

24th session of the Committee of Experts on Public Administration

Written statement by Sustainable Development Council

Agenda item 7 : Sustainable Public Finance

On behalf of the Sustainable Development Council, this document highlights actionable recommendations to strengthen public financial management (PFM) as a critical enabler for achieving the Sustainable Development Goals (SDGs). The proposed measures focus on bridging financing gaps, enhancing transparency, leveraging technology, and fostering inclusive practices to align with the 2030 Agenda for Sustainable Development. These inputs are designed to address systemic challenges, promote accountability, and ensure equitable resource allocation.

Bridging SDG Financing Gaps

Achieving the SDGs requires substantial financial investments, particularly in developing countries facing resource constraints. Multi-stakeholder partnerships must play a central role in mobilizing additional resources. Governments can leverage public-private partnerships (PPPs), philanthropic contributions, and innovative financial instruments such as social bonds, green bonds, and sustainability-linked bonds. These mechanisms can channel private capital toward public projects aligned with the SDGs, ensuring adequate funding for critical areas such as healthcare, education, and climate resilience.

Domestic resource mobilization is equally essential. Tax reforms that target progressive measures—such as imposing higher taxes on luxury goods and high-carbon industries—can generate additional revenue while incentivizing sustainable practices. International tax cooperation should be strengthened to prevent tax evasion and ensure fair distribution of resources. Additionally, phasing out fossil fuel subsidies, which amounted to \$7 trillion globally in 2022, could free up significant funds for renewable energy projects and SDG-aligned investments.

Enhancing Digital Transformation in PFM

Digital transformation offers immense potential to optimize PFM systems, reduce inefficiencies, and improve accountability. Governments should prioritize the integration of advanced technologies such as Artificial Intelligence (AI), Machine Learning (ML), and blockchain to predict fiscal risks, enhance expenditure tracking, and ensure the transparency of public funds. Interoperable digital ecosystems must be developed to integrate PFM systems across various governmental levels, enabling seamless data sharing and decision-making.

India's implementation of Direct Benefit Transfers (DBT), enabled by digital infrastructure, serves as a global best practice. DBT has significantly reduced leakage and inefficiencies in welfare delivery by directly transferring subsidies and benefits to beneficiaries' bank accounts. Governments can replicate such models while addressing operational challenges like network failures, biometric authentication issues, and the inclusion of marginalized groups. Investments in robust digital infrastructure and internet connectivity are essential to bridge the digital divide and ensure that no one is left behind. Blockchain technology can play a pivotal role in enhancing the traceability of funds, particularly for emergency financing. By recording transactions on a decentralized ledger, governments can ensure that resources are used for their intended purposes, minimizing corruption and misuse. Moreover, e-procurement platforms with expanded functionalities can track public procurement processes in real time, improving transparency and enabling citizen participation.

Capacity Building for SDG-Oriented PFM

Strengthening institutional and human capacities in public financial management is crucial to achieve SDG targets. Establishing regional centers for capacity building can provide training on sustainable budgeting, advanced debt management, and innovative taxation systems. These centers can foster an SDG-oriented mindset among public officials and equip them with the skills required to design and implement fair tax policies, manage public expenditures effectively, and negotiate international financial agreements. The integration of Sustainable Development Goal budget tagging into national and subnational financial planning processes can also align resource allocation with development priorities. By tagging budgets with specific SDG indicators, governments can track the impact of their spending on achieving the Goals. This approach enables data-driven decision-making and facilitates adjustments to optimize outcomes.

Participatory Budgeting for Inclusivity and Accountability

Participatory budgeting offers a powerful mechanism to engage citizens in financial decision-making, particularly at the subnational level. By involving communities in identifying local development priorities, governments can ensure that resources are allocated effectively and align with the needs of the most vulnerable groups. This participatory approach enhances transparency, strengthens trust in public institutions, and empowers citizens to hold governments accountable.

Integrating participatory budgeting into national action plans can amplify its impact. For instance, local governments can allocate a portion of their budgets to community-led projects, with mechanisms for monitoring and feedback. Engaging women, youth, and marginalized groups in these processes ensures inclusivity and promotes equitable development.

Transparency and Accountability in Emergency Funding

The use of emergency funding often lacks transparency and oversight, leading to potential misuse and diversion from intended purposes. To address this, governments must establish clear criteria for what qualifies as an emergency and enforce strict guidelines for its use. Blockchain technology can enhance accountability by creating immutable records of emergency fund transactions, ensuring that resources reach the intended beneficiaries without delay or corruption.

Additionally, governments should require the publication of procurement contracts, beneficial ownership information of companies receiving these contracts, and expenditure reports related to emergency funding. Strengthening the role of Supreme Audit Institutions (SAIs) in auditing emergency expenditures can further enhance accountability. SAIs should be equipped with the tools and expertise needed to conduct real-time audits and identify areas of potential misuse.

To prevent the misuse of emergency funding, governments should adopt time-bound restrictions and ensure that such funds are not used for routine purposes. Establishing ex-ante evaluation mechanisms and conducting detailed post-disbursement audits can mitigate risks and improve the effectiveness of emergency responses.

Promoting Debt Sustainability and Innovative Financing

Rising public debt poses significant challenges to fiscal stability and SDG financing. Governments must adopt innovative solutions to manage debt sustainably. Debt-for-nature swaps, for instance, can align debt repayment strategies with environmental conservation efforts, providing dual benefits for fiscal health and ecological preservation. Sustainability-linked financial instruments, such as green bonds, can also incentivize investments in renewable energy, climate adaptation, and other SDG-aligned projects.

The development of integrated national financing frameworks can help countries align debt management policies with their sustainable development priorities. These frameworks should include mechanisms for assessing fiscal risks, mobilizing domestic and international resources, and promoting responsible borrowing practices. Strengthening international cooperation on debt resolution and crisis prevention is critical to support countries facing severe fiscal constraints.

Data-Driven Decision-Making and Monitoring

Robust data systems are essential for evidence-based policymaking and effective public financial management. Governments should establish centralized open-data platforms that integrate financial, social, and environmental data, enabling cross-sectoral analysis and stakeholder engagement. These platforms can provide real-time insights into the impact of public spending on SDG targets, facilitating timely adjustments to optimize outcomes.

Monitoring and evaluation frameworks linked to real-time data can enhance the accountability of PFM reforms. By systematically assessing the costs and benefits of public expenditure programs, governments can identify inefficiencies and reallocate resources to high-impact areas. Regular performance reviews and independent evaluations are critical to ensure the alignment of financial policies with development objectives.

Equitable Decentralization of Resources

Fiscal decentralization can empower local governments to address localized SDG challenges effectively. Equitable resource allocation frameworks must ensure that regions with higher needs, such as disaster-prone or marginalized areas, receive adequate funding. Targeted grants based on performance indicators, such as decentralization readiness indices, can incentivize efficient resource utilization and accountability at the local level.

Decentralization reforms should also include investments in capacity building for local officials and the development of digital tools to support data-driven decision-making. These measures can enhance the ability of local governments to manage resources effectively and deliver essential services to their communities.

Fostering Trust and Public Engagement

Building trust in public institutions is essential for the success of PFM reforms. Governments should adopt regular citizen feedback mechanisms and conduct public consultations to ensure transparency and accountability in financial decision-making. Accessible and inclusive communication strategies can enhance public understanding of fiscal policies and foster greater engagement.

Educating citizens on fiscal literacy is another important step to empower them to participate meaningfully in budgetary processes. Governments can organize workshops, campaigns, and online resources to improve public awareness of financial management and the impact of fiscal policies on their lives.

Conclusion

The Sustainable Development Council strongly advocates for comprehensive public financial management reforms that prioritize sound, inclusive, science- and evidence-based approaches. Bridging SDG financing gaps requires innovative solutions such as multi-stakeholder partnerships, progressive taxation, and digitalization. Enhancing transparency and accountability in emergency funding, promoting participatory budgeting, and fostering equitable decentralization are critical to ensuring that resources are allocated effectively and reach the most vulnerable.

Strengthening institutional capacities and leveraging technology can transform public financial management systems, enabling governments to achieve sustainable development outcomes. By adopting these recommendations, countries can address systemic challenges, enhance public trust, and build resilient financial systems that support the achievement of the 2030 Agenda and beyond.