

CEPA 20th session - discussion on SDG budgeting and financial management

April 14th, 2021

Topic: Integrating the SDGs into national and subnational budgeting and financial management

Intervention: Policy priority inference in SDG-related budget analysis

Subnational governments are where people live, the closest public authorities to the day-to-day public service demands. In many countries, they are large recipients of expenditure transfers from the central government, and in many cases, they are responsible for implementing national policies regionally or locally. What are the implications for the SDG global implementation agenda?

To put it briefly, many of the goals cannot and will not be achieved without a very strong engagement of local governments. As such, their financial management represents a large part of the path towards effectively delivering on the 2030 Agenda. Nonetheless, they face significant challenges in terms of coordination, functions, capacity and accountability chain vis a vis national authorities. These include resource collection and budgetary constraints. They also lack opportunities of impactful engagement with the private, academic, and social sectors, and usually have a deficit in access to innovation, peer learning opportunities, and technology. Such challenges tend to translate into responsibility and capacity gaps when addressing the SDGs as guidelines for policy priority.

The [Global Initiative for Fiscal Transparency](#) (GIFT) has identified that subnational governments face several **circumstances** when incorporating the SDG agenda to their budgets. For instance,

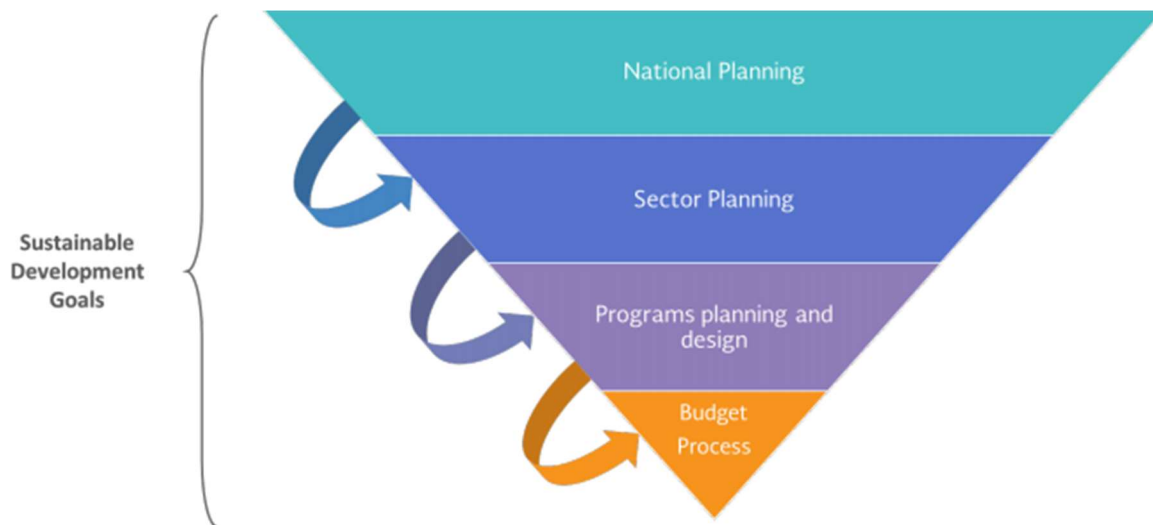
- **Subordination to the national authority in terms of allocations objectives:** national agencies oversee implementation of national priorities, and local governments must align their activities to the national mandates on resource allocations. This can lead to accountability gaps in terms of how to correctly incorporate these allocations within the SDG framework, as local implementers lack ownership of the agenda they are implementing, and national authorities lack territorial oversight capacity.

- **Inter-governmental coordination in national development plans/programs and vertical policy coherence** amongst these government levels is needed specifically on SDG targeting, as well as the horizontal policy coherence challenge from the subnational integrated agenda, also in need to accommodate the national policy priorities.
- When local governments define their development agenda, they often have **insufficient information for evidence-based budget and outcome analysis**.
- Shorter times in office of elect officials and decision makers tend to impact the agenda formation as well as causing a steep learning curve, all of which hinder a long-term planning.
- **Lack of reliable and up-to-date Financial Management Information Systems (FMIS), and/or data interoperability** and the ways to link information throughout the budget cycle, impacts the mere capability of linking expenditures to outcomes. When done manually, this factor impedes the automated adaptability to changing circumstances that would ensure sustainability of policy prioritization, including the Goals.
- **The budget credibility test**, which implies that once approved, a government's budget should function as a roadmap to guide spending toward effective delivery of public services and progress on sustainable development, might also suffer. Quite frequently, as shown by the work on the matter by IBP, governments veer off course, underspending in some strategic development areas and overspending in other areas, triggering society and taxpayers' questions about the reliability of the budget systems, especially when expected impacts are missed.

To keep in mind is that the relationship between the SDG agenda and its indicators and government's budget is not direct, it must be built on. **Horizontal and vertical policy coherence of development objectives are not commonly mainstreamed to budgets, as they are more broadly understood as resource allocations distributed to administrative units or programs, rather than as enablers and necessary elements for the achievement of societal outcomes.** In other words, currently there is no proactive coexistence of these agendas.

Having said that, the **entry points between SDG policy objectives and the budget cycle can take place at subnational development planning structures and documents**, such as subnational development plans. Ideally, such planning structures are aligned to **performance-based budgeting through budgetary programs that have specific allocations** for each of them and have performance indicators with corresponding baselines, goals and targets adhered to them¹:

¹ Rivero del Paso, L. and Narváez, R. (2019). *Institutional Principles and Strengthening the Budgeting Process to achieve the Sustainable Development Goals. Background paper for the World Public Sector Report of 2019*,



Some key cases to look at in this regard are the Mexican, Colombian, and Malaysian, at the national level. However, **at the subnational level, there are also examples that are starting to align their local development planning to the SDG's, such as Bogotá in Colombia, or through transversal priority mainstreaming, such as Guanajuato or Quintana Roo in Mexico.** In these cases, the scope of policy objectives is particularly relevant: in the case of Guanajuato, it's progressive, starting from a gender responsive budgeting initiative, whereas in Bogotá and Quintana Roo it streams from the agenda.

Also, **some national governments have tried to include subnational governments in their SDG national agenda, and in other cases innovative local governments have included on their own the SDG agenda in their plans and programs.** For example, some Canadian provinces (Alberta, British Columbia, Prince Edward Island and Québec), are cooperating with the federal government through the Pan-Canadian Framework on Clean Growth and Climate Change. In Africa, the Cross River State in Nigeria participates in meetings coordinated by the Federal Ministry of Environment on adaptation strategies at the country level. In Mexico, the State of Jalisco has adopted measures aligned to those undertaken by the federal government.

To further effective practices in this regard, it would be beneficial for the international cooperation community to prioritize frontal actions to come together and address this topic, by, for example:

Sustainable Development Goal 16: Focus on public institutions. UN Department of Economic and Social Affairs (UNDESA).

- Organizing peer learning opportunities and forums that include subnational/city government's networks, specifically targeting the issue of mainstreaming SDG policy priorities in their public financial management: GIFT is doing so on gender responsive budgeting, as well as in child and youth policy priorities mainstreaming into budgets.
- Gathering relevant practices through working documents and reports, highlighting legal, institutional, FMIS and political arrangements that allow for SDG policy priorities to be mainstreamed in every stage of public financial management.
- Providing an open repository, targeting this issue and highlighting paths forward that address the specific above-mentioned challenges in terms of the intersection of public budgets and the SDG agenda.
- Capacity building efforts on this topic directed specifically to subnational government's public servants, unavoidably including those in the Ministries of Finance and Planning entities.