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Transforming institutions and governance to build forward better towards 2030

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Written statement by the United Nations University Institute for the Advanced Study of Sustainability (UNU-IAS)

Agenda item 3: Governance and public administration aspects of the theme of the 2022 session of the Economic and Social Council and the 2022 high-level political forum on sustainable development.

The following inputs focus on ensuring coherent policy and governance to build back better at the subnational level. They reflect insights and conclusions from research in Asia, published in the report “COVID-19 and Progress on Subnational Localisation of the SDGs” (UNU-IAS and United Cities & Local Governments Asia-Pacific, 2021).

I. Main issues

- (a) The emergency has raised and amplified various forms of challenges for subnational governments, ranging from social and economic to institutional concerns. The greatest challenge in managing the COVID-19 crisis is finance, such as the drop in public revenue and the surge in expenditures. The crisis has also brought other challenges to the fore, including a shortage of human resources, weak public compliance with public health measures, and limited quality data.
- (b) Vertical and horizontal coordination mechanisms across levels and between sectors are recognised by subnational governments to have a critical function in responding to the COVID-19 crisis. Subnational governments have indicated that multi-level coordination is necessary to ensure that available resources are effectively utilised and all relevant stakeholders can work together constructively.
- (c) Subnational governments have underlined shifting priorities in overcoming the health crisis as the main challenge of localising the SDGs during COVID-19. Due to the crisis, subnational governments prioritise strategies and policies and desired support from the national government that directly responds to immediate health and wealth issues.

- (d) Subnational governments have prioritised SDG 1 (no poverty), SDG 3 (good health & well-being), and SDG 8 (decent work & economic growth). Goals possibly perceived to deliver less tangible benefits during the emergency, such as gender and environmental goals, have received less priority.

II. Recommendations

- (a) Strengthen or reorient multi-level and cross-sector governance and coordination to manage pandemic and post-pandemic impacts while accelerating 2030 Agenda implementation. It is important to maintain a balance between centralised leadership establishing policies and guidelines and subnational governments' capacity to act accordingly. Referring to the SDGs as the overall framework could ensure an integrated approach, as policy adjustments made during the pandemic situation are contributing to attainment of the SDGs in various ways.
- (b) Actively support and pursue horizontal cooperation between subnational governments and with non-state actors to promote a coherent approach to response and recovery. Support from national governments to create more inclusive platforms that reflect local needs should reach all cities, especially through technical peer-to-peer networks and communities of practice.
- (c) Deliver national recovery strategies with explicit context-specific and place-based considerations to manage the differentiated impacts of COVID-19. To enable this, national governments should involve subnational governments in the development and implementation of recovery plans from the early stages. National recovery strategies and their fund allocation criteria should be guided by strategic national and subnational priorities.
- (d) Increase national support to the subnational level for key policy sectors to overcome the COVID-19 pandemic. Our study highlights that greater support is needed from the national government in terms of healthcare access, poverty reduction and employment creation, and food security. National economic recovery packages should prioritise these areas and provide technical assistance and guidelines to help subnational governments invest in a smarter way.

Agenda item 7: Issues in public financial management and budgeting for the Sustainable Development Goals

The following inputs focus on integrating the SDGs into budgetary processes at the national and subnational levels. They are based on UNU-IAS research including comparative analysis of VNRs presented in 2021, which will be elaborated in the forthcoming UNU-IAS Policy Brief “Budgeting for the SDGs: Lessons from the 2021 Voluntary National Reviews”.

I. Current practices

- (a) In their 2021 VNRs alone, 31 out of 40 Member States reported undertaking or planning to map and track their national budgetary expenditures according to the

SDGs. This continues an ongoing trend; in 2020, 30 out of 47 Member States reported a similar effort. This shows that governments are serious about delivering the SDGs and undertaking measures to bridge the SDGs with their national budget systems.

- (b) Governments also see the merits of further integrating the SDGs into their budget monitoring systems, or developing an SDGs-aligned budget performance report to ensure budget items contribute to and are evaluated against SDGs progress.
- (c) The 2021 VNRs show an ongoing positive trend towards integrating the SDGs into public budgets at the subnational level. While it is not yet as widespread as SDG budget tagging at the national level, eight Member States indicated that similar exercises had been conducted by their regions and/or cities. This includes cities and regions in Cabo Verde, Norway, Spain, Sweden and Thailand.

II. Approaches by Member States to integrating the SDGs into budgetary processes: formulation & execution

The analysis of VNRs by UNU-IAS has identified eight different ways in which Member States exercise their strategy for integrating SDGs into national budgets:

- (a) Improving budget narratives:
When submitting budget proposals, line ministries are asked to provide information on the relevant SDG targets corresponding to the budget programmes being proposed.
- (b) Tracking budgetary contribution:
Budgetary expenditures are tagged to determine allocations for each SDG target.
- (c) Utilising the SDGs as a management tool for negotiations:
The SDGs are used to determine which budget programmes and investments to prioritise among those proposed by line ministries. The SDGs improve policy coherence and integrated national financing framework (INFF includes budgeting).
- (d) Improving budget monitoring and evaluation:
Budgeting monitoring and evaluation frameworks are improved to incorporate the SDGs.
- (e) Establishing a dedicated fund:
A separate fund is allocated for SDGs-related programmes.
- (f) Aligning programmatic budgeting:
Aligning programmes or the programmatic framework with the SDGs, i.e., budget tagging in the programmes.
- (g) Identifying which parts of the budget are related to each SDG (as part of the VNR process):
In evaluating progress on each goal, the Member State only identifies the budget allocated for specific programmes that seem to contribute to the goal.

- (h) Stating that the SDGs are reflected in budgets:
Making a basic statement that the SDGs are reflected in the budget, without elaborating or providing details. It is usually a result of the SDGs being integrated into national and sectoral plans.

III. Approaches by Member States to integrating the SDGs into budgetary processes: approval & oversight

Of the Member States that presented 2021 VNRs, only six signalled approaches to integrate the SDGs into budget approval and oversight processes. This indicates insufficient progress in integrating the SDGs into the budget cycle among legislative budget/audit committees.

Examples from Member States:

- (a) Costa Rica: parliamentary responsibilities for the SDGs include budget assessment/approval for implementation.
- (b) Nepal: the committee has also developed a Parliamentary Checklist to make national laws and budgeting SDGs-oriented.
- (c) Mali: the government has established a Special Watchdog Committee of its parliament to ensure adequate budget allocations for SDGs-related programmes and close monitoring of their implementation by the government.
- (d) Turkey: Turkey's commitment to embed the SDGs into its national policies and improve the practices is highlighted at the ministerial level during budget deliberations of the parliament.
- (e) Uganda: the parliament assesses the performance of the national budget using two essential compliance tools: Certificate of Compliance and Gender and Equity Certificate
- (f) Uruguay: the SDGs are included in the annual budget report to the National Parliament.

IV. Main issues

- (a) In many Member States, integrating the SDGs into the budgeting monitoring system requires reform of the public finance mechanism through developing solutions beyond standard sectoral budgeting reforms. Member States including Czechia, Denmark, and Mexico have developed an SDGs-aligned budget performance report and M&E mechanisms as a single integrated system to support the development of SDGs-targeted public policies and their translation into budgets.
- (b) Given the broad and interlinked nature of the goals, SDG budgeting requires clear accounting of outlays on public services and public investments that contribute towards achieving them. For Member States, assessing SDG budget needs could help to calculate the SDG financing gap in the potentially available domestic budget.

- (c) The primary goal of institutionalising the integration of the SDGs into the budgetary framework should be pursued in a way that recognises the specific context of the Member State’s policy and strategic planning system.

V. Recommendations

- (a) Identify a budget methodology and strategies for finance system harmonisation. This can be part of establishing an Integrated National Financing Framework (INFF), prior to the determination of SDG budgeting, to analyse the risks associated with possible misalignment of budget systems, methods, and data consolidation.
Note: Following up on the Addis Ababa Action Agenda, the Inter-Agency Task Force on Financing for Development has recommended four building blocks for INFF: (i) assessment and diagnostic, (ii) financing strategy, (iii) monitoring and review, and (iv) governance and coordination.
- (b) Integrate the SDG targets into programmatic budgets. While SDG budget classification — such as budget tagging and coding and ad hoc SDG budget execution — can facilitate the integration of the SDGs into budgeting frameworks, Member States and cities need to move forward with more integrated planning and budgeting processes, including by incorporating the SDGs into mid-term and annual budgeting processes to enable focused budget decision-making for each SDG target and SDG-aligned budget post.
- (c) Develop an impact- or results-oriented budgeting mechanism aligned with the SDGs. Integrating the SDGs into the medium-term expenditure framework and budget steps are key to supporting this strategy, including adjustments to budget calendars to allow more policy-based budget negotiations and better strategic allocative functions.
- (d) Link SDG costing with investment through expenditure and fiscal space analysis. In calculating SDG costs, fiscal authorities must avoid double-counting investment needs by ignoring synergies across different types of investments, i.e., SDG interlinkages. Governments should utilise assessments such as Public Expenditure Review (PER), Public Expenditure and Institutional Review (PIER), and Public Investment Management Assessment (PIMA) in cross-cutting areas such as biodiversity, climate, and gender to gain a complete picture of the SDG investment gap, fiscal space, and potential stakeholders.

Agenda item 9: Issues in digital government

The following inputs focus on closing digital gaps and accelerating the digitalisation of services. They are based on the report “COVID-19 and Progress on Subnational Localisation of the SDGs” (UNU-IAS and United Cities & Local Governments Asia-Pacific, 2021).

I. Main issues

- (a) COVID-19 has accelerated the digitalisation of governance and public services delivery in cities. Subnational and local governments should leverage this experience to upgrade digital services for their finances.
- (b) Despite the importance of digital connectivity, the issue of the digital divide remains neglected. National governments should encourage subnational governments to invest in digital infrastructure and consider digital acceleration as one of the priority areas for building back better at the local level.

II. Recommendations

- (a) Investment is needed in e-government tools for fiscal and financial management and skilled financial managers to help financial decisions and management. Leveraging ICT for public finance can also help subnational governments to undertake participatory budgeting. Participatory budgeting is key to ensuring that public funding is allocated equitably and guaranteeing that communities have a say in decisions that will significantly affect them.
- (b) All stakeholders at the national and subnational levels should ensure adequate weight is given to digital inclusion. This means providing necessary measures to evaluate potential solutions, their impact, and cost-effectiveness through research, and working with communities to address issues of opportunity, access, and skills for using technology.