Efficiency of public expenditure management through a human rights approach

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Abstract*. Modern international practice emphasises the need to consider not only economic consequences but also social ones in the process of managing public expenditures, particularly the role of budgetary policy in advancing human rights. This paper* ***aims*** *to develop a methodological rationale for the relationship between effective public expenditure management and the degree to which human rights are upheld, and to empirically apply the proposed methodology to the Republic of Moldova. The* ***research methodology*** *employed by the authors combines quantitative assessment through a composite index with qualitative analysis of the institutional framework, enabling the integration of economic efficiency and the human rights dimension into a unified system for evaluating public spending.* ***Results****: The application of the methodology proposed by the authors in this publication reveals that, in the context of the Republic of Moldova, notwithstanding the advances achieved in the field of budget transparency, gaps persist in medium-term planning, selection and evaluation of investment projects, as well as in parliamentary control mechanisms. These limitations undermine effective resource management and restrict the fulfilment of human rights. The* ***novelty*** *of the research stems from the development of an integrated index designed to measure the efficiency of Public Expenditure Management adjusted to take into account human rights. Such an index combines three blocks: (1) efficiency of public spending, (2) rule of law and combating corruption, and (3) human rights.*

Keywords*: efficiency, human rights, public budget, public expenditure management, rule of law*
JEL classification: *E62, H5, K38, K42*

1. Introduction

Ensuring the effective management of public expenditure represents a key priority within contemporary public finance systems, as it is directly linked to the sustainability of state budgets, the quality of public services and citizens' trust in government institutions. In conditions of limited resources, states are faced with the need not only to ensure fiscal discipline and macroeconomic stability, but also to guarantee that the allocated funds contribute to social justice, the reduction of inequality and the implementation of human rights. Thus, expenditure management should be assessed not only through indicators of budget balance or debt sustainability, but also through their real impact on living standards, access to healthcare, education, social protection and other aspects of social well-being.

The integrating human rights (HRs) principles into public financial management has gained increasing prominence in recent years. Scholars (Balakrishnan et all., 2011; De Schutter, 2019; Saiz, 2013) emphasise that the budget is the primary instrument through which states implement their international human rights obligations. According to the International Covenant on Economic, Social

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and Cultural Rights (OHCHR, 1966), states are obligated to use "the maximum available resources" to ensure fundamental rights. This means that the process of budget formation, implementation and control cannot be limited to narrow economic frameworks, but must be aligned with universal human rights standards.

In the current literature, the assessment of public finance management has traditionally focused on process and technical compliance indicators, using established tools such as PEFA (Public Expenditure and Financial Accountability) or the Open Budget Survey. However, a significant conceptual and methodological gap is observed, namely, the absence of a direct link between the technical efficiency of expenditures and their impact on living standards from a human rights perspective.

The present research identifies three major limitations in existing studies, which make it necessary to develop an integrated index:

1. Fragmentation of indicators: There is a clear separation between economic performance and social impact indices. Current models of expenditure evaluation are often "neutral" towards human rights values, treating efficiency only as an optimisation of resources, not as a tool for guaranteeing fundamental freedoms.

2. Underestimation of the institutional role: Many analyses treat corruption and the rule of law as external factors, not as intrinsic elements that determine the success or failure of financial management.

3. Lack of diagnosis for transition countries: Current models fail to fully explain the "efficiency paradox" in transition economies, where modern budgetary procedures coexist with reduced social impact.

This issue is of particular importance for countries with economies in transition and European integration ambitions, such as the Republic of Moldova. As it advances towards European Union membership, Moldova is obliged to strengthen its institutional mechanisms for public finance management and, at the same time, demonstrate its adherence to fundamental rights and rule of law principles. The European Commission reports (2023–2024) have repeatedly emphasised that the country's progress in fiscal policy should be accompanied by improved transparency mechanisms, anti-corruption control and an increase in the quality of public services in the social sphere. In this context, integrating the human rights dimension into the analysis of the efficiency of public spending becomes a strategic task for Moldova (EC, 2023, 2024).

This study aims to develop and validate the Human Rights-Adjusted Public Expenditure Management Performance Index (PEM-HR Index). The proposed model takes up the philosophy of the Human Development Index (HDI), which introduced a more comprehensive approach to measuring progress by combining social and economic dimensions. However, unlike the HDI, which assesses the state of development, the PEM-HR Index focuses on the administrative and institutional process. Thus, the new index will fill a critical gap in the current literature through three major contributions:

1. Multidimensional synthesis: Correlates public finance management with human rights protection standards.

2. Alignment with rule of law principles: Recognises the rule of law not as an external factor, but as a precondition for financial efficiency.

3. Diagnostic capacity: Provides an integrative picture of how the quality of institutions conditions the transformation of budgetary resources into social welfare, providing explanations for the discrepancies observed in transition states.

This index combines three dimensions:

1. Economic efficiency (quality of budget planning, execution, risk management, investment efficiency).

2. Transparency and accountability (open budget, parliamentary control, independent audit, citizen participation).

3. Human rights (availability and quality of basic social services, equitable distribution of resources, protection of vulnerable groups).

The proposed approach has a double meaning. On the one hand, it provides researchers with a tool for a comprehensive analysis of public expenditure management, taking into account human rights criteria. On the other hand, it can serve as a practical guide for authorities formulating budgetary policy,

allowing them to identify institutional gaps and adjust strategic priorities in accordance with European standards. Thus, the proposed PEM-HR Index offers a methodological tool for incorporating equity, sustainability, and human rights considerations into budgetary decision-making, which is an integral part of Moldova's successful path toward European Union membership.

2. Literature review

The research problem investigated in this paper is analysed bibliographically, starting from the following thematic component elements:

a) the efficiency of public expenditure management;

b) the issue of human rights in relation to the quality of public expenditure management.

As Miller and Redhead (2019) state, traditional rights-based approaches have dominated development policy and human rights practice since the 1990s. The authors point to the limitations and excessive dogmatism of these approaches. Miller and Redhead's research identifies three stages in the development of human rights-based approaches: the integration of a human rights-oriented perspective and its related concepts in development processes (1990s), institutionalisation and the search for best practices in the field (2000s), and the current stage, where alternative models are proposed. The authors emphasise that effective protection of human rights requires a shift from a narrow normative approach to more comprehensive models that take into account real processes and outcomes in various spheres (development, healthcare, migration, environment, etc.).

Andrews et al. (2012; 2017) argue for a relationship between public spending efficiency and state institutional capacity. By introducing the concept of "Problem-Driven Iterative Adaptation" (PDIA), the authors emphasise gradual, context-specific reforms rather than adopting Western models. This idea is an important contribution to explaining how some countries progress in public spending management, while others fail in this process.

The efficiency of public spending is determined not only by technical instruments (medium-term budgeting framework, fiscal councils, cash management, commitment-based budgeting), but also by the institutional environment and political will. This thesis is argued in the paper by Cangiano et al. (2013).

Evidence provided by Beetsma et al. (2021) suggests that the effectiveness of public spending depends on the level of independence of fiscal councils and budget transparency. Institutional mechanisms reduce the political cycle of public spending and strengthen public trust in fiscal policy. The authors conclude that there is a global trend towards an increase in the number of independent fiscal councils. At the same time, the following findings with political implications are formulated: an independent fiscal council, provided that voters are interested in knowing the competence of decision-makers, has the potential to reduce the tendency towards increasing public debt; the political context is not always favorable to the establishment of a fiscal council; consequently - fiscal councils are dependent on fluctuations in the political context.

An important aspect that must be reflected in the bibliographic analysis is related to the specifics of public expenditure management in European countries. It is worth noting that EU practices regarding public expenditure management reveal the problem of the balance between the efficiency of public expenditure and democratic accountability. Thus, Creel and Saraceno (2024) examine the need to create fiscal space to meet the future needs of the EU, whether those related to industrial policies and macroeconomic stabilisation policies, or those aimed at the provision of public goods, such as health and education. An important aspect is related to the need to coordinate macroeconomic and structural policies to deal with complex shocks.

Assessing public expenditure efficiency across European countries is a research objective found in several publications. Thus, to determine the efficiency of the public sector, Andonova and Trenovski (2022) constructed an index based on public spending as a share of GDP. To this end, these authors applied the Data Envelopment Analysis (DEA) method for 11 countries, tracking the evolution of the indicator over the period 2010-2019. The study concludes that under identical resources, public spending generates different performances: Slovenia records high efficiency, while Greece demonstrates much lower efficiency. The practical impact of the study consists of the recommendation to improve the efficiency of public spending by optimising, rather than by increasing resources.

In turn, Shkodra et al. (2022) econometrically analyse the public spending of Southern European countries for the period 2002-2019. The authors identified a positive impact of public spending structured by economic classification on economic growth. The study suggests that the structure of public spending is very important and can be considered as a tool for stimulating growth.

Baciu and Botezat (2014) researched public sector efficiency in countries that subsequently joined the EU after 2004. The study concludes that higher efficiency is characteristic of areas that benefited from fewer resources, suggesting that efficiency is not a direct result of large budgets, but rather of good governance.

Findings concerning the Republic of Moldova (World Bank, 2014) supports the conclusion that consistent efforts must be made to ensure the efficient, equitable and sustainable nature of public spending at the level of local public administrations.

Next, we present the conclusions on the bibliographic analysis of the relationship between the quality of public expenditure management and the level of respect for HRs.

In this context, the predominant conclusion formulated in the research studied is that national public budgets must be not only a financial instrument, but also one of HRs. Thus, in his work, Saiz (2013), promotes the idea that states are obliged to mobilise "maximum available resources" for the proper respect of economic and social rights. The publication offers a methodology for evaluating the budget from the perspective of equality and non-discrimination.

De Schutter (2019) presents a paper on how public budgets can become a key mechanism for the realisation of HRs. The author develops an analytical framework that links fiscal policy to HRs standards, correlating resource mobilisation, public spending, and fiscal policy performance. The analysis focuses on resource redistribution and on how budgetary decisions affect vulnerable groups.

Kuosmanen (2020) addresses four challenges associated with human rights-based budgeting: transparency of the budget process, alignment of the budget process with international human rights norms, institutional governance fragmentation and public engagement in budgetary decision-making. The same author, in another article (Kuosmanen, 2016), examines the institutional conditions necessary for public budgets to comply with human rights standards. He identifies three key institutional virtues that should be integrated into the budget process: instrumental, interpretative and evaluative deliberation. Practical proposals are presented for reforming budget procedures so that they take human rights into account at every stage, from formulation to implementation.

3. Methodology and data

The methodology applied by the authors to explore the relationship between the efficiency of public expenditure management and the level of respect for human rights involves several stages.

The first stage identifies and explains the main components of the human rights-based approach (HRBA). To this end, the most important works developed and promoted at the level of institutions endowed with the competence to propagate the concept of the "human rights-based approach" are examined from global, international, and European perspectives.

Research derived from the application of human rights as primary rules for the design of fiscal policies related to public spending encourages proactive engagement with human rights.

At the same time, there is no universal methodology that could be applied in the process of developing public policies, taking into account the HRBA.

At the same time, certain UN agencies, EU institutions, civil society organisations, and researchers have formulated a series of principles that can be used as a basis for the HRBA. It is important to note that the list of these principles and their content also vary depending on the area in which the HRBA is applied. In this regard, Table 1 presents a synthesis of these principles depending on the institution or author promoting them.

As a result of the study and critical processing of these bibliographic sources, Figure 1 was developed, which expresses the principles according to which the human rights-based approach applied to fiscal policy and, in particular, to public policy in the field of public expenditure is to be developed. The principles represented in Figure 1 are briefly explained below.

Universality and inalienability imply that all HRs belong equally to all human beings, without exception, and can neither be limited nor withdrawn. No situation or status (economic, social, legal)

justifies their limitation and withdrawal. Respecting and protecting HRs is a permanent obligation of states.

Interconnected and indivisible nature of human rights. There is an inherent interrelationship among civil, political, economic, social, and cultural rights. All human rights are equal in importance and must be realised together. The realisation of one right often depends on the other rights.

Participation and inclusion. People, especially marginalised groups, have the right to participate actively, freely and meaningfully in decisions that affect their lives.

Table 1. Principles underlying the HRBA

Bibliographic source	Principles applied to HRs	Comment
UNDP, 2003 UNDP, 2006	Indivisibility, Inter-dependence and Inter-relatedness, Equality and Non-discrimination, Participation and Inclusion, Accountability and Rule of Law	Applying an HRBA to development
Hamm, B. I. (2001)	Good governance	
OHCHR, 2018	Primacy of HRs, Non-discrimination, Access to justice, Rescue and immediate assistance, Border governance, Human rights-based return, Protection from violence and exploitation, Ending immigration detention, Protecting family unity, Migrant children, Migrant women and girls, Right to health, Right to an adequate standard of living, Right to work, Right to education, Right to information, Monitoring and accountability, HRs defenders, Data collection and protection, Migration governance and cooperation	Applying an HRBA to migrants
EC, 2021	Applying all HRs for all; Meaningful and inclusive participation and access to decision-making; Non-discrimination and equality; Accountability and rule of law for all; Transparency and access to information supported by disaggregated data.	Applying an HRBA in the field of support of partner countries and in the context of cooperation with candidate and potential candidates for EU membership.
BSR, 2025	Participation, Accountability, Non-discrimination and equality, Empowerment, Legality	Applying HRBA in the development and implementation of generative artificial intelligence

Source: synthesis by the authors.

Accountability and responsibility. Duty-bearers must be accountable for the effective discharge of their obligations to respect, protect and fulfil human rights. At the same time, rights holders should have effective mechanisms to assert their rights, obtain redress and participate in the monitoring and evaluation of public policies.

Equality and non-discrimination. The prevention of discriminatory practices in all their forms is essential to the human rights-based approach. Equality must be pursued de facto, not just de jure.

Good governance, transparency and access to information require public institutions to act in an open, predictable and accountable manner, ensuring access to information, citizen participation and democratic control of decisions. This principle, integrated into the human rights-based approach, strengthens the legitimacy of public policies and creates the necessary conditions for the effective realisation of human rights, in particular by combating corruption and administrative inefficiency.

Strengthening the capacities of rights holders. The human rights-oriented approach seeks to empower rights-holders by strengthening their capacity to understand, claim and effectively exercise the rights guaranteed to them by national and international standards. This process involves the legal, social and political autonomy of individuals, especially marginalised groups, so that they can participate meaningfully in public life and hold duty bearers accountable for their commitments.

Local contextualization. The human rights-oriented framework must be adapted to the local socio-cultural and institutional context, without compromising universally accepted human rights norms.

At the same time, the level of compliance with these principles directly depends on the quality of the rule of law. The rule of law is the essential condition for the systematic incorporation of human rights principles into decision-making processes, ensuring that rights are guaranteed by binding and justiciable legal standards. It creates an institutional framework based on equality before the law, access to justice and the accountability of public actors, without which the principles described above cannot be fully exercised.

Figure 1. The components of the HRBA



Source: developed by the authors based on the information presented in Table 1.

Promoting the specificities of the HRBA according to the policy area allows the adaptation of universal rights principles to diverse institutional, sectoral and socio-economic contexts. Each area - be it health, education, housing or public finance - presents specific challenges in terms of rights holders, accountability mechanisms and forms of discrimination. Thus, Table 2 formulates the specific content of each principle underlying the human rights-oriented approach to fiscal policy, and in particular, public expenditure policy. Such contextualisation strengthens the effectiveness of public policies, ensuring that they respond in a targeted manner to structural inequalities and that they contribute concretely to the progressive realisation of HRs.

The contextualization of the HRBA within fiscal policy, and more specifically within public expenditure policy, is essential to ensure that public revenues are allocated and used in a fair, transparent and human rights-compliant manner. By integrating this approach, fiscal policy goes beyond considerations of economic efficiency, but becomes an instrument of social justice, providing a basis

for reducing structural disparities and targeting resources towards groups facing the greatest vulnerabilities. Such an orientation promotes not only the democratic legitimacy of budgetary choices, but also their real impact on the progressive realisation of HRs.

Applying these principles to fiscal policy transforms the budget into an instrument of social justice, geared towards the effective fulfilment of fundamental rights. This perspective enables policy assessment to extend economic performance by incorporating considerations of democratic legitimacy and the protection of human dignity.

Table 2. Principles of the HRBA for the case of public expenditure policy

The principle of the HRBA	The specifics of the principle of the HRBA for the case of fiscal policy and, in particular, public expenditure policy
Universality and inalienability	All persons, without exception, have the right to benefit from the public resources and services necessary for the realisation of their fundamental rights, and these rights cannot be denied or deprived under any circumstances.
Indivisibility and interdependence of rights	Budgeting should not prioritise some rights over others. Allocations should reflect the functional interdependence of rights.
Participation and inclusion	Citizens, including vulnerable groups, must be involved in budget development, implementation and monitoring. Institutional mechanisms for participatory budget dialogue (public hearings, citizen platforms) must be established.
Responsibility and accountability	Governments must be accountable for how they mobilise and use resources to respect fundamental rights. This includes independent audits, regular public reporting, and the ability for citizens to seek redress for violations.
Equality and non-discrimination	Public spending must reduce inequalities, especially those based on gender, territory and social status. This requires the use of disaggregated data to target resources to historically disadvantaged or marginalised groups.
Good governance, transparency, and access to information	All stages of the budget cycle must be made public, accessible and easy to understand. Transparency facilitates democratic oversight, reduces the risk of corruption and promotes efficient and equitable management of public resources.
Strengthening the capacities of rights holders	Responsible individuals (public decision-makers, civil servants) need to be trained to integrate human rights into budgeting. Similarly, rights holders (citizens, NGOs) need to be equipped to analyse budgets, express their needs and monitor public actions.
Local contextualization	Budget decisions must take into account the socio-economic, cultural, geographical and institutional realities specific to each territory or community. This means adapting spending priorities to identified local needs, in dialogue with decentralised authorities, community stakeholders and directly affected groups, to ensure an equitable and efficient allocation of resources, while respecting human rights.
Level of respect for the rule of law	Budget decisions must respect national and international legal frameworks on human rights. Public financing rules must be predictable, stable and monitored by independent judicial and parliamentary bodies.

Source: developed by the authors.

Methodology for constructing the Human Rights-Adjusted Public Expenditure Management Efficiency Index

In the authors' opinion, the Human Rights-Adjusted Public Expenditure Management Efficiency Index (I_{PEME_HR}) represents an aggregate index integrating the following three components:

a) public expenditure management efficiency (PEME);

b) the level of respect for human rights (HRs);

c) at the same time, in the structure of the aggregate index, the aspect related to the rule of law and corruption control (RL) will also be considered as the basic premise that determines the level of the first two components.

The Human Rights-adjusted Public Expenditure Management Efficiency Index is determined based on the following formula:

$$I_{PEME_HR} = \alpha \times I_{PEME} + \beta \times I_{RL} + \gamma \times I_{HR} \quad (1)$$

where: α, β, γ – represent the weights given to each of the components of formula 1, so that the sum of the weights is equal to 1. Thus, considering the importance of the rule of law and corruption

control for achieving a high level of public expenditure management efficiency and respect for human rights, a weight of 0.5 (β=0.5) is applied to this component. A weight of 0.3 (β=0.3) is applied to the PEME component. A weight of 0.2 (γ=0.2) is applied to the HRs component.

The ratio 0.5 : 0.3 : 0.2 is not just a numerical distribution, but a logical hierarchy of causality. The weights reflect the transition from Premise (Rule of Law) to Process (Financial Management) and finally to Impact (Human Rights).

The Rule of Law and Control of Corruption components are assigned a combined weight of 0.5 because they constitute the "anchor variable" of the proposed framework. Without rigorous control of corruption, any technical procedure for managing expenditures (no matter how well designed) becomes ineffective through leakage of funds. A lower weight would have underestimated the systemic risks observed in countries such as the Republic of Moldova, where the insufficiency of the rule of law is identified as a "critical threat" to all other achievements.

The weight of 0.3 is justified by the fact that expenditure management is the mechanism by which resources are transformed into public services. This component has a medium weight because it represents the technical "engine" of the system (fiscal discipline, allocative and operational efficiency). It is subordinated to the rule of law (0.5), but has a higher weight than human rights (0.2) because, in the context of this index, the emphasis is on resource management, which subsequently generates respect for rights.

The weight of 0.2 is justified by the fact that the Human Rights Indicator is treated as an outcome indicator. In economic methodologies, outcome indicators often have lower weights than the determinants (inputs and processes), to avoid "double counting". Human rights are, to a large extent, a consequence of the way the rule of law and the budget function. This weight is sufficient to "adjust" the index (according to the title of the paper), but without changing its fundamental nature from a financial-administrative one to a purely social one.

The representative indicators for each of these three components were selected in such a way that they are accessible from public statistics, thus offering the possibility of making comparisons between countries.

At the first stage of the I_{PEME_HR} design process, indicators will be selected that reflect the fundamental parameters of public expenditure management. In accordance with the World Bank approach based on the works of Schick (1999), the level of efficiency of public expenditure management derives from the following three parameters:

- Aggregate fiscal discipline, meaning the alignment of total public expenditure with total revenue, so that these two budgetary variables are sustainable at least in the medium term under strict budgetary constraints.
- Allocative efficiency, meaning the alignment of budgetary allocations with strategic priorities at national, regional and local levels.
- Operational efficiency, referring to the delivery of services by the public sector in accordance with the principle of generating "value for money".

The efficiency of public expenditure management is to be assessed using the sub-indices represented on the left side of Table 3 (the intensity of the colour signifies the strength of the impact of the sub-index on the three dimensions of public expenditure management), which are in good correspondence with the dimensions (elements) of public expenditure management.

The first three indicators represent parameters designed and promoted by the nonprofit organisation "International Budget Partnership" within the Open Budget Survey (IBP, 2023) for the purpose of assessing the level of accountability in national budget processes.

The indicator "Public participation in the budget process" measures the level to which the institutions participating in the budget process (Ministry of Finance, Government, Legislature, Supreme Audit Institution) provide sufficient opportunities for citizens to get involved in the budget process cycles.

The “Budget Oversight” indicator assesses the degree to which the legislature and the supreme audit authority oversee the national public budget and its components.

The “Budget Transparency” indicator evaluates the level of public availability of the set of key budget documents that help citizens and interested groups understand and analyze how public financial resources were planned, collected, and spent during the reporting period.

The Fiscal Balance expressed as a share of GDP serves as an indicator of a government's financial position, expressed as the difference between total budget revenues and total budget expenditures divided by gross domestic product (GDP).

Table 3. Indicators integrated into the aggregate index of PEME according to its constituent parameters

Proposed sub-indices for inclusion in the aggregate index	Basic dimensions of PEME		
	Aggregate fiscal discipline	Allocative efficiency	Operational efficiency (technical)
1. Public participation in the budget process (PPBP)			
2. Budget oversight (BO)			
3. Budget transparency (BT)			
4. Fiscal Balance as a percentage of GDP (FB)			
5. Government Effectiveness (GE)			
6. Rule of low (RL)			
7. Control of corruption (CC)			

Source: developed by the authors.

Government Effectiveness is one of six parameters that form the Worldwide Governance Indicators (WGI) – multidimensional indices promoted by the World Bank. With reference to the efficiency of public spending, Government Effectiveness reflects the following aspects: the performance of public administration and its ability to withstand political influence (degree of independence); the effectiveness of public policy design and delivery, covering both budgetary and fiscal policy and the government's perceived trustworthiness concerning these policies; the performance of public goods and service provision.

As an indicator to measure the level of respect for HRs, the Human Rights Index was selected, built and promoted within the "Our World in Data" project by the non-profit organization Global Change Data Lab based in the United Kingdom.

The indicators that form the premise for the good evolution of the indicators mentioned above and which are integrated into the aggregate index I_{PEME_HR}, are:

- The *Rule of Law* measures the degree to which citizens, institutions and organizations in the public and private sectors trust and respect the rules that exist in society. This indicator captures the quality of contract enforcement, property rights, the work of the judiciary and those responsible for public order and national security.
- *The Control of Corruption* indicator captures perceptions regarding the degree to which central and local public administration authorities are used for private gain. This indicator captures both minor and large-scale manifestations of corruption.

Both the *Rule of Law* and the *Control of Corruption* indicator represent two of the six parameters that form the Worldwide Governance Indicators (WGI) - composite indicators promoted by the World Bank.

Because these indicators generate values with different variation ranges, they must be normalized using the following method:

$$Value_{\ normalized} = \frac{Value_{by\ country} - Value_{\ minimum}}{Value_{maximum} - Value_{\ minimum}} \quad (2)$$

As previously mentioned, the efficiency of public expenditure management is measured according to the following formula:

$$I_{PEME} = \frac{I_{PPBP} + I_{BO} + I_{BT} + I_{FB} + I_{GE}}{5} \quad (3)$$

Rule of Law and Corruption Control Index

$$I_{RLCC} = \frac{I_{RL} + I_{CC}}{2} \quad (4)$$

The Human Rights-adjusted public expenditure management efficiency index is determined based on the following formula:

$$I_{PEME_HR} = 0{,}3 \times I_{PEME} + 0{,}5 \times I_{RLCC} + 0{,}2 \times I_{HR} \quad (5)$$

To ensure the replicability of the research and provide civil society with objective data for monitoring and control, Table 4 summarises the data sources used in the construction of the aggregate index, while also reflecting the degree of convergence with international standards and EU accession commitments.

To meet the requirements of statistical validation, a sensitivity analysis was performed by comparing the proposed model with a neutral scenario (equal weights of 0.33 for each component). As can be seen in Table 5, although the absolute values of the index show minor variations, the hierarchy of countries and their classification in performance categories remain constant.

Table 4. Indicator methodological framework: Data sources, operational definitions and role in validating the aggregate index

Aggregate Index Component	Monitored indicators	Data source	Role in validation
Rule of Law	Rule of low (RL)	Worldwide Governance Indicators (WGI): composite indicators promoted by the World Bank.	Determinant in hypothesis H1 (Threshold 0.60)
	Control of corruption (CC)		
Public Financial Management	Public participation in the budget process (PPBP)	Nonprofit organisation "International Budget Partnership" within the Open Budget Survey	Robustness Testing (H2)
	Budget oversight (BO)		
	Budget transparency (BT)		
	Fiscal Balance as a percentage of GDP (FB)	International Monetary Fund. World Economic Outlook Database	
	Government Effectiveness (GE)	Worldwide Governance Indicators (WGI): composite indicators promoted by the World Bank.	
Human Rights	Human Rights Index	"Our World in Data" project by the non-profit organisation Global Change Data Lab based in the United Kingdom	Social Impact Validation (H2)

Source: synthesis by the authors.

This stability demonstrates the robustness of the index and confirms that the weighted model does not distort reality, but rather appropriately highlights the central importance of rule of law principles in the management of public resources.

Table 5. Robustness test: Sensitivity analysis of the Index

Country	Weighted Index (0.5 / 0.3 / 0.2)	Weighted index (0.33 / 0.33 / 0.33)	Score difference	Ranking change
Norway	0,948	0,939	+0,009	Unchanged
Republic of Moldova	0,496	0,578	-0,082	+ 1 position
Romania	0,517	0,567	-0,050	- 1 position
Ukraine	0,281	0,335	-0,054	Unchanged
Tajikistan	0,058	0,064	-0,006	Unchanged

Source: developed by the authors.

The sensitivity analysis indicates a remarkable stability of the ranking for extreme values (high-performing countries and countries with major deficiencies). Only one minor change emerged from the analysis, namely the reversal of the relative positions of Romania and the Republic of Moldova. This difference can be attributed to the structure of the performance of the two states: the Republic of Moldova performs better on the Human Rights component; Romania records a higher score in the Rule of Law.

Thus, in the proposed model, which assigns a weight of 0.5 to the Rule of Law, Romania occupies a superior position. In the egalitarian scenario (weights of 0.33), the higher weight assigned to Human Rights favours the Republic of Moldova. This fact confirms the usefulness of the weighting

proposed by the authors: it highlights the fact that success in public finance management must be anchored in the rule of law, not just in isolated result indicators. The difference identified between Romania and the Republic of Moldova illustrates the index's ability to distinguish between different performance profiles and demonstrates that the ranking is not the product of a statistical coincidence, but the result of applying a methodological vision in which institutional integrity (weight 0.5) is considered the central axis of good governance.

Based on this methodological structure, the following testable hypotheses were formulated:

- H1: The quality of the rule of law and corruption control is the determining factor of the aggregate score, with no country being able to achieve a high level of performance without a minimum score of 0.60 in this component.
- H2: The efficiency of expenditure management and the protection of human rights may evolve divergently in crisis contexts, requiring an integrated index to capture the degradation of the quality of governance that is not immediately visible in purely financial indicators.

4. Research results and comments

The following section presents the results obtained by applying the proposed formula to calculate the public spending efficiency adjusted to human rights.

Assessment of component 1: Public expenditure management efficiency index. As follows from Table 6, in 2023 the best results regarding public expenditure management were recorded by Norway, South Korea and New Zealand - countries that stood out for their high quality of medium-term budgeting and strong internal control.

Table 6. Evolution of the PEME index at the level of a selected group of countries

	2019	2021	2023	Dynamics during the period 2019-2023
South Korea	0.74	0.78	0.81	
New Zealand	0.82	0.75	0.81	
Georgia	0.59	0.62	0.73	
Bulgaria	0.51	0.43	0.49	
Norway	0.83	0.85	0.84	
Slovakia	0.33	0.41	0.46	
Ukraina	0.51	0.58	0.31	
Czech Republic	0.52	0.52	0.61	
Russia	0.59	0.55	0.52	
Poland	0.54	0.52	0.52	
Moldova	0.30	0.36	0.46	
Croatia	0.47	0.46	0.51	
Azerbaijan	0.42	0.46	0.49	
Armenia	0.26	0.26	0.38	
Slovenia	0.56	0.53	0.54	
Albania	0.32	0.32	0.43	
Bosnia & Herzegovina	0.22	0.24	0.19	
Romania	0.20	0.23	0.32	
Hungary	0.26	0.27	0.17	
Tajikistan	0.11	0.10	0.19	
Kyrgyz Republic	0.47	0.40	0.49	
Kazakhstan	0.37	0.35	0.43	
Germany	0.66	0.62	0.63	
France	0.59	0.55	0.68	

Source: calculated by the authors based on primary information collected from IBP and IMF.

The most unfavorable results in this regard were obtained by Hungary, Bosnia and Herzegovina, Tajikistan, the cause of these developments being determined by: - weak institutions responsible for public budgeting and public procurement; - high fiscal risks.

During the period under review, significant improvements were recorded by:

- Republic of Moldova, the triggers of this progress being the digitalization of public procurement, the strengthening of internal audit mechanisms and enhanced transparency in the management of the national public budget. Nevertheless, the improvements observed are not sufficient.

- Georgia, Slovakia, Armenia, Romania, Albania, France, in the case of these countries the effects of public finance management reforms and the consolidation of public treasury functions are important.

At the same time, the following countries achieved worse results:

- Ukraine, the war and the emergency procedures associated with it have restricted the predictability and control of budget execution.

- Hungary, Russia, Bosnia and Herzegovina, Germany, Bulgaria, Poland: in the case of these countries a combination of shocks (pandemic, inflation, energy problems, war) and institutional factors (centralization, ad-hoc transfers, etc.) is valid.

Evaluation of component 2: Rule of law and corruption control index. With reference to public expenditure management, the closer the value of this index is to 1.0, the more legal and institutional mechanisms, determining:

- equality and transparency in spending budget funds: they allow avoiding excessive spending, embezzlement and unjustified use of public financial resources;
- accountability and efficiency of budget programs, through independent courts, free media and functional anti-corruption bodies: they create incentives for the efficient execution of the public budget;
- investor and donor confidence: they facilitate access to international loans, grants and investments, reducing the cost of financing;
- fiscal stability: they ensure a high level of predictability of public spending and are less influenced by political cycles.

Based on the information presented in Table 7, in 2023 the highest values of the rule of law and corruption control index were recorded in Norway, New Zealand, Germany.

In these countries, the institutions responsible for public finance management apply advanced public finance management tools and techniques (strategic planning, multi-annual budgeting, modern techniques and tools for internal public financial control, etc.). Law-based governance ensures, within this group of countries, protection against corruption and the redistribution of public financial funds in favor of long-term priorities – education, health, infrastructure. Consequently, capital expenditures with a strong social impact have high shares, losses due to corruption being minimal.

The next category of countries (France, South Korea, Slovenia, Czech Republic) have average results regarding the rule of law and control of corruption.

The rule of law and control of corruption in Georgia, Slovakia, Poland, Croatia, Romania, Hungary are at a satisfactory level, being vulnerable to political influence and selective distribution of funds. Large infrastructure projects and subsidies remain in the risk zone.

Inadequate values of this index are recorded in Russia, Ukraine, Azerbaijan, Tajikistan, Moldova, Armenia, Kazakhstan, Bulgaria, Albania, Bosnia and Herzegovina. Consequently, public expenditure management is characterized by high risks of inefficiency and losses from corruption. Public expenditure is frequently reactive and is influenced by the broader political environment. The insufficiency of the rule of law determines non-transparent procurements, inefficient transfers and projects with low social returns. Internal public financial control and external audit mechanisms operate fragmentedly. Although public financial management reforms are being pursued at the national level, the risk of corruption and political influence strongly undermine the effect of these reforms.

Table 7. Evolution of the rule of law and corruption control index in a selected group of countries

	2019	2020	2021	2022	2023	Dynamics during the period 2019-2023
South Korea	0.66	0.67	0.67	0.70	0.73	
New Zealand	0.98	0.99	0.98	1.00	0.98	
Georgia	0.50	0.51	0.50	0.52	0.52	
Bulgaria	0.32	0.32	0.34	0.37	0.38	
Norway	0.99	0.99	0.99	0.99	1.00	
Slovakia	0.47	0.56	0.52	0.54	0.54	
Ukraina	0.11	0.16	0.16	0.17	0.16	
Czech Republic	0.61	0.63	0.65	0.68	0.70	
Russia	0.10	0.52	0.38	0.07	0.05	
Poland	0.51	0.56	0.53	0.55	0.56	
Moldova	0.23	0.22	0.26	0.31	0.34	
Croatia	0.42	0.45	0.44	0.49	0.49	
Azerbaijan	0.12	0.12	0.17	0.16	0.14	
Armenia	0.29	0.37	0.37	0.38	0.39	
Slovenia	0.67	0.67	0.64	0.68	0.68	
Albania	0.20	0.25	0.26	0.32	0.33	
Bosnia & Herzegovina	0.22	0.25	0.24	0.26	0.26	
Romania	0.39	0.43	0.44	0.48	0.48	
Hungary	0.45	0.48	0.47	0.46	0.47	
Tajikistan	0.38	0.00	0.00	0.00	0.00	
Kyrgyz Republic	0.06	0.08	0.05	0.05	0.42	
Kazakhstan	0.22	0.37	0.27	0.30	0.29	
Germany	0.90	0.89	0.89	0.91	0.89	
France	0.77	0.76	0.77	0.78	0.76	

Source: calculated by the authors based on primary information collected from WB.

Evaluation of component 3: Human Rights Index. Table 8 suggests that the highest values for the human rights index were recorded in 2023 in countries with functional democratic institutions, namely: New Zealand, the Czech Republic, Norway, Germany, France, Poland, and Croatia.

These countries also demonstrate high efficiency in the management of public expenditures.

Several countries in Central and Eastern Europe and the Western Balkans (Romania, Hungary, Bosnia and Herzegovina, Albania, Slovenia, Slovakia, the Republic of Moldova, Georgia, Armenia), although recording progress in the field of rights and freedoms, are, at the same time, affected by uneven practices in the application of legislation. We can say that the efficiency of public expenditure management in these countries will increase with the institutionalisation of human rights protection standards (access to justice, protection against discrimination, freedom of the press).

Countries displaying comparatively low Human Rights Index scores (Russia, Azerbaijan, Tajikistan), however, demonstrate systemic failures in the efficiency of public expenditure: non-transparent transfers, weak control of budget programs, poor quality procurement, high risk of losses and embezzlement of public funds, and projects with low social return.

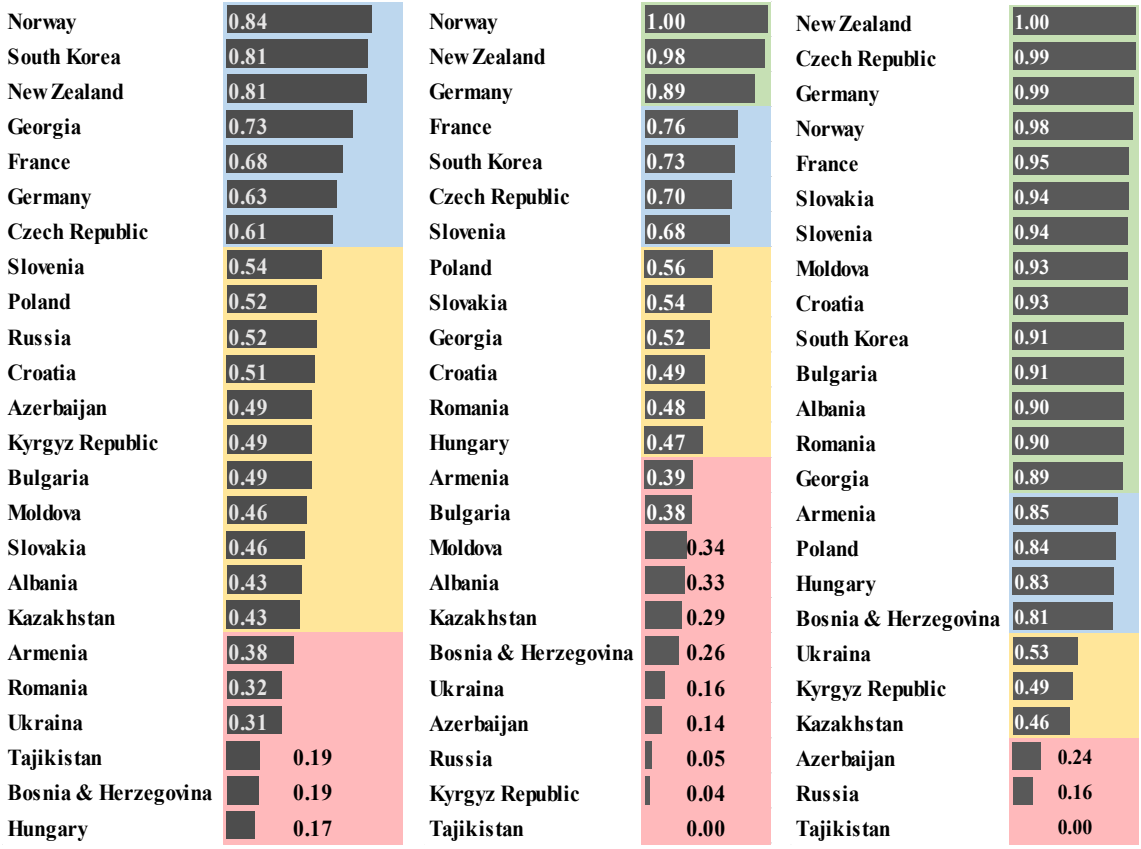
Table 8. Evolution of the Human Rights Index across selected countries

	2019	2020	2021	2022	2023	2024	Dynamics during the period 2019-2024
South Korea	0.95	0.96	0.97	0.94	0.91	0.84	
New Zealand	1.00	1.00	0.99	1.00	1.00	1.00	
Georgia	0.91	0.93	0.90	0.90	0.89	0.76	
Bulgaria	0.84	0.86	0.88	0.92	0.91	0.85	
Norway	1.00	0.96	0.96	0.97	0.98	0.98	
Slovakia	0.93	0.91	0.92	0.94	0.94	0.88	
Ukraina	0.68	0.73	0.73	0.53	0.53	0.47	
Czech Republic	0.97	0.95	0.94	0.99	0.99	1.00	
Russia	0.33	0.27	0.28	0.18	0.16	0.08	
Poland	0.85	0.83	0.82	0.82	0.84	0.94	
Moldova	0.83	0.83	0.88	0.94	0.93	0.88	
Croatia	0.87	0.88	0.90	0.92	0.93	0.92	
Azerbaijan	0.26	0.26	0.27	0.24	0.24	0.14	
Armenia	0.92	0.93	0.90	0.90	0.85	0.82	
Slovenia	0.94	0.88	0.88	0.97	0.94	0.91	
Albania	0.91	0.91	0.92	0.91	0.90	0.89	
Bosnia & Herzegovina	0.81	0.81	0.82	0.82	0.81	0.81	
Romania	0.92	0.91	0.93	0.90	0.90	0.89	
Hungary	0.82	0.83	0.82	0.84	0.83	0.82	
Tajikistan	0.00	0.00	0.00	0.00	0.00	0.00	
Kyrgyz Republic	0.65	0.59	0.61	0.58	0.49	0.47	
Kazakhstan	0.36	0.40	0.41	0.44	0.46	0.43	
Germany	1.00	1.00	1.00	0.99	0.99	0.98	
France	0.97	0.95	0.95	0.95	0.95	0.94	

Source: calculated by the authors based on primary information collected from GCDL.

Regarding the quality of the trend, in the period 2019-2024, the human rights index evolved relatively positively in the case of the following countries: New Zealand, Norway, the Czech Republic, Poland, and Croatia. Unfavourable developments are observed in Ukraine, Azerbaijan, Russia, Armenia, and Kyrgyzstan.

Figure 2. Normalised level of the components of the *Aggregate Human Rights-Adjusted Public Expenditure Efficiency Index*, calculated for a selected group of countries, 2023



Excellent	0.86 - 1.00
Good	0.61 - 0.85
Satisfactorily	0.41 - 0.60
Bad	0.00 - 0.40

Source: calculated by the authors.

Summarising the evolution of the components that form the calculation formula of the PEME Index, Figure 2 arranges the countries included in the analysis in order of decreasing values: the countries that record the best results occupy the positions at the top of the diagrams.

At the same time, the individual values (at country level) recorded by each of the components of the aggregate index are assessed according to the level in which they fall: excellent, good, satisfactory, or bad. The delimitation between the levels is represented by colours, as explained in the note at the bottom of the figure.

As illustrated in Figure 2, the Republic of Moldova demonstrates adequate performance regarding the quality of public expenditure management and a high level of compliance with human rights principles. Alongside this, the unfavourable situation in the country related to the deficiencies in legal safeguards and institutional control framework over corruption represents a critical threat to the achievements made in the process of reforming public finance management.

Integrating the results obtained at the component level into the calculation formula of the Aggregate Public Expenditure Management Efficiency Index adjusted to human rights generates the values represented in Table 9. The highest performances, demonstrated by Norway and New Zealand, reflect both the high institutional efficiency with which public spending is managed in these countries,

and the integration of human rights protection standards into this process (equal access to services, non-discrimination, transparency).

Table 9. Evolution of the efficiency index of public expenditure management adjusted to human rights

	2019	2021	2023	Dynamics during the period 2019-2023
South Korea	0.74	0.76	0.79	
New Zealand	0.94	0.91	0.93	
Georgia	0.61	0.61	0.66	
Bulgaria	0.48	0.47	0.52	
Norway	0.94	0.94	0.95	
Slovakia	0.52	0.57	0.60	
Ukraina	0.34	0.40	0.28	
Czech Republic	0.65	0.67	0.73	
Russia	0.29	0.41	0.21	
Poland	0.59	0.59	0.60	
Moldova	0.37	0.42	0.49	
Croatia	0.53	0.54	0.58	
Azerbaijan	0.24	0.28	0.26	
Armenia	0.41	0.45	0.48	
Slovenia	0.69	0.66	0.69	
Albania	0.37	0.41	0.47	
Bosnia & Herzegovina	0.34	0.36	0.35	
Romania	0.44	0.47	0.52	
Hungary	0.46	0.48	0.45	
Tajikistan	0.22	0.03	0.06	
Kyrgyz Republic	0.30	0.26	0.45	
Kazakhstan	0.29	0.32	0.37	
Germany	0.85	0.83	0.83	
France	0.76	0.74	0.77	

Source: synthesis of previous data.

Germany, France, South Korea, the Czech Republic, Georgia, Slovakia, Slovenia, and Poland record average results, but unevenly across countries. Public finance management systems in these countries are relatively strong, but there are still some disparities in access to certain public goods and services.

Below-average results are observed in Croatia, Bulgaria, the Republic of Moldova, Romania, Albania, Kyrgyzstan, and Hungary.

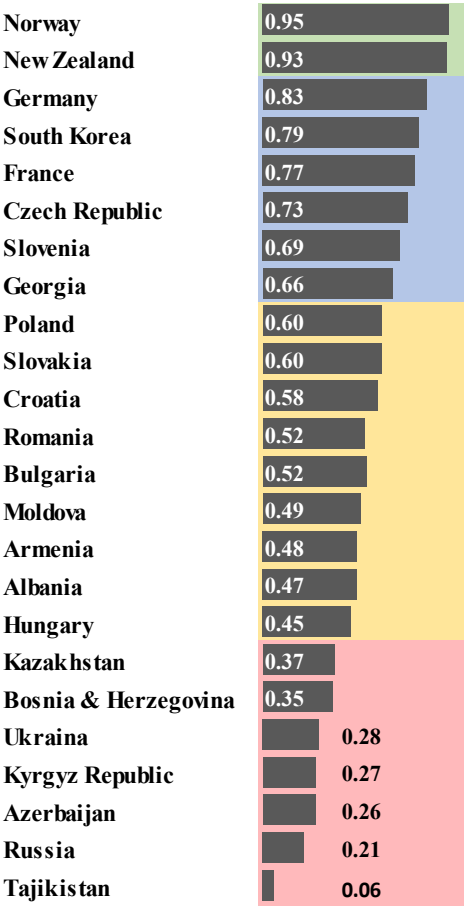
The most unfavourable results are characteristic of Ukraine, Russia, Azerbaijan, and Tajikistan. These countries display relatively weak performance in both public finance management and respect for fundamental rights.

Alongside this, during the period under analysis, the following positive trends of development are observed: in the case of the Republic of Moldova, this development has been supported by the digitalization of public procurement, enhanced internal audit mechanisms, and broader access to open data; in the case of Armenia, Georgia, Albania, the progress is explained by reforms in the field of justice and anti-corruption, the expansion of the availability of public services across the education and

healthcare sectors; in the case of France, Slovakia, the improvements are related to the monitoring and in-depth analysis of public spending, taking into account social and gender aspects.

The negative developments of the aggregate index are characteristic of Ukraine. In the case of this country, due to the war, the predictability and transparency of the allocation of public financial funds have been considerably restricted, with emergency spending being prioritised. Russia and Hungary have registered setbacks due to the restriction of control by civil society, the politicisation of budget allocation, and pronounced restrictions on rights and freedoms.

Figure 3. Aggregate human rights-adjusted public expenditure efficiency index, calculated for a selected group of countries, 2023



Note:

Excellent	0.86 - 1.00
Good	0.61 - 0.85
Satisfactorily	0.41 - 0.60
Bad	0.00 - 0.40

Source: calculated by the authors.

The positive dynamics of the aggregate index assume that the increase in the efficiency of public spending is accompanied by improved protection of human rights under the rule of law. At the same time, the negative dynamics of the index suggest that there is a risk that even public spending derived from a process of their management will be distributed unfairly or with discriminatory effects, undermining trust and reducing the long-term effect of investments.

Figure 3 arranges in descending order the results of applying the formula for calculating the aggregate index of public expenditure management efficiency adjusted to human rights recorded in 2023 by the countries subject to the analysis.

In accordance with the ranges indicated in the note to Figure 3, countries are grouped into four categories that reflect their success in managing public spending effectively, adjusted for human rights. The best performers in this regard are Norway and New Zealand, with Tajikistan, Russia, Azerbaijan, Kyrgyzstan and Ukraine at the bottom.

After ranking the states according to their scores, the analysis was further refined by checking the internal consistency of the model. To this end, we resorted to statistical inferences, calculating the Pearson correlation coefficients (r) between the raw subcomponents of the index (see Table 10).

Table 10. Correlation matrix between index subcomponents

I_{PEME_HR} Index components	**I_{PEME}**	**I_{RL}**	**I_{HR}**
I_{PEME}	1		
I_{RL}	0,73	1	
I_{HR}	0,41	0,77	1

Source: developed by the authors. Significance level $p < 0.05$.

The findings reveal a strong association between I_{RL} and I_{PEME} ($r = 0.73$), respectively between I_{RL} and I_{HR} ($r = 0.77$), confirming the central role of the institutional framework.

The data analysis confirms Hypothesis 1 (H1), demonstrating a conditionality relationship between institutional quality and overall state performance. The data reveal a critical threshold of 0.60 for the rule of law component; no country in the sample below this threshold managed to achieve a high aggregate score. In the absence of a minimum score of 0.60, financial efficiency or progress in human rights cannot compensate for institutional fragility to propel the state to the top of the hierarchy.

Regarding Hypothesis 2 (H2), the moderate correlation ($r = 0.41$) observed between effective public expenditure management and human rights protection provides partial support for the hypothesis and points to potential systemic vulnerabilities affecting the relationship between these dimensions. This value indicates that financial performance does not automatically and linearly translate into an improvement in fundamental rights, the two being prone to divergent developments in contexts of instability. Thus, H2 is validated by highlighting the need for constant monitoring of both levels, as the degradation of one is not always immediately signalled by the other.

The moderate degree of statistical association between the financial and social dimensions ($r = 0.41$) supports the argument that an external shock can destabilise human rights without affecting fiscal management indicators in the short term, or vice versa. This nuance validates the importance of including both components in the aggregate index to capture vulnerabilities that a purely economic indicator would ignore.

Despite the methodological relevance of the **I_{PEME_HR}** Index, this research has certain limitations. First, the analysis is based on secondary data provided by international bodies, which may generate temporal lags in relation to the immediate reality of national reforms. Second, the weighting given to the components, although validated through sensitivity analysis, retains a degree of theoretical subjectivity specific to any composite index. As future research directions, it is proposed to expand the sample of countries to test the universality of the index. Also, a dynamic analysis, over a period of 10 years, would allow the identification of deeper correlations between the dynamics of rule of law performance and public expenditure efficiency over time.

5. Conclusions and recommendations

The research demonstrated that the proposed aggregate index constitutes a rigorous methodological tool for assessing the convergence between economic efficiency and social justice. The validation of the two working hypotheses, supported by correlation analysis and robustness tests, leads to the following key contributions and implications:

Theoretical contributions and key findings

- Rule of law conditionality: A critical threshold of 0.60 has been statistically demonstrated for the "Rule of Law" component. No country in the sample achieved a high aggregate score without

reaching this minimum level, confirming that institutional integrity is a fundamental precondition for financial efficiency and the protection of rights. This is supported by strong correlations (r = between 0.73 and 0.77) between institutional quality and the rest of the components.

- Vulnerability to shocks and policy divergence: The moderate correlation (r = 0.41) between public finance management and human rights confirms the hypothesis of their vulnerability to external shocks. This indicates that technically correct budget management does not automatically guarantee a high social impact, justifying the need for integrated monitoring through the proposed index.

- Determinant factors: The evolution of the index is conditioned by the depth of reforms in public finance management, the quality of anti-corruption mechanisms and the capacity for resilience in the face of external crises.

Practical implications and recommendations for the Republic of Moldova:

Within the EU accession framework, achieving the target of 0.55 - 0.60 for the aggregate index could serve as a strategic benchmark. To achieve this, the following priority actions are necessary:

- strengthening the medium-term budgetary framework, avoiding formalism in the conduct of this process. Assessing new budget programs from the perspective of fiscal sustainability;
- for each budget program, monitoring and controlling performance indicators and publicly reporting the results;
- strict monitoring and control of public investments, including through independent evaluations. introducing a single register of public investment projects;
- expanding the share of public procurement procedures carried out through the electronic platform (Mtender), deepening analytical activities (including identifying and examining red flags, cartels, etc.);
- implementation of risk-oriented internal audit, with public summary reports and a roadmap for eliminating violations;
- strengthening the independence of the Court of Accounts of the Republic of Moldova; implementing effective mechanisms for implementing the recommendations of the Court of Accounts;
- introduction of the register of quasi-fiscal obligations of state-owned enterprises, preparation and publication of the annual report on fiscal risks related to state-owned enterprises;
- introduction of the mechanism of green budgeting and gender-sensitive budgeting, including the development of pilot projects at the level of central public administration authorities and subsequent assessment of the impact of these pilot projects;
- strengthening the rule of law will create the premises for strict compliance with the adopted budgetary rules. This is very important in the context of preparation for EU accession.

***Authors' contribution**: Introduction, Iu.S., A.S.; Literature review, Iu.S., A.S.; Methodology and data, Iu.S.; Research results and comments, Iu.S., A.S.; Conclusions and recommendations, Iu.S.*

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