KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF DOCTOR OF PHILOSOPHY IN PUBLIC POLICY AND MANAGEMENT

APP 901: PUBLIC SECTOR FINANCIAL MANAGEMENT

DATE: Friday, 12th may 2017 **TIME: 5.30p.m-8.30p.m**

INSTRUCTIONS

Answer all questions

Question One

a) Kenya aims to develop into middle economy by the year 2030, the key plank of it to ensure success, is the adoption of Medium Term Expenditure Framework (MTEF). One tool which has been practiced to achieve the MTEF key factors of fiscal discipline, to allocate expenditures in line with national priorities, to coordinate donors, and to ensure transparency and accountability, is the sector-wide approach to planning (SWAp). In details discuss how (SWAp) process has been factored into Kenyan budgeting process. (20marks)

b) Fiscal Discipline is about government managing its Revenues Expenditures and Debts to achieve broad Fiscal Policy Objectives(stabilization Allocation and Distribution). Conditions for Fiscal Discipline are important, discuss SIX of them. (6marks)

Question Two

a) A spatial economy is based on many theoretical approaches. Among them are theoretical solutions of fiscal decentralization based on the theory of pupil choice. Discuss FOUR theories of fiscal decentralization, and clearly identify the one explaining the Kenyan situation. (8marks)

b) The budget system in Kenya has evolved overtime, providing FOUR distinct phases, to make the budgetary process more coherent, efficient, participatory and pro-poor from 1963 to 2012. Discuss the focus of each of the phases. (8marks)

Question Three

The major concern in public sector financial management is the level of government expenditure, in Kenya, it is considered that government expenditure is growing at a faster rate compared to income generated, Required:

Identify and explain SIX rationale for government expenditure in Kenya, Have the functions of rationale been met in Kenya (6marks)

There are three theories that explain public expenditure: wagner's Hypothesis, Stanley please Hypothesis, and peacock-Wiseman Hypothesis, clearly explain the theories providing their respective effects Displacement effect, Income and Substitution effect. (12marks)

Question Four

There are various school of thoughts concerning public debt in Kenya. According to international benchmarks public debt should not exceed 45 percent of GDP, Kenya's debt is equivalent to 49.9 per cent of GDP. On the other hand IM, feels the debt levels are sustainable. Provide FIVE theoretical arguments that may support the different views. (10marks)