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**Issues in public financial management and budgeting for  
the Sustainable Development Goals**

## **Transparent and participatory budgeting for the Sustainable Development Goals**

### **Note by the Secretariat**

The Secretariat has the honour to transmit to the Committee of Experts on Public Administration the paper prepared by Committee members Juraj Nemec and Katarina Ott, in collaboration with fellow Committee members Yamini Aiyar, Rolf Alter, Linda Bilmes, Ronald Mendoza, Lamia Moubayed Bissat, Soonae Park, Carlos Santiso, Aminata Touré and Najat Zarrouk.

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\* [E/C.16/2022/1](#).



## Transparent and participatory budgeting for the Sustainable Development Goals

### *Summary*

Effective financing and budgeting processes are crucial preconditions for implementing the Sustainable Development Goals, especially now in the difficult time of worldwide crisis caused by the coronavirus disease (COVID-19) pandemic. Member States committed in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development to increasing transparency and equal participation in the budgeting process. The importance and benefits of budget transparency and public participation in budgeting processes, as well as the relationship between the Goals, the budgeting process and budget sustainability, are well recognized and have been extensively elaborated on. The present paper examines the state of transparent and participatory budgeting worldwide, lists some selected examples and proposes critical actions to further enhance these practices, including in the context of “building forward better”.

The majority of the global population, even the best educated, such as leading politicians and policymakers, has poor knowledge or only a vague idea of the Sustainable Development Goals and the broader 2030 Agenda for Sustainable Development. Moreover, where fiscal transparency mechanisms are in place, they are often not linked to planning processes related to the Goals. In addition, despite global progress, transparency and oversight of government spending remains weak in many countries, due to various factors, including a lack of political will and incentives. Finally, the budget credibility of governments, such as their ability to meet their revenue and expenditure targets without deviations during the fiscal year, is often poor.

Different participatory budgeting initiatives and projects are realized around the world, but at different scales and with different quality and outcomes. While the existing literature related to participatory budgeting lists a wide range of related potential benefits, the opinions of the authors about the real outcomes of such budgeting are mixed, although most experts recognize that it is an important step towards expanding opportunities to contribute to governance processes at the subnational level.

Existing documents and guidelines offer many recommendations related to the development of transparent, open and participatory budgeting; however, the present paper suggests that one of the main enabling factors is political will. Therefore, national and subnational governments should be invited to do their utmost to guarantee that national, subnational and local budgeting is as transparent, open and participatory as possible.

## I. Background

1. The present paper builds on the previous work of the Committee of Experts on Public Administration on issues in public financial management and budgeting for the Sustainable Development Goals. At its seventeenth session, the Committee focused on effectively mobilizing, allocating and managing budgetary resources for implementation of the 2030 Agenda for Sustainable Development and noted that building competent public fiscal management capacity at the national and local levels, together with adequate oversight capacity, remained a major challenge. The Committee recommended, among other things, that the Goals be mainstreamed into national finance strategies to bridge the gap between policy priorities and actual government spending and, in least developed countries, to ensure that the achievement of sustainable development did not depend on aid alone.

2. In subsequent sessions, the Committee highlighted that sound fiscal management entailed full ownership of domestic and international flows, reduction of illicit financial flows and corruption, strengthened fiscal transparency through open and collaborative budgeting processes and participatory and performance-based budgeting, and fiscal decentralization commensurate with subnational institutional capacity and arrangements in a given country. Embedment of the Goals in national and subnational budgets could accelerate their achievement, especially if effectively executed. Expanded efforts were also required to strengthen local government finance and financial management, including through a concerted global effort to address severe budgetary challenges and financial risks that governments were facing at the subnational level.<sup>1</sup>

3. The Committee emphasized that transparent, accountable and participatory management of public finances was particularly important during the coronavirus disease (COVID-19) pandemic, when governments around the world were facing decreasing revenues and increasing expenditure.<sup>2</sup> The present paper continues the discussion by further examining transparent budgeting and participatory budgeting, providing specific examples of both. Promotion of transparency and participation are key to understanding how national institutions have been affected by the pandemic, remediating negative impacts in the medium term and strengthening the resilience of national institutions over the longer term.<sup>3</sup>

4. It may be recalled that Member States committed in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development to increasing transparency and equal participation in the budgeting process. In the 2030 Agenda, Member States acknowledged the essential role of national parliaments through their enactment of legislation and adoption of budgets and their role in ensuring accountability for the effective implementation of their commitments. In addition, they called for Governments and public institutions to work closely on the implementation of the 2030 Agenda with regional and local authorities, subregional institutions, international institutions, academia, philanthropic organizations, volunteer groups and others.

5. The need for transparent budgeting and for extended implementation of participatory budgeting is also explicitly mentioned in the principles of effective

<sup>1</sup> For summaries of the Committee's recent observations and recommendations on public financial management and budgeting for the Sustainable Development Goals, see [E/2020/44-E/C.16/2020/8](#), chap. III.D; and [E/2021/44-E/C.16/2021/7](#), chap. III.B.

<sup>2</sup> See [E/C.16/2021/3](#).

<sup>3</sup> United Nations, Department of Economic and Social Affairs, *National Institutional Arrangements for Implementation of the Sustainable Development Goals: A Five-year Stocktaking, World Public Sector Report 2021*.

governance for sustainable development developed by the Committee and endorsed by the Economic and Social Council in 2018.<sup>4</sup>

6. The importance and benefits of budget transparency and public participation in budgeting processes, as well as the relationship between the Goals, the budgeting process and budget sustainability, have been extensively elaborated on.<sup>5</sup> In 2012, the High-level Principles on Fiscal Transparency, Participation and Accountability, developed by the Global Initiative for Fiscal Transparency, were taken note of by the General Assembly.<sup>6</sup> In 2016, the Initiative launched a further set of principles focusing on public participation, the Principles of Public Participation in Fiscal Policies. In 2018, the Initiative published an expanded version of the High-level Principles explaining the important role they had played since 2012 in promoting greater fiscal transparency globally.

7. In 2020, the United Nations Development Programme (UNDP) published a guidebook on budgeting for the Goals, which is aimed at facilitating discussion and presenting possible solutions and models on aligning domestic budgets with the Goals.<sup>7</sup> In the guidebook, it is noted that solutions may vary in nature and can be short-term or long-term in their reform path. While some tools can be applied in isolation, others need a coordinated effort throughout the whole 2030 Agenda time frame. It is emphasized in the guidebook that, for many solutions, transparent budgeting and extended implementation of participatory budgeting are crucial.

## II. Transparent budgeting for the Sustainable Development Goals

8. There are various definitions of budget transparency, but a simplified explanation would be providing an insight into complete, accurate, timely and understandable information regarding public budgets following the principles of clarity, reliability, frequency, timelines, relevance and openness.<sup>8</sup> Such provision of information enables popular participation in budgetary processes and can affect the efficiency of collection and the spending of public funds, by demanding more accountability from governments and, consequently, reducing potential corruptive acts (see sect. III). Governments are expected to publish at least key budget documents, such as executive budget proposals, enacted budgets, citizens' budgets, midyear reports and end-of-year reports. These basics of budget transparency can then be upgraded for the purpose of tracking budgeting for the Goals through all budgetary stages (executive formulation, legislative approval, executive execution and oversight by parliamentary bodies and supreme auditing institutions). This implies that the basis for transparent budgeting already exists in most governments.

9. The promotion of transparent budgeting for the Goals calls for consideration of some important contextual factors. First, the majority of the global population, even the best educated, such as leading politicians and policymakers, has poor knowledge

<sup>4</sup> See E/2018/44-E/C.16/2018/8, para. 31.

<sup>5</sup> See, for example, International Budget Partnership, *Open Budget Survey 2019*, available at [www.internationalbudget.org/open-budget-survey](http://www.internationalbudget.org/open-budget-survey); Global Initiative for Fiscal Transparency, "Fiscal data for emergency response: guide for COVID-19" (2020), available at [www.fiscaltransparency.net](http://www.fiscaltransparency.net); and Elisabeth Hege, Laura Brimont and Félicien Pagnon, "Sustainable Development Goals and indicators: can they be tools to make national budgets more sustainable?", *Public Sector Economics*, vol. 43, No. 4 (December 2019).

<sup>6</sup> See General Assembly resolution 67/218.

<sup>7</sup> United Nations Development Programme, "Budgeting for the Sustainable Development Goals: aligning domestic budgets with the SDGs" (2020).

<sup>8</sup> See also United Nations, Department of Economic and Social Affairs, Committee of Experts on Public Administration strategy guidance note on fiscal and budget transparency (2021).

or only a vague idea of the Goals and the 2030 Agenda.<sup>9</sup> In addition, even where fiscal transparency mechanisms are in place, they are often not linked to processes related to the Goals. Second, despite global progress, transparency and oversight of government spending remains weak in many countries,<sup>10</sup> due to various factors, including a lack of political will and incentives.<sup>11</sup> Third, budget credibility, as evidenced, for example, by the ability of governments to meet revenue and expenditure targets without deviation from the approved budget during the fiscal year, is often poor.<sup>12</sup>

10. Several well-regarded fiscal transparency assessments exist, such as the International Budget Partnership's Open Budget Survey,<sup>13</sup> which can identify whether a country has legal and institutional mechanisms that give the public access to fiscal information (governance) and which reviews the quantity and quality of the different types of fiscal information that governments make available to the public (availability). Such assessments can help to identify reforms that should be undertaken to improve fiscal transparency and also facilitate coordination of external support for reforms, and the monitoring and evaluation of reform progress through subsequent repeat assessments.

11. While some countries incorporated the Millennium Development Goals into their budgets and there have been a few examples of countries doing the same with the Sustainable Development Goals, there have also been countries (even at subnational levels) and organizations using budget tagging irrespective of the Goals for various targeted policy objectives such as poverty eradication, gender equality and climate action, which resulted, for example, in gender budgeting, green budgeting or well-being budgeting.

12. The Organization for Economic Cooperation and Development (OECD) has been one of the most important global promoters of budget transparency, emphasizing its benefits (accountability, integrity, inclusiveness, trust and quality), displaying best practices and offering the comprehensive budget transparency toolkit containing the practical steps necessary in public finance management. The OECD Best Practices for Budget Transparency are based on different countries' experiences and are not meant to constitute a formal standard, but they do include a recommendation that countries willing to achieve higher levels of budget transparency produce and publish all key budget reports; disclose economic assumptions, tax expenditure, financial liabilities and assets, pension obligations and contingent liabilities; and establish integrity, control and accountability mechanisms like accounting policies, systems and responsibilities, audit, and public and parliamentary scrutiny.<sup>14</sup>

13. OECD defines budgeting for the Sustainable Development Goals as "the systematic application of analytical tools and processes, as a routine part of the budget process, to highlight how budget policy progresses the Sustainable Development Goals and to help further inform, prioritize and resource Sustainable Development Goal-responsive policies".<sup>15</sup> A brief analysis shows that OECD countries have

<sup>9</sup> See Organisation for Economic Co-operation and Development (OECD) Development Communication Network, "What people know and think about the Sustainable Development Goals: selected findings from public opinion surveys" (2017).

<sup>10</sup> See International Budget Partnership, *Open Budget Survey 2019*.

<sup>11</sup> See also United Nations, Committee of Experts on Public Administration strategy guidance note.

<sup>12</sup> See, for example, International Budget Partnership, "Addressing budget credibility". Available at <https://internationalbudget.org/issues-lab/budget-credibility>.

<sup>13</sup> See [www.internationalbudget.org/open-budget-survey](http://www.internationalbudget.org/open-budget-survey).

<sup>14</sup> See OECD, "Budget transparency". Available at [www.oecd.org/gov/budgeting/best-practices-budget-transparency.htm](http://www.oecd.org/gov/budgeting/best-practices-budget-transparency.htm).

<sup>15</sup> OECD, *Sustainable Development Goal Budgeting Case Studies and an Emerging Framework for Implementation* (forthcoming).

different approaches, with some linking their budgets to all Goals and others just to a few of them. Countries are also concentrating on different focus areas, such as budget planning and formulation, execution and the whole budget cycle. Some countries focus on central government budgets, while others include State-owned enterprises, subnational governments and social security entities.<sup>16</sup> Among the OECD countries that have introduced budgeting for the Goals, Colombia, for example, aligns its national development plan and public investment projects with all 17 Goals, while in Mexico Goal tagging links almost a third of the budget programmes to Goal 16 on peace, justice and strong institutions.

14. The European Commission, for its part, recently conducted an analysis of whether the European Union is making enough progress towards the Goals and whether the implementation of the European Union budget at both the European Union and member State level contributes effectively to the 2030 Agenda targets. Its report found that, with only nine years left to reach the Goals, no European country was on track to achieve all of them. Therefore, the Commission issued guidelines focused on integrating the Goals into all Commission policies and strategies. The long-term European Union budget for the period 2021–2027 and the “Next Generation EU” recovery instrument target a minimal expenditure of 30 per cent for green objectives.

15. The Commission has also started exploratory work on developing a system for tracking expenditure through the structure of the Goals. For the time being, however, only general, descriptive overviews of the contribution of spending programmes exist in various reports and documents. With around 75 per cent of the European Union budget implemented under shared management by the member States, a robust national monitoring and performance framework would be important to use these funds effectively. A Government could furthermore improve policy coherence and increase accountability by linking the use of its budget to such a framework. Any progress towards the Goals within such a framework could thereafter be evaluated by supreme audit institutions, for example, to further ensure the effective implementation of the budget. However, most member States have only just started to incorporate the Goals into their national budgetary processes in the form of measuring progress towards certain targets with the use of indicators.<sup>17</sup>

16. The Ministry of Finance of Ghana regularly produces annual Sustainable Development Goal budget reports, evaluating and defining funding gaps for the Goals to create financing mechanisms necessary to fund and execute expected Goals and help the Government to track financing of the Goals. The national budget of Ghana is aligned with the Goals targets and its medium-term development plan. The Ministry of Finance also produced a manual on budgeting for the Goals to track budget allocations and expenditure towards the Goals and targets, including total spending and spending by Goal, region, ministry, department and agency.

17. In Ghana, tracking expenditure in relation to the achievement of Goal targets that is connected to national development priorities allows all stakeholders to analyse how far the various Goals and metrics have progressed over time, thus establishing the framework for predicting how much more will be required to achieve the Goals by the stated deadlines. It provides transparency regarding Goal-related expenditure and enables the private sector, development partners, civil society organizations and social enterprises to make informed funding decisions towards the Goals. The annual

<sup>16</sup> See Scherie Nicol and Natalia Salazar, “Budgeting for Sustainable Development Goals and other high-level priorities” (2021).

<sup>17</sup> See European Parliament, “Budgetary control of the Sustainable Development Goals in the EU budget” (2021). Available at [www.europarl.europa.eu/RegData/etudes/BRIE/2021/696914/IPOL\\_BRI\(2021\)696914\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2021/696914/IPOL_BRI(2021)696914_EN.pdf).

launch of the country's Sustainable Development Goals Budget Report offers a platform to inform stakeholders and receive feedback.<sup>18</sup>

18. While the approach of countries to budgeting for the Goals varies, the analysis emphasizes common enabling factors: political commitment to the 2030 Agenda, strong leadership from relevant ministries, a robust planning process connected with the budget, a sound public financial management system, coordination among different government levels and availability and publication of relevant data to measure progress. In the end, budget transparency is again key.

### **Climate budget tagging**

19. The process of identification, measurement and monitoring of public expenditure relevant for climate action (Goal 13) might also be useful for the budgeting process related to other Goals. Climate budget tagging has been applied in various countries, such as Cambodia, France, Ireland and Nepal, based on their specific needs, policy priorities, budgetary practices and institutional arrangements. Such an approach has often been supported by United Nations agencies, including UNDP and the United Nations Environment Programme, and the World Bank.

20. Countries usually define and estimate relevant expenditure, assigned roles and responsibilities for tagging across institutions, put in place arrangements for quality controls and integrate it all in their budget processes. Numerous benefits have been observed, like increased awareness of the issue of climate change in central finance and line agencies, better communication of government commitments, enhanced transparency and accountability and help in mobilizing external funding.

21. Among the main challenges were limitations of the budget system; difficulties in relation to policy alignment, efficiency and effectiveness; difficulties in focusing not only on expenditure, but also on the revenue side of the budget; and, last but not least, the placing of a significant burden on budget officials. However, numerous lessons have been learned that might be useful for Goal tagging, like the importance of defining the objectives of policy initiatives and considering alternatives, defining the policy scope of the tagging methodology, engaging key institutional stakeholders in design and implementation, ensuring the involvement of line agencies, identifying activities and expenditure that have an adverse impact and embedding budget tagging across the whole budget cycle, through all budget stages.

22. The World Bank Group recently conducted a detailed analysis of the climate budget tagging experiences of 19 countries, which included a number of valuable lessons regarding design and implementation, including regarding the sharing of information on climate budget allocations. Bangladesh is a good example of a country in which budget tagging has an impact on its budget transparency. Its government agencies are required to explain how their projects and programmes address or contribute to climate change, and the Ministry of Finance establishes specific pre-tagged codes so that climate tabs are applied automatically when entering budget data. The Ministry produces budget execution reports on climate projects and programmes which provide information on allocations, revised allocations and actual expenditure (overall and by ministry, programme and thematic area).<sup>19</sup>

<sup>18</sup> See Ghana, Ministry of Finance, "Launch and presentation of the 2020 SDGs budget report", press release, 27 May 2021. Available at <https://mofep.gov.gh/press-release/2021-05-28/launch-and-presentation-of-the-2020-sdgs-budget-report>.

<sup>19</sup> World Bank Group, "Climate change budget tagging: a review of international experience" (February 2021).



### III. Experiences with participatory budgeting for the Sustainable Development Goals

23. The principle of inclusiveness includes the subprinciple of participation,<sup>20</sup> and one of the strategies to achieve this is through participatory budgeting.<sup>21</sup> Participatory budgeting is associated with the principle of promoting inclusiveness through participation while also facilitating sound policymaking and contributing to strengthening the effectiveness of institutions, as well as to intensifying their democratic functioning and the cohesion of communities.

24. Participatory budgeting is an innovation which started in Porte Alegre, Brazil, at the end of the 1980s. The city was seen as one of the first examples of transformation from representative democracy towards direct democracy. The city saw participatory budgeting as a case of radical democracy, a practice in which people from poor neighbourhoods, who had been marginalized until that point, were allowed to engage with the municipality on how to allocate part of the budget. Participatory budgeting proved to be a popular instrument, spreading widely and becoming standard practice in many cities in all regions of the world.

25. Existing books, articles and other evaluations of participatory budgeting mention a large set of possible benefits from its realization, such as improved transparency of public expenditure, greater accountability (of government and politicians) and more efficient allocation of resources.<sup>22</sup> Participatory budgeting encourages democratic participation, ensuring that people have a say in decisions that affect them, and is said to be able to create a stronger civil society and increase civic responsibility while serving as an instrument for social innovation. Some of the literature implies that those who participate become more knowledgeable, more supportive of public policies, more motivated to engage with local governments and to actively participate in civic and social life in their communities and more likely to have enhanced trust in government through enhanced legitimacy of municipal decision-making and investment decisions. They “learn” to become citizen-agents through their participation in “schools of democracy”.

26. Challenges occur when all decisions about participatory budgeting are left to the local level, with its implementation and success significantly depending on the political will of local politicians to initiate related processes, as well as on available resources. Especially if pushed by external factors to implement participatory budgeting, some local government officials may promote it while at the same time hampering related processes, for example, by reluctantly allocating only a very small budget amount in a one-time experimental setting. Residents are also sometimes only allowed to propose projects in predetermined policy areas on which hardly any deliberations take place, after which the elected politicians decide whether or not to spend money on successful proposals. Under such conditions, it can happen that only a few residents participate, with many of them becoming disappointed by the limited outcome. Detractors may then claim that this is an indication that participatory budgeting is ineffective and encourage a return to more traditional and exclusive ways of managing budget processes. The absence of active support from policymakers in

<sup>20</sup> See principles of effective governance for sustainable development (“To have an effective State, all significant political groups should be actively involved in matters that directly affect them and have a chance to influence policy”).

<sup>21</sup> See, for example, Michiel De Vries, Juraj Nemec and David Špaček, *International Trends in Participatory Budgeting: Between Trivial Pursuits and Best Practices* (2021).

<sup>22</sup> See, for example, Yves Cabannes, “Participatory budgeting: a powerful and expanding contribution to the achievement of SDGs and primarily SDG 16.7” (2019). Available at [www.gold.uclg.org/sites/default/files/02\\_policy\\_series-v3.pdf](http://www.gold.uclg.org/sites/default/files/02_policy_series-v3.pdf).



such situations may severely constrain the impact of participatory budgeting on the responsiveness of government, which its promoters seek to enhance.

27. Participatory budgeting can occur at the community, district, city or regional level; be organized around thematic issues and address context-specific priorities (e.g. transport, housing or education); or, more rarely, earmark resources for specific social groups, usually the most vulnerable and excluded, such as the poor, women, youth and the elderly.

### **Examples of participatory budgeting in Asia and the Pacific**

28. A non-legally binding participatory budgeting programme was first introduced in the Republic of Korea in 2003 in the Buk-gu district of Gwangju. This voluntary programme evolved into a legally mandatory system in March 2011 and made the country the first and only one in which all local governments have adopted participatory budgeting systems. However, to accommodate local heterogeneity in budgeting, the detailed participatory budgeting design was left to local authorities.

29. In 2018, the participatory budgeting concerning local budgets expanded to the national level, allowing citizens to participate in the process of central government budget allocation called “My budget”. Citizens can get involved in national participatory budgeting through four channels: (a) by proposing projects or participating in discussions around project selection; (b) by participating in discussions on project development; (c) by being a member of the Budget Citizen Participation Group to review, discuss and vote for projects; and (d) by participating in budget monitoring. The Group consists of 300 individuals representing diverse groups, including vulnerable groups, divided by region, gender, age and income. National participatory budgeting is applied to all sectors, including the education, welfare and culture sectors, except in the case of locally specific projects, such as roads, dams and local library construction projects.

30. As of 2021, approximately 298.5 trillion Korean won of the national budget was administered and monitored through national participatory budgeting, while 1.5 trillion Korean won was managed through local participatory budgeting. The major policy domains of budget allocations were public order and security, social welfare, culture and tourism, land and local development and transportation.

31. For public employees, the most perceivable value of participatory budgeting is an increase in citizens’ trust in local and national governments, followed by civil servants’ trust in citizens and administration transparency. Challenges identified were citizen participation being below expectations, potential overload of tasks for public employees, citizens’ proposals serving specific interests rather than the whole community, questions regarding the legitimacy of citizen participants and limited acceptance of participatory budgeting as a channel of participation by public authorities.

32. The participatory budgeting process in the Republic of Korea is similar to the one in the United States of America, as local citizens can propose necessary projects and participate in the decision-making process. Participatory budgeting thereby enhances the transparency of the budget allocation processes and strengthens democratic accountability.

33. In the Philippines, the bottom-up budgeting initiative was launched after 2010 as part of a broader effort by the Government to make the budget process more transparent, and to engage citizens more effectively in the budget process, in particular at the local government level. The participatory budgeting environment has changed considerably since 2016, however. While some budgeting-related reform efforts have continued, others are no longer being implemented. Elitism and

corruption have been argued by some actors as being among the main challenges.<sup>23</sup> Finally, budget work has become much more difficult during the COVID-19 pandemic due to recurrent mobility restrictions and the transfer of many activities to online platforms, which serve as expanded areas for civic engagement.

34. Bottom-up budgeting in the Philippines differs slightly from models applied in the United States or in the Republic of Korea. Civil society assemblies are formed with selected members, who review and analyse social and economic data and select priority projects to be recommended to the local poverty reduction action team. This team in turn identifies the projects to implement. In the final stage, implementation of projects is done through the coordination of regional and/or provincial offices of participating agencies and partner local government authorities.

35. In the Philippines, early assessments of participatory budgeting point to mixed results, as access to information (e.g. through transparency measures) does not necessarily lead to (greater) effectiveness. The responsiveness of the State and its different agencies is not necessarily strengthened if there is progress in transparency measures, especially when there is a lack of capability-building to produce prompt action and response to citizens' calls for action.

36. Notwithstanding these challenges, the importance of participatory budgeting in the country is clear, in particular in the light of the high degree of flexibility given to the executive, especially at present in accessing large fiscal packages designed to counter the economic effects of the pandemic. A greater balance will be needed to enhance governance in budget work and the greater participation of citizens in budget decisions, which should be supported by stronger capacities of the State and its institutions to implement participatory budgeting.

37. In India, a unique mechanism of participation and citizen-led accountability in the area of efficient budgeting is the "social audit". It involves citizens taking on the role of "auditors", tracking government expenditure and cross-verifying expenditure claims with realities on the ground while directly demanding accountability from public officials through the creation of a public platform: the *Jansunwai*, or public hearing. The social audit can be described as a means of continuous public vigilance that combines people's participation and monitoring with audit requirements. Social audits are part of a tradition of proactive citizen participation in budget monitoring and have emerged as important platforms for participatory governance. Their roots can be traced back to the country's Right to Information Act, the goal of which was to combine transparency and accountability and serve as a means through which citizens could deploy their right to information. Since 2006, following large-scale civil society mobilization, social audits have been incorporated into the official, government-led approach to promote participation in public service delivery in India. Several subnational governments have now set up "social audit cells" mandated to support the process of citizen mobilization for "auditing" government action. In addition, civil society organizations remain at the forefront of furthering the process of social audits for a wide range of social sector expenditure. Several empirical studies have documented the power and effectiveness of social audits, especially those led by civil society, in empowering citizens and enabling higher accountability. Such audits are now a globally recognized tool for participatory budget monitoring and strengthening accountability.

38. In Europe, while participatory budgeting is implemented in some countries, in others, even in some highly developed countries, it is still not prominent or widespread.

<sup>23</sup> Aimee Franklin and Carol Ebdon, "Participatory budgeting in the Philippines", *Chinese Public Administration Review*, vol. 11, No. 1 (June 2020).

### Eastern Europe

39. In Poland, participatory budgeting is compulsory for certain categories of municipalities. In all other countries in the region, participatory budgeting is not used on a mass scale, with the project-based form dominating and normally only marginal sums from local budgets being involved. The opinions about real outcomes from participatory budgeting in this region are quite mixed, but at least participatory budgeting is appreciated as a step towards developing local democracies. One interesting element is that participatory budgeting is frequently promoted by local politicians to enhance their political profile.

40. Project-based participatory budgeting in Belarus has been implemented since September 2006. This participatory budgeting model is based on an extrabudgetary fund comprised of funds of European organizations and institutions on the condition of co-financing from the internal financial sources of local organizations. The extrabudgetary fund is used on a competitive basis to finance citizens' initiatives in local development, with their direct participation in budgeting. The results from participatory budgeting implementation in Belarus are evaluated as very positive: it helps neutralize corruption, provides the most exact definition of inhabitants' needs for public services, develops and deepens decentralized cooperation, improves efficiency of the use of public resources (extrabudgetary funds) and develops the skills and knowledge of citizens in the field of public finance, budgeting and financial control.

41. In the Russian Federation, the term "initiative" budgeting is used instead of participatory budgeting. The history of initiative project-based budgeting in the country dates back 15 years. It started in 2007 with the World Bank launching the Local Initiatives Support Programme project in one of the federal subjects (Stavropol krai), gaining active support from the country's Ministry of Finance. The participation of citizens in the launch and implementation of participatory budgeting projects increased the transparency of budget management and allowed for effective budget distribution. The following main social impacts were frequently noted: involvement of citizens in the process of budget management; higher levels of trust in government; and stronger engagement of citizens in life and the development of the region and, as a consequence, an increasing understanding among citizens of matters related to budget allocation.

### Western European and other countries

42. Participatory budgeting got off to a slow start in the United States, being launched in New York City two decades after it debuted in Porto Alegre. However, since 2011 it has rapidly become an important element for many subnational governments (including cities, counties, tribal jurisdictions and housing and school districts) and is now used to some extent by hundreds of local governments. More than \$300 million has been spent to date on projects across local governments.<sup>24</sup> The largest participatory budgeting efforts (in dollar terms) take place in Chicago, New York City and Seattle, but some smaller cities, such as Cambridge, Massachusetts, Grand Rapids, Michigan, and Oakland, California, have embarked on significant participatory budgeting programmes relative to their budgets. This trend is likely to accelerate since Congress enacted \$350 billion in State and local aid through the American Rescue Plan Act in March 2021, with some local governments having allocated funds under the Act to launch community-centred participatory budgeting.

43. The implementation of participatory budgeting varies, reflecting local conditions and priorities, but there are four common elements among most United States locations. As a starting point, local jurisdictions allocate a portion of their

<sup>24</sup> See [www.participatorybudgeting.org](http://www.participatorybudgeting.org).

capital budget to the participatory budgeting process; it typically begins with a small allocation and the amount is gradually increased as the process takes hold and attracts greater numbers of participants and voters. During the “process design” phase, resident-led steering committees develop norms for the local participatory budgeting process around key issues such as who is eligible to vote. In many cities, all residents are invited to participate and vote, regardless of citizenship, voter registration status or age, which makes it quite different from regular voting. People below the age of 18 are eligible to vote, as well as non-citizens, temporary residents (such as college students) and those not registered to vote in regular elections.

44. Residents generate raw ideas in the “ideation” phase. During “proposal development”, resident teams work with city officials to develop some of these ideas into fully fledged proposals with cost estimates. This process unfolds with outreach from the participatory budgeting teams to invite greater participation. Ultimately, a subset of ideas is voted on, and the winning ones are implemented by the local government, up to the budgetary limit. In past years, the final participatory budgeting projects have covered a wide range of topics, from playground repairs to public bathroom facilities. The recent influx of funding under the American Rescue Plan Act is likely to increase the focus on infrastructure, such as storm water systems, broadband and housing.

45. The overall opinion of citizens in the in the United States about participatory budgeting is mostly positive: more than 54 per cent say they want their local government to implement participatory budgeting. Local officials are also enthusiastic about the use of participatory budgeting to increase civic engagement, and recent research from New York City shows that being engaged through participatory budgeting increased people’s probability of voting by an average of 8.4 percentage points. However, for many local governments, a key barrier to introducing participatory budgeting or expanding existing programmes is the lack of capacity and resources to run related processes effectively. This may slow the rate of growth over the next decade.

46. In Portugal, which is frequently mentioned as an example of best practice, participatory budgeting has a particularly strong history. Since the early 2000s, a significant number of municipalities have successfully leveraged it as a mechanism to motivate citizens to get involved in local decision-making, and participatory budgeting was later also introduced at the national budget level.

47. In Germany, a growing number of municipalities have experimented with participatory budgeting since its first implementation in 1998, but that number is still relatively small. In contrast to the United States or the Republic of Korea, participatory budgeting in Germany in many cases has only a consultative character and its outcome is not legally binding. Instead, the primary goal is to inform citizens about a municipality’s finances to increase transparency, as well as to further citizens’ interest in municipal politics. Another interesting point is that municipalities with a participatory budgeting process are on average in a worse financial situation than those without, which suggests that participatory budgeting might be used as “excuse” or “compensation” for limited budgetary performance.

48. There are different types of participatory budgeting processes in Germany. Surveys are more like opinion polls regarding the planned municipal budget. *Vorschläge* are participatory budgeting processes in which citizens are asked to suggest modifications regarding the regular municipal budget. By contrast, a *Bürgerbudget* allocates a fixed amount of money to citizens, who then can submit proposals indicating which services should benefit from that money. Between 2014 and 2017, surveys played only a negligible role, while the *Vorschläge* dominated. However, *Bürgerbudgets* have quickly gained importance in the past few years.

Empirical evidence on the outcomes of participatory budgeting processes in Germany is very limited; however, it is a well-established fact that the overall willingness of citizens to take part in participatory budgeting processes is rather low, despite some outstanding exceptions. In addition, there is some indication that most proposals resulting from participatory budgeting processes are not implemented by the respective municipalities.<sup>25</sup>

49. In Italy, a first phase of constant development of participatory budgeting (2001–2008) was followed by a rapid decline in the use of the tool (2009–2014). After that period, the number of municipalities adopting participatory budgeting increased again, and the degree of continuity of using these practices intensified consistently between 2015 and 2019. The main form of adopting participatory budgeting in Italy is similar to the one in the United States and the Republic of Korea, sometimes called “project-based participatory budgeting”. The impact of participatory budgeting on the municipal decision-making process or the promotion of a participatory culture is limited, with most sources reporting no significant impacts, due to the limited number of resources allocated.

50. The Swedish Association of Local Authorities and Regions promoted and supported pilot participatory budgeting projects aimed at strengthening local democracy. However, only 12 municipalities of the 290 experimented with this new democratic tool and no municipality continued participatory budgeting after the pilot projects ended. Although citizens had a positive opinion of participatory budgeting, local authorities proved to be rather sceptical about it.

## IV. Conclusions and recommendations

51. In many countries, public spending has been increasing to unprecedented levels, which has recently been further exacerbated by the COVID-19 pandemic, making the application of transparent and participatory budgeting more crucial than ever. Simultaneously, the fast-approaching deadline of the 2030 Agenda, with high expectations regarding its implementation, makes the demand for adequate budgeting for Sustainable Development Goals more important than ever.

52. Political will to achieve the 2030 Agenda and its Sustainable Development Goals and to use the COVID-19 pandemic and related increased budgetary demands as a chance to make budgets more sustainable, efficient, open, transparent and participatory will be critical. This political will should extend from the lowest subnational levels of government in charge of the provision of basic public goods and services, to national Governments in charge of national budgets and coordination of all national policies, to the regional level, at which practices can be coordinated and shared among member States, to the international level, supported by the United Nations system and multilateral development banks, which can use their convening power, knowledge and financial resources to promote budgeting for the Goals.

53. While many countries have taken significant steps in implementing transparent and participatory budgeting, the question remains of how to further promote the development of open, transparent and participatory budgeting, as a tool supporting successful achievement of the Goals. There is, however, no simple answer to this question. Technical barriers, such as hardware and software limitations, connectivity issues and non-existing or limited e-signature systems, can be resolved, if political will and human and financial capacities exist, but institutional aspects differ from country to country, and one single solution fit for all does not exist. It is clear,

<sup>25</sup> De Vries, Nemec and Špaček, *International Trends in Participatory Budgeting*.

however, that a supportive local political environment should be created, especially via cooperation with all stakeholders.

54. Transparent and participatory budgeting for the Goals and the 2030 Agenda remains a complex and challenging issue. Different ways forward are possible. One example would be to first focus on the promotion of the Goals, informing all stakeholders, including government employees and the general public, about their existence and establishing transparent and participatory decision-making processes regarding concrete Goals to which the country is committing itself, with the hope that this would then lead to (or comprise) more transparent and participatory budgeting for the Goals. Another example would be to simply push for transparent and participatory budgeting for the Goals, which might then lead to increased awareness of the Goals themselves and consequently to more transparent and participatory decision-making processes for the Goals and the 2030 Agenda.

55. The elementary preconditions for budget transparency already exist in most, if not all, countries, and should allow for openness and transparency of all budgetary stages (e.g. executive formulation, legislative approval, executive execution and oversight by parliamentary bodies and supreme auditing institutions). While countries do not have to start from scratch, a lot remains to be done in many of them to have budgeting become fully open and transparent, including with the goal of upgrading budgeting for the purpose of tracking budgeting for the Goals. In the context of transparent, open and participatory budgeting, many actions are already recommended by existing policy documents. For example, the Committee of Experts on Public Administration strategy guidance note on fiscal and budget transparency lists 11 practical actions that governments can take to advance fiscal transparency, such as by institutionalizing it, building support for reforms from actors outside the executive and designing reforms that take local context into account.

56. However, because – as indicated in the present paper – political will seems to be one of the most critical enablers, governments should do their utmost to guarantee that national, subnational and local budgeting is as transparent as possible, especially by adopting necessary legislation and guidelines.

57. Governments should also support the development of participatory budgeting, with a focus on subnational and, especially, local levels to involve citizens through direct participation in local infrastructure development and service delivery. This does not necessarily need to be supported by legislative acts; issuing guidelines and, if feasible, providing focused financial grants may be effective tools. International cooperation, peer-to-peer learning and research on participatory budgeting will also be crucial going forward.

58. Achieving transparent and participatory budgeting will be vital for supporting the achievement of the 2030 Agenda, but a lot remains to be done. Recovery from the COVID-19 pandemic will be a chance to use lessons learned, rethink budgeting processes worldwide and further align them with principles of effective governance for sustainable development.

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