditure,
4. Causes of public expenditures growth,
5. Efficiency of public expenditures and its measurement.



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1. Public expenditure

Public expenditure - it is the flow of funds that are in the public budgetary system allocated to the implementation of the fiscal functions of the state on the principle of Non-recovery and inefficiency.

1. Public expenditure

The main issues related to the definition of in public expenditure:

- 1) What involve (nature)?
- 2) What should be spent (purpose)?
- 3) What would be their volume (how much)?
- 4) From what sources are covered (what)?
- 5) What are the consequences in public expenditure (effects)?

2. Public expenditure - breakdown

From a macroeconomic perspective in the context of public expenditure (PE) distinguish two large groups of expenditure:

- government expenditure (G),
- transfers (T).

Public expenditure is the sum of government expenditures and transfers. Expressed mathematically:

$$\underline{PE = G + T}$$



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2. Public expenditure - breakdown

In terms of methods and consequences of public expenditure allocation can be divided:

- allocation expenditure,
- redistributive expenditure,
- stabilizing expenditure.

3. Classification of public expenditure

There are different classifications of public expenditure domestic and international character. The home belong budget structure, which sets binding sorting income and expenditure side of the budget. The international classifications include **classification of the International Monetary Fund (IMF) - GFS** (Government Finance Statistics), based on:

- a) functional classification,
- b) economic classification.

3. Classification of public expenditure

According to the time factor divided public expenditure on:

- A. Short-term,
- B. Medium-term,
- C. Long-term.

Within a time point of view, we can subdivide public expenditure on:

- current (operating) expenditures,
- capital expenditures (investments).

3. Classification of public expenditure

Another aspect by which we can divide public expenditure is expected. Expenditures, but income should be planned. State budget is planned balance. Breakdown of expenditure:

- planned (projected) expenditure,
- unplanned (extraordinary) expenditure.

4. Causes of public expenditures growth

Constantly growing demands on the quantity and quality of public expenditure and related requirements for increased volumes issued funds are causing the constant growth of public expenditure.

The main factors behind this phenomenon include:

- a) demographic factors,
- b) geographic factors,
- c) the situation on the labor market, unemployment,
- d) technical and technological progress,

4. Causes of public expenditures growth

The main factors behind this phenomenon include:

- e) urbanization, population migration to cities,
- f) inflation,
- g) budgetary constraints,
- h) demonstration effect,
- i) the effect demand elasticity,
- j) political influences,
- k) other factors (war, etc.).

5. Efficiency of public expenditures and its measurement

Criteria of economy, efficiency and effectiveness (3E) are the main criteria for the evaluation and control of public expenditure projects and programs.

Economy, expresses "do things efficiently (economically)."
For economy, it is such a use of public funds when the goals and targets to achieve the lowest possible outlay of resources.

Efficiency, efficiency refers generally invested resources and benefit gained by them. It is the ratio of inputs and outputs of an activity or system.

Keywords:

Public expenditure, government expenditure, transfers, allocation, redistribution, stabilization, economy, efficiency and effectiveness.

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List of tasks for students:

- 1) Explain the content aspect of public expenditure.
- 2) Explain the methods of classification of public expenditure.
- 3) Explain what aspects of divided public expenditure.
- 4) Describe the growth of public expenditure - causes, give an example.
- 5) Explain the terms: efficiency, effectiveness and efficiency in public expenditure.