



## **21<sup>st</sup> session of the Committee of Experts on Public Administration**

### **Written statement by**

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#### *Agenda item 7: Issues in public financial management and budgeting for the SDGs*

Achieving the Goals of the 2030 Agenda in developing countries has always required not only more fiscal resources but, especially, better public financial management; more revenues are a necessary but not sufficient condition to achieve improvements in well-being. Therefore, it is necessary to understand that the Goals will only be achieved if public revenues are transformed effectively, efficiently, and transparently into results that citizens perceive. But underneath this process, there is a virtuous circle that begins with an adequate identification of priorities, continues with the efficient allocation and execution of public resources, and feeds into citizens' trust.

However, the Covid-19 pandemic has exposed an enormous institutional weakness in developing countries in Latin America, even despite having been recognized, years before, as outstanding countries in terms of macroeconomic outcomes. It became very clear that there is a difference between the "quantity" of growth and the "quality" of growth, that is, between the simple increase in national GDP and the capacity of the State to transform the gains from that growth into improvements in the well-being of the population.

Thus, the differences in the degree of institutional maturity of the States will be demonstrated in their capacity not only to "overcome" the current crisis, but to go beyond the macroeconomic rebound of the year 2021. When this severe institutional weakness became evident, it was clear that during the commodity-induced growth of the beginning of the XXI century, there was insufficient investment in State capabilities, in strengthening public administration, which is the main vehicle for achieving the Goals.

Before the pandemic, the importance of having a quality budgetary process to achieve the 2030 Agenda had already been internalized by some Latin American countries that introduced results-based budgeting schemes, based on evidence, to ensure that scarce public resources are

converted into results. However, these reforms were designed with an exclusively public finance perspective, that is, achieving fiscal balance and improving the quality of public spending, so the budget does not necessarily respond to objectives aligned with long-term public policies. In addition, some of these countries also designed decentralization schemes, in the hands of subnational (regional and local) authorities, to improve the provision of public services, recognizing that their proximity to citizens would make it easier to understand their needs, make better use of resources and allowing greater citizen participation in the prioritization of objectives and investment needs.

However, it is important to note that a decentralized State not only means the deconcentration of responsibilities, but also that subnational governments should possess the technical capabilities needed to transform their budgets into results that are part of a participatory effort to define local priorities (a strategic territorial plan). Thus, in the case of countries with underdeveloped decentralization schemes (that has not been evaluated after decades of being implemented), it is important to identify if it is accompanied by a well-designed fiscal decentralization system that ensures its fiscal sustainability.

Regarding the importance of political will to achieve a more transparent and participatory budget, we agree that the recovery from the COVID-19 pandemic will be an opportunity to use the lessons learned and reflect on the effectiveness of current budget processes, in the face of the enormous post-pandemic challenges. However, if before the pandemic, public administration was basic, weak in strategic capacities, reactive and with a short-term vision, the pandemic might not be enough of a stimulus to have the interest in deepening reforms towards more transparent and participatory budgeting.

“Open moments”—when a country experiences a change in circumstances that present it with an opportunity to break with the past and forge a new course—occur at various points in a country's trajectory. Countries that have transformed successfully have realized the potential of an “open moment”, breaking with the past and setting a different course through a new strategy. “Open moments” can occur for several reasons, including after a conflict, achieving independence, or due to an exogenous shock, such as a disaster or economic contraction. How countries respond to these “open moments” through setting new strategies can help determine future success. However, we consider that with States that lack a strategic vision but will face such big challenges as greater poverty, greater inequality and informality, greater mistrust and polarization, the identification of the “open moment” may not be evident. This reflects the institutional weakness that could prevent authorities from recognizing the sense of urgency towards the institutional strengthening of the budgetary process.

The institutional aspects to achieve more sustainable, efficient, open, transparent, and participatory budgets are a fundamental factor to ensure that the Goals are achieved within the established deadlines and are sustained over time. Therefore, it is urgent that international organizations can contribute to identify the “open moment” and, therefore, promote timely reforms for better budgeting through their knowledge and financial resources.

Finally, sometimes political will is not easy to find, therefore we suggest that it must be supported by an institutionalized scheme of collaborative governance, where stakeholders, civil society organizations, academia, and conscience businesses, serve to build the necessary centripetal forces to help maintain and support that political will over time; political will can be elusive. Especially, since in developing countries there are still several expressions of "rent seeking" such as corruption, informality, vested interests, abuse of dominant position in concentrated markets, that could severely weaken that political will.

The need to achieve the Goals in a timely way, considering that many economic and social gaps have widen due to the pandemic, must make authorities to emphasize the importance of budgetary processes, not only from a public financial management viewpoint, but also as an important mechanism to help rebuild a new fiscal and social contract focused on SDGs.