



Public financial management in times of emergency and implications for the credibility of budgets*

Summary

To better face multiple crises, revenue forecasting and planning, and public financial management should be strengthened, while ensuring accountability, transparency, and participation in budget processes. Mechanisms to ensure budget coordination between different entities and across different levels of government should be established for emergency situations to help increase budgetary efficiency, respect for national fiscal rules and alignment with the achievement of the Goals. Efforts are needed to improve budget credibility and reduce excessive budget deviations to prevent a negative impact on SDG achievement and ensure that no one is being left behind. Reliable, transparent, and comprehensive data should inform difficult budget decisions and is critical to better understanding budget deviations. There is also a need to foster digital innovations related to public financial management and to improve the development aid process.

Recommendations

The Committee recommends that the Council encourages Governments, especially in view of stronger budget pressures, to accelerate action to increase transparency and equal participation in and oversight of the budgeting process, establish transparent public procurement frameworks as a strategic tool to reinforce sustainable development and curb corrupt practices, to strengthen budget credibility and to embed commitments to the Sustainable Development Goals in budgetary and

financial processes at the national and subnational levels by adopting practices to monitor and report on the use of public financial resources in support of the Goals, such as reorganizing budgets, based on programmes and activities, and mapping and tracking budgetary contributions to each Goal. (Paragraph 17)

► See [ECOSOC resolution 2023/28](#)

* Excerpt from Committee of Experts on Public Administration, Report on the twenty-second session. See Official Records of the Economic and Social Council, 2022, Supplement No. 24 ([E/2023/44-E/C.16/2023/9](#))

Discussion

Budgeting for implementation of the Goals and for emergencies

The Committee noted that the lack of progress in achieving the Goals called for a reprioritization of their integration into national budget processes, with provisions also needing to be made in budgets for emergency expenditures. In order to more effectively meet the challenges of multiple ongoing crises, it was necessary for revenue forecasting and planning, and public financial management to be strengthened, while ensuring accountability, transparency and public participation.

Since public expenditure had a significant impact on the achievement of the Goals and on recovery from the COVID-19 pandemic, countries should design budgetary allocations accordingly and execute budgets according to plan. Emergency transfers to cushion the social impact of the COVID-19 pandemic and untargeted social subsidies should at this point be scaled back or dismantled.

Budget coordination and capacity-building

Mechanisms to ensure budget coordination between different entities and across different levels of government should be established for emergency situations to help increase budgetary efficiency, respect for national fiscal rules and alignment with the achievement of the Goals.

Institutional flexibility in the budget architecture of countries should be improved, including through further integration of risk management capacity throughout the budget cycle. Contingent liabilities should be assessed beyond their financial impact. Efforts to institutionalize risk- and emergency-based budgeting processes should be undertaken in line with the principles of transparency and participation.

Functional classifications needed to be incorporated into all budgetary documents to enable comparisons, by sector, between allocations and actions executed, and administrative classifications needed to be incorporated to facilitate the tracking of public expenditures, especially at the subnational level of government.

To improve public financial management, technical capacity as well as financial and budget literacy should be enhanced. Various steps could be undertaken to build the capacity of public officials with regard to fiscal transparency, including by furthering their understanding of the role of different stakeholders and political economy issues.

Budget credibility

Budget credibility was related to the principles of effective governance. The lack of budget credibility already present in many countries had been further exacerbated owing to recent crises. Budget deviations needed to be analysed to understand their causes and identify which sectors were most deprived of funding as to prevent a negative impact on the achievement of the Goals and ensure that no one was left behind.

While crises could prompt unplanned spending and budgetary changes, it was important for Governments to openly provide legislative bodies and citizens with explanations regarding deviations in the budget and information on planned measures to bring spending back in line with approved budgets and to rectify previous underspending. Civil society should be involved in discussions on budget

credibility and in the identification of solutions to ensure inclusion and acceptance.

Some countries had been making progress with regard to budget credibility by, for example, enhancing core public financial management processes according to existing international standards; protecting core expenditures; and improving the downstream part of the budget process, including reporting, accounting, and auditing.

Data to inform budget decisions

Reliable, transparent and comprehensive data should inform difficult budget decisions and were seen as critical to better understanding budget deviations. Data collected to inform indicator 16.6.1 of the Goals should be used for measuring budget credibility and for raising awareness of the impact of budget deviations on specific sectors and groups, and the need for well-targeted and sustainable budgetary resources for the achievement of the Goals.

Digitalization and public financial management

Digital innovations in government and the development of critical digital public infrastructure should be fostered, such as fiscal identification, data governance in public financial management and the expanded use of digital payments. Digital tools could also help to enhance the identification of fiscal risks.

Development aid

International donors and multilateral institutions were encouraged to deliver their finance commitments in a timely and transparent manner, including by providing not only loans but also grants based on actual needs and by considering the costs of operation and maintenance over the long term.

Recipient countries should assess their needs and plan realistically and strengthen their budget

The forthcoming handbook on how supreme audit institutions could shed light on budget credibility, to be published jointly by the International Budget Partnership and the Department of Economic and Social Affairs, could help to guide supreme audit institutions in becoming more engaged in budget credibility issues.

It was noted, however, that many government reports still did not include enough details and disaggregated information. An appropriate legal framework was needed to enhance the quality and availability of information. Data could also be leveraged by civil society to monitor the budget process and ensure accountability

Ambitious investments in the digitalization of the public sector, particularly at the subnational level, should be better managed and monitored to ensure budget credibility (see also chap. III.E).

capacity and financial preparedness so that they could manage the funds received in a transparent and accountable way, produce a consolidated and centralized debt management plan and develop performance metrics. In times of crisis, they should strengthen their response planning before the crisis deepens.


Technical guidance for government officials

 [CEPA strategy guidance note on fiscal and budget transparency](#)


 [CEPA strategy guidance note on participatory budgeting](#)

 [CEPA strategy guidance note on long-term public debt management](#)


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