National budget processes and the SDGs: international perspective

Expert Group Meeting on “Budgeting and Planning in Support of Effective Institutions for the SDGs”

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Outline

• Budget processes and the SDGs
• Lessons from the MDG period
• Typology of approaches
• National actions to link SDGs and budgets so far
• Drivers of SDG integration into budget processes
• Options for countries
• Conclusions
Budget processes and the SDGs

• Countries need systems that allow the government and other actors to link revenue collection and the allocation of resources with policy objectives as well as with performance in achieving those
  • Ideally, such systems should enable governments to measure shifts in the allocation of public resources across goals, and show how the allocation of public resources is changing society in the short, medium and long terms
• Ensuring progress on SDG implementation requires close integration and alignment between planning, budgeting, monitoring, and accountability processes
• In many countries, SDGs have been integrated in sustainable development strategies and national development plans, as well as increasingly into sustainable development financing strategies
• Efforts to link the budget process with the SDGs started in earnest very soon after the adoption of the 2030 Agenda
  • informed by previous attempts to link MDGs with national budgets, as well as efforts to track public expenditures in support of sectoral objectives (e.g. environment, climate change)
  • within the context of long-term reform processes in public administration, including reforms of public financial management (PFM) systems
Lessons from the MDG period

Main challenges:

- Some goals were easier to track than others
  - E.g., education versus smallholder agriculture or social protection
- Crucial role of adapted budget classification systems that enable the tracking of expenditures in a disaggregated way and the linking of spending and performance.
- Delays in the production of spending figures were a common hindrance
- Complexity of getting consolidated pictures from expenditures made at various levels of government or through privatization arrangements
- The reflection of internationally-agreed goals in national planning documents did not necessarily materialize in substantive changes in public expenditures in support of those goals

Some of these challenges are still prevalent

- E.g., many countries still do not have classification systems that enable them to track public expenditures on specific programs or policy objectives in a detailed way
  - Open Budget Survey 2017:
    - out of 115 countries surveyed, 67 per cent used a functional classification, and only 44 per cent used a functional classification based on international standards.
    - The number of governments that were able to track expenditures on multi-year periods and across levels of governments was even lower.
Systems used to link budgets and SDGs

Most frequently adopted approaches are SDG-specific (for example, focusing on climate or biodiversity) rather than Agenda-wide; and ad hoc rather than systemic
National actions to link budgets and the SDGs

• No global mapping, but multiple efforts to map national actions to link the SDGs to the budget process in recent months
  • OECD, 2019, UNDP, 2018, European Parliament, 2019, Kindomay, 2019
• As a whole, limited adaptation of national budget systems to link them with the SDGs
• 46 voluntary national reviews presented at the UN in 2018
  - 6 countries reported incorporating the SDGs into their budget processes in some fashion: Colombia, Ecuador, Latvia, Mexico, Uruguay and Viet Nam
  - 25 provide no information on inclusion of the SDGs in national budgets or budgeting processes
  - 15 show that the SDGs have not been incorporated into budgetary processes
• OECD countries
  - So far the SDGs have not prominently impacted national approaches for designing performance budget indicators
  - Hardly any evidence of reporting on SDG progress in accounts produced at the end of the budget cycle
National actions to link budgets and the SDGs (2)

Among 28 European countries, 10 link or plan to link the SDGs to their budgetary process

• In many of these, the linkage is limited to the inclusion of qualitative elements of SDG implementation in budget documents submitted to parliament, e.g. Finland
• Use of performance indicators based on SDGs for the budget is very limited
  • Italy: inclusion of indicators related to well-being in the budget process
  • Slovenia plans to integrate 30 key performance indicators (KPIs) linked with national targets related to the SDGs into the budget by 2020
  • Spain: plans to pilot a methodology to align the federal budget with SDGs, for implementation in 2020
• A few developed countries tag how different budget appropriations contribute to certain SDGs or targets, but this is often limited to aid budgets
Variety of arrangements across countries

• Great variety in the arrangements adopted across countries
  • Supplying basic information on SDG targets and related budget allocations for information purposes
  • Qualitative reporting of budget allocations in a narrative way presented by the executive branch
  • Tracking of expenditures for specific sectors, ex post (e.g. biodiversity, climate)
  • Performance indicators to full-fledged SDG-based budget classification systems
• Many countries have adopted limited approaches
• Depending on the motivations underlying budget process reform, countries can put emphasis on different products and tools
  • for example, citizens’ budgets for specific SDG areas
• Linkages with the SDGs made at different stages of the planning and budget cycle
  • Choice of approach impacts capacity to track and monitor progress on SDGs
  • E.g. focus on integrating the SDGs in the budget formulation vs. on the performance evaluation side
Linking budgetary programmes and SDGs: Mexico
Drivers of SDG integration into budget processes

• Both political and technical drivers
• In some countries, the transition from line budgets to program and performance-based budgeting drives the integration
• In other countries, non-state stakeholders or the legislature may take an active role in incorporating the SDGs into the budget discussion
• In general, countries that have incorporated SDGs into their budget tend to be those that have made progress on programming and the inclusion of performance indicators
  • Examples in Latin America: Argentina, Colombia and Mexico
• Key political factors:
  • How to mobilize interest for the SDGs in the ministry of finance
  • Engaging all the relevant parts of the national institutional system around budget reforms
  • Building institutional capacity around SDG budgeting in key institutions
• Risk: business as usual, with results on already existing programmes being re-cast ex-post in terms of the SDGs, without fundamental changes in resource planning, allocation and spending
  • Cf. recent study done for the European Parliament: so far, SDGs have so far not been systematically used as a way to reorient public spending
Options for countries wanting to adopt SDG budgeting

Many types of models
• Implementing SDG budgeting requires not only technical, but also legal and institutional changes, as well as political will
• Reforms to implement SDG budgeting should be part of broader reflections on how to best integrate the SDGs into national governance systems

Key questions:
• Who will be the primary users and beneficiaries of SDG budgeting?
• Who will be mainly responsible for implementation of the SDG budgeting process?
• What is covered by SDG budgeting?
• When in the budget cycle will SDG information will be used?
• How will the PFM business processes adapt to SDG budgeting?
Options for countries wanting to adopt SDG budgeting (2)

• “Ad hoc” actions that most of the countries can take without significant transformations in their budget processes and within human, financial and technical resources
  • E.g. presentation of SDG-related goals and targets in budget statements
  • E.g. simple reporting on SDG performance
• More structural reforms of their budget processes require:
  • adjustments in business processes and standards of operations
  • institutionalization of SDG target accountability for performance
  • adoption of monitoring and reporting systems on outcomes, including linking budget expenditures to specific performance targets
• Such reforms may take many years to fully implement
• Importance of giving attention to
  • state of the national PFM system and the relevant capacity in public administration
  • “demand” for SDG budgeting information by line ministries and external stakeholders
International overview: Conclusions

• High awareness of the importance of establishing solid linkages between national budget processes and visions, strategies and plans, and development outcomes
• Still limited information on ongoing efforts to link budgets and SDGs, including for MENA
• All countries cannot be expected to adopt the most ambitious versions of SDG budgeting in the medium term
• Capacity of national governments to track how public spending contributes to the realization of the SDGs will only increase progressively and will depend on national circumstances
• Key factor: how can ongoing PFM reforms can be used to support SDG implementation and inform SDG monitoring?
Thank you

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### Sources of information: voluntary national reviews

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