

CHAPTER 3:

**BUDGET PROCESSES
IN SUPPORT OF SDG
IMPLEMENTATION**

3.1. Introduction

This chapter examines how budget processes can be harnessed to better support the implementation of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs).

Awareness of the importance of means of implementation for achieving the Agenda and the SDGs has been consistently high during and since their elaboration. In addition to a goal dedicated to means of implementation (goal 17), each of the other goals in the SDGs includes so-called means of implementation targets. The Addis Ababa Action Agenda, agreed in July 2015, is recognized as an integral part of the 2030 Agenda. In the words of the Agenda, it “supports, complements and helps to contextualize the 2030 Agenda’s means of implementation targets”. The follow-up process for the Addis Ababa Action Agenda has put emphasis on the need to accompany national sustainable development strategies with associated financing strategies, which seek to mobilize resources from all sources, reflecting the recognition of the need for a comprehensive approach to financing the SDGs.

So far, perhaps less attention has been devoted to national budget processes and the ways in which they can support the implementation of the SDGs. Yet, budget processes are a critical link in the chain that connects sustainable development objectives, strategies and plans, public spending and finally outcomes. By linking public spending to agreed development objectives, the budget process delivers two essential functions in this respect: first, it informs resource allocation and enables public spending to reflect development priorities; and second, the information produced through the budget process allows for the monitoring and evaluation of the goals, through linking public expenditures with outcomes.

Efforts to link the budget process with the SDGs started in earnest very soon after the adoption of the 2030 Agenda, with pioneer countries such as Mexico aiming to reach almost complete mapping of budget expenditures with the SDGs. Many others have used tagging to follow resources going to specific sectors or themes. The international community has actively supported these national efforts.

These initiatives are informed by previous attempts to link the Millennium Development Goals (MDGs) with national budgets, as well as efforts to track public expenditures in support of sectoral objectives, including the environment and climate change, both in developed and developing countries. At the same time, efforts to better link the budget process with the SDGs occur within the context of long-term reform processes in public administration, especially those that aim to strengthen public financial management (PFM) systems.

The first part of the chapter takes stock of ongoing efforts at the national level to link budget processes to the SDGs.

It reviews emerging experiences in this area, and examines pending questions that remain at this early stage of SDG implementation. A critical question in this regard is how quickly countries will develop budget systems that enable better monitoring of progress towards the SDGs and related national objectives, including through strengthened linkages between planning, budgeting, revenue raising, and public spending.

The second part of the chapter examines how the budget process, as an institutional construct, applies and responds to the institutional principles of SDG 16 examined in this report: transparency and access to information, accountability, anti-corruption, participation, and non-discrimination. Specifically, the chapter reviews how these principles relate to the various stages of the budget process, the tools that are used to implement them and their effectiveness, and global trends in this regard. While in many sectors practitioners are not used to thinking of institutions through the lens of the SDG 16 principles, this is not the case in the field of budgeting. In fact, as a community of practice, experts in this area often use these principles to structure their work, and a rich body of knowledge exists on their applications in budget processes. Budgeting is therefore a great case to demonstrate the relevance and cogency of the SDG 16 principles for public institutions in support of the SDGs.

The remainder of the chapter is organised as follows. Section 3.2 takes stock of recent developments at the national level in terms of linking budget processes with the SDGs, and briefly reviews trends, orientations and challenges in this area. Sections 3.3 to 3.7 examine the linkages between budget processes and the institutional principles of SDG 16. Section 3.8 concludes.

3.2. Linking the budget process with the SDGs

3.2.1. Linking planning, budgets and results

In general, 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 the various goals, and more broadly to answer the question of how the allocation of public resources is changing society in the short, medium and long terms.

In the context of the implementation of the 2030 Agenda, the SDGs have to be translated into national sustainable development strategies and plans that include clearly identified priorities, policies, progress indicators, and financing estimates. Because these plans, and accountability for their results, will

be implemented primarily through budget decisions and execution, ensuring progress requires close integration and alignment between planning, budgeting, monitoring, and accountability processes.¹ In many countries, institutional links between the different processes exist. For instance, in Kenya, it is the medium-term five-year plan that provides the framework for the annual budget.²

One of the critical advantages of linking SDGs to planning and budgeting instruments is that the SDGs provide a map of sustainable development that can facilitate integration of actions across sectors, levels of government and actors, thus promoting policy coherence.³ In many countries, the SDGs or national adaptations thereof have been integrated in sustainable development strategies and national development plans, as well as increasingly into sustainable development financing strategies that seek to mobilize resources from different actors (both public and private) in support of SDG implementation. The integration of SDGs into national budget processes has so far been more limited.

Institutionalizing strong connections between planning and budgeting processes is fraught with difficulties. At the central level, the two processes follow different sets of rules, and are often hosted in different institutions. Coordination between the two can be difficult. At the sector level, similar difficulties are the norm rather than the exception (Box 3.1).

Current efforts to link the budget process with upstream and downstream processes are informed by previous attempts to link the Millennium Development Goals (MDGs) with national budgets during the 2000-2015 period, as well as efforts to track public expenditures in support of sectoral objectives, including the environment and climate change, both in developed and developing countries.⁵

Efforts to track MDG spending showed that some goals were easier to track than others (e.g., education versus smallholder agriculture or social protection). They revealed the crucial role of adapted budget classification systems that enable the tracking of expenditures in a disaggregated way

Box 3.1. Difficulties of horizontal integration in health

Health not only has a dedicated goal in the Sustainable Development Goals (SDGs), it is also recognised as a prerequisite, contributor and indicator for all other goals. Conversely, health outcomes are influenced by a multitude of factors that correspond to policy areas located outside the health sector. The existence of strong linkages between health and other policy areas makes integrated approaches a necessity for improving health outcomes across the board. Because health service provision is inherently local, integration and coordination across actors operating at different geographical levels is also a critical element of effective health policies. This highlights the value of integrated approaches to health. The World Health Assembly recently elaborated various considerations for effective integrated health approaches.

However, in practice integration has often proven elusive. Some countries have adopted Health in All Policies (HiAP) as a specific integrated approach to deliver policies across sectors, systematically taking into account the health implications of policy decisions, seeking synergies and avoiding harmful impacts with an aim to achieve common goals. Some countries have adopted a holistic “One Health” policy approach, supported by multidisciplinary research, working at the human, animal and environmental interfaces to mitigate the risks of emerging and re-emerging infectious diseases.

In practice, different forms of institutional arrangements are found to support intersectoral health approaches in public administration. They range from informal to formal networks, from light-touch coordination mechanisms across sectors to collaborative problem solving for deeply rooted health-social problems, and from inter-ministerial bodies to parliamentary deliberation. Across these mechanisms, different actors may be involved. Contexts in terms of history, institutional capabilities, and accountabilities vary enormously.

Joint budgets from different public sources of financing can facilitate the funding of health-related activities. Joint budgets are used, for example, in England and in Sweden. The challenge of agreeing and establishing joint accountability has been a hurdle for ministries in many countries from developing joint budgets. Cross-sectoral financial allocation systems can help to promote the integration of policies. For example, in the Netherlands there is a joint budget for research and policy activities in connection with the national action programme on environment and health. In Sweden, the government sets objectives that cut across ministerial and budget boundaries and the budget system, at least initially, allocates money according to policy areas, rather than to departments.

As a whole however, adopting and implementing integrated approaches has proven to be difficult, partly because of the complexity and the dynamics of the multisectoral determinants of health and the involvement of multiple actors. Many questions remain regarding how best to promote whole-of-government efforts.

Source: World Public Sector Report 2018.⁴

Box 3.2. Linking planning, budgeting and outcomes: lessons from the Millennium Development Goals

Even though the MDGs eventually achieved salience at the international level, their systematic adoption in national programs had to wait until the mid-2000s, not without a considerable push from international agencies.⁶ However, the integration of MDGs into national planning documents did not always translate into policy implementation. For example, analyzing the responsiveness of national development strategies of 50 countries to MDGs and their levels of spending, Seyedsayamdost (2017) concluded that the countries that did not align their development strategies to MDGs were as likely as those with adapted national plans to invest in social spending on health and education.⁷

In addition to the importance of focusing on policy implementation and not only on planning, the analysis of the MDGs offers direct insights about recommendations and best practices that can be a useful starting point to address budgetary processes related to SDGs. In this respect, Development Finance International and the International Budget Partnership (IBP) monitored the spending related to MDG implementation in 72 countries. Within those countries, 11 were identified as having strong budgetary systems to track MDG spending: Bangladesh, Colombia, Dominican Republic, Ecuador, El Salvador, Ghana, Kenya, Malawi, Nepal, Peru and South Africa.⁸

Source: Lorena Rivero Del Paso and Ramón Narvaez, 2019.⁹

and the linking of spending and performance. Delays in the production of spending figures were a common hindrance, as was the complexity of getting consolidated pictures from expenditures made at various levels of government or through privatization arrangements. It was often difficult to link spending with performance on specific policy objectives. Lastly, the MDG experience showed that 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 (Box 3.2).

Some of the underlying challenges evidenced during the MDG era are still prevalent. The audits of government preparedness to implement the SDGs that have been conducted by many supreme audit institutions across the world provide a snapshot of current challenges, which apply to all regions (see Annex 3.1). Many countries still lack reliable accounting systems that could ensure the reporting of transactions in a comprehensive, integrated and comparable manner.¹⁰ Another prominent technical challenge relates to budget classification systems. 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, and still fewer can do so in a way that would enable comparison over time or international comparisons. Focusing on the capacity of governments to know how much they spend on health, the Open Budget Survey 2017 showed that 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.¹¹

3.2.2. Current efforts to map national actions to link budgets and the SDGs

Efforts to map national actions to link the SDGs to the budget process have multiplied in recent months. Such mappings have been produced by the OECD, the European Parliament's Committee on Development, a group of international civil society organizations, and UNDP, among others (see Table 3.1). At present though, there does not seem to exist any mapping that would cover the whole globe. All the existing mappings adopt different criteria for analysis. Several of these studies consider budget practices in the context of the whole set of institutional arrangements put in place by countries for SDG implementation. Some provide case studies in addition to summary tables.

As a whole, these studies show limited adaptation of national budget systems to link them with the SDGs, except for a small number of countries.

Reforms of the budget process are highly political in nature. Efforts to link the budget with the SDGs compete with many other priorities linked to the 2030 Agenda. Because they showcase what governments themselves consider as most urgent, the voluntary national reviews (VNRs) presented by UN Member States each year at the high-level political forum on sustainable development can provide an indication of the salience of SDG budgeting in the broader context of the implementation of the 2030 Agenda. An analysis of the 46 national reports presented in 2018 shows that more than half of the reports (25) provide no information on inclusion of the SDGs in national budgets or budgeting processes. Reports for an additional 15 countries show that the SDGs

Table 3.1.**Recent efforts to map national actions to align budget processes with the SDGs**

Report	Nature	Focus area	Number of countries covered
OECD, 2019 ¹²	Survey of national governments	National performance budgeting frameworks	31 (OECD countries)
UNDP, 2018 ¹³	Analysis of country practices	National SDG budgeting efforts	12
European Parliament, 2019 ¹⁴	Comprehensive desk review and interviews	Institutional arrangements for SDG implementation	28 (all in the European Union)
Kindomay, 2019 ¹⁵	Analysis of voluntary national reports made by UN Member States in 2018	Institutional arrangements for SDG implementation	51
Hege and Brimont, 2018 ¹⁶	Analysis of voluntary reports to the UN in 2016 and 2017 and interviews	National SDG budgeting efforts	64

Source: Authors' elaboration.

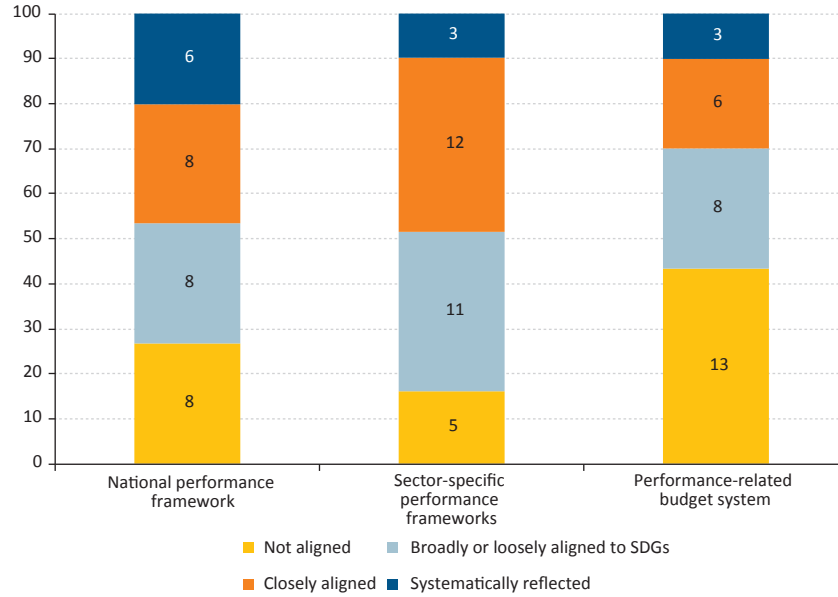
have not been incorporated into budgetary processes, with ten of these countries (Albania, Benin, Guinea, Jamaica, the Lao People's Democratic Republic, Niger, Slovakia, Spain, Sri Lanka and the State of Palestine) indicating plans to do so. Only six countries reported incorporating the SDGs into their budget processes in some fashion: Colombia, Ecuador, Latvia, Mexico, Uruguay and Viet Nam.¹⁷ As a whole, this picture does not convey a sense of urgency to implement SDG budgeting, especially in developed countries.

The study done for the European Parliament confirms this impression. Among the 28 European countries, 10 countries indicate that they link or plan to link the SDGs to their budgetary process, either directly or indirectly (Croatia, Denmark, Finland, France, Ireland, Italy, Slovakia, Slovenia, Spain and Sweden). In many of these, the linkage is limited to the inclusion of qualitative elements of SDG implementation in the budget documents that are submitted to parliament. Finland is cited as a good practice in this area, with each ministry being asked to include a short paragraph under each of the main titles in the budget proposal showing how sustainable development would be reflected in their sectoral policies during the 2018 financial year, and the SDGs being systematically used in the justifications for the main expenditure titles in the 2019 budget. The use of performance indicators based on SDGs for the budget is another practice that seems very limited, with Italy being cited as an exception for the inclusion of indicators related to well-being in the budget process. Slovenia has adopted 30 key performance indicators linked with national targets related to the SDGs, and plans to integrate these indicators into the budget by 2020. In addition, a few countries already have tools in place to tag how different budget appropriations contribute to certain SDGs or targets, but this is often limited to aid budgets (e.g. in Ireland).¹⁸

A recent survey of the OECD assessed the alignment of national budget performance frameworks in OECD member countries. It found that such alignment was limited at present (Figure 3.1). While there is increasing awareness of the need to include SDGs in performance budgeting in OECD countries, this has not really been translated into practice. For example, so far the SDGs have not prominently impacted national approaches for designing performance budget indicators. Similarly, there is hardly any evidence of reporting on SDG progress in the accounts that are produced at the end of the budget cycle. Some countries comprehensively report on a limited number of strategic, cross-cutting priorities, rather than individual SDGs. An emerging discussion in the OECD is whether there could be sustainability reports produced by the public sector (in part inspired by parallel developments in sustainability reporting in the private sector). Such reports would come in addition to traditional performance reporting and could be a way to report on SDG progress.¹⁹

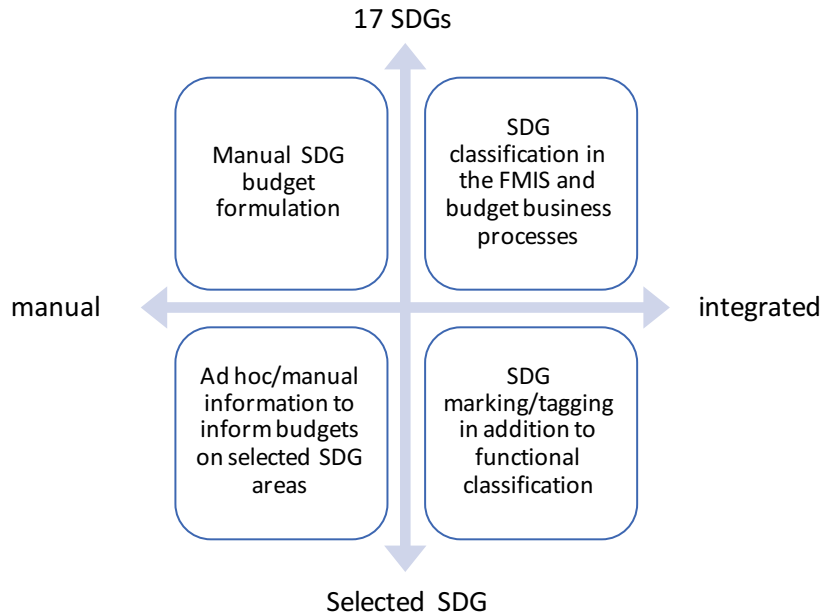
To analyze countries' efforts in the area of SDG budgeting, UNDP has used a simple framework that singles out two dimensions: whether the approach is ad hoc versus systemic; and whether the scope is limited to individual SDGs or encompasses them all. While other dimensions are also important,²⁰ this framework provides a simple heuristic model where the different approaches can be easily mapped. For example, based on the results of the SDG preparedness audits done by supreme audit institutions across the world, it is easy to locate countries in the space defined by these two dimensions regarding SDG budgeting (see Annex 3.1).

Figure 3.1.
Alignment of budget performance frameworks to the SDGs in OECD countries



Source: Compiled from data from OECD, 2019.²¹

Figure 3.2.
Technology aspects of modeling the choice for SDG budgeting



Source: UNDP, 2018.²²

Box 3.3. Early movers on SDG budgeting: the case of Mexico

As documented in the *World Public Sector Report 2018*, Mexico stands out as the country that has moved the farthest in terms of mapping the SDGs into its national planning and budgeting processes. Mexico's efforts to integrate SDGs in its national strategies and plans started in 2016. The Ministry of Finance and Public Credit, which oversees the formulation of National and Sector Plans, developed a methodology to monitor and evaluate budget performance's contribution to the achievement of the SDGs, in partnership with the United Nations Development Programme (UNDP) and the Office of the Presidency, which is responsible for the implementation of the SDGs in the country. The methodology was developed by building on Mexico's integrated system for planning, public finance management, policymaking and oversight, established in 2013.

The first step was to identify the link between sectoral strategies and each of the 169 targets of the SDGs. Then, the methodology considered the alignment of sector plans with budget programmes in Mexico's Performance Evaluation System. Based on this analysis, the Ministry of Finance identified the budget programmes related to each SDG target. Finally, the methodology considered the comparability of performance indicators related to sector and budget programmes with the SDG global indicators (tiers I and II) per target. The analysis was reviewed and validated by line ministries.

This initial analysis indicated the need for more disaggregated information to assess the specific contribution of each budget programme to the related SDG target(s), since different budget programmes and even sector programmes contribute to diverse components of each SDG target. Therefore, the Ministry of Finance and UNDP disaggregated 102 of the 169 SDG targets into several sub-targets. This would help to identify more precisely the contribution of specific government actions to the different components of each target. Furthermore, the budget programme managers would be able to identify if an entire budget programme, or just one element of it, contributed to each target or sub-target, and whether this contribution was direct or indirect.

Considering the previous analysis, in 2017, the Ministry of Finance integrated the methodology into the Budget Statement of the Executive Budget Proposal of 2018. This had implications for the IT systems for budget preparation, which included a module for linking the budget programmes with the SDG targets or sub-targets.²³ The module would also allow 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 this exercise in open data.

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 SDG targets with the budget was developed by a small group reporting directly to the Under-minister of Expenditures of the Ministry of Finance.

As in other countries that have made inroads into SDG budgeting, it remains to be seen whether the new set-up and the information it produces will remain a tagging and mapping exercise, or if they will be used to monitor, evaluate and adjust public policies in support of SDG implementation in significant ways.

Source: Lorena Rivero Del Paso and Ramón Narvaez, 2019, and *World Public Sector Report 2018*.

There is great variety in the arrangements adopted across countries. Linkages with the SDGs are made at different stages of the planning and budget cycle. While Mexico stands out for including performance indicators linked to the SDGs in its budget process and for mapping a large portion of government expenditures to SDG targets, many countries have adopted more limited approaches. These cover a wide range, from qualitative reporting of budget allocations in a narrative way presented by the executive branch, to the mapping and tracking of budgets against SDGs.

National actions reflect differing political circumstances, administrative dynamics and technical capacities. While no global mapping of these efforts exists, experts in the field seem to agree that the most frequently adopted approaches at present are SDG-specific (for example, focusing on climate or biodiversity) rather than Agenda-wide; and ad hoc rather than systemic. 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 or more participatory approaches to budgeting).

Experts seem to agree that the more ad hoc tagging systems are, the less resilient they also are. While countries can produce information through basic tagging of expenditures to specific sectors or SDGs, approaches that are not embedded in the entire budget process run risks of failure.²⁴ Ideally, there should be strong institutional interlinkages among the planning, budgeting and monitoring processes, as well as a focus on the outcomes pursued by budget implementation. The adoption of program budgeting and even more of performance budgeting is a critical enabler for establishing such linkages. However, even in cases in which countries have not adopted performance budgeting, there are ways to establish systems that allow for tracking expenditures supporting various SDGs.

The choice of an approach to link the budget with the SDGs impacts the capacity to track and monitor progress on the SDGs. For example, experts point out that in Latin America, Argentina has focused on integrating the SDGs in the budget formulation; Uruguay on the performance evaluation side; and Mexico on both. This has implications for the information that can be produced from the budget process in relation to SDG implementation and monitoring.²⁵

3.2.3. Drivers of institutional change at the country level

Both political and technical drivers and factors play a role in the approaches that countries choose to adopt to integrate SDGs into their budget process. In some countries, it is the transition from line budgets to program and performance-based budgeting that drives the integration. 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 include Argentina, Colombia and Mexico. In other countries, non-state stakeholders or the legislature may take an active role in incorporating the SDGs into the budget discussion.

A key political factor is how to mobilize interest for the SDGs in the ministry of finance, which is the main custodian of the budget process. In many countries, the ministry of finance does not have primary responsibility for SDG implementation, with institutional arrangements in this regard varying widely. This issue has to be addressed within each government. The SDGs, because they cover most sectors of the economy, can serve as a platform for dialogue between ministries of finance, ministries of planning and line ministries. For example, in some countries, the ministry of finance has used climate change to engage with line ministries on PFM reform. More broadly, experts highlight the critical importance of engaging all the relevant parts of the national institutional system around budget reforms. Building institutional capacity around SDG budgeting in key institutions is paramount.

Efforts to integrate the SDGs in the budget process illustrate the challenge of achieving real transformation, as opposed to marginal changes, for the implementation of the 2030 Agenda. Experts report that in some countries, the message coming from institutions in charge of the budget process is largely amounting to 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. The recent study done for the European Parliament also concludes that in European countries, the SDGs have so far not been systematically used as a way to reorient public spending.²⁶

A number of other challenges exist, including: (i) reflecting the importance of private sector action for the implementation of the SDGs, or at least its interface with the public allocation of resources, in the budget process; (ii) challenges of coordination across different levels of government in decentralized countries (e.g. in Kenya, the coordination of planning, resource allocation, spending and reporting for 47 county governments); (iii) issues with revisions to budget documents within the budget year, and how to ensure that the revisions maintain focus on original priorities; and (iv) lack of a common language and systems among public institutions. For example, while ministries of finance and supreme audit institutions are familiar with the concept and use of performance indicators, this may not be the case in line ministries.

3.2.4. Linking SDGs and the budget process in the context of ongoing PFM reforms

Provided that they are not purely ad hoc, efforts to link the budget process with the SDGs have to be inscribed in the broader context of public financial management (PFM) reform.

Importantly, the impetus for PFM reform at the national level is often not related to the SDGs, and often has more to do with fiscal crises or other motives. Similarly, the core objectives of PFM reform tend to revolve around considerations of fiscal consolidation, fiscal responsibility, or technical considerations that are independent from the SDGs. Notwithstanding this, PFM reforms can provide opportunities for changes in the budget process that enhance linkages with the SDGs.²⁷

One relevant question in order to assess how far countries are likely to go in coming years is the time scale of PFM reforms. Experts tend to agree that when there is political will, PFM reforms can be implemented in relatively short periods of time. The example of Austria, which comprehensively reformed its budget process to move to performance budgeting, accrual accounting and gender-responsive budgeting, is mentioned in this regard. The results from the Open Budget Survey also show that countries can increase the disclosure of budget information in a short time (e.g. Georgia). Aspects related to participation, however, may be more complex and take longer to implement.²⁸

In this respect, it is critical to avoid duplication and the creation of parallel systems – this would be a waste of resources. The case for integration is much clearer than it was for the MDGs, as the scope of the SDGs covers almost all public expenditure, as shown by the Mexican experience. In other words, efforts to better reflect the SDGs in the budget process have to be conceived as part of efforts to strengthen PFM systems.

International organizations and especially international financing institutions such as the IMF and the World Bank play an important role in supporting PFM reforms across the globe, including through technical assistance and budget support to developing countries. They are therefore an important driver of PFM reform. While those institutions have taken note of the 2030 Agenda and SDGs and have incorporated them into their work, the extent to which considerations relevant to SDG budgeting have been incorporated into technical advice and support to PFM reforms in developing countries is unclear. There may be opportunities for those organizations to factor the SDGs into budget reform issues more.²⁹

3.2.5. Options for countries wanting to adopt SDG budgeting in coming years³⁰

Countries contemplating linking their budget processes with SDGs or national adaptations thereof in the future will have to choose among many types of models. As a general consideration, 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. The solutions chosen, and the sequencing of reforms, are likely to differ across countries, as they should be based on their idiosyncratic circumstances.

As noted by UNDP, there are actions and reforms that most of the countries can launch without significant systemic transformations in their budget processes. One example is the presentation of SDG-related goals and targets in budget statements and simple reporting on SDG performance. On the ministry of finance side, this might include limited actions such as the inclusion of the SDGs in budget speeches, budget reporting on highlighted areas and targets or annual reports accompanying the budget and showing how the budget is contributing to SDG goals. Such ad hoc solutions could be effective in kickstarting reform processes within the framework of available human, financial and technical resources.

The adoption of short-term solutions does not prevent governments from considering more structural reforms of their budget processes. The nature of such reforms is more complex and requires adjustments in business processes and standards of operations, the institutionalization of SDG target accountability for performance, and the 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. Countries that have already established programme-based budgeting will find it easier to realign their budget formulation processes with SDG targets.

In choosing a model that is appropriate for national circumstances, UNDP highlights the importance of giving attention to various considerations, including the state of the national PFM system and the relevant capacity in public administration, and the “demand” for SDG budgeting information by line ministries and external stakeholders. A range of tools already exists, which can help countries choose among options. Those include PFM assessment; expenditure analysis; stakeholder analysis; and others (see Box 3.4).

Options selected to implement SDG budgeting should match national circumstances. Critical questions for governments in this regard, and the way they may impact governments’ choices of options, are summarized by UNDP in Table 3.2. The table presents indicative answers to each question to illustrate alternatives that countries would need to consider.

Box 3.4. UNDP's SDG Budget Integration Index

The SDG Budget Integration Index is a diagnostic tool to assess the budget cycle in a given country in order to identify PFM system gaps where SDGs are not integrated in budgeting processes. The tool assesses: policy-budget linkages (whether SDG policy papers that should influence budgets are properly costed and are measurable); PFM Systems (whether budget processes such as prioritization, coding and reporting are informed by the SDGs); and budget accountability for SDGs (whether budget actors account for SDG performance and measuring the roles of non-executive actors, such as parliaments and CSOs). Using this diagnostic tool should help governments and UNDP to find critical entry points for making the national budget more SDG-oriented. Apart from its primary functions of providing a stocktaking analysis, identifying priority areas for reforms and measuring of progress, the SDG Budget Integration Index will also allow cross-country comparisons to be made. The Budget Integration Index has been piloted and used for one of the SDGs – SDG 13 on climate change. Nepal and Pakistan have successfully assessed the level of integration of SDG 13 in their national budget systems.

Source: UNDP (2018).

Table 3.2.
Options for countries wishing to adopt budgeting for the SDGs

Minimal (requires less complicated systems)	Intermediate	Maximal (requires advanced systems)
Who will be the primary users and beneficiaries of SDG budgeting?		
Limited number of users (the Cabinet, Finance Ministry and/or SDG relevant working group)	All domestic stakeholders including parliaments, SAI, CSOs and other stakeholders take part in either budget formulation and/or budget reporting and accountability for SDGs	All domestic stakeholders and international audience (cross-country comparable data)
Who will be mainly responsible for implementation of the SDG budgeting process?		
Centralized: central unit responsible for Financing for SDGs (e.g. finance/planning ministry)	Centralized plus line ministries relevant to selected SDGs	Decentralized (deconcentrated): all line ministries and other stakeholders drive SDG budgeting
What is covered by SDG budgeting?		
Selected SDG areas and SDG targets (as per government desire/choice)	Information on cross-cutting SDGs (e.g. poverty, climate change, biodiversity, gender equality) supplements the existing functional classification. As a result, complete SDGs information is available either via existing classification or supplemental SDG budget coding. (if these systems are not in the same FMIS, then accuracy and timeliness of information is compromised).	Full SDG coverage: All SDG indicators and targets are explicitly reflected in budgets as part of the same budget information system
When in the budget cycle will SDG information be used?		
At the end of budget formulation process – reflecting SDG information in final budget documents (after the budget decisions are made): thus, SDG budgeting is used solely for information purposes and is not driving budget decisions	During the budget formulation process: may have limited influence on budget decisions but still in the budget formulation process.	Before the budget formulation process (e.g. at strategic budget allocations stage, or in Medium-Term Budget Frameworks: as a result, strategic budget allocations are fully SDG-informed) and then throughout the rest of the budget cycle
How will the PFM business processes adapt to SDG budgeting?		
Basic/manual checklist of SDG relevance for selected budget proposals to support decision making. The depth of analysis is limited as budgets lines are not mapped with SDGs, but this option is very easy to implement in any country.	Mapping of budget lines with SDGs is done. SDG information is used at both budget formulation and budget reporting stages, but the process is ad hoc, so risks of quality and timeliness of information exist.	SDG information is integrated into fiscal management information systems (FMIS), so the information on SDG linkage is supplied to budget decision makers before budget decisions are made and for the rest of the budget cycle. Also, reporting is done on an automatic basis, as part of the FMIS produced report.

Source: UNDP, 2018.³¹

3.2.6. Conclusion

National efforts to implement and monitor progress on the 2030 Agenda will require the adoption of some form of SDG budgeting. Based on current developments, this can range from supplying basic information on SDG targets and related budget allocations for information purposes, to full-fledged SDG-based budget classification systems that can drive budget prioritization, decision-making, execution, monitoring, reporting, audit and accountability processes.

The conclusions from a review of current efforts to link national budget processes to the SDGs present cause for both optimism and concern. On the positive side, in part due to lessons learned from the implementation of the Millennium Development Goals, there is high awareness in the international community of the importance of establishing solid linkages between national budget processes and other key elements of the chain that links visions, strategies and plans, to public spending and development outcomes. Many countries have not only signaled that they attach importance to this issue, but have also started to put in place systems and institutional mechanisms to be able to reflect how public spending contributes to the realization of the SDGs.

Yet, on the basis of these experiences, it seems clear that all countries cannot be expected to adopt the most ambitious versions of SDG budgeting in the medium term, and perhaps even by the end date of the 2030 Agenda. In setting up mechanisms to link their budget processes to the SDGs, countries have to operate within political, administrative and technical constraints, which are essentially idiosyncratic. Hence, it is reasonable to expect that the capacity of national governments - and by extension, of the international community - to track how public spending contributes to the realization of the SDGs will only progressively increase and will depend on national circumstances.

One key factor in this equation is how ongoing PFM reforms - which are not necessarily initiated with the SDGs in mind, but as part of long-term processes of fiscal management and public sector reform - can be used to support SDG implementation and inform SDG monitoring. In this regard, there likely is an important role for international organizations and especially international financing institutions such as the IMF and the World Bank, which support PFM reforms across the globe. While those institutions have taken note of the 2030 Agenda and SDGs and have incorporated them in their work, opportunities may exist to factor the SDGs into their budget work more prominently.

Looking forward, it could be relevant to pool knowledge from different organizations and experts that have started to follow national efforts toward SDG budgeting, including UNDP, the OECD, the World Bank, IIDDRI, IISD, GIFT and others. Beyond

providing a global snapshot, a simple systematic mapping or dashboard of where countries are with respect to linking their budget processes with the SDGs could be used to monitor developments over time in this area and to assess how long reforms take to be implemented in various contexts.

3.3. Transparency and the budget process

Transparency has a central role in the budget process and public financial management systems. In this context, fiscal transparency refers to the clarity, reliability, frequency, timeliness, and relevance of public fiscal reporting and the openness of such information.³² As budgets provide the financial backing to efforts to meet the Sustainable Development Goals (SDGs), budget transparency provides the basis for interaction between Governments and the public on relevant fiscal policies. It is critical for evaluating the degree to which commitments to the goals are bolstered by adequate resources, to garnering the attention and interest of all stakeholders in the goals, to tracking progress towards the goals and the degree to which its reach is equitable, and to holding Governments to account and shifting course when progress lags. Transparency is thus fundamental for participation in, accountability for, and non-discrimination in the budget process.

3.3.1. International standards

In the context of budgets, transparency is the principle most extensively addressed by international standards of all those examined in this publication. Budget transparency standards, guidelines and best practices have been published by the leading international organizations working in this field, including among others the Global Initiative for Fiscal Transparency (GIFT), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), and the International Budget Partnership (IBP). For example, the 10 High-level Principles on Fiscal Transparency³³ of GIFT assert, inter alia, that the presentation of fiscal information to the public should be an obligation of Governments, that Governments should publish clear and measurable fiscal policy objectives, provide regular reports on progress towards them, and explain deviations from plans, and that everyone has the right to request and receive information on fiscal policies. The IMF's Fiscal Transparency Code is also composed of principles that are centred around the four pillars of fiscal reporting, fiscal forecasting and budgeting, fiscal risk analysis and management, and resource revenue management. The IMF 2018 Fiscal Transparency Handbook explains the 2014 Code's principles and practices and provides more detailed guidance on their implementation.³⁴

The OECD provides best practices for budget transparency, identifying key budget reports that should be produced, specific disclosures that they should include on both financial and non-financial performance information, and practices to optimize the reports' quality and integrity. That organization's *Budget Transparency Toolkit*³⁵ provides an overview of international standards and guidance on budget transparency.

Recent fiscal transparency guidance by international organizations puts emphasis on making the link between the short and long terms.³⁶ It specifies sets of documents that have to be publicly disclosed in order to meet transparency standards, which include long-term documents such as medium-term financial risks and long-term sustainability challenges.

3.3.2. Overview of international trends

Many Governments publish budgetary information at different points throughout the budget cycle. For instance, in Kenya, the PFM law directs the relevant State institutions to ensure that members of the public are given information on budget implementation for national and county governments every four months.³⁷ At the global level, IBP's *Open Budget Survey* provides an independent assessment of public budget accountability and transparency, looking at the availability, timeliness, and comprehensiveness of eight key budget documents that IBP asserts should be published in all countries to inform each stage of the budget cycle.³⁸ It has found that over the past decade, budget transparency on average has significantly increased.³⁹ Despite such cumulative progress, however, it remains limited and has recently stalled. In the Survey's most recent 2017 edition covering 115 countries, the Open Budget Index (OBI) – the segment measuring transparency – showed that Governments are providing 61 per cent of key budget documents to the public, representing a marginal decline from a high in 2015, the first since the Survey began in 2006.

Many Governments are not publishing significant budget documents, with three of every four countries surveyed publishing on average six or fewer of the eight key budget documents.⁴⁰ For instance, twenty-seven countries did not publish the executive's budget. In other cases, where documents are published, they provide an inadequate level of detail to properly inform the public.

The 2017 Survey also revealed a first-time decline in the number of key budget documents published, which is the main driver behind the overall decline in transparency.⁴¹ Despite this, however, budget documents that are published were found to contain marginally more information than was indicated in previous Surveys. Such additional information has been disclosed, for example, in the category of expenditures for people living in poverty within executive's budget proposals.

Experts note that improvements in budget transparency can be achieved relatively quickly.⁴² For the most part, it is a matter of publishing documents that are already being produced. The Open Budget Survey found that of the 359 documents that the surveyed countries did not publish (out of 920 documents), 203 documents are produced but not disclosed to the public. However, gains can also be reversed and trends can be volatile. At the same time, progress is not restricted by geographic or other characteristics; countries that ranked in the top tiers of the Open Budget Index are geographically and otherwise diverse.

3.3.3. Challenges to transparency

Budget transparency is often not uniform. It may be extensive in some areas and forms and weak or absent in others.

In the great majority of countries surveyed – 87 per cent – the enacted budget is made available to the public.⁴³ While more than half of countries (59 per cent) publish comparisons between the approved budget and actual spending during the budget's execution, just 15 per cent provide an updated budget by the mid-year point, and 45 per cent a comparison of final spending to the original budget. Moreover, only 46 per cent of countries use a functional classification in final reports, such that the public is generally not able to track spending by sector. There is even less transparency on Governments' objectives in collecting and spending funds. Just over a quarter of countries provide information about the purposes and costs of new policy proposals (27 per cent) and publish targets for policy goals (26 per cent).

Budget transparency is further constrained by a limited scope in many countries, where certain sources of revenue and expenditures are not subject to publication or scrutiny. Ideally, transparency should include data on supplementary budgets, which in some countries are equally important to enacted budgets. However, pressure exerted on Governments to disclose certain areas of the budget may create incentives for them to shift expenditures to less transparent budgetary instruments such as extra-budgetary accounts. Also, there is generally less transparency on revenues than on spending. In particular, tax expenditures can be significant and are growing in size, but receive much less attention than direct spending. For instance, in the USA, they amount to around USD1 trillion per year in foregone revenue,⁴⁴ or about 30 per cent of total revenue in 2017.⁴⁵ Few countries publish information on tax expenditures, with France being one of several exceptions. Much data relevant to the evaluation of public programmes may not be produced, collected or owned by national statistical offices or other Government bodies and may therefore be subject to different disclosure standards. This raises questions regarding both transparency and accountability.

Considering the emphasis of the Sustainable Development Goals on poverty and inequality, it is particularly important for Governments to publish data on the incidence of their tax systems, and on the impact of government spending on socio-economic outcomes. In particular, little information is generally available to show the impact of budgets on different groups of society, including those often left behind. However, gender budget statements, or budget statements for indigenous peoples, children or other groups, represent one important step used in several countries to gain insight into the differentiated impacts of public spending.

Where budget transparency mechanisms are in place, many are not linked with SDG processes and are not being used to provide information about the SDGs. In particular, whether information on budget processes provide clarity on the trade-offs and synergies among policies addressing the social, environmental and economic dimensions of sustainable development is an open question.⁴⁶ In some cases, however, the SDGs have created traction to enhance transparency and disclose more data. Colombia is one such example, having revised its performance indicators in accordance with the SDGs.⁴⁷

The timing of disclosures is important to budget transparency. Disclosures are especially important at junctures that allow citizens time to exert influence on budgetary decisions, such as the pre-budget statement and the executive's budget proposal. It is at the formulation stage when the scope for public participation is greatest, and there indeed tends to be more information available during this phase than during the execution phase. The pre-budget statement is made available by just over 40 per cent of countries and, as noted, the executive's budget proposal is made available by fewer than 80 per cent.⁴⁸ Beyond that, citizens can monitor how Governments are fulfilling their plans and commitments through access to information during the execution and oversight stages, where there is also some scope for participation. However, only 29 per cent of countries publish the mid-year review, and fewer than 70 per cent publish the year-end report (66 per cent) and the audit report (67 per cent). Issuing bulk information on the budget only after the cycle ends may fulfill some transparency requirements but misses the mark in terms of making information actionable to the public and thereby making budgets more responsive to it.

In some countries, the quantity of budget data made available to citizens and even its prompt issuance in alignment with the budget calendar are sufficient and appropriate, but aspects of quality are lacking. Improving the relevance, clarity, reliability, objectivity, and comparability of information is also crucial for enabling budget information to be analyzed and acted upon by citizens. Some of these concerns are discussed further below.

3.3.4. Examples of transparency tools and reforms

The interface between governments and users of information and data is arguably as important to transparency as the availability of that information and data. Presenting and communicating budget information to different types of users (including Parliaments, supreme audit institutions, independent fiscal institutions, civil society organizations and the public at large) pose multiple challenges for Governments. Particularly where fiscal transparency is extensive, there is growing concern in some countries that ever more budget data is being produced in a vacuum. That is, that vast quantities of fiscal information are being published that are too technical or specialized for – or too far removed from the concerns of – current and potential users, leading to “user fatigue”.

Where information is barely accessed and leads to little or no engagement, transparency efforts, which may require significant resources, may come to be viewed as wasted. In order to make information more accessible and relatable, it is important to utilize user feedback mechanisms to learn about users' needs and preferences.⁴⁹ Responsiveness to user requests and queries would further serve to maintain the interest of the public in planning and budget processes. For instance, the Ministries of Finance in Brazil, Mexico, and South Africa engage with civil society organizations about what type of information they need and are interested in.⁵⁰

There is no single approach or standard for delivering budget data and information, although some international organizations provide guidance, such as OECD in its “Rationalizing Government fiscal reporting” publication.⁵¹ That article explores the dilemma of Governments' efforts to provide reports that are comprehensive and sophisticated while also comprehensible to most readers, noting, among other conclusions, the need to issue summaries of fiscal reports, to analyze and interpret complex government information, and to combine financial and non-financial performance information.

Numerous tools and measures exist that can aid national Governments in communicating fiscal information effectively. Some of these relate to developing the capacity of users to digest budget information and providing information to them in a more accessible way, as well as to new technologies and digital governance, which can significantly accelerate the dissemination and analysis of such information, yet which also pose risks in terms of accessibility to users and data integrity.

It is important to educate citizens and civil society organizations on navigating and interpreting budget and planning information and to enable engagement around it. In the context of the SDGs, such efforts help to reinforce transparency and expand the focus from budgetary allocations alone to also encompass targets and performance.⁵² Every complex budget-related document should ideally be converted to a

simplified, non-technical brief designed to inform the average citizen and published in tandem with the corresponding official document. Yet only 50 per cent of countries publish such “citizens’ budgets.”^{53,54} These documents are also relevant for other actors, notably Parliaments and line ministries, many representatives of which are unlikely to have technical expertise in budgeting. In the case of Parliamentarians, the development of budgeting skills is particularly critical in order to fulfill their responsibilities to approve and provide oversight of the budget. Many Governments have undertaken measures to develop budget literacy, or the ability to read and understand public budgets towards meaningfully participating in the budget process, including in public education systems as in England, UK and Singapore.⁵⁵ Capacity-building can also serve as a tool to address misuse and misinterpretation of budget data.

Fiscal transparency portals are an increasingly utilized tool for making available information about a country’s fiscal position.⁵⁶ They provide consolidated data and information regarding revenues, macroeconomic variables, expenditures, and performance evaluation, which enable insight into priorities, progress and gaps related to the SDGs. In a review of the budget transparency practices of six countries, a study found that the three countries that achieved greater levels of budget transparency, Mexico, the Philippines and Uganda, had each created online portals with budget information in open formats and in real time.⁵⁷ Portals can be tailored with distinct features and for different categories of users. In the case of Canada’s GC InfoBase database, users can customize queries of financial, human resource, and performance data information, including by using tags that map information to specific areas of interest.⁵⁸

A related tool aimed at enhancing the use of information and data is open data, or free, digital, public data that is available online for use, reuse, and redistribution by anyone.⁵⁹ The World Bank’s BOOST initiative helps countries to publish budget

information using different classification systems, in particular functional classifications, to enhance budget transparency and make budget data practical for users, as well as to facilitate the availability of comparable budget data across countries. GIFT, Open Knowledge International and BOOST coordinated the development of the Open Fiscal Data Package (OFDP) to foster the publication of open budget and spending data in a standardized way.⁶⁰ The Package is a simple data structure specification for publishing budget data and a platform that provides simple ways of searching, visualizing and analyzing the data. The Government of Mexico has used the Package to publish its budget and spending data since 2016, and South Africa has utilized it for its fiscal transparency portal since 2018.⁶¹ The Package is also being piloted by other Governments, including Argentina, Croatia, Guatemala, Paraguay and Uruguay.⁶² Experts underline that government ownership and the integrity of budget data (certified by Ministries of Finance) are critical for the success of budget transparency initiatives, and that international transparency initiative should also aim to support Governments to enhance their capacity to disclose budget data in open data formats.

As with budget portals, open budget data can be used to enable access to budget data and foster citizen engagement in the budget process, including for monitoring and accountability with regard to SDG commitments and efforts to achieve them. It is notable that the fiscal transparency portal of Mexico’s Government includes the tagging of the budget to the SDGs in open data.⁶³

Little information exists on trends in budget transparency at the sub-national level.⁶⁴ Public administration at the sub-national level may often be unable to comply with all transparency requirements due to limited capacity and fiscal constraints.⁶⁵ Some information is available within individual countries, such as Croatia, where the publicizing of evaluations of local government transparency has generated healthy competition to make strides in this area (see Box 3.5).

Box 3.5. Local government budget transparency in Croatia

Croatia is a country with limited budget transparency at the national level, according to the Open Budget Index. However, the average level of budget transparency of the country's 576 local governments, as annually surveyed and analysed by the Institute of Public Finance (IPF), has been consistently improving.⁶⁶ The IPF promotes budget transparency at the local level, where expenditures are particularly visible and tangible, and annually measures whether the 20 counties, 128 cities and 428 municipalities are publishing five key budget documents (year-end report, mid-year report, budget proposal, the enacted budget and citizens' budget) on their official websites.⁶⁷ The publication of all of these documents implies neither absolute budget transparency nor absolute accountability on the part of local government authorities; nevertheless, it shows compliance with laws and the Ministry of Finance's recommendations. Moreover, it is the first step towards greater budget transparency, a prerequisite for active citizen participation in decisions about the collection and spending of local funds, and the supervision of local government accountability.

So measured, the overall average level of local budget transparency almost doubled over the last four annual research cycles, from an average of 1.8 to 3.5 published documents (out of a possible 5). There is no longer a single city without at least one budget document published, or a single municipality without an official website. By types of local governments, the average transparency scores for counties, cities and municipalities are "excellent" (4.9), "very good" (4) and "good" (3.3), respectively, but there are sharp differences, notably among municipalities. It is instructive to compare the 2015 findings, in which only one municipality, 5 counties and 15 cities published five budget documents, with those of 2018, in which this occurred in 107 municipalities, 17 counties and 54 cities. In 2015, there were 18 cities and 148 municipalities without a single budget document published, while in 2018, this was the case in just 25 municipalities. The proportion of counties making citizens' budgets available increased from 35 per cent to 85 per cent, and that of cities from 15 per cent to 47 per cent. Municipalities also made the most progress in publishing budget proposals (from below 8 per cent to over 60 per cent). That is precisely what the IPF called for – the publication of more budget documents to enable citizens to be informed about the enacted budget, but also to influence budget formulation and the remainder of the cycle.

Numerous local governments initiated transparency measures with the establishment of websites, the provision of budget visualisation and educational games, and the organization of budget forums and progressed to facilitating various forms of direct budget participation. Currently, some invite citizens to participate in budget planning and formulation through small community service campaigns and local partnership projects, or through e-consultations that assess the current budget and receive citizen-generated proposals and projects for the next fiscal year.

While the motivations behind these gains in transparency and opportunities for participation are not fully known, competition among local governments is likely a driver. Each year the IPF publishes results, ranks local governments, issues awards, and engages the ministers of finance and public administration in an awards ceremony, all of which attract national and especially local and regional media attention.

Source: Adapted from Katarina Ott, "Budget transparency: inputs for discussion", paper prepared for the United Nations expert group meeting on budgeting and planning in support of effective institutions for the Sustainable Development Goals, New York, 4-5 February 2019.

3.3.5. Evidence of effectiveness and impacts of reforms

Evidence shows an association between greater budget transparency and improved quality of governance, socio-economic and human development indicators, electoral accountability of politicians, and budget allocations as a result of citizen participation; higher competitiveness and political turnout; better credit ratings and fiscal discipline; and reduced corruption and borrowing costs.⁶⁸ These positive associations have some caveats. The various studies illustrating them have several qualifiers to their conclusions, and much evidence is based on a small number of studies. With regard to macro-fiscal outcomes, evidence is generally based on broad measures of transparency, with few studies

exploring the impact of its specific aspects. Nonetheless, the evidence that does exist clearly points in the same direction. Critically, the long-term benefits of transparency, such as improved indicators of human development, where there is relatively less evidence, appear to rely on it having triggered participation.⁶⁹ In other words, participation seems to be a required link between transparency and the responsiveness of Governments to citizens' feedback. Greater research is needed on this link.

3.3.6. Conclusion

Budget transparency is a crucial principle in its own right. Citizens and other stakeholders need access to comprehensive, high-quality, and timely budget information in order to

scrutinize budget processes and track progress for all individuals and groups towards the Sustainable Development Goals, and to make their voices heard in highlighting gaps and concerns as well as conveying their own needs and priorities. In these ways, transparency is also fundamental to participation in – and accountability for – budget processes, and also for tackling discrimination.

On the one hand, emerging and expanding means of enhancing transparency, such as fiscal transparency portals and citizens budgets, show promise in expanding both access to and understanding of budget information. On the other hand, the still limited level of global transparency and, in particular, the trend towards less transparency, both observed in the Open Budget Survey, show that there is room for improvement. Also of concern is that existing budget transparency mechanisms tend to be disconnected from the Sustainable Development Goals, and therefore do not provide direct insight into progress towards them.

3.4. Accountability and the budget process

Governments operate in an increasingly complex policy environment. Accountability in the budget process has shifted in response to the complex governance and policy challenges encapsulated in the SDGs. This involves a redefined

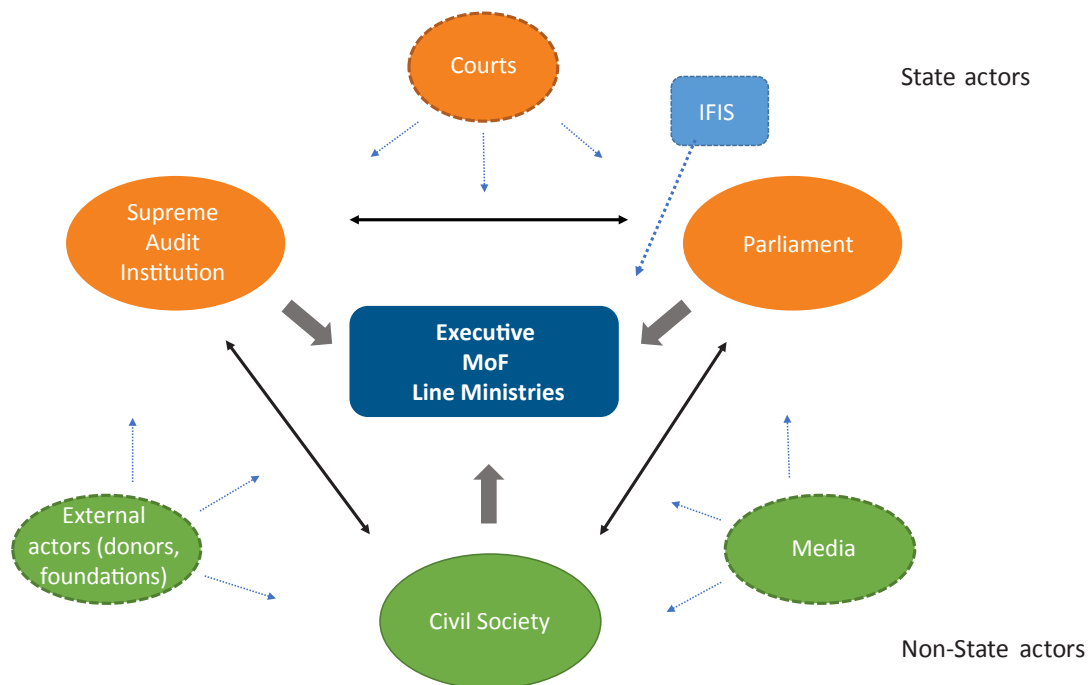
role for all stakeholders in budget accountability, including governments, Parliaments, oversight institutions, the public and other actors. Besides the factors that have traditionally limited effective budget accountability, such as formal constraints or limited capacities, there are also new emerging challenges for budget accountability in support of SDG implementation. This section presents the main actors of budget accountability systems, discusses their changing roles, and explores how to strengthen accountability in the budget process.

3.4.1. Accountability in the budget process

The government has a special duty to account for its decisions relating to the use of public resources and results achieved for society. This should include the legislature having the means to question and authorise budget proposals, and track the integrity and effectiveness of their implementation and the corresponding outcomes,⁷⁰ as well as external audit agencies that provide an ex-post assessment of the degree to which the executive reports on resources raised and spent are reliable, whether such operations were carried out in compliance with existing laws and regulations, and if they performed well in achieving policy objectives.⁷¹ The High-Level Principles on Fiscal Transparency (principles eight and nine) highlight the oversight role of Parliaments and external audit agencies.⁷²

Traditionally, three main groups of stakeholders have been identified as key for budget accountability: governments that

Figure 3.3.
Stakeholders in budget accountability



Source: Author's elaboration based on De Renzio P, 2016, "Creating incentives for budget accountability and good financial governance through an ecosystem approach. What can external actors do?"; Discussion paper, IBP/GIZ.

provide comprehensive, timely and legible budget information, as per available international standards;⁷³ independent oversight and audit institutions that operate at all stages of the budget cycle (e.g., independent fiscal institutions, IFIs, and supreme audit institutions, SAIs);⁷⁴ and an active Parliament that actively exercises its role in authorizing budget decisions and holding government to account for budget formulation and execution. Yet, according to the 2017 Open Budget Survey,⁷⁵ out of 115 countries surveyed, only 28 per cent of legislatures (32) have adequate oversight practices, while two-thirds of SAIs have adequate practices. Thirty-six countries (31 per cent) are assessed to have weak legislative oversight of the budget. Legislative oversight is stronger during budget formulation and approval than during implementation. While there are independent fiscal institutions in 28 countries, only 18 of these are both independent and sufficiently resourced to carry out their functions.

Budget reforms in recent years have sought to strengthen budget accountability by strengthening the role of Parliament, enhancing the capacity of independent oversight institutions and opening more opportunities for citizens to engage in the budget process. There has been increasing emphasis on the need to look at the whole accountability system at the national level, which is broader than the institutions singled out above and includes other stakeholders such as civil society and the general public. The increasing number of actors expands the opportunities for collaboration (e.g., between Parliaments and civil society, between SAIs and civil society⁷⁶) to contribute to increased budget accountability.⁷⁷

3.4.2. Budget accountability in support of the SDGs

Governments face increasingly complex policy challenges. The integrated nature of the 2030 Agenda and the SDGs requires governments to develop or enhance new core capacities, including by:⁷⁸ developing institutional mechanisms that facilitate managing performance broadly on the results that government seeks to achieve; adopting a whole of government orientation to decision making, resource allocation, inclusion, and policy coherence; and implementing collaborative mechanisms to facilitate horizontal and vertical integration and stakeholder engagement.⁷⁹

The SDGs do introduce the need to think of budget accountability differently. The nature of budget accountability has changed from having a year-end focus to activities that span the whole budget cycle. It goes beyond budget control and oversight, and becomes a tool for managing the strategic objectives of the government, including their sustainable development objectives. Budget accountability and government responsibility regarding the budget process may now involve looking for good practices, learning what works, and managing networks that allow for the achievement of interrelated policy goals, beyond the traditional focus on compliance. Yet, addressing integration within the context of

budget accountability is not without difficulty. For example, attempts to introduce so-called “portfolio budgeting” may face resistance from various actors.

All budget stakeholders need to ensure that they evolve in tandem with these changes. On the whole, Governments are providing more and better information on their plans and forecasts. Parliaments have adapted their structures to better address budget issues, with more specialized committees focusing on different aspects of the budget (forecasts, performance reports, governance). SAIs have also adapted by developing innovative auditing techniques and enhancing performance audit practices to ensure that they return value and benefits to clients, stakeholders, and citizens in the current governance environment.

Still relatively little reporting on performance of SDG implementation is done by governments. Yet, in some important ways, the SDGs do not represent a radical departure from the past. Governments often have national plans to address complex issues at a whole-of-government level, which overlap with the SDGs even without an explicit connection to them. They have increasingly included performance information in budget documentation (See Box 3.6).

Some governments have also introduced reforms to move towards whole-of-government reporting. For example, in the Philippines, the Department of Budget and Management has, since 2011, reported on the status of allocation releases, consolidated statement of allocations, obligations and balances, and cash allocations releases and their disbursements. Since 2013, the government has published mid-year and year-end reports that provide a cohesive discussion on the state of the budget, and the General Appropriations Act requires the national government and public entities to submit their reports regularly to Congress.⁸⁰

For Parliaments, the need for integration translates into the need for further engagement of different parliamentary committees throughout the budget cycle. An active role of committees in parliamentary budget scrutiny leads to detailed and more technical (rather than political) engagement.⁸¹ Enhanced coordination and communication between specialized budget committees and sector committees, as well as dedicated SDG committees that have been created in some countries,⁸² supports stronger parliamentary involvement in the budget process. There are some notable examples of this wider legislative engagement, including Sweden, India (specialized sector committees examine the budget since 1993), Australia or Uganda,⁸³ as illustrated in Box 3.7.

However, improvements are still possible. A stronger role of sectoral or SDG committees requires time and a more general debate around the budget bill, which does not happen in many countries where parliaments do not discuss the budget in detail, and often provide only a vote of confidence on

Box 3.6. Inclusion of performance information in budget documentation

France's organic budget law (Loi organique relative aux lois de finances, LOLF) groups expenditures by "missions" that bring together programmes associated with high-level policy objectives and performance indicators. Recent reforms have focused on streamlining the indicators to make them clearer to parliamentarians and the public. France enacted a law in 2015 requiring the Government to present wealth and well-being indicators over and above GDP, to promote debate on policy impacts. The government is developing a strategic dashboard using a limited set of internationally comparable indicators, including: economic development indicators such as FDI (OECD) and Doing Business (World Bank); social progress indicators, such as healthy life expectancy at 65 by gender (OECD), percentage of 18-24 year olds with no qualification who are not in training (France Stratégie/Eurostat) and poverty gaps (World Bank); and sustainable development indicators such as greenhouse gas emissions per unit of GDP (European Energy Agency/Eurostat).

Source: OECD (2018), *Best practices for Performance Budgeting*, OECD Publishing, Paris.

Box 3.7. Engagement of a wider range of parliamentary Committees throughout the budget cycle

The Swedish Riksdag, has a two-step legislative process in which the Spring Fiscal Policy Bill (submitted in April) allows for a more general debate on fiscal policy and the debate on the Budget Bill (submitted in September) covers the government's detailed spending proposals for the next budget year. Sectoral Committees have a strong role in reviewing performance targets for ministries and agencies and scrutinise results.

Source: OECD (forthcoming), *Best practices for Parliamentary Budgeting*, OECD Publishing, Paris.

the budget as a whole. A recent OECD survey shows that sectoral committees take the lead on reviewing sectoral financial and performance information in only 11 OECD countries.⁸⁴ Also, according to the Open Budget Survey 2017, sectoral committees review budgets for their sector in 72 countries out of 115 surveyed, but in 44 of these, the sectoral committees do not issue any publicly available recommendation before the budget adoption.⁸⁵

Accountability institutions such as SAIs can draw on a rich body of experience in "auditing complexity" to enhance their budget accountability role in support of SDG implementation. Some SAIs, like SAI India, are using social audits to inform performance auditing practice.⁸⁶ Other SAIs are conducting audits that assess complex governance issues and their impact on government performance and the efficiency of spending. For example, the UK National Audit Office has evaluated the long-term planning and revenue spending framework of the central government.⁸⁷ Also, the US Government Accountability Office (GAO) regularly conducts audits that consider institutional duplications, overlaps and fragmentation, and their impacts on the efficiency of public spending.⁸⁸ Overall, about half of the recommended actions in GAO's annual reports on duplication have been implemented by Congress or agencies, and these annual reports are estimated to have helped the federal government save over \$175

billion.⁸⁹ GAO has also audited the performance of the government in implementing whole-of-government strategies (e.g. for pandemics, homelessness), see Box 3.8.

3.4.3. Enhancing budget accountability

Despite progress, persistent challenges to budget accountability at the national level relate to formal constraints (e.g., limited formal powers of accountability institutions, no mandate to publish audit reports), limited capacity and resources, and wider governance and political economy factors (such as limited competition or political influence) that undermine the effective operation of the budget accountability system.

In addition, some challenges are particularly relevant in the context of SDG implementation. These include, for example, the lack of government accountability around the macroeconomic projections on which the budget is based, with over-optimistic projections for revenue collection being reflected in the approved budget and ultimately resulting in negative economic impacts. Another challenge refers to private sector accountability within the framework of the budget, for example for public-private partnerships. The role of both government and non-governmental experts in safeguarding the reliability of budget information is another challenge, as well as the limits to budget accountability for the SDGs

Box 3.8. GAO's assessment of the executive branch's approach to using whole of Government strategies to leverage synergies, identify gaps, and improve performance of crosscutting outcomes

The GPRA Modernization Act of 2010 (GPRAMA) provides the U.S. federal framework for establishing long-term and annual goals, reporting on progress at least annually, and using that information in various types of decision making. As part of GPRAMA, the Office of Management and Budget is to establish 4-year "Cross Agency Priority" (CAP) Goals. The 14 current CAP goals cover a range of cross cutting policy, program, and management issues. In addition, agency leaders are to annually assess, through a portfolio of evidence, the agency's progress in achieving each of their strategic objectives. These objectives are intended to be outcome-oriented and span the operations of a number of programs. The results of these reviews are to inform a variety of agency decision-making processes, including budget formulation and execution. Currently, major federal agencies have identified 267 strategic objectives.

GAO, which worked closely with Congress in crafting GPRAMA, is required by the Act to review these and other aspects of GPRAMA. This has included auditing implementation of the provisions, assessing the governance mechanisms being used to implement the CAP goals, identifying best practices for coordinating crosscutting programs and for doing strategic objective reviews, and assessing if goals and objectives are being met.

Source: Input by C. Mihm to the expert group meeting on Budget and planning in support of effective institutions for the implementation of the SDGs, New York, February 2019.

when those are perceived by the government merely as a foreign aid agenda. Several initiatives can be identified to address all these challenges.

3.4.4. Promoting accountability throughout the budget cycle

There are different approaches to improving budget accountability to support SDG implementation. Table 3.3 below identifies some possible initiatives for each stage of the budget cycle.

Several aspects of budget accountability may require special attention in the context of SDG implementation. First, it is important to consider accountability for the full government commitment, which includes not only direct spending but also tax expenditures. This requires improving the transparency of tax expenditures and subjecting them to the "performance test" of having goals, measures, and periodic reporting.⁹⁰ It also includes closing the gap between planned and forecasted tax revenues and the actual revenues collected. All this would help to better inform decision-makers and enhance the credibility of the budget.⁹¹

Table 3.3.

Initiatives for better budget accountability

Stage of the budget cycle	Initiatives to promote accountability
Setting of government fiscal policy and objectives	<ul style="list-style-type: none"> Providing information on fiscal policy and objectives that is not narrowly focused on one year but has a multi-year perspective, ahead of the annual budget discussion Establishing a role for an independent fiscal institution to give quality assurance on the credibility of the fiscal objectives Parliament debating and/or formally approving fiscal policy and objectives
Formulation and approval of the budget	<ul style="list-style-type: none"> Undertaking participatory budgeting initiatives to better understand the budget priorities of citizens Publishing a budget proposal that sets out plans for the forthcoming years, with all relevant information on revenue, expenditure, tax expenditures, financing, commitments and potential risks Providing parliament with at least 3 months, and specialist analytical and research resources (e.g. a Parliamentary Budget Office), to analyze and discuss the proposal Publishing a citizen's budget to help the public engage in deliberations over the budget proposal
Budget implementation and audit	<ul style="list-style-type: none"> Publishing regular reports and accounts, including a comprehensive mid-year report, that provide key figures and commentary on budget execution Having an independent audit done in a timely manner after the end of the year Providing parliament with capacity to undertake in-depth scrutiny, including hearings with ministers and other officials, through various committees (e.g. Public Accounts Committee and sectoral Committees)

Source: D. Moretti (OECD), input to the expert group meeting on Budget and planning in support of effective institutions for the implementation of the SDGs, New York, February 2019.

Second, financial and performance information should be combined in budget documents, rather than presented separately, as the latter makes linking expenditures and performance more difficult. Although several countries include non-financial performance information in budgets, this information is not always integrated into the budget process to support and inform budget decisions and oversight.⁹² Evidence from some countries also shows that performance information is mainly used during budget implementation but not as much for informing policy and budget formulation based on the results of oversight and evaluation.⁹³

Moreover, it is important to enhance the evidence base of budgetary decisions. By incorporating evidence of effectiveness and performance, public entities can improve the effectiveness of their programmes and enhance innovation based on evaluation and research. For example, in the USA, Pay for Success (often referred as Social Impact Bonds) is a contracting mechanism under which investors provide the capital the government uses to implement a social service. The government specifies performance outcomes in Pay for Success contracts, and generally includes a requirement that a program's impact be independently evaluated. Pay for

Success oversight bodies regularly review performance data, while those managing and investing in a project focus on performance and accountability.⁹⁴

Progress towards achieving the SDGs is undermined when countries budget for them but do not implement the budgets. Enhancing “budget credibility” (the difference between the approved budget and actual expenditure) is linked with the efficiency of spending and has important implications for macroeconomic stability, service delivery and social welfare.⁹⁵ The Public Expenditure and Financial Accountability (PEFA) framework includes indicators on several dimensions of budget credibility.⁹⁶ This issue is also included in the IMF's Fiscal Transparency Code and Fiscal Transparency Evaluations. Regular budget implementation reports should provide justifications that are plausible, transparent and regulated by the budgetary process. After budget execution, the executive should also provide the reasons for any deviations, to enhance accountability for results. Ongoing work by the International Budget Partnership aims to better understand the extent, nature and reasons for budget deviations and the impact of budget credibility problems on service delivery and social welfare.

Box 3.9. Understanding budget credibility

The International Budget Partnership (IBP) is leading a two-year project to better understand why budget deviations happen (the explanation for deviations) and whether money is being diverted to different priorities than those agreed to in the original budget (i.e., the allocative consequences of deviations). The project will also convene and coordinate a global community of practice to discuss the research findings as they are produced and work together toward a set of global advocacy objectives to enhance budget credibility.

Initial findings from cross-country research indicate that budget credibility is a challenge. At aggregate level, governments underspend their budgets by 9.3 per cent on average and often more. Challenges are greater in lower income countries. The composition also shifts substantially during execution. Sectors such as general public services, defense, public safety, education and social protection tend to gain in budget shares, while sectors such as economic affairs, environmental protection and housing tend to lose in budget shares. While increases for most of the sectors that gain are due to compensation, reductions are almost exclusively due to capital expenditure

Regarding the reasons for deviations, an analysis of 24 case studies across different regions and sectors indicates that many governments do not provide explanations, and those that do often provide inadequate explanations. Some provide more information than others. For example, countries in Latin America provide explanations at a very disaggregated level. Countries such as Bangladesh provide explanations on a consistent basis. The analysis also shows that governments have more information on budget implementation than is being disclosed (e.g., Ukraine).

Additional areas for research include better understanding of the role of Parliament and oversight institutions as well as the impact of budget deviations on service delivery and equality.

Source: see footnote⁹⁷

Lastly, financial reporting based on accrual accounting helps governments to better reflect all public assets, liabilities and contingent liabilities, which should also be subject to end-of-year scrutiny.⁹⁸ Although countries have made some progress on the publication of accrual basis financial statements, civil service pensions and natural resources are not yet reported by most countries, limiting the accountability of some of the government financial operations.⁹⁹ Also, as accrual accounting is considered a very technical issue, countries have developed reader-friendly summaries and commentaries of technical, complex and sometimes overly detailed financial statements.¹⁰⁰

3.4.5. Enhancing capacities for budget accountability

Improving budget accountability also requires adequate capacity of all relevant accountability stakeholders to analyze, interpret, and respond to budget information that is provided by the Government and to collaborate for better budget oversight.

Increasing analytical capacity in Parliaments is often needed, especially considering the growing volume of budget-related information in many countries, which sometimes exceeds the capacity of Parliaments to meaningfully engage in budget discussions. Additionally, in some contexts there may be a need to streamline budget information and make it easier to understand. Building legislative capacity for budget oversight requires adequately trained committee staff and strengthened independent research capabilities, including in parliamentary budget offices. The number and background of budget committee staff varies widely. For OECD countries, 2-3 staff is the most common, but countries such as France or the USA have around 20-30 staff for each house.¹⁰¹ Also, many Parliaments still do not have an internal research body to assist parliamentarians or one has been only recently established. Staff of these research units is also variable. Specialized research capabilities, for instance to conduct gender analysis of budgetary issues, are also a challenge.¹⁰²

In general, insufficient time has been spent on identifying institutional mechanisms needed by Parliaments to fulfill their role in budget accountability. In some countries, the SAI has played a role in this regard, providing capacity building to parliamentarians on how to understand budget information. For example, the US Government Accountability Office has worked with the legislature to enhance its engagement in government performance initiatives and strengthen its decision-making and oversight capacity.¹⁰³ Also, Costa Rica's SAI conducts an annual survey on the quality and utility of its audit reports, which has allowed the SAI to identify areas for improvement, for example, in terms of the language used in audit reports to appeal to young parliamentarians.¹⁰⁴

Well-resourced oversight institutions are also critical. In some countries, SAIs have limited staff working on the external audit of budget accounts.¹⁰⁵ Also, in some countries SAIs do not

conduct or still have limited capacity to conduct performance audits.¹⁰⁶ The SDGs provide a window of opportunity to advance performance audits. Indeed, many SAIs conducted performance audits for the first time when they audited their governments' preparedness for SDG implementation in recent years.¹⁰⁷

The capacity of SAIs to have their recommendations acted upon, considering the different SAI models and whether the SAI has enforcement powers, is also an important factor in enhancing budget accountability. In the USA, although the GAO has no enforcement power, a recent law mandates that each federal agency, in its annual budget justification going to Congress, include a report on each public recommendation of the GAO that is classified as "open" or "closed, unimplemented".¹⁰⁸ Most SAIs have some type of follow-up system,¹⁰⁹ but effective follow-up of audit recommendations is hindered by limited transparency of audit reports (the percentage of SAIs that made most of their completed audit reports available to the general public fell from 70 per cent in 2014 to 49 per cent in 2017, and the percentage that published no reports rose from 15 per cent to 26 per cent).¹¹⁰ Also, according to the 2017 Open Budget Survey, in 41 countries out of 115, the legislature does not review audit findings.

Beyond SAIs, other stakeholders such as independent fiscal institutions (IFIs), the media, and civil society also need enhanced capabilities. Many countries do not have IFIs, and in others they have limited capabilities due to legal constraints or limited resources. While in some countries (such as Indonesia, Kenya or South Africa), there are many specialized civil society organizations working on budget issues, in other countries civil society capacity is limited. Similarly, the media do not always play a well-informed and constructive role in budget accountability.¹¹¹

3.4.6. Effectiveness of budget accountability measures

The evidence base on budget accountability is still underdeveloped, and conclusive findings are lacking. Nonetheless, case studies and meta-analysis suggest that transparency and participation may, under certain conditions, enhance budget accountability and lead to positive impacts. Early evidence suggests that budget work done by civil society also contributed to accountability and participation, in a context of adequate civil society capacity and when linked to broader forms of collective action. In addition, while there are still no conclusive results, there is a growing body of evidence that connects public sector transparency with better economic and social outcomes (as discussed in 3.3.5). There is evidence that links improved budget accountability with improved service delivery and with more equitable budgets, which more effectively address the needs of marginalized people and those living in poverty.¹¹² Further,

there is some evidence of a positive relationship between fiscal transparency and better developmental outcomes.¹¹³ Thus, there is growing evidence that budget transparency contributes to increasing accountability, and the latter can lead to better development results.

3.5. Addressing corruption in the budget process

As do other forms of corruption (cf. Chapter 2 of this report), corruption in budget processes undermines public confidence in government, affects the delivery of services and the provision of public goods, hinders social and economic development, creates inequality, and weakens the rule of law.¹¹⁴ Corruption in budget management undermines the legitimacy of resource allocation and renders government planning ineffective.¹¹⁵ Corruption at the stage of budget development can skew the allocation of government expenditures across sectors, produce “bloated” budgets, and create opportunities for corrupt practices later on in the implementation process.¹¹⁶ It is also one of the potential sources of budget deviations and affects budget credibility, as it makes actual expenditure inconsistent with the planned budget. Moreover, by diverting scarce resources from priority social sectors such as health, water or education, budgetary corruption is particularly damaging for the poor.¹¹⁷

Efforts to combat corruption around the budget process have revolved around two main questions: How to identify corruption risks at different stages of the budget process, and how to address those vulnerabilities. This section focuses on the expenditure side and does not cover corruption risks related to revenues.

3.5.1. Corruption in budgets and the SDGs

As in other areas, efforts to address corruption in the budget process face methodological challenges. There is no standard methodology to measure corruption in relation to budget processes, and consequently no data are readily available in this area. Leakages of expenditures – a proxy indicator for corruption – are easier to identify and good methodologies exist to measure them.¹¹⁸ However, other practices that are systemic or related to political economy factors – such as the use of privileged information by public officials, collusion of public officials to provide false information to the legislature, revolving doors between the public and private sectors, “crony capitalism” – are difficult to measure and address. Moreover, some of the common anti-corruption responses such as budget transparency standards cannot fully address these issues. Further, there is a tendency to underestimate the sophistication of corruption schemes related to public resources.

Inefficient spending due to leakages of expenditures is a common public financial management (PFM) challenge that is used as a proxy indicator for corruption in budget implementation. Fraud and financial leakages can be measured by audits and public expenditure tracking surveys.¹¹⁹ Leakages create barriers to access to services,¹²⁰ undermine the quality of service delivery and affect outcomes and the performance in sectors such as health, water and education.¹²¹ For example, in the health sector, financial leakages impact health worker payments, contribute to shortages of critical goods and medicines, and affect the number of patients treated, among other negative effects.¹²²

As shown in Chapter 2, reflecting the integrated nature of the 2030 Agenda when addressing corruption in budgets is critical but remains a challenge. In this regard, it may be helpful to look into particular SDG areas, for example under target 12.2, which relates to efficient management of natural resources. Further, attention should be paid to corruption risks when considering risk management systems for SDG implementation and to the development and monitoring of corruption indicators for budget sub-systems in specific SDG areas. Also, tools and strategies for preventing and addressing corruption are needed for cross-sectoral budgets supporting goals and targets that involve multiple government agencies and sectors (e.g., food, health, and climate change).

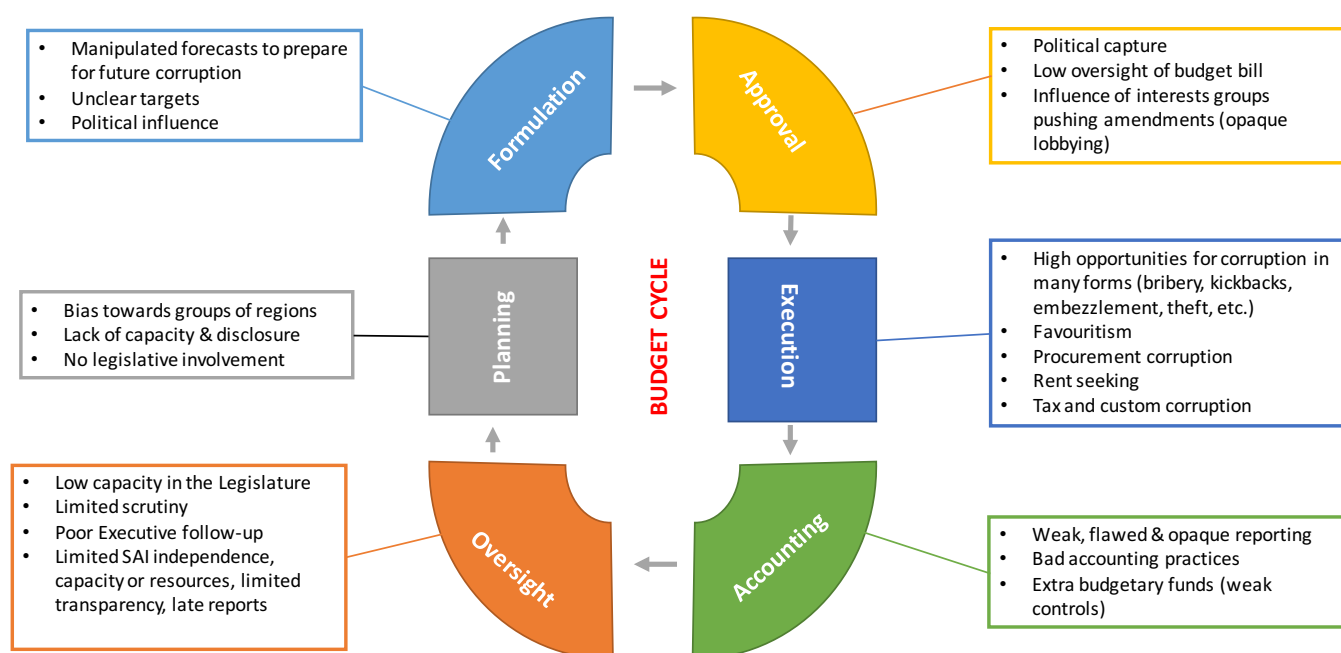
It might be too early to link anti-corruption in budgets too systematically to other institutional principles of the SDGs, as the underlying empirical evidence to connect them is as of yet insufficient. There is still too little knowledge about causal connections, impacts and results of anti-corruption measures and interventions to draw substantive conclusions.¹²³ As noted in Chapter 2, combining transparency with enforcement seems to be critical to ensure effective responses to corruption.

3.5.2. Corruption risks at different stages of the budget cycle

The risks of corruption vary across the stages of the budget process (see Figure 3.4).¹²⁴ Vulnerabilities at one stage may create opportunities for corruption at later stages. Corruption vulnerabilities also affect financing and budgeting in specific sectors (e.g., education budget). Thus, considering sector-specific processes is important for preventing and controlling budget corruption.¹²⁵

Corruption vulnerabilities emerge in the relations among the multiple actors who engage in the budget cycle, including members of government (the executive), parliament, state entities, and officials in local and regional governments. Overall, PFM corruption has mostly been analysed from a principal-agent perspective.¹²⁶ Yet, it is largely about political decisions, which can be captured by specific groups and interests, and about how public administration implements them. Corrupt actions may breach the constitution and violate

Figure 3.4.
Corruption risks by stage of the budget cycle



Source: Author's elaboration.

national budget laws and procedures, as well as civil service laws and regulation. The absence of a proper legal framework, unclear rules and regulations, weak enforcement, limited transparency and existing informal practices and institutions also drive corruption in the budget process.¹²⁷

At the planning stage, corruption vulnerabilities appear as opportunities to inappropriately channel public resources in ways that benefit particular interests. The planning of public activities may be biased towards specific groups (e.g., ethnic, political) or geographical areas. Biased allocations are more likely when the legislature is not involved, and when the plan is prepared by the executive only, amidst limited transparency and accountability.¹²⁸ Also, lack of planning capacity (e.g., reflected in unclear, inconsistent and non-prioritized planning documents) and lack of disclosure of planning documents may create opportunities for corruption.

The stage of budget formulation also has specific vulnerabilities that, unattended, can allow for corrupt practices. Financial forecasts may be manipulated or biased to allow future embezzlement or diversion of resources. Weaknesses in the planning process may render expenditure targets unclear and disconnected from the planning process. Political influence may affect expenditure targets (e.g., a powerful line ministry can get higher allocations) and also create opportunities for corruption at later stages. Lack of transparency of the

budget proposal (see section 3.3.2) may also allow for undue influence.¹²⁹

At the approval stage, weaknesses in the legislative process may create opportunities for corruption. Short deadlines and little time for legislative scrutiny can lead to budget approval without appropriate checks to address potential vulnerabilities. Moreover, at this stage, special interest groups, businesses and political parties may use corrupt practices to promote amendments to the budget that benefit specific constituencies or will allow for corruption later on. They can also influence legislators to amend the budget proposal or safeguard budget allocations or subsidies. Risks of political capture are high at this stage.

Budget execution is the stage that is most vulnerable to corruption,¹³⁰ as this is where the main transactions are made, resources become tangible, and multiple actors are involved. Particular attention at this stage should be paid to areas in which high levels of discretion can increase vulnerability to corruption, such as public contracting, budget processes and customs.¹³¹ Corruption in budget execution may take many forms, including favoritism in or absence of budget authorizations, distortion of public investment projects, bribery and kickbacks in procurement, undue advantages to certain providers, money stolen or used to benefit particular individuals or groups, and rent-seeking. The ability of the

executive to change the budget without legislative approval during implementation¹³² and the multiplication of exceptional procedures that bypass expenditure oversight may increase the probability of these practices occurring.¹³³

Government agencies have to account for their expenditures. Their financial reports are subject to internal audit and consolidated by the ministry of finance, which issues a budget execution report subject to external oversight. Poor accountability and reporting mechanisms can contribute to increasing the incentives for corruption as well as create an environment of impunity. Flawed or opaque reporting and weak accounting practices and internal controls increase the risks of corruption at different stages of budget implementation, as the chances for detection and prevention are reduced.

Legislative oversight is usually undertaken by the legislature's public accounts committee (or equivalent). Limited legislative scrutiny, lack of capacity and resources, and poor executive follow-up undermine oversight.¹³⁴ External oversight is undertaken by the supreme audit institution (SAI). SAIs' limited independence, lack of capacity and resources, insufficient cooperation with Parliament and non-state stakeholders, and the limited availability of their audit reports may limit the effectiveness of external oversight by the SAI (see above page 105).¹³⁵

Corruption vulnerabilities also emerge regarding extra-budgetary resources and accounts for specific types of expenditures or revenues (e.g., social security funds, natural resources). The implementation, control and oversight of these resources frequently lacks the standards and processes of regular budgetary resources, providing opportunities for corruption (for instance, many SAIs do not oversee these funds). In some cases, these off-budget funds may be purposely set up to avoid oversight.¹³⁶

3.5.3. Preventing and combatting corruption in budgets

PFM reforms have focused on reducing discretion and complexity, streamlining administrative procedures, and standardising and automating processes. They also include better monitoring and enforcement of tougher sanctions of corrupt practices. These reforms have typically addressed corruption as a technical and administrative issue. However, PFM corruption is also a political problem, where technical and political considerations are intertwined in complex ways.¹³⁷ Therefore, they require consideration of broader governance and political issues in specific contexts. Also, recent reforms have sought to enhance transparency, participation and accountability in budget processes. A positive aspect of this area is that international standards exist for the entire PFM cycle.

Anti-corruption reforms in this area can generally be classified in five main types.¹³⁸ First, those reducing technical complexity, including information and communication systems and skills in the public service. Second, those simplifying financial regulations where feasible and coherent, particularly in high-risk and high-value areas, and eliminating unnecessary bureaucracy. Third, those enhancing transparency: government information systems, including websites, must provide information on key policy decisions and financial performance data. Fourth, those providing the public with effective channels to ensure value for money in service delivery and improve probity (e.g., complaint mechanisms). Finally, those strengthening internal and external audits, ensuring access to information and full disclosure of reports to the public.

There are several ways of minimising corruption opportunities and risks that are specific to the budget process. At the budget formulation stage, approaches to reducing corruption include: strengthening overall governance processes (e.g., sufficient time, clear budget envelopes); multi-year and programme-based budgeting with reliable control mechanisms; more transparency and public scrutiny (through for example, citizens' budgets), and participatory budgeting.

Corruption risks at the budget approval stage can be minimised by ensuring sufficient time for legislative scrutiny; building the capacity of parliament's experts, and introducing lobbying regulations that enhance transparency and establish lobby registers. For example, Chile recently approved legislation to regulate lobbying, define their active and passive subjects, and established a register for lobbyists and their activities (See Box 2.11 in Chapter 2).¹³⁹

Measures to address corruption in budget execution include the use of information and communication technologies (ICTs) to consolidate data and facilitate real-time access to information; public expenditure tracking systems to detect leakages; enhancing transparency of budget execution more generally; participatory monitoring; and improved accounting and reporting standards and skills to implement them.

Some of these measures are used mainly to enhance the effectiveness of the public financial management system, but they may also promote integrity or have corruption reduction as a secondary objective. For example, well designed and implemented integrated financial management information systems (IFMIS)¹⁴⁰ can help detect exceptions to normal operations, patterns of suspicious activities, automated cross-referencing of personal identification numbers for fraud, cross-reference of asset inventories with equipment purchase to detect theft, automated cash disbursement rules, identification of ghost workers, etc. As of 2005, the World Bank had funded IFMIS projects in 27 countries and developed guidance to address implementation challenges. Successful IFMIS projects included those in Ethiopia, Kosovo, the Slovak Republic, Tanzania, and Uganda.

Box 3.10. Good financial governance and audits in Africa

The Good Financial Governance programme, supported by the German agency for international cooperation (GIZ), advocates for the improvement of PFM systems in Africa by providing better assessments of their effectiveness and using external audits to identify common challenges. It considers technical PFM dimensions as well as normative and political economy dimensions, and tries to establish whether there is correlation among PFM processes, budgetary outcomes, and national sustainable development outcomes, measured by the SDGs. Further, it seeks to identify the extent to which these relationships are influenced by contextual factors such as governance, corruption, politics, and the economy.

The assessment tool considers PFM processes both at the centre of government and in line ministries, departments and agencies, and allows for aggregating findings from single entity assessments, which affect the government's ability to implement policies, assess macro-economic frameworks, and ensure alignment with the SDGs. It also identifies financial governance risk areas. The model has been piloted in several African countries, including Ghana, Kenya, Malawi, Mozambique, Senegal, Tanzania and Uganda.

Source: GIZ, 2016, *Good financial governance heat map*, Eschborn, November (http://gfg-in-africa.org.dedi1115.jnb1.host-h.net/wp-content/uploads/2017/05/Giz_GFG-heat-map_full-final_March-2017.pdf).

Another way of addressing corruption risks is by enhancing the transparency of budget execution. Reporting how resources are used facilitates monitoring of financial flows by different actors and makes it easier to detect corruption and mismanagement. For example, Colombia's *Mapa Regalías* is an online information system that uses visualization to give citizens information about the allocation of royalties from resource extraction across levels of government and institutions.¹⁴¹ This facilitates the monitoring of investment projects financed by those revenues.¹⁴² Enhancing the independence, capacity and resources of SAIs, as well as increasing the transparency of audit reports and improving collaboration between SAIs and other accountability actors, can also contribute to improved budget oversight and control.

Keeping these reservations in mind, a range of PFM-related reforms can have a positive impact on corruption. Commitments made by countries under the Open Government Partnership (OGP) offer a sample of such tools and approaches. They include: the publication of contract agreements between

the public and private sectors (e.g., Slovenia); the creation of portals or other channels for complaints; the use of social audits by anti-corruption institutions (keeping in mind that they require responsiveness on the part of the state); conflict of interest commissions; wealth declarations for senior officials; requirements of transparency for the financing of political parties; and engaging citizens in budget formulation and resource allocation (e.g., Brazil's policy councils). The effectiveness of most of these tools or institutions critically depends on the capacity and commitment of the relevant institutions (Parliaments, supreme audit institutions, the judiciary) to follow up on evidence of wrongdoing.

3.5.4. Effectiveness of anti-corruption reforms related to budgets

The empirical evidence indicates that domestic factors, both economic and political, are critical for the quality of PFM systems,¹⁴³ and through those for addressing corruption. Overall, evidence shows that PFM reforms are effective

Box 3.11. Budget education, advocacy and monitoring

Multiple initiatives aim to educate citizens about the budget process, and to engage citizens and civil society in advocating for more social spending and monitoring and for holding governments accountable. Examples include budget education campaigns in Indonesia (*Your Voice Your Opportunity*) and social audits in Kenya (*It's Our Money Where's it Gone*).

In Zimbabwe, Save the Children worked with the National Association of Non-Governmental Organisations (NANGO) to support 34 children's groups in work on a Child-Friendly National Budget Initiative. Children from these groups now understand key budgetary concepts, and produce annual shadow budgets for their schools and local authorities. Budget allocations for health and education were increased in 2011 as a direct response to submissions presented by the children-led groups.

Sources: Save the Children, 2012, *Health sector budget advocacy. A guide for civil society organisations*, London, Save the Children; Masud H et al., 2017, *International Practices to Promote Budget Literacy: Key Findings and Lessons Learned*, Washington, DC, World Bank.

in reducing corruption in public administration,¹⁴⁴ but the evidence for specific types of reforms is less consistent.¹⁴⁵ Reforms with stronger evidence of impact are public procurement reform, public expenditure tracking and central budget planning and management. There seems to be some consensus among experts that PFM reforms do not by themselves constitute a solution to all budget corruption problems. For example, while emphasis has been placed on public procurement reform as a remedy for corruption, its primary objectives remain enhancing efficiency and effectiveness. There is clearly a role for PFM reform at the budget execution stage, where basic tools such as streamlining and automatization of processes, compliance controls and audits can contribute to limiting corruption. Beyond this, having too high expectations of PFM reforms may be misplaced. In order to address sophisticated corruption schemes, other approaches might work better. For example, the OECD emphasizes that “transparency is about building trust”, avoiding an excessive focus on combating corruption.

Evidence of effective anti-corruption results of social monitoring and accountability initiatives is contested, but indicates that, under certain conditions,¹⁴⁶ social accountability measures can have a positive impact on corruption.¹⁴⁷ Participatory budgeting has been found to have positive effects in terms of exposing corruption in health at the local level.¹⁴⁸ Information and media campaigns have contributed to reducing the capture of public funds in education and improving health service delivery.¹⁴⁹

Overall, strong PFM systems at the national level are correlated with lower levels of corruption. A recent study from the IMF suggests that an effective tax authority or revenue body may be more efficient for reducing perceptions of corruption than specialized anti-corruption institutions.¹⁵⁰ There are also few systematic assessments of corruption risks in the budget process at the national level. In all, the evidence on the effectiveness of budget/PFM reforms on anti-corruption remains insufficient to draw reliable conclusions.

3.6. Participation and the budget process

Public participation in fiscal policy refers to the variety of ways in which the public – including individuals, citizens, civil society organizations, community groups, business organizations, academics, and other non-state actors – interact directly with public authorities on fiscal policy design and implementation. Participation may be invited by an official entity, such as a ministry of finance, line ministry or agency, a legislature, or a Supreme Audit Institution. Participation may also be initiated by a non-state actor.¹⁵¹

Participation, together with transparency, is a key pillar of accountability, in general as well as in relation to the budget process. By directly or indirectly involving the population in decisions on and the execution of public expenditure, new concerns or ideas might be raised, incentivizing the quality of the debate on the use of allocated resources. Also, incorporating a wide range of voices to the public arena can help reduce the risk of capture of budget decision-making by well-positioned groups. Through participation, citizens and civil society can perform the important function of scrutinizing government actions related to the budget, which other institutional mechanisms (for example, Congressional hearings in the USA) may or may not perform depending on the country context. Citizen engagement can play a useful role in monitoring budget execution, especially at the local level but also at the national level, as well as in audits.

Participation has both an intrinsic (for example, through offering marginalized groups the opportunity to influence decision-making) and an instrumental value. Public participation has to be understood as complementary to – and not a substitute for – existing institutional mechanisms and accountability systems in the budget process. Citizen engagement is a tool that can be mobilized in countries with different accountability systems.

However, participation also involves costs (e.g., related to the capacities and resources needed for participatory processes) and risks. It can be hard to set up and manage, resource-consuming, and sometimes lead to inconvenient results. Some parts of the government may feel that they are already overburdened by citizen engagement initiatives. Governments often need to see the practical benefits of engaging citizens, for example in terms of leading to better resource allocation, improving public services and making them more responsive to the needs of citizens.

In addition, there exist many participatory tools and approaches, which involve different degrees of participation (as measured, for example, by the International Association for Public Participation scale); and those are not equivalent or equally adapted to different problems and objectives.¹⁵²

For these reasons, public institutions have to make clear what they expect from citizen engagement. This is a precondition for selecting the appropriate approaches. Among the considerations that matter in this regard are clear criteria for participation, the inclusion of feedback mechanisms, and the role of experts in participatory processes. For example, Kenya has defined clear criteria for citizen participation in the budget process, and the government has to publish reports showing evidence of citizen participation. It is also critical to avoid elite capture and ensure that the scope of participatory processes is such that they can address issues relevant to the most marginalized groups. In all, when considering public participation and citizen engagement, risks and challenges should be kept in mind.

3.6.1. International principles for public participation in budget processes

Participation features in the principles of the Global Initiative for Fiscal Transparency (“GIFT principles”). Among other things, the principles emphasize that “citizens should have the right and they, and all non-state actors, should have effective opportunities to participate directly in public debate and discussion over the design and implementation of fiscal policies”. GIFT has been engaged in a systematic effort to collect case studies and empirical evidence on what practices work in this respect.

3.6.2. Forms of public participation in budget processes

Public participation in the budget process encompasses engagement across the whole annual budget cycle, from budget preparation to legislative approval to budget implementation to review and audit. It can also encompass engagement in new policy initiatives or reviews (e.g. on revenues or expenditures) that extend over a longer period than the window for preparation of the annual budget. Figure 3.5 shows some of the various mechanisms for public participation in the budget cycle.

Participation in fiscal policies may be through face to face communication, deliberation or input to decision-making, through written forms of communication including via the internet, or by combinations of different mechanisms. It ranges from one-off public consultations or invitations for submissions, to on-going and institutionalized relationships, such as regular public surveys, standing advisory bodies, or administrative review mechanisms. Participation can be through broad-based public engagement as well as deliberations involving experts, or combinations of the two.

3.6.3. Trends in participation in the budget process

In early 2018, the International Budget Partnership released the results of the 2017 Open Budget Survey, which included a new set of measures based on the GIFT Public Participation Principles, offering a new stocktaking of the state of public participation in budget processes around the world. For the first time, the Open Budget Survey measured efforts to engage widely and with marginalized and vulnerable groups. The survey covered 115 countries. To assess participation in the budget process, it focused on seven formal engagement mechanisms which cover the executive branch (at the central level and in line ministries), the legislature, and the supreme audit institution (SAI). For each mechanism except those

Box 3.12. The development of international principles on participation in fiscal policy

Starting with the IMF’s 1998 Code of Good Practices on Fiscal Transparency, the first generation of international fiscal transparency standards focused on the need for comprehensive disclosure of fiscal information. More recently, open fiscal data developments are greatly expanding the scope of publicly available information. Experience has shown, however, that disclosure is a necessary but not a sufficient condition for accountability. Attention has recently moved to translating public disclosure into more effective accountability by means of greater public engagement on fiscal management, greatly facilitated by developments in digital government.

Reflecting these developments, Principle Ten of the 2012 GIFT High-Level Principles on Fiscal Transparency,¹⁵³ Participation, and Accountability established that: ‘Citizens and non-state actors should have the right and effective opportunities to participate directly in public debate and discussion over the design and implementation of fiscal policies’. In January 2018, GIFT published the Expanded Version of the High-Level Principles in Fiscal Transparency, Participation and Accountability, which seeks to explain the role played by the Principles in promoting greater fiscal transparency globally, as well as to set out the relationship between each of the principles and the corresponding standards, norms, assessments, and country practices to which they relate.

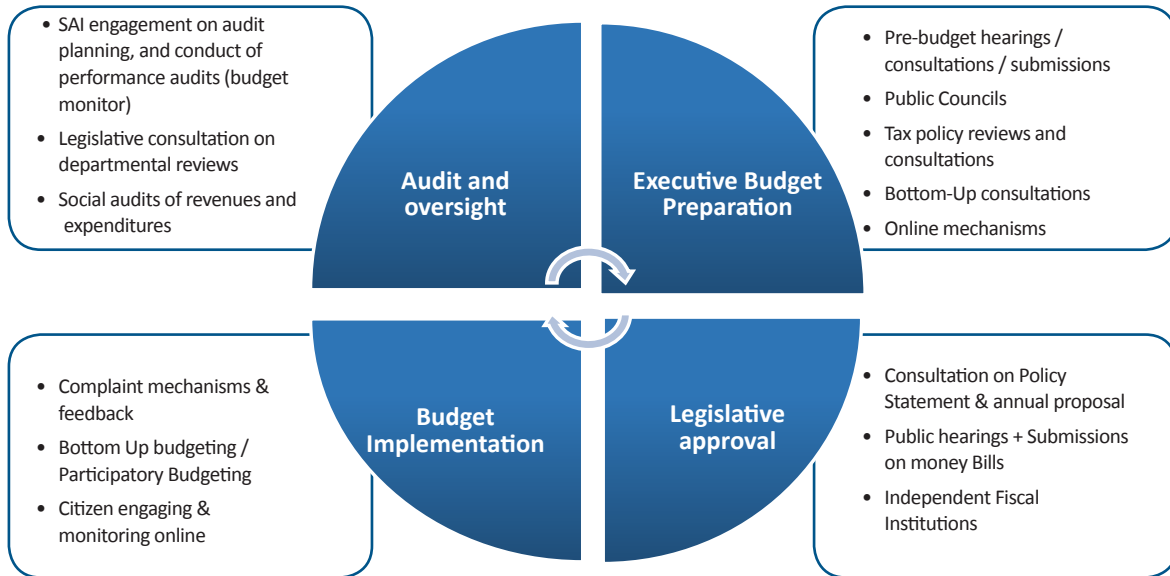
Requirements for public participation in fiscal policy have since been incorporated in the 2014 IMF Fiscal Transparency Code (principle 2.3.3) and the Fiscal Transparency Handbook, in the OECD’s Principles of Budgetary Governance 2014 (Principle 5) and the OECD-GIFT G20 Budget Transparency Toolkit (Section 4, Openness and Civic Engagement),¹⁵⁴ as well as in some PEFA indicators (PI-13 (iii) on the existence of a functioning tax appeals mechanism, PI-18.2 on legislative review of the budget, and PI-24.4 on procurement complaints mechanisms).

To make the right to public participation more practical and meaningful, the GIFT network has, since 2014, implemented a work program to generate greater knowledge about country practices and innovations in citizen engagement. Outputs include country case studies, a set of *Principles of Public Participation in Fiscal Policy*,¹⁵⁵ a Guide on Public Participation,¹⁵⁶ and discussions on instruments to measure public participation in fiscal policy.

Source: Juan Pablo Guerrero & Murray Petrie, input to the World Public Sector Report 2019.

Figure 3.5.

Mechanisms for public engagement at different stages of the budget cycle



Source: Juan Pablo Guerrero & Murray Petrie, input to the World Public Sector Report 2019.

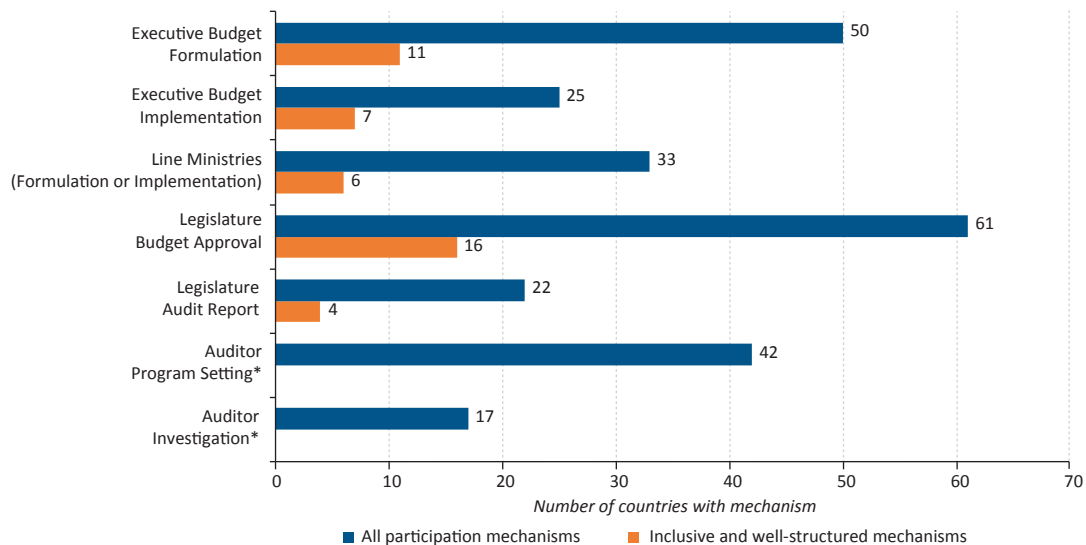
involving the SAI, the survey provided an assessment of the inclusiveness of the engagement process.¹⁵⁷

The results of the survey show that channels for citizens to influence budget decisions at the central level remain limited (see Figure 3.6). As a whole however, 94 countries out of the 115 reported the existence of at least one engagement mechanism in relation to the budget cycle, with a variety of

approaches at different stages of the budget cycle. In Canada, for example, there are thousands of pre-budget consultations. The survey shows that participation is more common at the formulation than at the implementation level. Very few countries with executive participation mechanisms make a special effort to reach vulnerable groups. Most countries are not providing feedback to the public on how their inputs were considered or used.¹⁵⁸

Figure 3.6.

Frequency of the seven participation mechanisms assessed in the 2017 Open Budget Survey, out of 115 countries



Source: International Budget Partnership, 2018.

Significant direct public engagement is implemented by line ministries and agencies that actually deliver public services or make payments to citizens. (see Box 3.13).

Public participation at the audit stage has started to develop. For instance, Georgia has achieved significant progress in enabling participation due to the launch of its Budget Monitor platform which, besides providing information on expenditures and auditing processes, offers citizens the possibility of sending audit requests, suggestions, and proposals, informing the State Audit Office of Georgia about deficiencies in the PFM system, and suggesting priorities for future audits.¹⁵⁹

Local governments have considerable experience in institutionalizing public participation in budget matters. Participatory mechanisms at the local level have witnessed rapid development around the world over the past two decades. The most well-known among those has been participatory budgeting, pioneered in Porto Alegre in 1989 and later in many Brazilian municipalities. European versions of participatory budgeting adopted in the early 2000s responded to attempts to create new ways to engage citizens and improve transparency and accountability. Many other institutional mechanisms have emerged, including different forms of participatory planning and public hearings.¹⁶⁰ Even within each category, they have a great variety of designs, decision-making powers, and modalities for participation; the relative roles of individual citizens versus organized civil

society or other organized groups in these mechanisms also vary considerably.¹⁶¹

Participatory budgeting has been the most studied of these types of mechanisms.¹⁶² There is no global mapping or repository of participatory budgeting initiatives, although partial mappings and case study repositories are publicly available.¹⁶³ A comprehensive review volume on participatory budgeting covering all world regions was published in 2014. It documents the geographic extension of participatory budgeting, the development of the instrument over time in several countries, as well as the themes covered by participatory budgeting.¹⁶⁴ According to experts, as of 2013, participatory budgeting was implemented by more than 2,500 local governments in Latin America alone.¹⁶⁵ Between 2000 and 2010, European experiences had increased from a handful to more than 200.¹⁶⁶

The literature underlines that after its initial developments in Brazil, participatory budgeting rapidly became a “best practice tool” that was promoted internationally, sometimes in the process losing its connections with administrative reforms and social justice objectives which had been critical preconditions for success in the Brazilian experiment.¹⁶⁷ Compared to the original Brazilian experiment, however, some of the later versions of the tool are purely consultative and are not endowed with decision-making powers on the allocation of resources at municipal level.¹⁶⁸

Box 3.13. Public participation in infrastructure and equipment projects for schools in Mexico

Mexico’s Education Reform Program, a federal government program overseen by the Ministry of Public Education in coordination with the Ministry of Finance, was launched in 2014 with the aim of improving the infrastructure and equipment conditions of the most vulnerable schools throughout Mexico and enhancing the quality of learning.

It also aims to strengthen the management autonomy of schools by letting all the stakeholders in every school (parents, teachers and principals) decide how to invest federal funds in order to develop school capacities. The program encourages public participation at every stage of the project, from the allocation of resources to specific projects to the monitoring of implementation.

Source: GIFT, 2015, Mexico, “Public Participation in Infrastructure and Equipment Projects for Schools,” <http://guide.fiscaltransparency.net/case-study/public-participation-in-infrastructure-and-equipment-projects-for-schools/>

Box 3.14. Grassroots participatory budgeting in the Philippines

The Philippines has developed a national programme to facilitate annual participatory planning and budgeting at the local level. The program engages local communities, CSOs and other stakeholders to work with city and municipal governments in proposing projects to be included in the national budget. Building on a pilot started in 2012, the initiative expanded to all municipalities and cities across the country in 2015. It has been complemented with efforts to strengthen civil society capacity to engage with local governments.

Source: Bottom-up Budgeting website, <http://openbub.gov.ph/>.

3.6.4. Requisites and enablers for public participation in budget matters

To enable participation, fiscal information and other relevant data should be disseminated in formats and using mechanisms that are easy for all to access and understand, and to use, re-use and transform. Moreover, Governments should be responsive regarding the purpose, scope, intended outcomes, process and timelines, as well as the expected and actual results of public participation. Also, Governments should make distinct efforts to reach out to the most marginalized groups.

Information and communication technologies (ICT) offer new opportunities for public participation in budgeting, both directly (e.g., engagement platforms and other tools of e-government) and through transparency tools such as open government data. However, as highlighted in chapter 1, technology by itself cannot be expected to solve all problems associated with effective and inclusive participation.

As already mentioned in relation to transparency, budget education for both the general public and the Parliament is critical in order for engagement to be productive. Actions to improve budget literacy, capacity building in public institutions, and feedback mechanisms are all viewed as important. A basic task of government is to demonstrate the link that exists between taxes and public services; this is especially important in countries trying to increase domestic revenue mobilization from low levels. More broadly, public participation should encompass broad conversations on the role of the fiscal system in addressing inequality, including for example the regressive or progressive nature of the fiscal system as well as of specific policies.¹⁶⁹

3.6.5. Evidence on the effectiveness of budget participation

At the national level, little is yet known about the impacts of participation on budget processes. While there is a significant body of empirical evidence supporting a plausible causal link between the disclosure of fiscal information, policy impact and, to a lesser extent, development outcomes, at this stage rigorous evidence of the impacts of public participation is more limited. A systematic review of the rigorous empirical literature on fiscal transparency and participation found that there is strong evidence linking different types of participatory mechanisms in budget processes to shifts in resource allocations (increased share of social sector spending corresponding to citizen preferences) and to improvements in public service delivery.¹⁷⁰ In Ghana, where businesses are involved in the design of tax policies, they are more likely to pay their taxes.¹⁷¹ Assessing the quality of participation is important, but is rarely done.

The impacts of participatory budgeting in Brazil have been the object of an abundant literature. Participatory budgeting in its initial version was found to have had a positive impact

on resource allocation to people living in poverty; to have succeeded in avoiding capture by powerful social groups or components of civil society; and to have effectively lowered the level of patronage in local resource allocation.¹⁷² It was credited with bringing public administration closer to citizens' preferences and to have resulted in improvements in outcomes for people in poverty.¹⁷³ Among success factors mentioned in the literature were strong political will on the part of municipal authorities, clear technical criteria for resource allocation, and the reflection of the experiment in broader local public administration reform and political impetus to enhance social justice.¹⁷⁴ More recently, a study of 5,550 Brazilian municipalities over the period 2006-2013 found a strong and positive relationship between the presence of participatory institutions and improvements in infant mortality, and noted that participatory institutions, social programs, and local capacity reinforce one another to improve well-being.¹⁷⁵

Outside of Brazil, limited systematic evidence seems to exist of the impacts of participatory budgeting.¹⁷⁶ A recent rapid evidence assessment done by the Department for International Development of the United Kingdom (DFID) examined 16 studies on participatory budgeting from developing countries and found consistent evidence of positive impacts on budget allocation, service delivery, and citizen involvement. Evidence of the impacts of participatory budgeting on the efficiency of public financial management systems, on accountability and on anti-corruption was mixed, with both positive and negative impacts reported.¹⁷⁷ Another report published by IIED in 2014 reviewed participatory budgeting in 20 cities from different regions. It noted that in most cases, participatory budgeting is in effect about improving governance and delivery of services, without fundamentally changing existing power relations.¹⁷⁸

Other case study evidence about the benefits of fiscal transparency and informed citizen engagement in the budget process is mostly at the local level. It includes: better resource allocation (e.g. subnational transfers in Mexico, with the role of the media and CSOs leading to changes in the approval criteria for urban investment projects); improvement in the provision of public services (e.g. social accountability and monitoring experiences of sanitation in South Africa or social audits in India); better responses to the preferences of the beneficiaries of services (i.e. Kenya devolution experiences and refining gender subsidies' beneficiaries in Mexico); opportunities for marginalized groups to exert some influence in decisions that affect them (i.e. i-monitor in Nigeria, which invites citizens to report budget waste, South Korea open consultations for budget implementation, and LAPOR, an on-line complaint system in Indonesia that receives complaints about any public service, independently from the managing agency).

While, as noted, most of the evidence of the effectiveness of participatory mechanisms is at the sub-national level, the

underlying causal mechanisms – increased contestability of fiscal policy design and implementation, a direct voice for citizen preferences, reduced elite influence, and enhanced accountability – are the same for the central government. The challenge is to undertake research at the national level to test the effectiveness of different types of participation mechanisms implemented in different ways. Independent fiscal institutions and other institutions can provide feedback to governments in this regard.

Lastly, many positive examples of participatory mechanisms come from the sector level, but the wealth of experience that exists in different sectors has not been systematically mobilized to inform participation in budget processes. It is also unclear whether some SDG areas are “more participatory” than others, and if so, what could be done about it.

3.6.6. Conclusion

The notion of public participation in budget processes has steadily gained ground in past decades. Most countries now formally recognize the need for citizens to provide input into budgets. Broad principles for engagement have been elaborated and increasingly used to design participatory processes at different stages of the budget cycle, as well as to analyse their impacts and effectiveness.

However, participation in budget matters at the central government level remains limited, as does the body of evidence around the effectiveness of various participation mechanisms. Participatory budgeting at the local level is more developed, and its already long existence has enabled the accumulation of knowledge about the impacts of different versions of the tool on political and social outcomes.

Public participation in budget processes, together with transparency, is a strong pillar of accountability. In the context of the implementation of the SDGs, facilitating citizen engagement with budget decision-making at different stages of the process can contribute to better planning, delivery and accountability. As shown in other chapters of the report, this complementarity among the SDG 16 principles goes well beyond budgeting. It calls for the creation of robust institutional arrangements that make the most of the synergies between all the principles.

Participation in the budget process should be conceived in the broader context of citizen engagement in SDG implementation in general. For example, in many parts of the world, civil society is already strongly engaged in SDG follow-up. There is likely potential for synergies in this area, for instance through ensuring that information that is produced on budget matters for the benefit of stakeholders is fully utilized by those engaging in other areas.

3.7. Budgets and non-discrimination

Budgets have a pivotal role to play in measures to address discrimination and promote equity in the enjoyment of progress towards all of the SDGs. Budgets can both reinforce and help to dismantle discrimination – subtly or overtly and with varying degrees of intention. They reflect the prevalence of formal and informal discrimination in societies, including in institutions and among policymakers. Discrimination in national budgets, which is most common on the grounds of gender, ethnicity, and socioeconomic status,¹⁷⁹ can be deeply embedded and therefore difficult to identify. The way in which budget policies are formulated determines who has access to resources and services.¹⁸⁰ Due to administrative burden, requirements for participation in public programmes can have the effect of reducing participation by target groups.¹⁸¹ Yet budgets can also be utilized as tools to counter discrimination.

Detecting discriminatory budget outcomes requires not just the analysis of budgetary information, but also its interaction with broader information that relates to discrimination and inequality.¹⁸² For example, population data and assessments of the broad needs of different groups, data on the geographic distribution of services, and analysis of the impact of a range of spending programmes on different groups. Yet, most Governments publish limited information about their efforts to address poverty and inequality and about the budget’s impacts on specific groups of people. Reporting on the implementation and performance of related budget policies is even more limited. For instance, the Open Budget Survey 2017 shows that just eight countries publish detailed information on spending aimed at benefitting persons living in poverty in their budget proposal as well as on the results of that spending in the Year-end Report (Argentina, Canada, Dominican Republic, France, Japan, Namibia, Slovenia and South Africa).¹⁸³

Some Governments, however, provide information on how the budget is directed towards specific groups. For instance, Mexico’s annual budget proposal contains annexes that break down planned expenditures for different target groups, such as women, children, youth and indigenous peoples, although only financial information is available.¹⁸⁴ This provides a snapshot of budget items intended to benefit specific groups, rather than comprehensively assesses the impact of budget policies on these groups. Along these lines, the UK is particularly notable for its Treasury’s practice of issuing twice yearly, together with its fiscal policy statement, a distributional analysis of how policy changes being introduced for revenues and expenditures are likely to impact families across income levels.¹⁸⁵

Geography can be a complicating factor in the nexus of discrimination, poverty and inequality. Spending is not equally distributed across different areas within countries, potentially functioning as an axis of exclusion.¹⁸⁶ This is often due to the

diversion of funds away from their intended purpose through corrupt practices, resulting in unequal expenditure. Leakage of funds marked for poorer areas is more common than that of those marked for richer areas. At the same time, elites tend to favor directing allocations to areas which benefit them the most. Additionally, those in power may lack awareness of – or the will to recognize – the needs and rights of those living in certain areas, such that the impact of government programmes on persons living in those areas receives scant attention. In such cases, funding is unlikely to be sufficient or to effectively respond to people’s needs.

3.7.1. Budget-based responses to discrimination

There are three key budget channels through which to address discrimination.¹⁸⁷ The first is targeted policies and programmes aimed at meeting the needs of specific disadvantaged groups. These interventions may include programmes, for example, to train youth and persons with disabilities for jobs or provide educational scholarships for indigenous peoples and other ethnic minorities, as well as the earmarking of funds for social groups within general programmes. For instance, the Constitution of Kenya mandates that 0.5 per cent of all revenues collected by the national Government go to marginalised communities, and the law also requires that 30 per cent of Government procurement opportunities be reserved for enterprises owned by women, youth and persons with disabilities.¹⁸⁸

Service mainstreaming is the second channel, incorporating elements and interventions that promote non-discrimination into the delivery of services, such that they become responsive to the needs and interests of particular disadvantaged groups while serving society-at-large.¹⁸⁹ This approach could include, for instance, allocating sufficient resources to public health services to ensure that they have a range of capacities – such as care that is age-appropriate and attentive to persons living with HIV. Budgets that are “sensitive” to excluded groups can make use of various processes and tools for assessing their impacts on those groups, and be disaggregated accordingly. Such assessment is illustrated by the work of the Social Justice Coalition (SJC) in South Africa, which found that the resource allocations of the country’s police service were indirectly discriminatory towards black communities affected by poverty. The SJC compared murder rates with available human resources of the police service in different police precinct areas of Cape Town. It determined that the eight precincts with the fewest police were in Black African and Coloured communities with high levels of violence and crime.¹⁹⁰

The third channel is monitoring the impacts of public programmes, intended to improve understanding of how the range of budget policies indirectly impacts disadvantaged groups.¹⁹¹ For example, this could entail an evaluation of the use of transport systems by persons with limited mobility, which may lead to a shift in resources towards universal

design, or an evaluation of the incidence of tax policies. The utilization of this approach in Brazil illustrated that the tax system has contributed to inequality, particularly along the axes of income and wealth, gender and race.¹⁹² One process that allows citizens to see where public resources are going is participatory planning, which occurs in Kenya at the ward level.¹⁹³ Another is stakeholder consultations. In Sweden, extensive consultations during the preparation of the infrastructure bill allowed all stakeholders to observe the spatial allocation of investment.

In order to fully assess the impacts of budgets on different social groups and to effectively monitor Governments’ efforts to fight poverty and inequality, certain information should be made transparent for analysis by the public. This includes a contextual analysis of the multiple dimensions of poverty and inequality with data disaggregated by relevant social groups linked to budget allocation; a summary of policies aimed at reducing poverty and inequality, including their objectives, activities, expected outputs, target groups, and assessments of their distributional impact; and information on implementation in formats that easily enable tracking; and past and future budget data.¹⁹⁴ The public should further have opportunities to debate information about policies and their associated budgets and influence relevant decisions.

Participation, as described above, is a means of making budget processes more inclusive. At the national level, few measures have been taken to facilitate participation by disadvantaged groups in the budget process. The 2017 Open Budget Survey found that only seven of 115 countries have taken concrete steps to include such groups in the formulation of the budget, including Canada, Egypt, Fiji, India, Malaysia, New Zealand, and Ukraine.¹⁹⁵ In Fiji, for example, the Government specifically elicits the input of persons with disabilities.¹⁹⁶ At the budget implementation stage, only Mexico has been noted to engage vulnerable groups, using a digital platform. Such engagement as well as the participation of stakeholders in specific SDG areas is enabled by programme budgeting, which facilitates budgeting and performance monitoring of cross-cutting issues. At the subnational level, there is evidence that participatory budgeting has had success in strengthening social inclusion by improving the allocation of funds to where they are most needed in disadvantaged communities and lowering levels of poverty.¹⁹⁷

3.7.2. Gender-responsive budgeting

Gender-responsive budgeting (GRB) has developed into an important means of promoting non-discrimination in the budget process. Over the last two decades, the importance of financing to enable progress towards gender equality, and the capacity of government budgets to both enhance and undermine women’s empowerment, have come into focus and are now reflected in both national and international agendas. There is currently broad understanding that

budgets are tools of governance and development with inherent implications for gender equality. At the global level, gendered elements of financing and budgeting are referred to in key international instruments such as the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda, as well as the Nairobi outcome of the Global Partnership for Effective Development Cooperation. At the national level, finance ministries are increasingly factoring gender considerations into budgeting, in particular as a way to improve the efficiency of public spending. More than 90 countries across all regions have adopted gender budgeting in different forms.¹⁹⁸ For instance, in a 2018 survey completed by 34 OECD countries, GRB was found to be underway in some form in 17 countries, and planned for introduction in two more.¹⁹⁹ Gender budgeting practices have been extensively studied.²⁰⁰ Chapter 5 in this report looks at gender budgeting in the context of institutions for gender equality.

The inclusion under SDG 5 of an indicator (5.C.1) on the proportion of countries with systems to track and make public allocations for gender equality and women's empowerment has galvanized recognition of the value of GRB and movement to adopt relevant measures.²⁰¹ The indicator measures the presence of policies, programmes and resources for gender equality and the presence of mechanisms to both track the allocation of resources towards relevant policy goals as well as publish those allocations, all of which are essential for a gender-responsive public finance system. However, as a process indicator, it does not measure outcomes and impacts in terms of gender equality; nor does it convey the 2030 Agenda's commitment to "work for a significant increase in investment to close the gender gap" (paragraph 20).

Gender-responsive budgeting may be viewed as a form of gender mainstreaming applied to the budget process. The OECD proposes three, often incremental categories of GRB systems, including gender-informed resource allocation, according to which the process of making decisions on policy and budget allocations considers potential impacts on gender equality; gender-assessed budgets, which consider impacts of the budget as a whole using gender analysis; and needs-based gender budgeting, whereby needs assessments provide a holistic and detailed view of gender inequality and inform budget decisions.²⁰² Even within these approaches, GRB can entail a variety of tools that are available at different stages of the budget cycle. Governments should identify strategic entry points during the cycle to use the tools that are appropriate given their distinct contexts and institutional capacities.²⁰³ For instance, in the formulation stage, several tools can be employed. The budget call circular can require line ministries to report on gender considerations in their budget proposals. There are gender budget statements for reporting on a given year's budgetary provisions for gender equality and women's empowerment and which, in some of the various forms that they take, can provide insight into impacts. In addition, pre-budget consultations – a form of participation

discussed above – can be held with stakeholders and focus on addressing women's needs and priorities. These and some other tools and approaches that can be pursued throughout the budget process are presented in Figure 3.7. They are not exclusive, however. For example, Governments can analyze the impact of the budget on men's and women's time use so that the value of unpaid work, largely done by women, is included in planning and budget policies.²⁰⁴

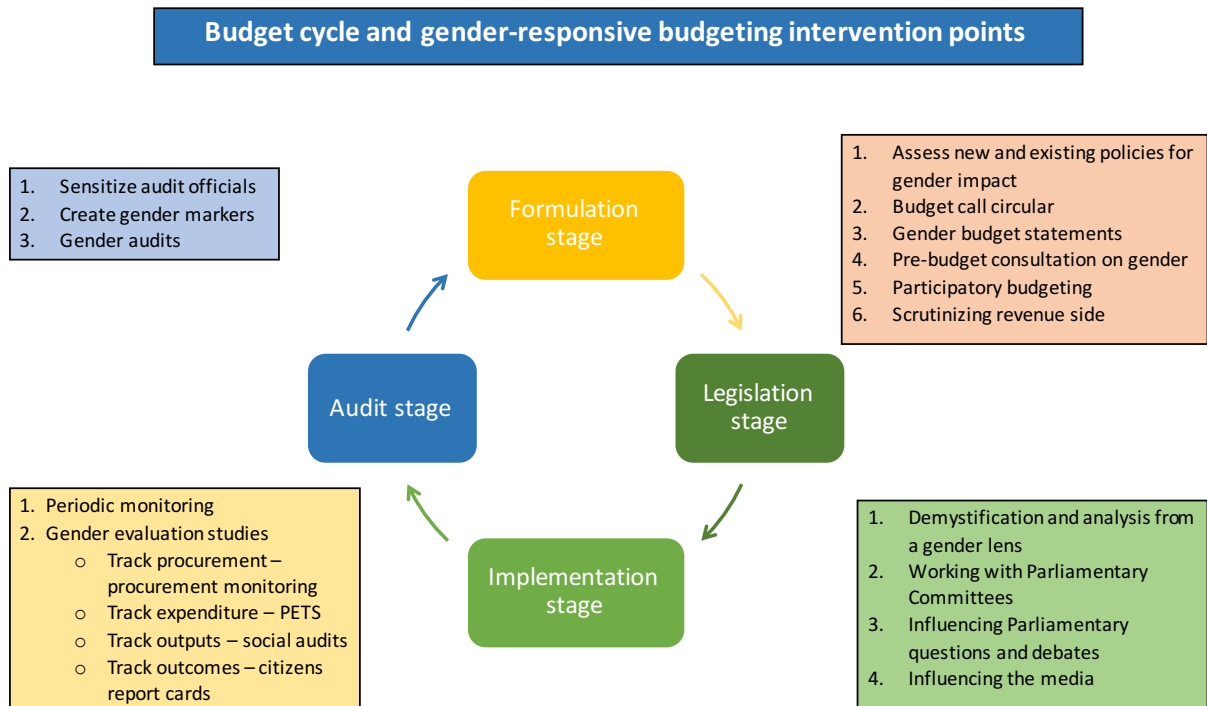
There are several challenges to gender-responsive budgeting achieving its desired impact. Where the goal of GRB is solely to track resource allocation, it may not lead to increased resources or provide insight into outcomes for women and other target groups, especially when allocations are ultimately not spent.²⁰⁵ While improved efficiency can be achieved without increased allocation, often greater resources are indeed needed to counter discrimination and inequality. Increasingly, countries are going beyond tracking expenditures to also focus on key performance indicators for target groups.

The scope of GRB usually covers only spending. It is also useful to examine the gender impact of taxes and revenues and extra-budgetary resources.²⁰⁶ Information gleaned from spending alone cannot provide a full assessment of the impact of budgets on women. Moreover, in analyzing budget effectiveness, newer budget delivery models, in particular public-private partnerships, warrant greater levels of scrutiny as they may impact women differently and affect traditional channels of accountability. Austerity measures constitute another challenge to improving budget outcomes for women, as they often lead to budget cuts in social sectors and cause significant harm to women and other disadvantaged groups.

An additional, broad challenge for GRB concerns the availability of data, including disaggregated data, to aid in the identification of inequality gaps and to inform the development and evaluation of interventions designed to address them.²⁰⁷ This challenge is twofold, both to track gender-related government spending and to assess the gender impact of spending, which require different data. There is generally more data available on budget allocations than on budget execution. Disaggregating investment in public goods that may affect different groups in different ways (e.g. roads) is conceptually difficult. In the context of the SDGs, budget information alone will likely be insufficient to assess discrimination and should be analysed together with other information (such as population or poverty data). However, overlaying information on different sources of discrimination and tracking corresponding expenditures can be very intensive in terms of both data and resources. In general, producing budget information on specific groups is easier for countries that have adopted performance budgeting. Yet while more and better data is critical, inadequate data should not prevent the development of strategies to make programmes more responsive to the needs and concerns of women and other groups.

Figure 3.7.

Gender-responsive budgeting tools and entry points at different stages of the budget process



Source: Yamini Mishra, 2019. See footnote 205.

Gender audits, a relatively recent development, examine the degree to which gender equality is institutionalized in Government policies, programmes, structures and budgets. They can be useful in comparing budget allocations with implementation and assessing related outputs and outcomes. Working with supreme audit institutions, Governments can also include gender markers, a coding system that facilitates the tracking of gender-related allocations to determine the extent to which they support gender equality, in performance audits. In March 2018, the Canadian Audit and Accountability Foundation along with Women Deliver and the International Institute for Sustainable Development launched a “Practice Guide to Auditing the United Nations Sustainable Development Goals: Gender Equality” which presents a methodology for auditing gender equality to aid performance auditors in their work on the 2030 Agenda.²⁰⁸

Several reviews of the impact of GRB initiatives in developing economies and economies in transition are mixed.²⁰⁹ Effectiveness depends on their goals in each context and, accordingly, how progress towards them is measured. The OECD survey cited above noted limited evidence of the impact of gender budgeting insofar as it brought about notable changes in the design or outcome of policies, with

half of the twelve countries utilizing GRB practices able to provide specific such examples, and in terms of changes to budget allocations, where fewer examples were provided.²¹⁰ However, the OECD noted that such limited evidence may be due to the relatively recent adoption of gender budgeting in many of the countries. More information is available regarding factors that create an enabling environment for GRB. Qualitative comments from countries that responded to the survey pointed to the importance of linking gender budgeting with the substance of policy development rather than approaching it as a compliance exercise, and of ensuring its capacity to impact the prioritization and allocation of resources. A study undertaken by the International Monetary Fund that analyzed gender budgeting in G7 countries pointed to an increased likelihood of its success where reforms are tailored to the specific gender gaps and context of each country.²¹¹ Governments need to ensure that well-structured fiscal policies and sound public finance management systems are in place to contribute to gender equality and sustain progress towards it; to embed gender in existing budgeting and policymaking routines; and to strengthen their capacity to evaluate and measure the impact of gender reforms, including through sound indicators.²¹²

3.7.3. Inclusive budgeting for other social groups

Whereas gender-responsive budgeting is an increasingly developed field of practice and study, similar approaches to making budgets more responsive to other disadvantaged social groups are less common and less well studied. Yet the concept, tools and methodologies of GRB are increasingly being applied to other groups identified in the 2030 Agenda, such as children, persons with disabilities, and ethnic minorities.²¹³ For instance, the Government of Canada has noted that gender-based analysis, which was included in its first Gender Budget Statement in 2017, has recently been enhanced to also account for other characteristics, such as age, ethnicity, income and sexual orientation.²¹⁴ Canada also includes a special section in its Budget Plan that specifies commitments to improve access to services for indigenous peoples.²¹⁵ Fiji includes details of its programmes targeting women, children and people with disabilities in its budget proposal. Overall, such work is in its early stages. It faces some of the same challenges as GRB, such as inadequate data and the requirement of additional dedicated work by budget offices, as group-focused budget reports such as impact assessments and audits cannot be fully automated using budget process outputs. Yet it also confronts distinct challenges.

Next to gender budgeting, child-focused budgeting is most common, particularly in Latin America but also in South Asia, having received strong support from major international organizations as well as Governments and civil society.²¹⁶ Among its key aims is to limit disparities in spending on children that disadvantages those who are marginalized and living in extreme poverty. For instance, Bangladesh not only publishes a gender budget but is also developing a similar child budget that specifies activities aimed at promoting children's rights across ministries and the share of total spending on them.²¹⁷ Disability-focused budgeting has been explored to some extent at the conceptual level but less so in practice.²¹⁸ Activists and academics have actively pushed for its inclusion and mainstreaming in policy and development, but few major international organizations or other key actors have consistently advocated for disability budgeting and few resources exist that provide guidance in the field. Two particular barriers to disability budgeting have been identified, including a lack of quality data on the variation in nature and severity of disabilities as well as inadequate attention to the intersection of disability with other grounds of discrimination.

Budgeting for ethnic groups has not been extensively studied.²¹⁹ As disadvantaged ethnic groups vary considerably by country, so too do responsive budgeting initiatives. Accordingly, key actors championing such work also vary, though are often civil society organizations, backed in some cases by international donors. Expenditures and budget analyses disaggregated by ethnicity are not common. For instance, under the United States Office of Management and

Budget's Directive 15 which establishes the guidelines for the use of ethnic and racial classifications, classification is not specific enough to account for differences within American Indian and Alaska Native groups, which comprise more than 554 federally recognized and diverse groups of indigenous populations. Furthermore, study findings are often released with limited racial/ethnic categories, such that American Indians and Alaska Natives are included in the category of "others", making the monitoring and evaluation of policies, programmes and services on these groups impossible.²²⁰ Some national inclusion plans and specific programmes, such as affirmative action and targeted sectoral spending, exist, for instance for the Roma in Central and Eastern Europe, for Afro-Brazilians in Brazil, and other ethnic minorities in Malaysia, South Africa and Viet Nam. Given the context-specific nature of most initiatives, they may be difficult to replicate elsewhere.

Discrimination on the basis of ethnicity and caste can have political considerations that affect budget decisions. Caste budgeting is conducted specifically in South Asian countries where caste is grounds for discrimination, mainly India and Nepal, for which civil society is the main source of advocacy and oversight. In India, caste budgeting is institutionalized, involving both targeted spending and quotas for scheduled castes – or Dalits. The Government's Scheduled Caste Sub-plan requires it to allocate an amount of overall funds for the benefit of Dalits that is at least proportionate to their percentage of the population with the goal of promoting education and socio-economic development. Despite such allocations being coded in the budget, the National Coalition for Dalit Human Rights (NCDHR) observed that the code was not being used and, in 2007, filed a right to information case as well as an appeal. Concurrently, it launched a broad campaign to put pressure on the Government, which in 2008 agreed to use the code. Diversion of funds has also been identified, most notably in 2010 when it was determined that funds coded for Dalits and other targets were routed to the Commonwealth Games, leading to the Government's assurance that the diverted funds would be replenished. Challenges remain, however, with persistent under-allocation of funds.²²¹

Very little attention has been given to budgeting that is responsive to older persons, and few actors are pushing for such initiatives.²²² What does exist is considerable targeting of social protection programmes and health and care services for older persons. Across social groups and countries, however, socially-inclusive budget analyses are often undertaken by civil society organizations as an advocacy tool.

Research on the impact of inclusive budgeting often focuses on the implementation of processes rather than on their effectiveness over time.²²³ Some factors that are conducive to inclusive budgeting include the presence of a dedicated national programme; government support and capacity, as well as support and engagement by civil society; support from

international donors and international organizations through advocacy and technical capacity; and institutionalization through laws and guidelines.²²⁴ It has also been noted that the ability of social groups to effectively mobilize and garner the attention of Governments is an important factor in generating the publication of budget data focused on them.²²⁵

Efforts to promote “pro-poor” budgeting in the past have been undermined by inadequate policy reforms aimed at benefitting those living in poverty, including measures to address inequality. They were also affected by technical problems, including lack of appropriate budget classification systems.²²⁶

3.7.4. Conclusion

Commitments to equality and non-discrimination are essential, but in order to make an impact, they must be translated into concrete action that encompasses the budget process. Furthermore, given the multiple, intersecting dimensions of discrimination, poverty and inequality, responses to these challenges must be multidimensional and integrated. There is growing recognition of the relationship between budgets and discrimination. Governments increasingly discern the disparate effects of budgets according to gender and social group, and are contending both with these effects as well as entrenched inequalities more broadly. Three budget-based approaches to tackle discrimination as well as detect its presence in budget processes include targeted interventions, mainstreaming public services, and monitoring the impact of budget programmes.

Many national and local governments are utilizing a variety of gender-responsive budgeting tools, which can be selected according to different stages of the budget cycle and to their distinct contexts and capacities, though several challenges and limitations have been identified that should be considered in order to enhance their effectiveness. Tools developed for gender-responsive budgeting are increasingly being applied to other disadvantaged groups, such as children, persons with disabilities, and ethnic minorities. However, such use is in its initial stages. These tools, complemented by participation in budget processes, can also serve to identify discrimination in budgets and make them more responsive to the needs of social groups.

In addition to these measures, greater transparency about what governments are doing to address mutually-reinforcing discrimination, inequality, and poverty through budgeting and other policies, as well as analysis of these efforts, are also crucial for their monitoring and evaluation and to foster accountability. All of these approaches to non-discrimination require greater and more strategic application throughout the budget cycle to maximize the potential of budgets to foster inclusive policies.

3.8. Key messages on budgeting in support of the SDGs

Almost four years after the 2030 Agenda was adopted, there is a dire need for evidence of the effectiveness of institutional arrangements that support the implementation of the Agenda. Focusing on budget processes, it is critical to highlight feasible and realistic options that countries may want to consider to better support and monitor SDG implementation.

Besides mobilising additional resources to cover financial gaps, effective implementation of the SDGs critically depends on governments better and more strategically spending the resources they have and accounting for the results achieved. This requires stronger and improved budget processes that reflect the critical institutional principles enshrined in SDG 16.

Supporting SDG implementation requires better and stronger operational linkages among planning, the different stages of the budget process, performance monitoring and evaluation, and oversight. This is fundamental to assess how budget decisions are supporting progress on national development priorities and the SDGs. Linking strategic objectives with resource allocation and spending decisions and with performance and results, combining financial and non-financial information, and incorporating inputs from oversight institutions regarding the effectiveness and results of policies and programs, are fundamental building blocks for effective budgeting in support of SDG implementation.

The transformative and integrated nature of the 2030 Agenda should be reflected in the budget process. Dealing with complex, multi-sector problems requires integrated (whole of government) approaches. This applies not only to policy formulation and implementation, but also to planning and budgeting. The budget process can be a powerful tool to promote and support integrated approaches. Integrated reporting, cross-cutting budgeting, and a focus on performance and results are some of the tools that can be used. Yet, addressing integration within the context of the budget is not without difficulty and may face resistance from various actors. Improved transparency and participation can help address this challenge.

There are different ways in which countries can align their strategic objectives and national budgets to the SDGs. There is no one-size-fits-all solution. Governments can select different tools and approaches depending on their diverse country contexts, capacities, and existing demand from different actors. Technical challenges include adopting appropriate budget classification systems that are detailed enough to enable the tracking of multiple SDG-related targets.

However, it is important to emphasize that budgeting for the SDGs can no longer be business as usual. In order to make a difference in achieving the SDGs, most countries need

to undertake fundamental changes to resource planning, allocation and spending – something that the tagging of budget allocations to SDG targets by itself cannot deliver. Budget systems that enable feedback mechanisms – from monitoring and evaluation to resource allocation decisions – are critical in this regard.

Efforts to better reflect the SDGs in the budget process have to be conceived as part of broader efforts to strengthen budget systems. One key factor in this equation is how ongoing PFM reforms – which are not necessarily initiated with the SDGs in mind, but as part of long-term processes of fiscal management and public sector reform – can be used to support SDG implementation and inform SDG monitoring and evaluation. In this regard, there is likely an important role for international organizations and especially international financing institutions which support PFM reforms across the globe. While those institutions have taken note of the 2030 Agenda and SDGs and have incorporated them in their work, opportunities may exist to factor the SDGs into their budget work more prominently.

On the basis of ongoing experiences, it seems clear that all countries cannot be expected to adopt the most ambitious versions of SDG budgeting, at least in the medium term. In setting up mechanisms to link their budget processes to the SDGs, countries have to operate within political, administrative and technical constraints, which are essentially idiosyncratic. Hence, it is reasonable to expect that the capacity of national governments – and by extension, of the international community – to track how public spending contributes to the realization of the SDGs will only increase progressively.

The institutional principles rooted in SDG 16 are all instrumental to strengthening budget systems so as to better enable SDG implementation. In addition to showing the relevance of these principles at different stages of the budget process, the chapter illustrates how they reinforce each other – for instance, budget transparency and participation are now seen as fundamental building blocks and enablers of accountability.

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