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

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 Katarina Ott and Juraj Nemec, in collaboration with Linda Bilmes, Cristina Duarte, Lamia Moubayed Bissat and Geert Bouckaert. The authors would like to thank Claire Schouten of the International Budget Partnership and Lorena Rivero del Paso of the Global Initiative for Fiscal Transparency for their valuable comments and suggestions.

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Summary

As government budgets significantly influence people's lives and well-being while also providing opportunities to address societies' most pressing needs, transparent, inclusive and credible budgets become key policy objectives. Moreover, the achievement of the Sustainable Development Goals depends on the ability of Governments to execute budgets as intended and in line with national development objectives and needs. That said, opaque budget-making practices and unbalanced budget compositions, with underspending in sectors that may be critical to sustainable development and overspending in others, continue to plague public financial management systems. Such problems are exacerbated by limited opportunities for citizens to participate in budgeting, as well as other challenges, such as the limited capacity of oversight institutions to scrutinize budgets.

Better budgeting within the context of the 2030 Agenda for Sustainable Development means explicit and measurable presentation of Goal targets in budget allocations and reports, as well as in other elements of the budget cycle. It entails informing legislatures, audit institutions and the public about Goal-related budget policies and execution. It requires engaging them throughout the budget cycle in accountable ways. There is thus a need for inclusive dialogue on how to improve budget transparency and enhance budget credibility, bringing together Governments, civil society and all other relevant actors.

A Goal-oriented budget is one that is organized according to the Sustainable Development Goals, their targets and their indicators. There are many benefits of budgeting for the Goals, including improved budget coherence and the enhanced accountability and comparability of national budgets. When done appropriately, the mapping and tracking of budgetary contributions to each Goal can also improve budget performance evaluation. Governments typically link their national objectives to the Goals and adapt the Goals to national contexts prior to adopting key performance indicators for monitoring national development. Budgeting for the Goals can also be used to justify budget proposals and negotiate for greater allocations to priority programmes, in particular during the drafting phase of the budget.

Budgeting for the Goals as a practice is still in its infancy. Several countries have announced, through voluntary national reviews, the intention to reflect the Goals in budgetary processes but few have specified why it would be relevant to do so or how the practice could be made operational.

Experience has shown that the Goals can be linked more easily to programme budgets if there is already a plan or strategy in place that sets out national priorities. The active involvement of ministries of finance is also important. A sense of ownership of budgetary processes by all stakeholders, such as civil society, parliaments and supreme audit institutions, is key, as such actors hold Governments to account regarding commitments made to the 2030 Agenda. Among the most important enablers of successful budgeting for the Goals are discussions on how Governments can track public resources allocated to the achievement of the Goals. In that regard, a budget classification system for the Goals and the use of performance budgeting methods can also be useful.

I. Current challenges and the strong need for budgeting for the Sustainable Development Goals

1. Successful implementation of the Sustainable Development Goals – from “no poverty” and “no hunger” (Goals 1 and 2) to “peace, justice and strong institutions” and “partnerships” (Goals 16 and 17) – requires substantial funding, the majority of which is supposed to come from or pass through government budgets. The revenue should be collected and the related expenditures made, and for the sake of efficient implementation of the Goals, all such budgetary activities and the many intermediate steps that they imply relate to the quality of institutions and government capacities. These activities and steps should be transparent, accountable and participatory.

2. As stated in the 2030 Agenda for Sustainable Development, sustainable development requires inclusive partnerships between Governments, the private sector and civil society. Inclusive partnerships could be developed only if all those partners have access to information, and in this specific case, budgetary information. According to the International Budget Partnership, however, more than three quarters of countries (of 115 surveyed) do not provide sufficient information on how Governments raise and spend public funds.¹

3. More specifically, Governments are not transparent enough with regard to the impact of budgets on poverty and inequalities, limiting insights into progress made towards the implementation of the Goals.² In many countries, the concentration of wealth in the hands of a few and a consequent erosion of social cohesion can lead to political polarization and lower economic growth. Such problems may be exacerbated by few opportunities for public participation in budgeting and ineffective oversight institutions. Therefore, there is also a need for broader and better-informed dialogue on how to improve budget transparency that brings together Governments, civil society organizations and other relevant actors. Governments willing to pursue such open and inclusive dialogue for budgetary purposes are better positioned to justify policy choices, communicate expected impacts and show how actions align with both domestic policy objectives and international commitments, such as the Goals.

4. Underspensing is another endemic problem in budgeting. It was found in a study covering a sample of 35 countries at different levels of income that there was an average underspensing of 9.2 per cent in the period from 2009 to 2017. In low-income countries, underspensing was even more pronounced, at 14 per cent on average.³ Another study by the Public Expenditure and Financial Accountability partnership on primary government expenditures as a percentage of the approved budget (indicator 16.6.1) also pointed to underspensing as a global challenge for the realization of the Goals. In the study, it was found that 108 countries at different levels of income underspent budgets by 2 per cent during the period from 2004 to 2017, with low-income countries underspensing by an average of 5 per cent.⁴

5. The ability of Governments to accurately and consistently meet their expenditure and revenue targets (budget credibility) is another challenge. Some

¹ International Budget Partnership, *Open Budget Survey 2017*. Available at www.internationalbudget.org/open-budget-survey.

² Ibid., “How transparent are Governments when it comes to their budget’s impact on poverty and inequality?”, budget brief, February 2019. Available at www.internationalbudget.org/wp-content/uploads/government-transparency-of-budgets-impact-on-poverty-inequality-ibp-2019.pdf.

³ Ibid., “Budget credibility across countries: how deviations are affecting spending on social priorities”, September 2019. Available at www.internationalbudget.org/publications/budget-credibility-across-countries.

⁴ See <https://blogs.worldbank.org/opendata/credible-government-budgets-are-needed-achieve-sustainable-development-goals>.

deviations from the planned budget are expected and often necessary, even though Governments should base their plans on realistic estimates of revenues and expenditures. Oversight institutions, such as the legislature and supreme audit institutions, should more closely monitor deviations and civil society should demand budget credibility. Budgeting for the Goals could be helpful for that purpose and has been proposed by the International Budget Partnership as an indicator of budget credibility.⁵ Indicator 16.6.1, on primary government expenditures as a proportion of original approved budget, by sector (or by budget codes or similar), is useful in that sense and the Public Expenditure and Financial Accountability programme provides information and data for it.

6. At the same time, a focus on budget credibility in the aggregate may miss important changes at the sectoral level that can have an impact on the ability of Governments to address a range of Goals. It happens too often that, on average, economic affairs budgets, which include agriculture, mining and manufacturing, tend to be underspent, while overspending is common in public order and defence. The difference between overall budget credibility and compositional credibility is illustrated by the case of Papua New Guinea. In an assessment undertaken in 2015, the country received an A rating from the Public Expenditure and Financial Accountability programme on the extent to which its aggregate budget expenditure outturn reflected the amount originally approved in the government budget, and a D score on its compositional credibility owing largely to significant and consistent underspending in education and health. In 2011, the National Department of Health underspent by 16 per cent, the National AIDS Council by 44 per cent and the Department of Education by 18 per cent, while the Ministry of Police overspent by almost 30 per cent.⁶

7. Progress towards achieving the Goals may be limited if budgets are not executed as intended. Further efforts should be made to ensure that programme budgets are conducive to the achievement of the Goals and are fully used towards their intended objectives. Budgeting for the Goals can provide the necessary means for programme budgets to support their implementation. In the context of the implementation of the 2030 Agenda, the Goals should be translated into national sustainable development strategies and plans that include clearly identified priorities, policies, progress indicators and financing estimates. One of the critical advantages of linking the Goals to planning and budgeting instruments is that they provide a map of sustainable development that can facilitate the integration of actions across sectors, levels of government and actors, thereby promoting policy coherence.

II. What is budgeting for the Sustainable Development Goals?

8. The 2030 Agenda for Sustainable Development references the role of national budgets in implementing the Sustainable Development Goals. In paragraph 45 of the Agenda, there is an explicit focus on the responsibility of national legislative bodies in approving national budgets and an implicit stress on the importance of government budgets and their role in the implementation of the Goals, alluding to the importance of engaging with governments at all levels, as well as international and academic institutions, philanthropic organizations, volunteer groups and other groups.

9. Better budgeting within the context of the 2030 Agenda means the explicit integration of Goal targets into budget allocations, execution, monitoring and reports, as well as into the different phases and elements of the budget cycle. It entails

⁵ International Budget Partnership, “Budget credibility across countries: how deviations are affecting spending on social priorities”.

⁶ See <https://pefa.org/node/496>.

informing legislatures, audit institutions and the public about the Goal-related budget policies of Governments and engaging them throughout the budget cycle. A Goal-oriented budget is one that is organized according to the Sustainable Development Goals, their targets and their indicators. The Goals provide a comprehensive and measurable structure for governance systems to evaluate and assess public policies related to national and international development goals.

10. In a recent study,⁷ the following three specific benefits were outlined, which countries may draw upon in integrating the Goals into their national budgetary processes:

(a) *Improved budget coherence.* First, a coherent budget helps to avoid conflicts between different resource allocations in line with the Goals. For example, budget proposals for transport and agriculture must go hand in hand with climate-related objectives. Second, a coherent budget should be in line with a Government's international commitments, including the 2030 Agenda. Even though such a commitment is rarely binding, it encourages successive Governments to keep those medium-term objectives in mind and incorporate them into their political actions and budgets. A budget aligned with the Sustainable Development Goals reflects the Goals and their targets;

(b) *Increased accountability.* Forging links between budgets and the Goals, especially at the indicator level, can reveal the progress of a country towards the attainment of the Goals and can help to assess government performance in that regard. While most countries use performance-based budgeting that relies on result indicators, they are at different stages of progress in their implementation. The Goals could present additional holistic criteria to evaluate the sustainability of a budget. They could serve as an evaluation framework to provide a more comprehensive assessment of budget proposals, thereby increasing transparency, including in internal decision-making, intergovernmental sharing of information and data necessary for effective policy coordination;

(c) *Greater comparability of national budgets.* This could contribute to the assessment of sustainable development policies without, however, promoting standard approaches and while respecting country specificities. It could also play a positive role in the transition towards sustainable development if it promotes collective exchanges among policymakers and experts in different countries and feeds the international debate.

11. However, budgeting for the Goals is not always easy since national policies and budget processes may not always follow the same calendar or the same legal framework, and may not necessarily involve the same actors. When that is the case, additional efforts may be warranted to coordinate national policies in line with the budget cycle. Moreover, many countries still lack reliable accounting systems that are able to ensure the reporting of transactions in a comprehensive, integrated and comparable manner. Another challenge relates to budget classification systems, which many countries also lack.

12. Governments should take steps to bridge the Goals with their national budget systems instead of simply announcing the Goals in policy papers. The 2030 Agenda can helpfully be integrated into a country's strategic and operational planning processes across the various stages of policymaking, ranging from policy formulation and planning to monitoring, evaluation and reporting. With the Goals explicitly

⁷ Elisabeth Hege and Laura Brimont, "Integrating SDGs into national budgetary processes", Institute for Sustainable Development and International Relations, Study No. 5 (2018). Available at www.iddri.org/sites/default/files/PDF/Publications/Catalogue%20Iddri/Etude/201807-ST0518-SDGs-budget-EN.pdf.

present in the national policy agenda, countries can then ensure a more coherent approach to national governance practices.

III. Factors in and barriers to implementation in budgeting for the Sustainable Development Goals

13. Prior implementation of the practice of performance budgeting can be an enabler of budgeting for the Sustainable Development Goals. Different drivers of performance budgeting coincide with drivers of budgeting for the Goals, including the following: donor country requirements for spending and reporting; learning from good practices; managerial capacity (personnel, know-how, information technology and data); a budget reform strategy as part of a broader governance reform strategy; and support from executive and legislative branches of the Government. It is certainly possible to achieve results without a performance-based budgeting system, but it is more difficult to allocate responsibilities and ensure accountability for results. Instruments other than a performance budget may also strengthen the use of performance indicators in implementing policies and delivering services, such as spending reviews, multi-year policy frameworks, policy evaluation, strategic planning and goal setting.

14. Performance-based budgeting and budgeting for the Goals are both based on transparency, accountability, horizontal and vertical policy coherence and integration, and mutual learning. There are demand-side and supply-side challenges to budgeting for the Goals. Some tools that respond to demand-side challenges call for strengthened engagement of parliaments, civil society organizations, the media and the public, and for reports and allocations that are aligned with the Goals. Tools designed to respond to supply-side challenges are intended to boost the capacity of relevant institutions to meet increased demand for budgets for the Goals.⁸

Demand-side challenges

15. Demand-side challenges include advocacy of budgeting for the Goals to key decision makers and other stakeholders, such as parliamentarians and supreme audit institutions, mapping the Goals with the national development agenda (with an assumption that they will then be picked up by the budget system), and the development of a citizen's budget for the Goals comprising simplified and brief budget information on Goal-related allocations and expected results. The institutionalization of a process to bridge the Goals and the budget is very important and could include the facilitation of a task force on the Goals in the Cabinet of the Government and/or under a parliamentary budget committee, the establishment of budgeting units for the Goals in ministries of finance, aligning job descriptions in those institutions and for all relevant public officials to reflect the Goals, and capacity-building on costing and budgeting for the Goals in line ministries.

16. Engaging with civil society organizations and citizens throughout the Goal budgeting process, including in Goal budget monitoring, is also pivotal, especially through support for Goal budget formulation, execution, monitoring, reporting and statistics, including transparency and outreach regarding data on the Goals by research institutions, civil society organizations and academic institutions.

⁸ For more information on the topics discussed in paras. 15–21 and on demand-side and supply-side challenges, see Suren Poghosyan, “Budgeting for Agenda-2030: opting for the right model”, concept note for Bangkok Regional Hub, United Nations Development Programme (2018).

Supply-side challenges

17. Supply-side challenges include adjusting budget calls (circulars) to reflect the Goals in justifying budget proposals and simple checklists of their relevance during the budget formulation stage. Checklists can be elaborated upon and can incorporate weights when budgetary objectives and programmes are aligned with the Goals. The coding of individual cross-cutting issues, such as climate change or gender, is another approach. However, such coding has the drawback of not considering the indivisibility of the 2030 Agenda for Sustainable Development and the interlinkages among Goals and targets.

18. The critical challenge is the introduction of Goal classification. Countries are already using various other budgetary classification schemes. Adding a new one would involve further work and may stretch existing capacities. Linking the new classification scheme to other classification schemes could help to limit the additional work involved. However, devising a universally linked system in a country can be complicated by the fact that the other classification schemes are not necessarily standardized across countries. Countries differ in the breadth and depth of their budget information and how and according to what criteria budgets are disaggregated. Identifying expenditure categories that can be linked to Goals or targets can be more feasible than introducing a classification system outright.

19. Other challenges include the development of selected financing frameworks for the Goals and integrating such frameworks into existing budgeting processes, as well as ad hoc reporting on the execution of Goal budgets, which will be not systematically applied if no Goal coding exists but is still possible. It is necessary to publish detailed information on actual spending for the past year alongside a proposed budget in an easily accessible and searchable manner to facilitate expenditure tracking over time. To the extent possible, the detailed information on actual spending for the past year should be related to the existing information on performance and results.

20. Other important challenges include cross-cutting research to report on the effectiveness, efficiency and evaluation of budget interventions (by specific budget line) to implement selected Goals; the integration of Goal targets into budget programmes for countries with performance- and programme-based budgeting practices; capacity-building and assistance with Goal costing, which is applicable to any country context but the exact approach may vary depending on overall budgeting and Goal-specific budgeting practices; a comprehensive assessment of budget allocations to Goal targets and impacts; and assisting in incorporating such targets into sectoral strategic plans in those countries where strategic plans are closely linked to budgets.

21. Similar to the demand-side challenges, it is also important to tackle supply-side challenges by engaging with civil society organizations and oversight institutions in budgeting for the Goals, especially by building the capacity of both civil society organizations and oversight institutions with regard to Goal costing and the modalities of cooperation among civil society organizations, oversight institutions and Governments.

IV. Sustainable Development Goal budgeting practices in different countries

22. Countries differ widely in how they integrate the Sustainable Development Goals into their budget processes. High-income countries use them more as a framework for making qualitative reports on budget proposals while low- and middle-income countries mainly map budgets according to the Goals so as to enable tracking

of expenditures related to different Goals and targets. Such expenditure tracking could be associated with a desire to meet the expectations of international donors with respect to gender, pro-poor or climate-friendly budgeting.

23. Budgeting for the Goals is still in its infancy. Several countries have announced in voluntary national reviews their intention to use the Goals in budgetary processes, but few have specified why it would be relevant to do so, or how it could be made operational.⁹ It was found in a recent study that only 17 of 56 countries were fully implementing the Goals in planning, just 5 in monitoring (Armenia, Bangladesh, Latvia, Mexico, Nepal and Slovenia) and 4 in budgeting (Colombia, Mexico, Nepal and Sri Lanka). None of them has fully tagged or fully implemented the institutional changes.¹⁰

24. Some of the ways in which countries have embarked upon budgeting for the Goals include mapping or qualitative reporting in the main budget document. Less often, countries use the Goals to improve budget performance evaluation systems or as a management tool for resource allocation. Most countries follow a technical approach. Only rarely are the Goals used as part of the process of budget decision-making or referenced in budgetary deliberations. The well-being budget of New Zealand is a case in point, having a high degree of alignment with the Goals yet without mentioning them explicitly.¹¹

25. There are actions and reforms that most countries may be able to launch without significant systemic transformation of budget processes. First, as part of the process of implementing the Goals and the 2030 Agenda for Sustainable Development, countries can produce voluntary national reviews. For many of the countries that have already done so, this has served as an initial stocktaking exercise. As one of the earliest and more comprehensive documents on how countries are dealing with and approaching the Goals, the reviews serve as one of the first indicators of how countries would proceed with implementing them.¹²

26. More than half (25) of the 46 voluntary national reviews¹³ presented in 2018 provided no information on the inclusion of the Goals in national budgets or budgeting processes. In the reports of 15 countries, it was specifically indicated that the Goals had not been incorporated into budgetary processes, with 10 of the countries (Albania, Benin, Guinea, Jamaica, Lao People's Democratic Republic, Niger, Slovakia, Spain, Sri Lanka and State of Palestine) indicating plans to do so in the future. Only six countries reported incorporating the Goals into budget processes: Colombia, Ecuador, Latvia, Mexico, Uruguay and Viet Nam. The numbers do not convey a sense of urgency to implement budgeting for the Goals.

27. Other easy steps to integrate the Goals into the budget process include the presentation of Goal-related objectives and targets in budget statements and simple

⁹ For more information, see Louis Meuleman and Ingeborg Niestroy, "Economics and governance for sustainability", *Public Sector Economics*, vol. 43, No. 4 (2019).

¹⁰ Rivero del Paso and Narvaez Terron, background paper for *World Public Sector Report 2019: Sustainable Development Goal 16 – Focus on Public Institutions* (United Nations publication, Sales No. E.19.II.H.1).

¹¹ New Zealand Treasury well-being budget (2019). Available at <https://treasury.govt.nz/sites/default/files/2019-06/b19-wellbeing-budget.pdf>.

¹² For more information, see Eric Mulholland, "Budget provisions in the implementation of the 2030 Agenda for Sustainable Development and the SDGs", European Sustainable Development Network office, Vienna, quarterly report 47 (January 2018). Available at www.sd-network.eu/quarterly%20reports/report%20files/pdf/2018-January-Budget_Provisions_in_the_Implementation_of_the_2030_Agenda_for_Sustainable_Development_and_the_SDGs.pdf?

¹³ High-level Forum on Sustainable Development, *Voluntary National Reviews Synthesis Report* (2018). Available at https://sustainabledevelopment.un.org/content/documents/210732018_VNRs_Synthesis_compilation_11118_FS_BB_Format_FINAL_cover.pdf.

reporting on Goal performance. For a ministry of finance, that might include limited actions such as the inclusion of the Goals in budget speeches, budget reporting on highlighted areas and targets, or annual reports accompanying the budget and showing how the budget is contributing to specific Goals. Such ad hoc solutions could be effective in kick-starting reform processes. However, they are limited inasmuch as they may not have a significant impact on allocations.

28. The adoption of short-term solutions does not prevent Governments from concurrently considering structural reforms of budget processes. The nature of such reforms is more complex and requires adjustments to business processes and standard operating procedures, the institutionalization of Goal target accountability for performance and the adoption of monitoring and reporting on outcomes, including linking budget expenditures to specific performance targets. Such reforms may take years to implement fully. Countries that have already established programme-based budgeting may find it easier to align their budget formulation processes with the Goals and targets.¹⁴

29. In choosing a model that is appropriate for national circumstances, several factors must be considered, including the condition of the national public finance management system, public administration capacity in relevant areas and the demand for Goal budgeting information by line ministries and external stakeholders. A range of tools already exists, which can help countries to choose among options. They include public finance management assessment, expenditure analysis, stakeholder analysis and other diagnostic models.¹⁵

30. A study carried out for the European Parliament showed that only 10 of the 28 States members of the European Union indicated that they linked or planned to link the Goals to their budgetary process, either directly or indirectly (Croatia, Denmark, Finland, France, Ireland, Italy, Slovakia, Slovenia, Spain and Sweden).¹⁶ In many of those countries, the linkages remained limited to the inclusion of qualitative elements of Goal implementation in budget documents submitted to parliaments. Finland is cited as an example of good practice in that regard, with each ministry being asked to include a short paragraph under each of the main titles on the budget proposal, thereby showing how sustainable development has been reflected in sectoral policies during the 2018 financial year. The Goals were also used systematically in the justifications for the main expenditure titles in the 2019 budget of Finland.

31. The use of performance indicators based on the Goals is another practice that appears to be limited, with Italy being cited as an exception for the inclusion of indicators related to well-being in its budget process. Similarly, Slovenia has adopted 30 key performance indicators linked to national targets related to the Goals and plans to integrate the indicators into its national budget by 2020. In addition, a few countries, such as Ireland, already have tools in place to tag how different budget appropriations contribute to certain Goals or their targets, but they are often limited to aid budgets.

32. One of the best known cases of mapping the Goals to national planning and budgeting processes is in Mexico. As explained in box 3.3 in chapter 3 of the *World*

¹⁴ *World Public Sector Report 2019: Sustainable Development Goal 16 – Focus on Public Institutions* (United Nations publication, Sales No. E.19.II.H.1).

¹⁵ *Ibid.*

¹⁶ Ingeborg Niestroy and others, “Europe’s Approach to Implementing the Sustainable Development Goals: Good Practices and the Way Forward”, Brussels, European Parliament (2019). Available at www.europarl.europa.eu/cmsdata/160360/DEVE%20study%20on%20EU%20SDG%20implementation%20formatted.pdf.

Public Sector Report 2019,¹⁷ the country's efforts to integrate the Goals into its national strategies and plans started in 2016 when the Ministry of Finance and Public Credit, which oversees the formulation of national and sectoral plans, developed a methodology to monitor and evaluate the contribution of budget performance to the achievement of the Goals, in a partnership between the Office of the Presidency, the entity responsible for the implementation of the Goals in the country, and the United Nations Development Programme (UNDP). The methodology was developed by building on the country's integrated system for planning, public finance management, policymaking and oversight that was established in 2013.

33. The methodology first identified the links between sectoral strategies and each of the 169 targets of the Goals. The alignment of sectoral plans with budget programmes in the performance evaluation system of Mexico was then considered, based on which the Ministry of Finance identified the budget programmes related to each target. The comparability of performance indicators related to sectors and budget programmes, together with the global indicators (tiers I and II) for each target, were subsequently considered. Finally, the analysis was reviewed and validated by the line ministries.

34. The initial analysis indicated the need for more disaggregated information to assess the specific contribution of each budget programme to the related Goal targets since different budget and sectoral programmes contribute to diverse components of each target. The Ministry of Finance and UNDP disaggregated 102 of the 169 targets into several subtargets to identify more precisely the contribution of specific government actions to the different components of each target and to enable the budget programme managers to identify if an entire budget programme, or certain elements of it, contributed to each target directly or indirectly.

35. In 2017, the Ministry of Finance integrated the methodology into the budget statement of the executive budget proposal for 2018. That had implications for the information technology systems supporting budget preparation, which included a module for linking the budget programmes with the targets and tracking budget execution linked to specific targets. Complementary fiscal transparency measures were also adopted, such as integrating a summary of the methodology into the citizen budget and publishing the results of the exercise in an open data format.

36. Several factors facilitated the reform of the budget process, including the existing programme structure of the national budget, which includes performance targets, the fact that the planning and budgeting processes were coordinated in multiple ways, and the existence of strong monitoring and performance evaluation systems. Political will was instrumental, as the development of the methodology for linking targets to the budget was developed by a small group reporting directly to the Deputy Minister for Expenditures in the Ministry of Finance. As in other countries that have made inroads into budgeting for the Goals, it is yet to be seen whether the new set-up and the information that it produces will remain simply as a tagging and mapping exercise, or if the new set-up will be used to monitor, evaluate and adjust public policies in support of implementing the Goals in significant ways.¹⁸

¹⁷ *World Public Sector Report 2019*.

¹⁸ For more information on practices around the world, see Suren Poghosyan, "Budgeting for Agenda-2030: opting for the right model". <http://workspace.unpan.org/sites/Internet/Documents/UNPAN99000.pdf>; and Ingeborg Niestroy and others, "Europe's Approach to Implementing the Sustainable Development Goals: Good Practices and the Way Forward".

V. Role of civil society in budgeting for the Sustainable Development Goals

37. Civil society organizations are engaged throughout the budget process, from formulation to oversight, with State actors, such as ministries of finance, legislators and supreme audit institutions, collaborating with social movements and the media and connecting at the local, national and global levels to hold Governments to account.¹⁹ They are also using budget information to check alignment with national development plans and implementation, assess inequalities and inform policy and practice.

38. More specifically, civil society organizations keep track of expenditures associated with the Sustainable Development Goals. They are engaging with parliamentarians and other stakeholders in Goal budget analysis in countries such as the United Republic of Tanzania, producing shadow reports on the Goals in Benin and Brazil, developing citizens budgets in Nepal to help the public to understand how the Government is addressing climate change, and working with supreme audit institutions on audits of the public sector.

39. In the United Republic of Tanzania, the implementation of the Goals falls under the framework of the five-year development plan II, requiring local authorities to integrate the Goals into their strategic plans. To ensure that local authorities were familiar with the Goals and aligned the development plan with their strategies, a local governance working group, called “Policy Forum”, which is a non-governmental organization (NGO) network, engaged with the parliamentary committee for administration and local government. A specially produced brief was focused on budget allocation trends of the Ministry of Regional Administration and Local Government in relation to the Goals, in particular Goal 3 on health and Goal 4 on education. Policy Forum looked at the budget allocation trends within the Ministry of Health, Community Development, Gender, the Elderly and Children and the Ministry of Education, Science and Technology by taking into consideration important aspects within sectors in accordance with the indicators of the Goals and the development plan, respectively. The analysis was a result of a review of the 2018/19 budget and spending trends of the Ministry of Health, Community Development, Gender, the Elderly and Children and a related assessment of whether budget allocations were conducive to implementing the Goals.

40. Policy Forum identified certain parliamentarians as champions to promote the Goals agenda during parliamentary discussions. It also hosted a strategic session with the management of the Ministry of Health, Community Development, Gender, the Elderly and Children, whereby the management identified the need to better understand the alignment of the Goals and the five-year development plan II. The network then collaborated with the Tanzania Sustainable Development Platform to provide a tailor-made seminar for the Ministry management and other staff on the development plan, Agenda 2063 of the African Union, the 2030 Agenda for Sustainable Development and the Goals. As a result of such training and engagement, the Ministry staff and councillors have a better understanding of the alignment between the Goals and development plans, as well as the budget process, resource management and ensuring value for money.²⁰

¹⁹ For a global example, see Global Initiative for Fiscal Transparency, “Episode 1: Sustainable Development Goal 16: focus on public institutions”, webinar, 1 August 2019. Available at www.fiscaltransparency.net/eng/webinar_open_public.php?IdToOpen=20190826105.

²⁰ Transparency, Accountability and Participation Network, *SDG Accountability Handbook: A Practical Guide for Civil Society* (2019), p. 23. Available at <http://www.partners-for-review.de/wp-content/uploads/2019/05/SDG-Accountability-Handbook.pdf?>

41. Another example is in Ireland, where the civil society organization Social Justice Ireland created a fully costed budget for the country for 2019, setting out its own proposed expenditure items with detailed costings for each and the associated taxation initiatives showing how the corresponding expenditure was to be financed. In Nepal, Freedom Forum, an NGO working on the right to information, worked with UNDP to develop a citizen climate budget with the aim of increasing public understanding of how the Government is investing in activities to address climate change and to foster citizen participation in budget decisions relevant to Goal 13 on climate change.²¹

VI. Possible outcomes of budgeting for the Sustainable Development Goals

42. It is worth asking whether budgeting has led to more effective, responsive, inclusive, participatory and representative decision-making processes; whether it has helped institutions to better address interlinkages between the Sustainable Development Goals to bring about transformative change in governance and public policy; and whether it has been useful in closing the Goal funding gap. While affirmative responses to all those questions are not a given, national examples of integrating budgeting for the Goals, delivering positive outcomes, do exist. The most important are described below.

Improving the budget proposal narrative

43. Government budgets and related documents include qualitative, and more infrequently quantitative, elements on implementing the Goals.²² The European Parliament showed in its study that, in Finland, during the preparation of the 2018 budget, the Ministry of Finance asked each ministry to include a short paragraph under each of the main titles in the budget proposal on how sustainable development would be reflected in its sectoral policies during the 2018 financial year.²³ In Norway, each ministry is responsible for one or more of the Goals. As in Finland, each ministry writes a paragraph about its activities in relation to the Goal or Goals for which it is responsible in order to demonstrate the links between its budget proposal and its contribution to achieving the associated Goal or Goals. The draft paragraphs are sent to other ministries for review, after which the Ministry of Finance compiles the text and includes them in a chapter on implementing the Goals, which is added to the main document of the budget proposal.

44. In Sweden, ministries are encouraged to describe the link between their areas of work and the Goals indicated in budget documents. In the document presenting the 2016 budget, the Goals were mentioned around 100 times, and around 200 times in 2017. They are handled differently by different ministries; some reference them more often than others. Linkages between the Goals made in the social sectors were comparatively scant, for instance. To use the Goals in those sectors, deliberative

²¹ Suren Poghosyan, “Budgeting for Agenda-2030: opting for the right model”. <http://workspace.unpan.org/sites/Internet/Documents/UNPAN99000.pdf>.

²² For more information, see 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 (2019). Available at www.pse-journal.hr/en/archive/sustainable-development-goals-and-indicators-can-they-be-tools-to-make-national-budgets-more-sustainable_4883/.

²³ Ingeborg Niestroy and others, “Europe’s Approach to Implementing the Sustainable Development Goals: Good Practices and the Way Forward”.

processes could be helpful to define what the Goals on poverty eradication and universal health care, for example, could mean for Sweden.

45. Several lessons can be learned from these experiences. First, the political will to incorporate sustainable development elements into budget proposal documents existed before the adoption of the Goals in some countries. In Norway, a chapter on climate change has been included in the report to the parliament for 11 years, while the national sustainable development indicators were developed as early as 2005. Second, budget documents have an official size limit and do not allow space for a comprehensive report on all Goals and targets. Thus, the Goals need to be organized and the focus should be on the national context.

46. Finland has carried out an independent gap analysis and has chosen two overarching themes for its national implementation of the Goals (carbon neutrality and the wise use of its resources), which were then reflected in the budget document. The country is planning to include a concrete analysis of the link between budgetary appropriation and the Goals in the general strategy outlook section of its budget that will concentrate on one of the focus areas in the Government's implementation plan. Therefore, integrating the Goals into the budget document may require prior identification of the most challenging Goals or targets.

Mapping and tracking the budgetary contribution to the Sustainable Development Goals

47. Governments monitor their budgets according to the Goals so that they can determine the percentage of Goals linked to any budgetary programme, and vice versa. The Government of Mexico links its budgetary programmes to the Goals for the purposes of: (a) raising awareness of the 2030 Agenda for Sustainable Development and the importance of its implementation in Mexico; (b) knowing the objectives, goals and proposed indicators; (c) relating the proposed objectives, goals and indicators to institutional work; (d) identifying areas of improvement in institutional planning to achieve the Goals; and (e) identifying the budget of each budget programme that contributes to the achievement of the targets of the Goals.

48. The Government of Colombia has undertaken similar work, having developed an automatic text analysis tool to identify links between budgetary programmes and each Goal. Nepal and the State of Assam in India have gone a step further, coding their budget according to the Goals to keep track of the allocation of resources for each Goal. In these two cases, resources relevant to the Goals were tracked at the budget line level. Generally, the assumptions underlying the mapping and tracking system used were made by each ministry or department, which meant that there could be variation across agencies. Categorizing spending with regard to the Goals does not enable one to know how the spending has an impact on achieving the Goals. While it improves spending transparency, accountability could be increased by the addition of performance indicators, as in the case of Mexico. This would enable clear connections between spending and outcomes to be established.

Using the Sustainable Development Goals as a management tool for negotiations

49. Some ministries use the Goals to justify their budget proposals and negotiate for more monetary resources. In Assam, the Goals are now a tool for line departments to obtain priority funding. In Afghanistan, the Goals are used as a framework to select which grant applications from the provinces will obtain central government funding. The idea is for each application to contain a description of how the grant will contribute to the Goals, enabling the Ministry of Economy to prioritize development projects and to follow up on their implementation progress. The Goals are thus used

as a management and negotiation tool during the drafting of the budget even though the actual monetary impact of such an approach remains limited.

Improving budget performance evaluation

50. Governments typically link the Goals to their national objectives and adapt them to their national contexts prior to adopting key performance indicators to evaluate their national development, including budget performance. The key performance indicators indirectly reflect the Goals, partly because they are nationally translated. Such national translation is important to make the Goals suitable for budget performance evaluation. First, the targets are translated into clear national objectives. Then they are measured as trends linked only to the relative Goal targets. Slovenia has linked the Goals to national objectives and has adapted them to its national context. It has 30 key performance indicators to evaluate national development, including budget performance. The indicators indirectly reflect the Goals but have been translated nationally, which is important to make the Goal framework suitable for budget performance evaluation.

51. The experience of Slovenia shows that, in terms of the steps to be taken, first, the targets need to be translated into clear national objectives. Many Goal targets are formulated as trends with only relative targets. Therefore, Slovenia has carried out a gap analysis and adopted the Slovenian Development Strategy 2030, which has 12 goals and a national development policy programme. The 30 results-oriented key performance indicators developed to influence future budgets stress the fact that it is of little use to have Goal-aligned indicators for a budget that was not originally planned with the Goals in mind. Therefore, there is a need to translate the Goals into long-term national political targets. Slovenia also plans to integrate strategic development plans from 2020 onward.

52. The example of Slovenia also demonstrates that using the Goals for budget performance evaluation requires some effort to adapt the targets and indicators. In addition, it becomes easier to integrate the Goal indicators into a performance budget evaluation system if they have also been integrated into national political targets. What can perhaps be done at a lower cost is to disaggregate existing budget performance indicators. That could deliver important information that could be used to better integrate the principle of leaving no one behind into policy design. Using the Goals for performance evaluation increases accountability. With regard to coherence, how the evaluation system is designed and whether the indicators reflect appropriate interlinkages are critical factors. The revision of budget performance indicators in the light of the Goals, when done appropriately, may also be useful.²⁴

VII. Enabling budgeting for the Sustainable Development Goals

53. The question that arises at the end is what actions countries and international organizations can consider for strengthening budgeting practices for the Sustainable Development Goals and when they should do so, taking the country context into account. The first characteristic of successful budgetary integration of the Goals relates to the broader Goal implementation strategy of a country and the extent to which a Government can shape the broad Goal framework in line with its national context and priorities, as well as its sustainable development challenges.

²⁴ For more information about the possible outcomes and the way forward, see Elisabeth Hege, Laura Brimont and Félicien Pagnon, “Sustainable development goals and indicators: can they be tools to make national budgets more sustainable?”; and Elisabeth Hege and Laura Brimont, “Integrating SDGs into national budgetary processes”.

54. It is easier to link the Goals to the budget if there is a national implementation plan or strategy that indicates national priorities. Such priorities can be cross-sectoral, and the process of adaptation can be supported by an independent gap analysis. High-level political support is an important condition for success as well, since ultimately the entire process of budgeting for the Goals is political.

55. The second characteristic of success is the degree of involvement of the ministry of finance and whether the ministry is leading or supporting such a budgetary exercise, whether such an exercise is intrinsically motivated and initiated by the ministry, or whether the ministry is engaged on an ad hoc basis or is resistant to such efforts. That said, it is paramount to have the acceptance of all parts and levels of government, not just the ministry of finance.

56. Another issue is whether a ministry of finance uses the Goals as a management tool to negotiate resource allocations and advance coherence within the overall national budget. One signal that the Goals have an impact, at least marginally, as an argument in budget negotiations, is that ministries voice their concerns on some Goals and use them to defend their proposals and fight for their budget share.

57. The third characteristic of successfully integrating the Goals into the budgetary process is political debate and increased accountability. It is essential that the tools and processes developed to integrate the Goals into national budgets are taken up by stakeholders, such as NGOs, parliamentarians and supreme audit institutions, as such actors are crucial in holding Governments to account regarding their commitments to the 2030 Agenda for Sustainable Development.

58. Other factors, such as a universal budget classification system for the Goals, may also prove to be useful in integrating the Goals into budgets. The advantages would be greater international comparability than would otherwise result from the sporadic introduction of budget tagging systems applied to cross-cutting Goals, such as gender or climate change. That said, the proposals to advance budgeting for the Goals try to identify different options available to countries depending on their institutional context, characteristics of the budget process and demand for budgeting for the Goals.

59. The effective mapping of budget information onto the Goals also depends on budgets being linked to performance information. In such cases, countries can more readily identify the output and outcome indicators for different goals and targets. In some cases, they may coincide with the Goal indicators of the global indicator framework and/or national Goal indicators, but in other cases specific indicators that relate more closely to expenditures may be more suitable.

60. Countries that have a system of performance- or results-oriented budgets can consider including the Goal indicators in their budget systems. Even if they do not have them, Governments can set up a simple system to monitor and report on them alongside monitoring and reporting on the financial numbers. It is more important to promote further discussion regarding the ways in which Governments around the world can find ways to usefully track public resources invested in pursuing the Goals. That will greatly facilitate overall monitoring and enhance accountability of the sustainable development agenda.