

## THE IMPACT OF PUBLIC EXPENDITURE MANAGEMENT ON RESPECT FOR HUMAN RIGHTS

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**Abstract:** *In the context of socio-economic challenges in the Republic of Moldova, the study of the impact of public expenditure management on human rights is particularly relevant, since the effectiveness of budget policy directly affects citizens' access to basic services. The analysis of budget priorities allows us to identify the extent to which the state implements its human rights obligations, including the right to education, health care and social protection. The findings of the study reflected in this article contribute to the development of recommendations for improving the transparency and accountability of public expenditure, which is critical for strengthening democratic institutions and protecting citizens' rights. The purpose of this study is to identify the relationship between the factors that determine the effectiveness of public expenditure management and the level of human rights. The article pays special attention to the implementation of economic, social and cultural rights, such as the right to education, health care and a decent standard of living. The international PEFA (Public Expenditure and Financial Accountability) methodology, which allows assessing the quality of public finance management, is used as an analytical basis. The study included a comparative analysis of data for Moldova and a number of other countries with comparable income levels, using the Human Rights Measurement Initiative (HRMI) indicator, adapted to the economic capabilities of the state. HRMI allows assessing how effectively a country implements socio-economic rights, taking into account its resource potential, and not only in absolute values. The findings of the study highlight the need to integrate human rights principles into the planning and execution of the state budget. This requires increased accountability, increased civil society participation in budget processes and strengthened mechanisms for monitoring the targeted use of public funds. The results may be useful for policymakers, human rights defenders and international organizations seeking to ensure a more equitable distribution of resources.*

**Key words:** *budgetary responsibility efficiency, public budget, public spending*

**JEL:** H5, K38, O15

### 1. Introduction

In a modern state, especially in an unstable economic and political environment, as is the case in the Republic of Moldova, effective management of public expenditure plays a key role in ensuring and protecting human rights. This is especially true in the area of economic, social and cultural rights (ESCR), since it is through budgetary financing that the state fulfills its obligation to citizens to ensure a decent standard of living, education, health care, social protection and cultural development (UNDP, 2022).

Assessing the impact of public financial policies on human rights helps to understand the extent to which the state adheres to the principles of fairness, equality and accountability. Without transparent, targeted and equitable distribution of resources, the most vulnerable groups suffer, which leads to systemic human rights violations. For example, insufficient funding of the health sector can lead to limited access to health services for rural populations, the elderly and persons with disabilities, which violates their right to health care.

In a context of limited resources, especially in post-soviet countries with developing economies, it is extremely important to study how public expenditure is prioritized and whether these priorities correspond to the real needs of society. The Republic of Moldova, as a state that has undertaken obligations under international treaties, such as the International Covenant on Economic, Social and Cultural Rights, is obliged to implement these rights to the maximum extent possible, based on the

available resources. Therefore, assessing the effectiveness of budget management becomes not only an economic task, but also a human rights instrument.

In addition, conducting such research helps identify systemic gaps in budget policy, including cases of misuse of funds, corruption, or insufficient focus on the needs of vulnerable groups. For example, if a significant portion of the budget is allocated to servicing public debt, to the detriment of funding social programs, this can directly undermine the implementation of ESCR. Thus, an evidence-based assessment of the impact of fiscal policy on human rights helps reorient public spending towards a more equitable distribution. It is important to emphasize that the protection of economic, social and cultural rights is impossible without a sustainable institutional mechanism based on the principles of good governance. Research in this area also serves as a tool for monitoring and pressuring government bodies to increase transparency and accountability. In addition, they provide civil society and international organizations with objective data that can be used to advocate for reforms and revise public policy priorities.

This line of research is of particular importance in the context of Moldova's integration into the European legal and economic space. European standards imply a high level of human rights protection and social justice, which means that effective public finance management should not only be an instrument of economic growth, but also a mechanism for ensuring social stability and equal opportunities. Thus, these studies contribute to convergence with European standards of governance and legal culture.

Finally, a systemic assessment of the impact of fiscal policy on the implementation of the ESCR is of strategic importance for the country's long-term development. Only by ensuring the observance of basic human rights can the state count on sustainable growth of human capital, a reduction in poverty and social inequality. This, in turn, creates the preconditions for increasing trust in government institutions, strengthening democracy and forming an inclusive society.

Thus, studies aimed at assessing the efficiency of public expenditure management in terms of respect for economic, social and cultural rights in the Republic of Moldova are not only relevant but also necessary. They help to ensure a balance between economic rationality and social justice, strengthen democratic control mechanisms and create a basis for sustainable and equitable development of the state. Neglect of such studies leads to politically motivated or inefficient decisions that can aggravate social tensions and undermine the legitimacy of state institutions.

## **2. Justifying the need to assess the impact of public expenditure management on human rights**

To prove the need to evaluate the influence of the quality of government expenditure management on the level of human rights compliance, the authors used a cumulative index developed and measured by the Human Rights Measurement Initiative (HRMI) - an international initiative to measure human rights compliance indicators in countries around the world.

To demonstrate the need to assess the impact of the quality of government spending on human rights compliance, the authors used the "Quality of Life" index — a composite index developed and measured by the Human Rights Initiative (HRMI), an international initiative to measure human rights in countries around the world.

The index is estimated from two points of view: a) in % of the income-adjusted benchmark in the estimated country and b) in % of the best benchmark achieved in the world. In the first case, the answer to the question «What level of productivity is fixed in the country compared to what is known to be possible to achieve, based on the income level of the country in question?» Each country can reach 100% on this indicator if it effectively uses available resources, including state financial resources. It is obvious that with any value less than 100%, the output should indicate that it is not only necessary, but also possible to improve resource management, including state financial resources.

In the second case, we can formulate an answer to the question "What are the performance indicators of the assessed country compared to the world average, including the level achieved by the most developed countries in the world?"

The index assessment scale is from 0 to 10, where: "10" - full observance of human rights, "0" - complete violation.

As can be seen from Table 1, the "Quality of Life" parameter is assessed based on the level of observance of the right to education, health, food, housing and work.

Thus, in 2021, the income-adjusted quality of life indicator in Moldova was recorded at 85.5%. We remind you that in this case, the resources of the Republic of Moldova are taken into account and how effectively it uses them to ensure the realization of the right to quality life by citizens. In particular, this conclusion will also indicate the effectiveness of public finance management, and indirectly, public expenditure.

**Table 1. The level of the Human Rights Measurement Initiative Index recorded by the Republic of Moldova in 2021**

|                                  | <b>in % of the income-adjusted benchmark in the assessed country</b> | <b>in % of the best benchmark achieved globally</b> |
|----------------------------------|--|---|
| Quality of Life, Aggregate index | 85.5   | 83.6  |
| <i>Right to:</i>                 |  |   |
| Education                        | 82.2   | 76.7  |
| Food                             | 95.7   | 94.3  |
| Health                           | 76.9   | 74.5  |
| Housing                          | 73.1   | 73.1  |
| Work                             | 99.6   | 99.6  |

*Source: developed by the authors based on the 2024 HRMI Rights Tracker.*

The value of 85.5% shows that Moldova achieves only 85.5% of what would be possible with the resources it has. Therefore, Moldova must make continuous efforts to meet its immediate obligations in the field of economic and social rights, including by optimizing the management of public expenditure. Compared to the benchmark obtained on the basis of the level recorded in the best countries in the world, the value achieved by the Republic of Moldova is 83.6%, which is lower than the one explained above. The results of the study show that Moldova needs to promote and successfully implement sustainable policies to achieve the best standards in the world in terms of full satisfaction of the right to food, education, health, housing and jobs for all its citizens.

### **3. Determinants of the impact of public expenditure management and their relationship with economic, social and cultural rights**

The quality of public expenditure management can be assessed using the Public Expenditure and Financial Accountability Framework (PEFA) methodological tool, which is based on international standards and best practices in public financial management. According to the author, the quality of public expenditure management is determined by the level at which the highest government bodies responsible for public financial management achieve results in the following seven areas:

- a) Budget credibility;
- b) Transparency of public finances;
- c) Management of assets and liabilities in the public sector;
- d) Policy-based fiscal strategy and budget strategy;
- d) Predictability and control of budget execution;
- e) Accounting and reporting in the public sector;
- g) External control and audit.

The table below presents the relationship between the pillars of public expenditure management and the main characteristics of human rights.

A credible public budget means that budget parameters (government revenues and expenditures) change in line with budget forecasts, are executed as originally planned by the government and

approved by the legislature. Budget credibility has a direct impact on public financial management, on central and local government, on citizens and indirectly on the observance of human rights, in particular the observance of economic, social and cultural rights.

Table 2 shows the relationship between budget credibility and observance of human rights.

**Table 2. Budget credibility: essence and impact on human rights**

| Indicators Measuring Budget Credibility   | Indicators Measuring Budget Credibility   | Indicators Measuring Budget Credibility   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Total Expenditures Executed</li> <li>• Structure of Expenditures Executed</li> <li>• Revenues Collected</li> </ul> | <ul style="list-style-type: none"> <li>- Initiatives or other spending decisions subsequent to the adoption of the budget, outside the annual budget process;</li> <li>- Significant reallocations of funds between ministries and programs;</li> <li>- Overly optimistic revenue estimates;</li> <li>- Grants and other forms of budget support provided by development partners outside the annual budget cycle;</li> <li>- External shocks (natural disasters, adverse regional or international conditions).</li> </ul> | <p>In general, a reliable budget ensures the regular and relatively sufficient provision of basic public services (education, health, social protection, culture, justice), ensuring respect for human rights. On the other hand, a budget that is not credible, not implemented in accordance with the law, and not transparent, generates unequal access to rights, especially for vulnerable groups.</p> |

*Source: developed by the authors based on their considerations and Volume II: PEFA Assessment Fieldguide. Second edition, December 2018. PEFA Secretariat, Washington, DC, USA.*

Public finance transparency argues for the role and importance of public access to budget information and reports on the execution of the public budget and the role and importance of citizen participation in the budget process (especially at the level of administrative-territorial units) in strengthening citizens' trust in the proper use of public finances. In this regard, Table 3 develops the link between public finance transparency and respect for human rights.

**Table 3. Transparency of public finances**

| Indicators that measure the transparency of public finances  | Indicators that measure the transparency of public finances   |
|--|---|
| <ul style="list-style-type: none"> <li>• Budget classification</li> <li>• Budget documentation</li> <li>• Central government operations not recorded in the financial statements</li> <li>• Transfers to local government</li> <li>• Information on the performance of public services</li> <li>• Public access to budget information</li> </ul> | <p>A transparent budget allows the general public to know the financial priorities of the public administration and to analyze the correspondence of the allocation of resources with the state obligations in the fields of education, health, social protection, housing, culture, etc. Consequently, transparency is a key premise for monitoring by citizens and civil society the correctness of spending public money and identifying possible embezzlement of funds and/or possible failures in the efficient use of public finances. Finally, the problem of compromising the provision of fundamental services for the exercise of human rights can be solved. In turn, central and local public administration institutions become accountable to citizens.</p> |

*Source: developed by the authors based on their considerations and Volume II: PEFA Assessment Fieldguide. Second edition, December 2018. PEFA Secretariat, Washington, DC, USA.*

The management of public assets and liabilities ensures the stability of public finances, promoting the principle of continuity and universality in the exercise of human rights (Table 4). Respect for human rights is positively correlated with the country's capacity to develop sound macroeconomic

and fiscal projections, which in turn lead to the promotion of sustainable fiscal strategies (Table 5). Specialized public authorities must demonstrate strong capacities to successfully estimate the impact of changes in the economic and social context on budgetary parameters. Medium-term forecasts must be reflected in annual budgets. All relevant stakeholders must effectively participate in the budget preparation process in an orderly and prompt manner. At the same time, it is of critical importance to apply prompt parliamentary control over the annual budget.

**Table 4. Asset and liability management in the public sector**

| Indicators that measure the quality of asset and liability management in the public sector  | Indicators that measure the quality of asset and liability management in the public sector   |
|---|--|
| <ul style="list-style-type: none"> <li>• Budget risk reporting</li> <li>• Public investment management</li> <li>• Public asset management</li> <li>• Debt management</li> </ul> | <p>Proper assessment and reporting of budgetary risks allows for the anticipation of economic and social shocks that have the potential to affect expenditures associated with the respect of human rights.</p> <p>Efficient management of public investments supports the targeting of funds towards social and cultural infrastructure objectives, contributing to the respect of economic, social and cultural rights.</p> <p>The management of public assets, by maximizing their value, determines savings of resources that can be reinvested in services associated with fundamental rights.</p> <p>Debt management through the lens of prudence determines fiscal sustainability and the avoidance of curtailment of public services during repayment periods.</p> |

*Source: developed by the authors based on their considerations and Volume II: PEFA Assessment Fieldguide. Second edition, December 2018. PEFA Secretariat, Washington, DC, USA.*

Legislative procedures governing the examination of the budget must be properly established and respected. Strict assessment of the rules governing the amendment of the budget during the financial year without prior approval by the legislature is required.

**Table 5. Fiscal strategy and budgetary strategy based on public policies**

| Indicators measuring policy-based fiscal and budgetary strategy  | Indicators measuring policy-based fiscal and budgetary strategy  |
|--|--|
| <ul style="list-style-type: none"> <li>• Macroeconomic and budgetary forecasts</li> <li>• Budget strategy</li> <li>• Medium-term perspective for expenditure budgeting</li> <li>• Budget preparation process</li> <li>• Legislative review of budgets</li> </ul> | <p>The fiscal and budgetary strategy developed in accordance with the public policies of the state allows for the efficient and predictable mobilization of resources, including to guarantee fundamental human rights. Compliance with macroeconomic and budgetary forecasts when developing and implementing the fiscal and budgetary strategy ensures financial stability, thus ensuring one of the essential conditions for the continuous provision of public services associated with human rights. This planning strengthens the state's capacity to anticipate social needs and allocate resources according to priorities connected to human rights. At the same time, the risks associated with austerity measures that may compromise respect for human rights are reduced. Therefore, ensuring proactive and balanced management can strengthen the protection and progressive respect for human rights.</p> |

*Source: developed by the authors based on their considerations and Volume II: PEFA Assessment Fieldguide. Second edition, December 2018. PEFA Secretariat, Washington, DC, USA.*



Predictability and control of budget execution, as a pillar that determines the quality of public expenditure management, directly influences the level of respect for human rights (Table 6). In conditions of unpredictability and uncertainty, providers of public services associated with human rights cannot function effectively. In the absence of monitoring and control, money intended for public services necessary for the respect of human rights risks not reaching the target recipients. This pillar explains the method of budget execution. The national public budget and its components must be executed within a system based on standards. The processes associated with budget execution must be predictable and carried out efficiently for the purposes provided by the public administration and approved by the legislative body. Internal controls of budget execution must be effective, ensuring the acquisition and use of resources according to their destination.

**Table 6. Predictability and control of budget execution**

| <b>Indicators that measure predictability and control of budget execution</b>  | <b>Indicators that measure predictability and control of budget execution</b>   |
|--|---|
| <ul style="list-style-type: none"> <li>• Revenue Management</li> <li>• Revenue Accounting</li> <li>• Predictability of Funds Availability for Expenditure Commitments</li> <li>• Expenditure Arrears</li> <li>• Payroll Control</li> <li>• Procurement Management</li> <li>• Internal Controls on Non-Salary Expenditures</li> <li>• Internal Audit</li> </ul> | <p>Predictable public budget execution ensures the stability of public financial resources allocated to sectors that determine the respect of economic, social and cultural rights. Consequently, the continuity of the provision of associated public services and their quality is guaranteed. In turn, budget execution control identifies, explains and contributes to resolving discrepancies between the planned and the actual level of public spending. Misappropriation of funds, waste or corruption can be avoided, thus strengthening the impact of public finances on the respect of human rights.</p> |

*Source: developed by the authors based on their considerations and Volume II: PEFA Assessment Fieldguide. Second edition, December 2018. PEFA Secretariat, Washington, DC, USA.*

The level of respect for economic, social and cultural rights correlates positively with the quality of accounting and reporting in the public sector. Accounting and reporting are basic premises for ensuring transparency in the use of public financial funds. Respect for human rights is all the more coherent, the more accurate and reliable data are maintained in accounting records and reports, and the more accounting and financial reports are generated and disseminated promptly to meet decision-making needs. Good management of public expenditure requires up-to-date, relevant and reliable financial information. As Table 7 explains, transparent and accountable management of public expenditure strengthens public trust, promoting respect for and protection of human rights.

**Table 7. Accounting and reporting in the public sector**

| <b>Indicators that assess accounting and reporting in the public sector</b>   | <b>Indicators that assess accounting and reporting in the public sector</b>  |
|---|--|
| <ul style="list-style-type: none"> <li>• Integrity of financial data</li> <li>• Annual reports on budget execution</li> <li>• Annual financial reports</li> </ul> | <p>Accurate accounting helps to verify the compliance of the allocation of public financial funds for public services related to human rights (health, education, ecology, housing) with the state's commitments. In turn, public reporting allows for oversight by citizens, civil society, human rights organizations and parliament, mitigating the risks of corruption or waste that compromise the exercise of human rights. Consequently, these public financial management tools strengthen the accountability of public decision-makers.</p> |

*Source: developed by the authors based on their considerations and Volume II: PEFA Assessment Fieldguide. Second edition, December 2018. PEFA Secretariat, Washington, DC, USA.*

The "External control and audit" pillar assesses the extent to which public finances are independently monitored and the extent to which there is a system of external monitoring of the implementation by the executive of recommended improvement measures.

The effectiveness of external audit and legislative review of audit reports contributes to holding the executive accountable for its budgetary policy, expenditure policy and their execution. The way in which this pillar can influence the level of respect for human rights is reflected in Table 8.

**Table 8. External control and audit**

| <b>Indicatorii care evaluează controlul și auditul extern</b>   | <b>Impactul asupra respectării drepturilor omului</b>   |
|---|---|
| <ul style="list-style-type: none"> <li>• Indicators that assess external control and audit</li> <li>• Impact on respect for human rights</li> </ul> | <p>External monitoring and audit play a crucial role in promoting respect for human rights by providing an independent assessment of how public funds are managed and policies are implemented. These processes help to detect instances of financial mismanagement, corruption or non-compliance with regulations that could directly or indirectly affect the realization of human rights. By identifying weaknesses in systems and making recommendations for improvement, external audits can strengthen the transparency and accountability of public institutions. The publication of audit reports allows civil society, human rights organizations and the general public to hold authorities accountable for their performance and impact on fundamental rights. Ultimately, rigorous external oversight and audit help ensure that public resources are used efficiently and ethically, thereby promoting a more human rights-friendly environment.</p> |

*Source: developed by the authors based on their considerations and Volume II: PEFA Assessment Fieldguide. Second edition, December 2018. PEFA Secretariat, Washington, DC, USA.*

### **3. Conclusion.**

Effective management of public expenditure is essential for the realization of human rights, in particular in the area of economic, social and cultural rights. Components such as fiscal sustainability, transparency of public finances and strategic budgeting form the basis for the equitable distribution of resources and the sustainable financing of fundamental rights and freedoms. Budgetary reliability ensures the correspondence between planned and actual expenditure, which is essential for the stable functioning of systems such as healthcare, education and social protection. The discrepancy between what is promised and what is delivered undermines trust in the state and violates the rights of vulnerable groups that depend on social services. Transparency of public finances allows citizens and independent organizations to monitor spending priorities, identify corruption risks and achieve a more equitable and accountable distribution of funds. Open budgets promote the exercise of the right to participate in public affairs, guaranteed by international norms. A policy-based fiscal and budgetary strategy allows for the real needs of the population to be taken into account and ensures sustainable financing for programs aimed at protecting human rights. If the budget is developed without taking into account social priorities, this leads to chronic underfunding of key areas, such as healthcare or affordable housing. Predictability and control over budget execution, in turn, allow government agencies to plan their activities over the long term, which ensures the stable provision of public services. The lack of control leads to delays, inefficiencies and direct violations of the rights to access quality services. Accounting and reporting in the public sector are mechanisms that ensure the transparency of government actions and prevent the misuse of funds. Deficiencies in this area encourage evasion of responsibility and reduce the efficient use of public resources, which undermines the realization of rights. Asset and liability management helps to avoid fiscal crises that could lead to drastic cuts in social spending. Financial instability has a direct impact on the right to an adequate standard of living, education and healthcare. Finally, external control and audit serve as

the last line of public control and provide an independent assessment of compliance with financial discipline. They help to identify systemic violations, try to address them and build a culture of accountability, which is essential for the protection of human rights.

Therefore, there is a direct relationship between the quality of public expenditure management and the level of respect for human rights. Efficient, transparent and accountable management of public resources not only improves macroeconomic indicators but also represents the foundation of a sustainable and equal society, in which the rights of each person are truly guaranteed.

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