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**Subregional Introductory Training for Countries of North and Central Asia**

**on**

**Integrated National Financing Frameworks (INFF) for Sustainable Recovery from the COVID-19 Crisis and for Achieving the 2030 Agenda for Sustainable Development**

**Session #5: Budgeting for the SDGs**

Day 5, 25 January 2021

**CONCEPT NOTE**

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| **Background** |

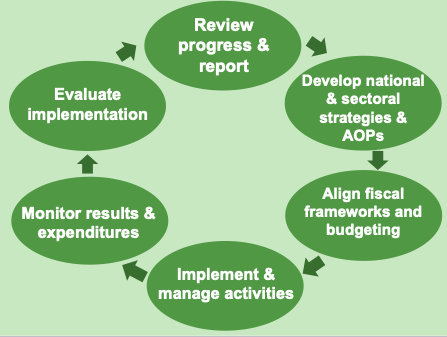
A key component of the INFF in terms of types of resources is public finance, and ensuring that the government budgeting process supports the implementation of the SDGs in the most effective way is crucial. A number of countries have attempted to better link their budgeting with the SDGs and national planning overall, however, the progress is uneven. As underscored the in the recent UNDP guidance, **any country regardless of its budgeting system can take a number of steps that can help align the allocation of public resources with the national SDG priorities**. This set of measures has however to be adapted to the specific situation of the country. In addition, there is a broader need to enable Parliaments to play a more active role when it comes to fiscal oversight in connection with national priorities and SDGs as well as pro-actively influence budget formulation where national budgeting processes allow so.

While most countries have mainstreamed the SDGs in key national strategic documents and policy instruments in the North and Central Asian region, there is **less evidence of leveraging the SDGs effectively in the budgeting processes.** The current budgeting landscape ranges **from countries with line-budgeting to countries transitioning to programme budgeting** as one instance of performance-based budgeting. Based on the results of the needs assessment conducted in preparation of this INFF workshop, there is no evidence of fully-fledged programme budgeting systems although some countries have made more progress - sometimes in a given sector - than others. **While well-functioning programme or performance based budgeting would be conducive to better aligning budgeting processes with the SDGs, other tools can be used to support the alignment in their absence**. Similarly, the role MPs play in budgeting varies across countries from those countries that provide opportunities for MPs to influence budget preparation, effectively require adjustments after the budget had been presented to those who have one or none of these avenues. Some of the countries have dedicated Parliamentarian Committees and some had been receiving analytical support but it is not clear to what extent this analytical support had been covering policy priorities and SDGs more specifically. In some cases, the awareness of MPs about SDGs may still be a challenge.

The SDGs reflected in national strategies, policies and programmes cannot be achieved if the resources are not directed accordingly. Budgeting is a key component of the national policy cycle in addition to the design of strategies, policies and programmes and monitoring, evaluation, review of progress of reporting on national priorities and SDGs.[[1]](#footnote-2) Many countries are struggling however with building processes and systems that would allow them not only to develop budgets truly responsive to national priorities, but also to be able to monitor and measure to what extent public spending is supporting the SDGs and how effective it is.

**Figure 1. SDGs throughout policy cycle and budgeting**

**SDGs throughout policy cycle**

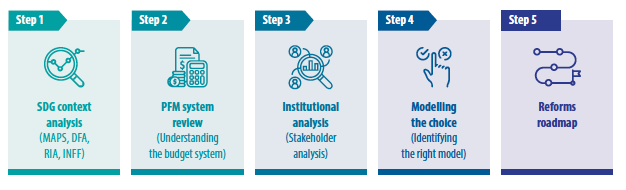


*Source: UNITAR-UNDESA-ECLAC toolkit on integrated policies*

This has been less of an issue for countries with fully-fledged performance-based budgeting systems such as Mexico where the budget alignment with the SDGs has been achieved to the extent that the SDGs had been reflected in the National Development Plan and Sectoral Strategies. Budgeting systems however vary significantly across countries from line-based budgeting to different types of performance-based budgeting. A number of them are transitioning to performance-based budgeting, often programme budgeting, now for several years and are still facing important obstacles. In such cases, countries may perceive budget alignment with the SDGs as an incredible task or may not know where to start.

A recent UNDP guidance document *(UNDP SDG Budgeting: Modelling the Right Approach, 2020)[[2]](#footnote-3)* outlines a sequence of steps to follow in promoting the budgeting for SDGs.

**Figure 2. Sequence of steps**

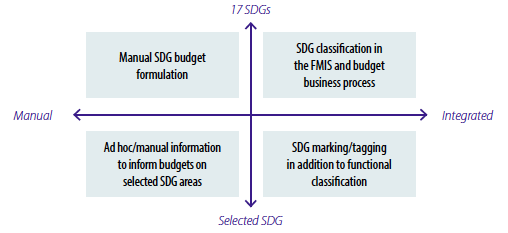


*Source: Budgeting for the SDGs. UNDP Guidebook, 2020.*

The first step “SDG Context Analysis” highlights the importance of understanding the overall SDG situation in a country, including general governance practices and any other useful information that may have been produced as part of DFAs, RIA or other relevant processes. This is followed by the “PFM System Review” step to understand existing budgeting practices, reforms and systems, identification of beneficiaries of government’s services, as well as to understand fiscal space, fiscal accountability, technical capacities and map revenue an expenditure trends against SDGs, identification of the accelerators and the broader picture of the SDG financing capacities. The third step focuses on “Institutional analysis” highlighting the importance of stakeholder analysis in relation to the budgeting for the SDGs covering Ministry of Finance, line Ministries, MPs, SAIs, UN and civil society as well as local level in the case of the decentralized budgeting systems. The information produced in the first three steps can help inform the fourth step “Modelling the choice”. The last step is the development of a “Reforms Roadmap”.

The modelling of Budgeting for SDGs (B4SDG) choice should account for technical dimensions, i.e. whether the appetite is for one, more or all SDGs, and to what extent critical budget business processes need to integrate SDGs (Figure 3).

**Figure 3. Technical dimensions related to the choice of the B4SDG model**



*Source: Budgeting for the SDGs. UNDP Guidebook, 2020.*

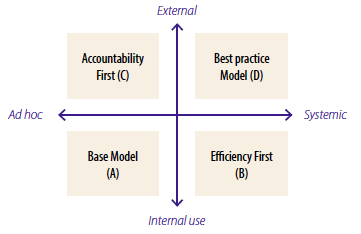
The five-dimensional framework uses 5 key questions to help countries situate their budgeting system in min, mid or max scope options:

**Table 1. Opting for the right B4SDG model (UNDP assessment questions)**

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| Min  *Requires less advanced system* | Mid | Max  *Requires more advanced system* |
| Question 1. WHY? Why the country needs B4SDG and who are the B4SDG primary users/beneficiary? | | |
| Limited number of users (the Cabinet,  Finance Ministry and/or SDG Council/  working group). | Most domestic stakeholders including parliaments, SAI, CSO, etc take part in budget formulation and/or budget reporting and accountability for SDGs. | All domestic stakeholders plus  international audience (e,g. for VNR, cross-country comparable data, etc). |
| Question 2. WHO? Who will be mainly responsible body to operate B4SDG | | |
| Centralized, e.g. a central unit  responsible for Financing for SDGs (e.g. finance/planning ministry) | Centralized, plus selected line  ministries relevant to selected priority SDGs | Decentralized (deconcentrated): all primary budget organizations (line ministries) and other key stakeholders |
| Question 3. WHAT? What is covered by the B4SDG? | | |
| 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 tagging. (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 budget information system. |
| Question 4. WHEN? When in the budget cycle will SDG information be used? | | |
| At the end of budget formulation  process – reflecting B4SDG  information in final budget documents (after the budget decisions are made):  B4SDG is primarily used for information purposes (is not driving budget  decisions) | During the budget formulation  process: may have limited influence on some critical budget decisions but not on a systemic basis. | Before or at the very beginning of  the budget formulation process  and then throughout the rest of the budget cycle (e.g. at strategic budget allocations stage, or in Medium-Term Budget Frameworks: as a result,  strategic budget allocations are fully SDG-informed). |
| Question 5. HOW? How will the PFM business processes adapt the B4SDG? | | |
| Basic/manual processes on SDG  relevance for certain cases, e.g. SDG relevance checklist for selected budget proposals to support budget decision  making. The depth of analysis may be basic as the budget lines are not mapped with SDGs. This option is easy to implement in any country. | Mapping of budget lines with SDGs is done.  B4SDG information is used at both  budget formulation and budget reporting stages but process is manual/ad hoc, so risks of quality and timeliness of information exist. | B4SDG information is integrated into chart of accounts or FMIS, so the information on SDG linkage is supplied to budget decision makers before the budget decisions are made (or any other time required throughout the rest of the budget cycle). Also,  reporting is done on automatic basis, as part of the FMIS produced report |

The Four-Base Model proposed by UNDP (Figure 4) distinguishes between approaches that are geared mostly to “government insiders” – where SDG-relevant budget information used primarily by the Executive during internal budget decision-making processes - and those geared to “external actors” in the context of public accountability. Another dimension is about systemic versus ad-hoc changes or adjustments to the budgeting processes and systems to anchor the SDGs. In practice, this means that the base model is characterized by intermittent reports on budget allocations for selected SDG targets and inward-looking generation of information. The best practice model can be used by countries introducing modern budgeting principles and ready for systemic adjustments and where various actors are actively involved in the budgeting process including MPs, SAI, CSOs, media, think tanks, etc., and relevant budget information is made regularly available to non-executive actors throughout the budget cycle.

**Figure 4. UNDP Four-Base Model**



*Source: Budgeting for the SDGs. UNDP Guidebook, 2020.*

The above methodology for supporting the initial assessment of the budgeting process provides a basis for formulating a set of measures adapted to the country context and related to the integration of the SDGs in mid-term and annual budget frameworks, strengthening SDG expenditure monitoring, accountability and the analysis of the impact of the expenditures.

The guidance also includes a methodology for supporting the initial assessment of the budgeting process as a basis for choosing the right mix of instruments.

Understanding to what extent the budget is aligned with SDGs and national priorities requires to be able to monitor the expenditures against specific goals and targets. While the monitoring cannot direct resource allocation by itself, it can provide a useful source of information for understanding the current situation and modify future allocations to make sure they correspond better to national policy priorities. A number of good practice cases here come from attempts by some countries to introduce SDG tagging or coding as well as the experience of climate budgeting. Beyond monitoring, some countries have attempted to assess the effectiveness or impact of spending aimed at supporting specific national objectives. These efforts have however been relatively limited to a single sector (e.g., basic services, biodiversity, etc.).

This session will look in more detail at the selection of the appropriate measures given the national context to help better align budgets with nationally relevant SDGs. It will also briefly review aspects related to tracking or monitoring of expenditures against the SDGs with examples, as well as an example of an effectiveness assessment.

The second part of the session will be dedicated to strengthening accountability and oversight by Parliaments. Parliaments have an important role to play in budget oversight and could therefore also contribute to ensuring that budgeting is oriented towards SDG priorities. In practice, however, the role of Parliaments in influencing budgeting has been limited, in particular, when it comes to linking the budgets better with national strategies and policies. There are several ways in which Parliaments could engage on SDG budgeting depending on which national budgeting process:

* Advocating for the overall budgeting process to be oriented more to **establishing pro-poor, gender-sensitive, human rights-based budgets** that support SDG implementation;
* Promoting the **citizenry and civil society active participation** in budget dialogue, helping collect data on the needs of PMs’ own constituencies and holding **special and regular public consultations on the SDG related national priorities** to be considered in the budget, with the preparation of **citizen budget being an important enabler**;
* Advocating with the Government **during budget preparation** to ensure **resource allocation, as well as fiscal and other economic policies are aligned** with SDG priority areas;
* **Requesting budget amendments** after the budget had been presented to Parliament for vote
* Leveraging more actively the **Budget or Finance Committee of Parliament**, by including, for example, in their terms of reference to require them to consider SDG implementation as part of their oversight activities;
* Strengthening **the work of the analytical unit of the Parliament** - where exists - on how well the policy priorities are reflected in the budget, beyond the review of financials;
* Using more effectively its **oversight powers**, including through **Questions Time, written questions to government, and parliamentary committee hearings**, **calling on officials to present information on the impact of policies,** etc.;
* Creating an **enabling legislative environment for budget reforms** that better facilitate SDG delivery;
* Having **timely and comprehensive publication of the information** in place throughout the entire budget cycle to enable MPs and other key stakeholders to influence and monitor budget policies;
* **Raising the awareness of MPs in general on SDGs** and on how they can engage with them not only through law-making but also through budget process and oversight.

This session will review some of the country experiences with windows of opportunity for strengthening the role Parliaments can play in shaping the budget and ensuring oversight. It will provide space for participants to share their current situations and approaches and discuss the potential for introducing or bolstering specific measures in support of this goal.

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| **Objectives** |

The proposed session will therefore aim to

1. Raise awareness of the government officials and other stakeholders in the region on how to **foster policy coherence by anchoring the SDGs in the national budgets**;
2. Strengthen their **knowledge of possible approaches and tools** - concrete examples from the region and outside – **on how to better align SDG budgeting**, and **strengthen the role of the Parliaments** in this respect;
3. Enable them to **analyze what approaches and tools would work best in their specific country situation**;
4. **Share good practices on SDG budgeting**, monitoring and Parliaments’ engagement with other countries in their region.

At end of this training module, participants will be better positioned to:

1. **define the importance of the budgeting aligned to national strategies on SDGs** to promote greater policy coherence;
2. **discuss how budgeting can be aligned with SDGs at varying stages of PFM reform or maturity of performance-based budgeting systems** and more specifically in their country context;
3. **describe 2-3 approaches to strengthen the monitoring of the SDG-aligned public spending** using budget coding and to **evaluate the effectiveness of SDG related public spending** given the specific country context;
4. **explain how the role of Parliaments can be strengthened** when it comes to budgeting and fiscal oversight of SDGs.

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| **Co-organizers** |

This session of INFF training will be jointly organized by UNITAR and UNDP.

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| **Programme** |

***Note****: Almaty time (UTC+6)*

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| **Time** | **Activity** |
| **15 min before start** | Connection check/logging on to platform |
| **14:00-14:10**  **(10 min)** | **Session Opening**   * Welcome & learning objectives for the Session, **Ms. Elena Proden,** UNITAR * Welcome & Overview of Session Progamme, **Mr. Suren Pogosyan**, UNDP * Ex-ante assessment, **Ms. Francesca Jaworska,** UNITAR (5 min) |
| **14:10 – 15:00**  **(50 min)** | **Part I. Better linking budgeting to policies and strategies in support of SDGs**  This part of the Session will discuss the strengthening of the link between strategic planning and budgeting and introduce a UNDP assessment framework as a basis for choosing the right SDG-budgeting model. Cases studies will be presented during the session including one by UNDP Mongolia.  **Moderator**: **Ms. Elena Proden**, Senior Specialist, UNITAR   * Aligning budgeting with strategic planning and SDGs and fostering deeper policy coherence   + **Elena Proden**, Senior Specialist, UNITAR (5 min) * Budgeting process, key SDG-related considerations, types of budgeting and case study Mexico (5 min)   + **Phiri McCarthy**, International Expert, UNITAR * Selecting the right model using UNDP’s approach   + **Suren Pogosyan**, UNDP (15 min) * Case study Mongolia   + UNDP Mongolia (15 min) * Monitoring expenditures against SDGs & Assessing the effectiveness of public expenditures   + **Phiri McCarthy**, International Expert, UNITAR (5 min)   **Q&A** |
| **15:00-15:20**  **(50 min)** | **Activity 1. Understanding self-diagnostic assessment**  **Moderator**: **Mr. Suren Pogosyan**, UNDP  **Discussion in country groups:**  Participants will be invited to form country groups in break-out rooms and discuss:   1. their country’s context using the main 5 assessment questions (see Table 1); 2. which of the four base models may be appropriate in their case in a short run and why, and to which they may switch in the future (see Figure 4)*;* 3. in what respect this exercise may have been helpful to them.   Each group will appoint a rapporteur. |
| **15:20 – 15:50** | **Activity 1. Understanding self-diagnostic assessment (cont.)**  **Moderator**: **Mr. Suren Pogosyan**, UNDP  **Plenary session:**  Each country group will report back their findings along 3 questions. |
| **15:50-16:00**  **(10 min)** | **Break** |
| **16:00-16:50**  **(30 min)** | **Part II. Strengthening the role of Parliaments in SDG budgeting and oversight**  This session will review some of the country experiences with windows of opportunity for strengthening the role Parliaments can play in shaping the budget and ensuring oversight. It will provide space for participants to share their current situations and approaches and discuss the potential for introducing or bolstering specific measures in support of this goal.  **Moderator**: **Ms. Elena Danilova-Cross**, Programme Specialist on Poverty and Inequality, UNDP   * Presentation on the role of Parliaments   + **TBC**, (10 min) * Case study – Tajikistan   + Lyudmila Borunova, National Expert, Tajikistan (20 min.) * Q&A |
| **16:30-16:50**  **(20 min.)** | **Plenary discussion with guiding question:**  **Moderator:** Ms. Lyudmila Borunova, National Expert, Tajikistan (or Elena Danilova-Cross, UNDP?)  **Guiding questions:**  **Activity 2. Plenary Discussion with guiding questions**  In addition to reacting to the presentation, participants could consider some of the following questions:   * How informed is your Parliament on SDGs? Has your Parliament formally endorsed the SDGs, for example, by debating and passing a motion or resolution in the plenary? * Which of the instruments for Parliament to engage on the budget & national priorities described in above exist in your country? How can they be used effectively to link budget to national priorities? To SDGs? * Is the budget submitted to parliament for review and enactment attach an adequate explanation of how budget measures seek to progress SDG achievement? If not, what information could be added to provide a better picture for parliamentarians? * What do you think should be done to strengthen the capacity of your Parliament in SDG-aligned budget accountability and oversight? |
| **16:50-17:00**  **(10 min)** | **Wrap-up**   * Ex-post assessment and feedback poll, **Ms. Francesca Jaworska,** UNITAR **(5 min)** * Closing remarks by **Ms. Elena Danilova-Cross,** UNDP, and **Ms. Elena Proden,** UNITAR |

1. UNITAR-UNDESA-ECLAC Training Toolkit « Integrated policies and policy coherence for the SDGs, 2019. [↑](#footnote-ref-2)
2. For more information please refer to UNDP (2019) “Budgeting for Agenda-2030 Opting for the Right Model [↑](#footnote-ref-3)