24th session of the Committee of Experts on Public Administration

Written statement by Universal Versatile Society

Agenda item 7: Sustainalbe Public Finance

The present world is witnessing challenges such as climate change, digital disruption geopolitical risks, and persistent development gaps with socioeconomic inequalities. These factors together with the effects of the COVID-19 crisis and growing debt risks have especially squeezed fiscal margins, particularly in developing economies. In a world that is halfway towards 2030 Agenda for Sustainable Development, the annual financing gap to achieve the Sustainable Development Goals is estimated at about $2.5 trillion. This is because public financial management reform which is yet to align with its vision of being a transformative tool for development as rather than being a mere administrative tool.

The principles of sustainable public finance are now widely recognized as extending beyond the conventional notions of fiscal consolidation and debt reduction. Contemporary approaches are now looking at economic efficiency, social equity, and environmental sustainability. Scholars and policymakers have recommended countercyclical fiscal policies, strategic investments in human and physical capital, and progressive tax systems that address distributional concerns while mitigating environmental externalities.

Global frameworks have played a significant role in this transformation. The Addis Ababa Action Agenda laid the groundwork for financing sustainable development, stressing the importance of domestic resource mobilization while recognizing the need for international cooperation. Integrated National Financing Frameworks have further provided practical tools for aligning both public and private finance with national development priorities. Despite their promise, the operationalization of these frameworks remains uneven due to competing priorities and capacity constraints in many countries.

Innovative practices are reshaping public financial management across the world. A shift toward performance-based budgeting is demonstrating that linking resource allocation directly with measurable outcomes can enhance the efficiency of public expenditure. For example, strategic performance indicators in South Korea have improved the integration of planning and budgeting functions.

Efforts to incorporate environmental considerations into fiscal policies are also gaining momentum. Countries such as France and Mexico have integrated green budgeting practices, enabling systematic evaluations of fiscal policies against environmental objectives and redirecting resources toward sustainable alternatives.

Digital transformation is another key trend. The adoption of digital public financial management systems is revolutionizing treasury operations, expenditure management, and revenue administration. Estonia’s advanced e-governance system exemplifies how technology can enhance transparency and reduce transaction costs while mitigating corruption risks. Similarly, gender-responsive budgeting in nations like Canada illustrates how incorporating gender analysis throughout the budget cycle can help address persistent inequalities.

India offers a compelling case study in the implementation of sustainable public finance reforms in a diverse federal democracy. Recent reforms have been informed by both global best practices and indigenous experiences, resulting in a transformative impact on the nation’s fiscal management and service delivery.

The introduction of the Goods and Services Tax in 2017 marked a significant milestone. This reform harmonized a previously fragmented indirect tax system and expanded the tax base, contributing to a more buoyant and progressive revenue system. Subsequent measures, including the recommendations of the fifteenth Finance Commission, have recalibrated fiscal transfers between central and state governments by linking grants to performance in sectors such as health care, education, and agriculture. In rural areas, these conditional transfers have catalysed reforms in primary health services, leading to improved outcomes for mothers and children.

Digital technologies have further advanced fiscal management in India. The modernization of fund management systems has streamlined financial flows and reduced leakages, while the mechanism for direct transfer of benefits, enabled by the integration of financial inclusion, biometric identification, and mobile technology, has revolutionized the delivery of social protection programs. The fiscal response to the COVID-19 pandemic showcased a delicate balance between providing immediate relief and maintaining medium-term fiscal consolidation, as evidenced by a reduction in the fiscal deficit from its peak during the crisis to more sustainable levels in recent fiscal years.

Innovative climate financing instruments, such as sovereign green bonds, have also emerged in India. The issuance of green bonds worth two hundred sixty billion Indian rupees in 2023 demonstrates how capital markets can be leveraged to fund projects that enhance climate resilience and support environmental sustainability.

Despite notable progress, several challenges continue to hinder the full realization of sustainable public finance. Fiscal fragmentation remains a significant obstacle, with siloed approaches among sectoral ministries undermining policy coherence. In federal systems, inadequate intergovernmental coordination further complicates the implementation of national priorities.

Capacity constraints in public financial management institutions, particularly at subnational levels, limit the effective absorption and utilization of available resources. Political economy dynamics often lead to short-term decisions that compromise long-term developmental goals.

Moreover, data limitations and the absence of comprehensive performance indicators impede evidence-based policymaking, making it difficult to assess expenditure efficiency and equity accurately.

Recent empirical studies highlight the profound impact of robust public financial management on development outcomes. Longitudinal analyses indicate that improvements in the quality of financial management are associated with significant reductions in child mortality and enhanced educational outcomes. Research also shows that countries with progressive taxation systems and high levels of tax compliance tend to experience lower income inequality. Moreover, enhanced fiscal transparency has been empirically linked to reduced corruption and better public service delivery.

Scientific modelling further reveals that current public finance commitments are insufficient to meet the demands of climate resilience. Estimates suggest that developing countries face an annual adaptation financing gap three hundred forty billion United States dollars by 2030. These findings reinforce the urgent need to recalibrate fiscal policies to support sustainable development comprehensively.

Drawing on global best practices, regional experiences, and empirical evidence, these are some of the following recommendations are proposed to advance sustainable public finance. Starting with the integrating sustainable development considerations, i.e. national and subnational budget processes should incorporate systematic assessments of how fiscal decisions impact the Sustainable Development Goals. This integration requires updating budget classification systems and developing performance indicators that capture long-term developmental impacts.

Fiscal frameworks must strike a balance between ensuring discipline and accommodating countercyclical measures during crises. Designing rules that adjust for economic fluctuations without compromising long-term sustainability is essential.
Enhance Public Investment Management: Robust methodologies for project appraisal, transparent procurement processes, and continuous monitoring and evaluation are critical to ensuring that public investments yield substantial developmental returns.

It is important to empower subnational governments through improved revenue sharing, capacity building, and performance-based incentives, thereby ensuring that fiscal transfers reflect local priorities and resource realities.

Investments in digital infrastructure and data governance can significantly enhance transparency, efficiency, and accountability in public finance operations. Building the necessary human capital is equally important to mitigate risks associated with digital transformation.

Mechanisms for involving citizens in budget formulation and oversight should be established to enhance the legitimacy and responsiveness of fiscal policies. Successful examples from regions with strong participatory practices demonstrate the value of such inclusive approaches.

National budgeting systems must incorporate clear methodologies to identify and track expenditures related to climate adaptation and mitigation. Integrating climate considerations into regular budget processes is essential for building resilience against environmental challenges.

The transition to sustainable public finance represents a fundamental shift in how governments mobilize and deploy public resources. It calls for a reimagining of fiscal policies, not merely as technical exercises in budgeting but as strategic instruments for achieving sustainable and inclusive development. The experience in India, characterized by innovative reforms and a commitment to digital transformation and transparency, illustrates the potential for aligning fiscal management with long-term development objectives.

Looking ahead, the pursuit of sustainable public finance demands continuous innovation, informed by both scientific evidence and local realities. It is only through an ongoing dialogue between global expertise and context-specific strategies that fiscal policies can be recalibrated to meet the challenges of the twenty-first century. By embracing a framework based on transparency, accountability, and evidence-based policymaking, governments can transform current challenges into opportunities for lasting progress. The commitment to sound public financial management is not only a strategic necessity but also a moral imperative as we strive to achieve the Sustainable Development Goals and build a more equitable and resilient future for all.