

24th session of the Committee of Experts on Public Administration

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

Agenda item 7: Sustainable public finance

These inputs are based upon UNU-IAS research findings, including the following publication:

- Liu, W. and Okitasari, M. 2023. “[Advancing Carbon Neutrality in China: From Green-Oriented to Climate-Driven Public Finance](#)”. *WIMAYA: Interdisciplinary Journal of International Affairs*, 4(2), July-December: 66-80.
- Okitasari, M., Liu, W., Kandpal, R. and Morita, K. 2023. “[Closing the Gap on City Climate Finance in Developing Countries](#).” UNU-IAS Policy Brief No. 42, Tokyo.
- Okitasari, M. and Kandpal, R. 2022. “[Budgeting for the SDGs: Lessons from the 2021 Voluntary National Reviews](#)”. UNU-IAS Policy Brief No. 32, Tokyo.

Challenges for public financial management reforms to close the Sustainable Development Goals financing gaps

- Closing the financing gap for the Sustainable Development Goals (SDGs) and climate action requires substantial capital from both public and private sectors. The global SDG financing gap exceeded USD 4 trillion annually in 2024, up from USD 2.5 trillion in 2015.¹ Research further underscores that public investment remains critical for sustainable development and climate action. For example, in China, public sources account for more than half of the total green finance for advancing climate mitigation, adaptation, resilience and renewable development. Scaling private finance for sustainable development and climate action faces barriers such as inadequate regulatory frameworks and incentives, leaving governments as the primary providers.
- Governments are increasingly recognizing the merits of further integrating the SDGs into their budget monitoring systems, or developing SDG-aligned budget performance reports to ensure that budget items contribute to and are evaluated against SDG progress. Uruguay has conducted a budget tagging exercise and ad hoc SDG budget execution reporting, i.e., its annual budget report includes information on the SDGs. Czechia, Denmark, and Mexico have developed integrated systems to support the development of SDG-targeted public policies and their translation into budgets. These efforts require broader public financial management reforms, including integrating the

¹ See UN (2024) Financing for Sustainable Development Report: Financing for Development at Crossroads. <https://unctad.org/publication/financing-sustainable-development-report-2024#tab-2>

SDGs into the budgeting monitoring system, enhanced data systems and capacity-building, which are often constrained by resource limitation and institutional barriers.

- Data transparency and evaluation gaps can undermine progress in closing financing gaps. Countries continue to make progress in developing regulations and standards for sustainable development and climate finance. However, no comprehensive dataset exists for SDG-relevant, green or climate public finance. Consequently, there has been a notable lack of evaluation regarding the state of such finance. Without robust data, evaluating the progress and alignment of public finance with sustainable and climate goals is challenging.
- Assessing SDG budget needs could assist countries in calculating the SDG financing gap in their potentially available budgets. SDG costing is essential for developing countries to secure investments and development assistance necessary to achieve the SDGs. It can help governments, donors and international organizations develop strategies for specific SDG targets. SDG costing may or may not be part of SDG budgeting exercises, but alignment between the two, particularly SDG costing for the public sector, is important for SDG financing strategies.

Recommendations

- *Establish a budget system that incorporates climate and SDG considerations.*

Prioritizing the SDGs and climate action in budget allocations and adopting a “whole of government” approach can help governments to effectively utilize spending, taxation and market-oriented mechanisms. This involves setting science-based emission reduction targets at the national, subnational and sectoral levels, aligning them with public finance and fiscal plans. To enhance implementation, a monitoring system should be in place to track budget plans and evaluate financial progress toward achieving SDGs and climate goals. The experience of China suggests that tracking and differentiating financial flows based on objectives related to pollution control, nature conservation and carbon neutrality — the three major works to which green public finance in China is allocated — enhances coordination and monitoring of public finance.

- *Proactively explore the potential of leveraging government expenditure and fiscal revenue to expand public financing for climate action and the SDGs.*

On the expenditure side, countries can increase their fiscal spending with a specific focus on SDG-oriented, green-oriented and climate-oriented initiatives, such as renewables, industry decarbonization and low-carbon transport. Aligning this fiscal effort with sustainable or green finance taxonomies can maximize the impact and accelerate the attainment of SDGs 7, 11 and 12. Increasing public spending on technology and education is also important, as these areas contribute to sustainable development. On the revenue side, it is necessary to assess the feasibility of aligning tax measures with climate goals and SDGs and to explore potential synergies with existing market-based mechanisms to mobilize more green public finance. This includes incorporating a “carbon constraint” into current tax measures and establishing an effective carbon pricing mechanism, such as improving the emissions trading system (e.g., China) or implementing a carbon tax (e.g., Singapore).

- *Integrate SDG targets into programmatic budgets*

While SDG budget tagging and ad hoc SDG budget execution reporting can facilitate integration of the SDGs in budgeting frameworks, integrating SDG targets into the budget programme can further inform policymakers on the effectiveness and efficiency of budget intervention toward attaining the SDGs. Incorporating the SDGs into mid-term and annual budgeting processes can enable focused budget decision-making for each SDG target and SDGs-aligned budget post. Colombia's strategy to utilize the Development Finance Assessment links SDG indicators with the government's annual work plan and budget according to policy priority preference. Countries and cities with performance and programmatic budget tagging should consider extending the practice to performance-based evaluation.

- *Link SDG costing with investment through expenditure and fiscal space analysis*

A clear accounting of outlays on public services and public investments contributing to SDGs can provide information to identify the scope of financing gaps and avoid double-counting by considering synergies across different types of investments. Reflecting SDG interlinkages in implementation strategies can support SDG costing exercises along with calculating the short- and long-term dynamics of different types of spending. Examples of countries conducting SDG costing assessments include Egypt, Indonesia, and the Lao People's Democratic Republic. Egypt conducted a cost assessment of SDG contributions across sectors (education, health, social protection, water and sanitation, and transportation) and identified women's empowerment as a cross-cutting issue.

- *Leverage public expenditure assessment to identify SDG investment gaps, fiscal space and potential stakeholders.*

Utilizing assessment tools such as Public Expenditure Review, Public Expenditure and Institutional Review, and Public Investment Management Assessment in cross-cutting areas such as biodiversity, climate and gender can help policymakers to gain a complete picture of the SDG investment gap, fiscal space and potential stakeholders. The results should be used to develop appropriate platforms to connect stakeholders and SDG beneficiaries. Malaysia has established the "MySDG Trust Fund" to direct funding from companies, individuals and entities within and outside the country for SDG-related projects. Colombia has introduced an SDG Investor Map to help direct domestic and foreign investments to achieve the SDGs.

- *Integrate the SDGs into local budgets*

Local-level SDG budgeting is a promising development, with regions and cities conducting SDG-budget tagging exercises, including cities in Cabo Verde, Norway, Spain, Sweden and Thailand. Castilla y León (Spain) has established a mechanism to evaluate local budgets against the SDGs. Its budget for 2022 will also be planned based on the SDGs. In Malmö (Sweden), the city's 13 budget goals identify several SDGs to which it contributes. Its sustainability reporting includes SDG analysis, which is applied as one of the evaluation criteria for budget decisions. Similar actions are being undertaken in Rheden (the Netherlands).