

Administrative Decentralization and Management for Myanmar: Expenditure Prioritization and Cost-Benefit Analysis (Part 1)



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Session Roadmap: Expenditure Prioritization

- Public policy objectives
- Positive and normative analysis
- Overall strategy assessment
- Pre-expenditure assessment (next session)
- Post-expenditure assessment (tomorrow)

Public Policy Objectives

The Public Sector as Leader (“Row Boat”)

- Dominant position in the economy
- Principal agent of development
- Lead in development planning and implementation

The Public Sector as Enabler (“Steer Boat”)

- Catalyst in economic development
 - Facilitate and complement economic development initiatives of private & non-profit sectors
- Stylized distinction: matter of degree, proper mix; varies by place and time, country context and point in history
- Avoid unintended consequences: do no harm

Positive vs. Normative Analysis

- **Positive Analysis:** “Everyone is entitled to his own opinion, but not his own facts.” Daniel Patrick Moynihan, Former US Senator, New York
 - Descriptive (What Is & What Will Be)
 - Portrait of Current Economy
 - Prediction of Anticipated Effects
 - Modeling and Simulation
- **Normative Analysis:** “ I think we Americans tend to put too high a price on unanimity, as if there were something dangerous and illegitimate about honest differences of opinion honestly expressed by honest men.” J. William Fulbright, Former US Senator
 - Judgmental (What Should Be)
 - Evaluate Policy Alternatives
 - Based on Objectives, Values, Tradeoffs Between Winners and Losers
 - Utilizes Positive Economics

Overall Strategy Assessment: Public Expenditure Review (1)

Public policy framework

- Public policy objectives, needs, and priorities
- Rationale for public sector intervention
 - Market failures – efficiency in the allocation of resources
 - Market failures – equity in the allocation of resources
- Alternative modes of public sector intervention
 - Public sector production/provision
 - Private sector production/provision with public sector regulation and perhaps taxes (if negative externalities) or subsidies (if positive externalities and public or quasi/public goods)
 - Private sector participation/public-private partnerships

Overall Strategy Assessment: Public Expenditure Review (2)

Implementation

- Specific design features (administrative cost-effectiveness)
- Private sector responses (positive and perverse incentives)
- Economic efficiency consequences (behavioral change, social welfare/deadweight loss)
- Distributional consequences (winners and losers)
- Reconciliation of economic efficiency, social equity, and political trade-offs (balance between competing objectives)