

Contemporary Issues and Challenges in Public Financial Management: Responding to Global Crises

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Public financial management (PFM) is an interdisciplinary field concerned with “the institutions that govern public finance” (Allen & Krause, 2025, p. 2). Although PFM is now a consolidated area of research and practice, little more than a decade ago, leading scholars still felt the need to clarify its scope and foundations, as reflected in a working paper tellingly titled “This Is PFM” (Andrews et al., 2014). This edited volume contributes to ongoing PFM debates by offering a timely and wide-ranging examination of how PFM systems are being challenged and adapted worldwide.

The book is intended for a broad audience of decision-makers, public officials, academics, and commentators interested in how fiscal systems respond to and change under pressure. While its primary audience consists of officials and practitioners working to strengthen PFM systems in low- and middle-income countries, the editors also explicitly address audiences in advanced economies that increasingly confront similar pressures, constraints, and reform dilemmas.

Across 13 chapters, the volume examines how different components of PFM have evolved in response to long-standing problems and to recent shocks, most notably the global financial crisis and the COVID-19 pandemic. The contributors, most of whom are practitioners or “pracademics” with extensive experience in government, international organizations, and development agencies, analyze current PFM challenges; the changes implemented to address them; the progress achieved and the obstacles encountered in reform processes; and the lessons and perspectives derived from these experiences.

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Despite its length and technical rigor, the book is written in a clear and accessible style. Tables, figures, and text boxes are carefully selected and clearly explained, and the chapters follow a consistent structure that reflects strong editorial coordination. Each chapter outlines the conceptual foundations of its topic, reviews key historical and recent developments, discusses the current state of practices and standards, and assesses practical implications and future directions, in some cases drawing on illustrative cases of good practice.

The volume analyzes four broad areas of PFM. The opening chapters focus on system-wide issues, including reform approaches, the political economy of fiscal governance, and the role of ministries of finance. A second group of chapters examines conventional PFM functions such as budgeting, treasury management, planning–budgeting relations, and public investment. The third part addresses emerging approaches aimed at integrating environmental and gender considerations into fiscal policy and budgetary processes. The final section focuses on issues that, while not entirely new, have become increasingly salient in contemporary PFM systems, including fiscal transparency and accountability, fiscal risk management, and digitalization. The editors also recognize that space constraints precluded the inclusion of several important topics, most notably intergovernmental relations and subnational public finance.

Several cross-cutting themes emerge across the different sections. First, the book highlights the growing demands placed on PFM systems to play a more strategic and effective role in public governance. These pressures stem from both long-standing gaps in the performance of core functions and the need to adapt to new challenges. Against this background, the contributors call for a reorientation of fiscal governance and accountability toward broader development, redistribution, and sustainability objectives; greater integration of environmental and gender considerations into fiscal policies; and adaptation of risk management frameworks amid heightened complexity and uncertainty.

A second theme concerns how PFM systems have responded to these pressures so far and the strategies through which reform has occurred. Across the chapters, authors emphasize the tension between institutional inertia and pressures for innovation. While traditional PFM functions and their organizational arrangements tend to change gradually and in path-dependent ways, emerging practices and broader questions of fiscal governance and accountability underscore the need for deeper and more comprehensive transformations.

A third theme relates to institutional and technological change in PFM. The volume suggests that both digital transformation and formal institutional reform are necessary but insufficient on their own to improve PFM performance. Meaningful progress depends on their alignment and on adequate capacity development. While digital technologies are often presented as key enablers of reform, Chapter 13 critically examines prevailing approaches to digitalization, highlighting inconsistencies between comprehensive solutions epitomized by integrated financial management information systems and more user-centered, flexible, and agile approaches characteristic of digital government.

Several contributions focus on institutional design. They underscore the persistence of wide cross-country variation and enduring gaps between formal rules and actual practices, despite long-standing efforts to promote the adoption of PFM institutions and related instruments. Allen and Betley (Chapter 7), for example, draw attention to persistent coordination problems between planning and budgeting functions—even in systems where both competencies have been formally merged—and instead advocate for building “soft connections” across the two processes.

A fourth theme concerns the outcomes and impacts of PFM reforms. The overall message is one of limited and uneven progress. Several chapters highlight persistent gaps between formal rules and actual practices, as well as a tendency toward symbolic or declaratory reforms with little impact on decision-making and management processes. At the same time, the volume recognizes that some reforms have generated positive, albeit indirect and partial, effects, including a stronger results orientation within budget bureaucracies, improved public access to fiscal information, and enhanced capacity to identify and track the gender implications of public spending.

The final theme concerns similarities and differences in reform motivations, conditions, and outcomes across high-income, low- and middle-income countries. While the most pronounced gaps are typically found in emerging and developing economies, the challenges examined in the book are global in scope and, in areas such as fiscal risk management and green budgeting, may be especially pressing for advanced economies. As Hadley and Allen (Chapter 2) show, even highly advanced economies exhibit significant gaps across key PFM standards. In practice, PFM exists in “a continuous state of flux, never reaching perfection” (Allen & Krause, 2025, p. 10).

The volume is also relevant for state and local public finance practitioners in the United States and Canada. Although it focuses primarily on federal-level PFM and places particular emphasis on emerging and developing economies, it offers an up-to-date synthesis of debates that speak directly to challenges faced by subnational governments in advanced countries. Developments at the federal level often shape, or at least influence, subnational PFM arrangements. Moreover, many of the pressures now confronting national PFM systems, including expanding policy objectives, constrained fiscal space, heightened fiscal risks, increasingly complex governance environments, and unprecedented opportunities for technological innovation, are especially acute for state and local governments.

Subnational officials face reform challenges similar to those described in the volume, including institutional inertia, capacity constraints, and the risks and limitations involved in managing complex system reforms. These challenges are compounded by features inherent to subnational PFM, including constrained legal mandates, closer proximity to service delivery, and heightened public scrutiny. Issues such as fiscal transparency and accountability, public investment management, and gender budgeting are therefore at least as important at the state and local levels as they are at the federal level.

Overall, the volume constitutes a valuable contribution to the burgeoning PFM literature. While it inevitably leaves some relevant topics unaddressed, it revisits both classic and emerging issues in PFM with depth, clarity, and practical insight. In a context in which fiscal systems are under unprecedented pressure to deliver more with fewer resources, the book provides a thoughtful and timely reflection on the limits, possibilities, and trade-offs of contemporary PFM reform. As the challenges facing PFM systems continue to evolve, this volume is well positioned to inform both scholarly debate and the practical work of public finance professionals in the years ahead.

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Author Biography

Carlos M. Rodrigues is a postdoctoral researcher at the Institute of Government and Public Affairs at Austral University of Chile. A political scientist trained at the Central University of Venezuela, he holds a PhD in Public Policy from the Latin American Faculty of Social Sciences (FLACSO Ecuador). He has professional experience in both academia and public service. His current research (Fondecyt 3240180, ANID, Chile) focuses on budget transparency policy design in Latin America, examining how the institutionalization of budget transparency contributes to fiscal accountability.