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Connecting Budget Credibility and the Sustainable Development Goals

Results from 13 Country Investigations

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Introduction

Paying taxes on animal sales at the upgraded Haro Bake livestock market in Southern Ethiopia. - Flickr/USAID Ethiopia

Budget credibility is a challenge found in many developing countries. It is defined as the difference between the budget that is approved by a country's legislature, the actual expenditures spent, and revenues collected during a fiscal year. Budget credibility is a measure of whether governments can meet the fiscal targets set out in their budgets. In practice, governments can often deviate from their budget targets at both the aggregate level of total revenues and expenditures, as well as in shifts in spending at a compositional level, for example, spending more or less than planned in different ministries and sectors.

In certain cases, shifts during the year away from planned budgets are necessary, planned, and reviewed or approved by legislatures. Supplementary budgets, often used by governments to adjust resources in times of crisis, were a widespread practice during COVID and helped countries respond to the crisis and lessen its economic impact.[1]

For some countries, however, challenges with overspending or underspending the initial budget indicate weaknesses in the country's public financial management systems. Persistent deviations can be caused by: weaknesses in planning and forecasting; challenges with cash releases and resource flows; delayed procurement processes and insufficient monitoring and control of expenditures.

Previous research from IBP has shown that government underspending on budgets tends to disproportionately impact social sectors and is especially prevalent in low-income countries.[2] For example, research from the World Bank and World Health Organization (WHO) has shown that health budgets are regularly reduced and deprioritized during budget implementation.[3]

Chronic budget credibility challenges can undermine efforts to prioritize spending for development goals. Underspent budgets can leave sectors and programs starved of resources and underdelivering services. Overspent budgets can result in high deficits and debt crises, inefficient and wasteful spending, and a lack of adequate controls on spending. Shifts across sectors and ministries undermine the priorities set out by the legislature in the annual budget and can result in some sectors being deprioritized during budget implementation.

[1] In the International Budget Partnership's Rapid assessment of open budgeting practices during the COVID response in 2020, researchers found that about half of the 120 assessed governments had supplementary budgets approved by the legislature: https://internationalbudget.org/covid/

[2] de Renzio, P., J. Lakin, and C. Cho. 2019. "Budget Credibility Across Countries: How Deviations are Affecting Spending on Social Priorities." International Budget Partnership Research Paper: https://www.internationalbudget.org/publications/budget-credibility-across-countries/

[3] Piatti-Funfkirchen, Moritz; Barroy, Helene; Pivodic, Fedja; Margini, Federica. 2021. Budget Execution in Health: Concepts, Trends and Policy Issues. World Bank, Washington, DC. World Bank. https://openknowledge.worldbank.org/handle/10986/36583

Many countries can ill afford to lose resources to support goals around poverty reduction, child welfare, and other issues. Gains made on goals such as SDG 1 on Poverty up until 2019 were reversed because of the COVID pandemic, which led to increases in extreme poverty rates, reductions in gender equity, and a reversal of progress toward quality education, among other setbacks.[4] Rising inflation and disruptions in global supply chains for food, fertilizer, and fuel, will also disproportionately impact vulnerable groups.

"Achieving the SDGs will require governments to mobilize additional financing and prioritize budget allocations toward the SDGs, while also ensuring that the funding committed to these sectors is spent to achieve these goals."

Achieving the SDGs will require governments to mobilize additional financing and prioritize budget allocations toward the SDGs, while also ensuring that the funding committed to these sectors is spent to achieve these goals. In addition, governments and development partners may also need to analyze and assess the extent of budget credibility challenges and their impact on efforts to achieve the SDGs.[5]

The importance of effective implementation of government budgets has been recognized within the SDG indicators by the inclusion of a specific indicator on budget credibility within Goal 16 on Peace, Justice, and Effective Institutions. SDG indicator 16.6.1. measures "primary government expenditures as a proportion of original approved budget, by sector (or by budget codes or similar)," derived from the Public Expenditure and Financial Accountability (PEFA) assessment framework.[6] The PEFA Secretariat collects and reports data on SDG indicator 16.6.1 based on country PEFA reports and data from World Bank economists. As of August 2022, data for 150 countries for an average of 10 years had been published on the World Bank Data Portal,[7] and the United Nations Statistics Division's Global SDGs Database. [8]

Data published for SDG 16.6.1 only covers aggregate central budgetary government expenditures. However, understanding budget credibility patterns at the sectoral level is also key to understanding how budget credibility is connected to achieving the SDGs. Data on budget credibility by sectors can show whether budget implementation patterns prioritize certain sectors over others. This could also be connected to trends on achieving development goals and better identify where improvements in budget credibility could also potentially boost resources in underperforming sectors.

[4] Jeffrey Sachs et al., Sustainable Development Report 2021, Sustainable Development Report 2021, 2021, https://doi.org/10.1017/9781009106559.

[5] Lakin, J. and C. Cho. 2019. "Ring the alarm: governments unlikely to meet SDGs without renewed commitments to spend allocated funds." International Budget Partnership Blog: https://www.internationalbudget.org/2019/07/governments-unlikely-to-meet-sdgs-without-renewed-commitments-to-spend-allocated-funds/. These challenges are also documented by many international institutions, including the World Bank, PEFA, and ODI. See for example: PEFA. 2021. Global Report on Public Financial Management. https://www.pefa.org/global-report-2020/report/global-pfm-performance#budget-reliability; Fritz, V., S. Sweet, and M. Verhoeven. 2014. "Strengthening Public Financial Management: Exploring Drivers and Effects." Policy Research Working Paper 7084, World Bank: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/349071468151787835/strengthening-public-financial-%20management-exploring-drivers-and-effects; Simon, R. and B. Welham. 2014. "Incredible Budgets - Budget Credibility in Theory and Practice." ODI Working Paper 400: https://odi.org/en/publications/incredible-budgets-budget-credibility-in-theory-and-practice/.

[6] SDG 16.6.1 Metadata, available at United Nations Global SDG Database: https://unstats.un.org/sdgs/metadata/files/Metadata-16-06-01.pdf

[7] World Bank Data for: "Primary government expenditures as a proportion of original approved budget (%)" is available here: https://data.worldbank.org/indicator/GF.XPD.BUDG.ZS

[8] Data for Indicator 16.6.1 can be found under Goal 16, Target 16.6.1 at the United Nations Global SDG Database: https://unstats.un.org/sdgs/indicators/database/ Update recorded on the PEFA Secretariat Website, 1 August 2022, "SDG Indicator 16.6.1 Speaks how Budgets are Affected by COVID-19 Pandemic," available at https://www.pefa.org/news/sdg-indicator-1661-speaks-how-budgets-are-affected-covid-19-pandemic

Data for SDG 16.6.1 by sector could be used by countries when reviewing their progress toward achieving the SDGs during Voluntary National Reviews (VNRs), alongside discussions of wider public financial management reforms. VNRs could collect and report data on budget deviations both at an aggregate and sectoral level. This can help identify sectors where budget credibility improvements could be a pathway toward increasing available resources and accelerating progress toward achieving related SDGs.

"Data published for SDG 16.6.1 only covers aggregate central budgetary government expenditures. However, understanding budget credibility patterns at the sectoral level is also key to understanding how budget credibility is connected to achieving the SDGs."

To explore the connections between budget credibility patterns and efforts to achieve the SDGs, IBP coordinated investigations into budget credibility patterns in government budgets by partners and IBP staff members in 13 countries from 2018 to 2020. Data collection focused on budgets and spending in seven key sectors that relate to 10 SDGs: Agriculture and Food, Education, Environment, Gender, Health, Social Protection, and Water and Sanitation. Case studies also compared the trends in budget credibility with reports on progress made on achieving the SDGs, including recent Voluntary National Reviews (VNRs), to identify ways that budget credibility could be strengthened to support the achievement of development goals.
This paper synthesizes the findings across the 13 country case studies, highlighting cross-cutting themes and trends that emerge from the data and analysis. The paper also presents findings from a review of Voluntary National Reviews conducted between 2019 to 2021, to assess how countries are reporting and discussing SDG 16.6.1 in the VNR process.

Key findings include:

- Most countries reduce the share of spending in the seven focus sectors during implementation, as compared to deviation of the total aggregate budget, in a finding consistent with previous research that shows social spending is deprioritized during budget implementation

- Even in countries with relatively good budget credibility at the aggregate level, variations between deviations in sectors can show consistent over- or under-spending, suggesting systematic challenges in budget implementation within these sectors, a finding consistent with the 2022 PEFA Global Report

- Spending in sectors such as gender, agriculture, and water and sanitation shows on average the lowest rates of budget implementation in the 13 country investigations

- Data collection and analysis is a challenge for researchers from civil society using publicly available sources, as published data can have gaps, be inconsistent, and in all cases, deviate from data published in country VNRs and the SDG indicator 16.6.1 database

Case Study Approach

To produce country case studies, IBP worked with CSO partners in nine countries and IBP staff members in four countries to analyze trends in budget credibility from 2018 to 2020.[9] Case studies focused data collection on seven sectors that can be linked to 10 SDG goals, as shown in Table 1.[10] Researchers collected data on approved and executed budgets from publicly available budget documents produced by the central government or additional resources requested from relevant central government offices on public spending related to the focus sectors or the SDGs.

Sector	Related SDG Goal(s)
Agriculture and Food	Goal 2: Zero Hunger
Education	Goal 4: Quality Education
Environment	Goal 13: Climate Action
	Goal 14: Life Below Water
	Goal 15: Life on Land
Gender	Goal 5: Gender Equity
Health	Goal 3: Good Health and Wellbeing
Social Protection	Goal 1: No Poverty
	Goal 10: Reduced Inequalities
Water and Sanitation	Goal 6: Clean Water and Sanitation

Table 1: Seven Key Sectors and 10 Related SDG Goals Examined in Country Case Studies

None of the 13 country investigations found government-produced data that showed both budget allocations and expenditures according to the SDGs. Several countries showed progress in terms of tagging or mapping budget data to the SDGs, but these efforts either just presented a proposed mapping of government ministries or programs to the SDGs (Indonesia and Mexico) or the presentation of budget allocation information according to the SDGs, as was seen in Ghana. In the Ghana case, while budget execution information was not initially available as of the time of the research, the government did commit to releasing this information in the future after a Freedom of Information request submitted by the researcher.

[9] A list of case study authors can be found in the annex, and individual case studies are published on IBP's website here: https://internationalbudget.org/publications/connecting-budget-credibility-to-the-sustainable-development-goals/

[10] These seven sectors were selected to be the same as those reporting in the Government Spending Watch for a range of countries. See: https://www.governmentspendingwatch.org/spending-data. In cases where the researchers were not able to identify separate budget lines that related to one of the sectors, these sectors were excluded from the analysis or replaced with a sector that could be tracked through budget data. This brief reports only on the data on sectors that fit within the seven key sectors specified in the research methodology.

Without official data on how public spending relates to each SDG, researchers used proxies pulled from publicly available reporting of different expenditure classifications used in the government's budget. Researchers were encouraged to use a functional classification (expenditures by sector, such as education or health), where available, as this budget classification tracks spending in each sector across different ministries, departments, or programs. However, only 3 of the 13 countries provided comparable data by functional classification for both approved and executed expenditures. Mexico, for example, publishes data by functional classification for both approved and executed expenditures on the government's budget transparency portal.[11] Other countries, however, relied instead on an administrative classification, such as ministries or departments, as a proxy for spending by sector (8 countries), even though this classification is likely a less accurate proxy for sectoral spending because it misses spending that may occur for a sector across different ministries. When data was available, some researchers opted to mix administrative, functional, and program classifications (3 countries) to better identify spending that would relate to the relevant SDGs.

Researchers were encouraged to follow the guidance for indicator SDG 16.6.1 and focus on budgetary central government. However, in two countries (South Africa and Mongolia), budget documents presented data for the consolidated government, which includes subnational governments. For other countries, especially those where a large share of public spending is channeled through subnational governments, researchers noted that without subnational data, this approach misses a large share of spending. Nearly all researchers struggled to find sources that quantified what share of public spending takes place at subnational levels of government in each sector, except for Ghana, where the data is available for budget allocations in the SDGs Budget Report.[12]

To analyze the budget data, researchers calculated budget deviations for each sector, which is the difference between the originally approved budget (or supplementary budget, when passed by the legislature) and final expenditures at the end of the fiscal year for the same budget classifications. Researchers also calculated the sector's share of total expenditures for each year, which is a helpful proxy to understand how government is prioritizing spending. For the Nigerian case study, deviations between approved and executed budgets were so large that the researcher also calculated the difference between the share in the sector in the approved budget, as compared to the share in the executed budget, to show how budget cuts during the year reduced the share of resources received by key sectors.

[11] https://www.transparenciapresupuestaria.gob.mx/

[12] Ghana-SDGs-Budget-Report-July-2019.pdf (mofep.gov.gh), 2020_SDGs_Budget_Report.pdf (mofep.gov.gh)

For many countries, this analysis revealed issues with the consistency of available data to compare approved budgets with actual expenditures. For example, in The Gambia, two different government reports reported different amounts of spending for the same ministries, making it difficult for the researcher to select one report for the basis of the brief. In Ghana, the Year-End Report for 2019 and 2020 was missing actual expenditure data for some ministries, including health and education. In Zambia, the researchers accessed data on key program spending directly from the ministry, which is not publicly available but was granted on request, as the Year-End Report did not have administrative or functional classifications, and Audit Reports have inconsistent reporting on ministry spending. In Cote d'Ivoire, actual expenditure figures for 2019 matched exactly the budget figures, with no deviation in any ministry, a highly unlikely situation that raises the possibility that the government published re-printed budget figures instead of actual expenditures.

To connect trends on budget credibility to progress toward the SDGs, researchers captured their country's performance in the Sustainable Development Report 2021, specifically on the SDG Index.[13] The SDG index provides a snapshot for each country on progress toward achieving each SDG based on available data for related indicators, producing scores for the performance and trend of the overall SDG. Researchers also reviewed recent Voluntary National Reviews (VNRs) that assess country progress toward achieving the SDGs, looking to identify challenges and financing needs for each sector.[14] During this review, researchers also looked at whether there was any discussion of budget credibility challenges reported in the VNR, including a presentation of data on SDG indicator 16.6.1.

[13]Data from the 2021 Sustainable Development Report can be found here: https://2021.dashboards.sdgindex.org/profiles

[14]Country Voluntary National Reviews can be found here: https://hlpf.un.org/vnrs

Findings from Country Case Studies

Overall budget credibility trends varied widely across the 13 case study countries. Deviations between the total aggregate budget and total actual expenditures, averaged for 2018, 2019, and 2020, ranged from overspending of 24 percent in Argentina to underspending of 32 percent in Nigeria. On average, the 13 countries underspent their budgets by 6 percent in both 2018 and 2019, which improved to only 1 percent underspending in 2020 due to substantial jumps in budget execution rates seen in Argentina, Indonesia, Romania, and Senegal, likely due to COVID-related expenditures.

In most countries, budget credibility issues reduced the share of spending in the seven sectors analyzed in the case studies, as compared to other spending. In 7 of the 13 case studies, budget execution rates of spending in the focus sectors were lower than budget execution rates of the total aggregate budget. This means that spending in these social sectors is effectively being deprioritized during budget implementation, which is also a finding of previous research on budget credibility trends in social sectors.[15]

Budget Deviation in Selected Sectors and Total Aggregate Budget

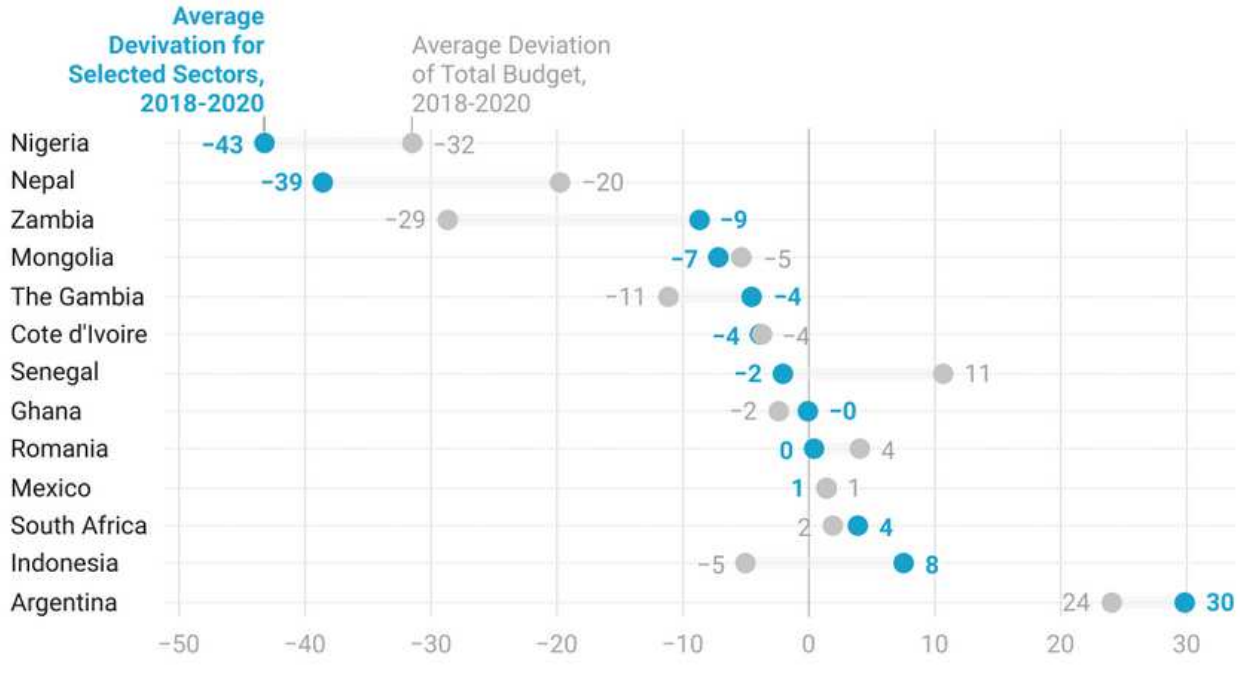

Figure 1: Budget Deviations in Selected Social Sectors as Compared to Total Aggregate Budget from 2018 to 2020. - visualization by Datawrapper

[15] See de Renzio, P., J. Lakin, and C. Cho. 2019. "Budget Credibility Across Countries: How Deviations are Affecting Spending on Social Priorities." International Budget Partnership Research Paper: https://www.internationalbudget.org/publications/budget-credibility-across-countries/ and Piatti-Funfkirchen, Moritz; Barroy, Helene; Pivodic, Fedja; Margini, Federica. 2021. Budget Execution in Health: Concepts, Trends and Policy Issues. World Bank, Washington, DC. World Bank. https://openknowledge.worldbank.org/handle/10986/36583

Budget Credibility Trends in Sectors

Members of the National Sanitation Office of Senegal (ONAS) visit several locations in Dakar the capital that have flooding issues. - IBP

Even in countries with relatively good budget credibility at the aggregate level, variations between deviations in sectors can show consistent over or under-spending, suggesting systematic challenges in budget implementation within specific sectors. For example, in Senegal, spending in the education ministry was consistently on-target between 2018 and 2020, while spending on ministries related to gender, water and sanitation consistently fell short of the budget. On the other hand, in Romania, which shows relatively high levels of aggregate budget credibility from 2018 to 2020, sectors such as the environment and agriculture showed shifts in budget credibility from overspending to underspending, depending on the year. However, when the researcher examined program-level spending within the health sector, she found consistently high deviations in some areas of spending, such as provisioned funds from the EU. This finding is consistent with the 2022 PEFA Global Report, which found that countries are better able to adhere to planned budgets at the aggregate level than at the compositional level.[16]

[16] See chapter on Budget Reliability of the Global Report on Public Financial Management 2022: https://www.pefa.org/global-report-2022/en/report/global-pfm-performance/#budget-reliability

Budget deviations in sectors across 13 countries

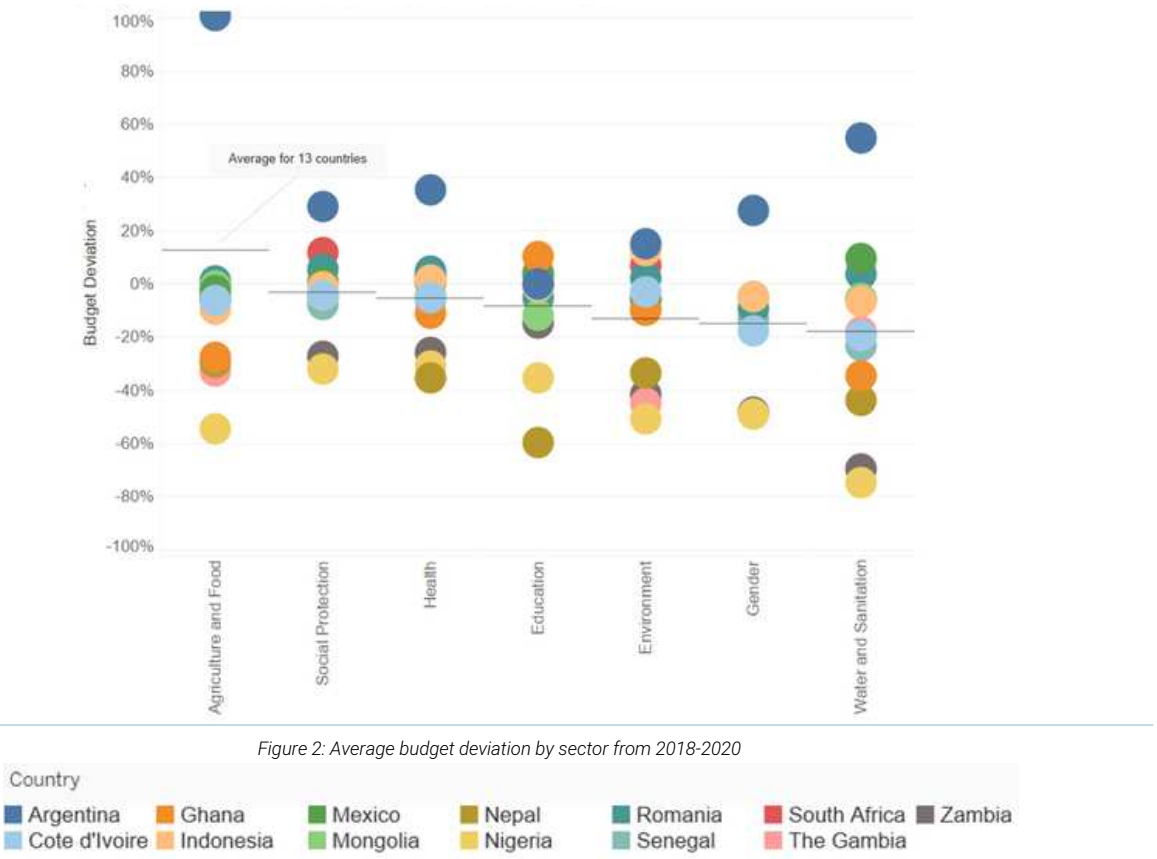

Figure 2: Average budget deviation by sector from 2018-2020

Note: Figure shows average deviation of spending classified to each of the seven sectors from 2018 to 2020. The scale of the axis for budget deviations excludes Zambia's deviation for this sector, which averages 236 percent across the three years, to better show deviations in other sectors. Grey bars show the average deviation across all countries for which data is available.

On average across the 13 case studies, spending on water and sanitation, gender, and the environment had the lowest rates of budget execution; countries on average underspent the budget in these sectors by 18, 15, and 13 percent, respectively. Two countries had outlier values for deviations in the agriculture and food sectors – Zambia and Argentina – due to increases in spending as compared to the budget through programs that responded to COVID in 2020. If these outlier values are excluded, deviations in agriculture and food sector spending across other countries falls below the average deviation in total spending.

"On average across the 13 case studies, spending on water and sanitation, gender, and the environment had the lowest rates of budget execution."

These four sectors are also notable for receiving, on average, the smallest share of total government expenditures from 2018-2020. The agriculture and food sector, and water and sanitation sector, both received on average only three percent of total spending, while the environment and gender sectors only received one percent.

Impact of COVID on Budget Credibility

Nurses at a local health clinic in Southern Nigeria review and update the registers. - IBP

During 2020, government budget shifts as a result of COVID did not necessarily worsen budget credibility patterns, but many countries shifted funding away from key sectors such as education, water and sanitation. On average, budget implementation rates improved in 2020, as compared to an average rate of underspending across countries in 2018 and 2019. This shows that when governments are committed to getting funding out to priority programs, they can.

"Government budget shifts as a result of COVID did not necessarily worsen budget credibility patterns, but many countries shifted funding away from key sectors such as education, water and sanitation."

Governments also shifted spending toward sectors needed to support the COVID response, such as health and social protection. As shown in Figure 4, spending in agriculture, social protection, and health increased during COVID, resulting in these sectors switching from underspending in previous years, to over-spending during COVID. On the other hand, the levels of underspending on budgets for education and the environment increased during COVID. Budgets were exceeded, to a large degree, for agriculture spending in Argentina and Zambia.

In Zambia, budget overruns in agriculture can in part be attributed to the government's Farmer Support Input Program (FSIP), where increasing spending on fertilizer subsidies in 2019, and especially in 2020, crowds out spending on other sector priorities, such as research and development in agriculture, irrigation, and other infrastructure.[17]

Budget deviation in each sector from 2018 - 2020

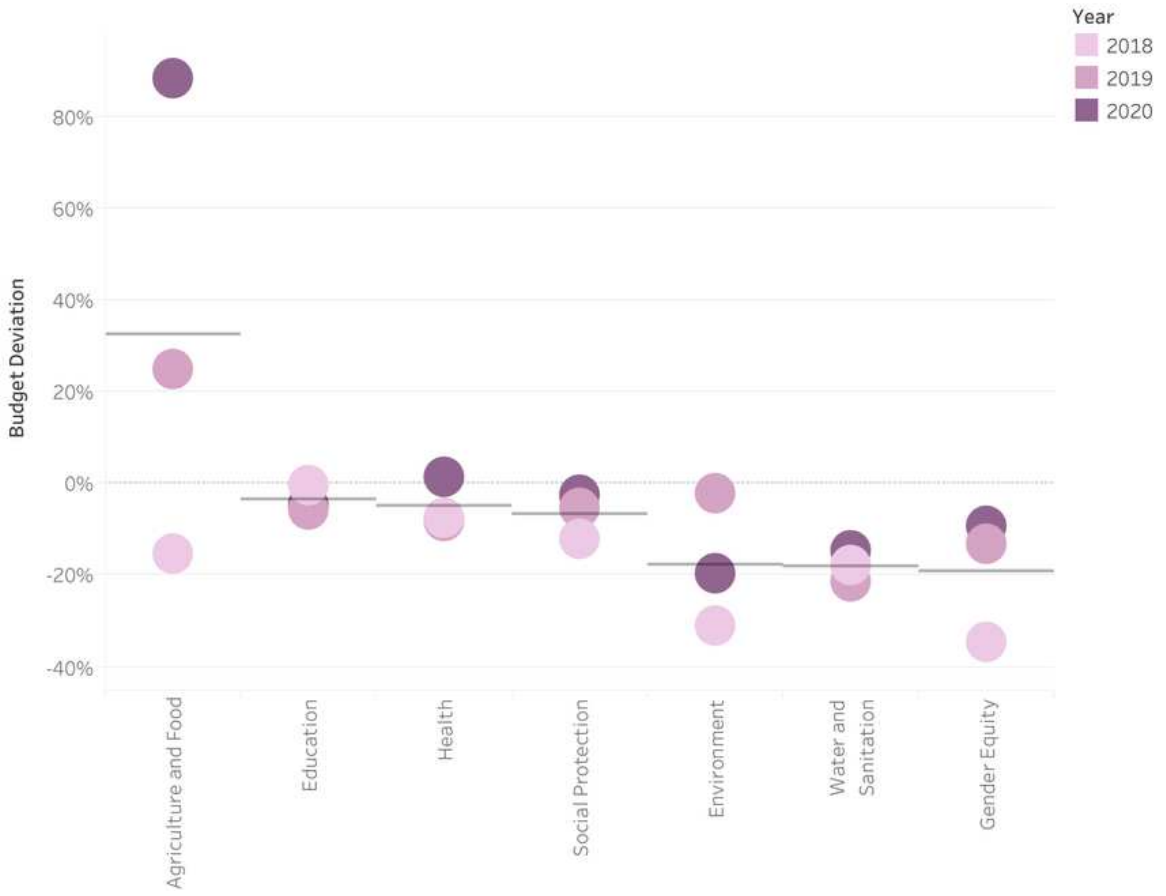

Figure 3: Changes in the average budget deviation over time from 2018 to 2020 by sector

Shifts in public spending priorities in response to COVID also led to a drop in 2020 in the share of spending in the total budget for education and the environment, while spending on social protection and health increased, on average, across the 13 countries, as shown in Figure 5. These trends match reports of cuts to education spending and increases in health spending in response to COVID, which may be temporary shifts.[18] However, these trends suggest that increases to spending in health, social protection, and agriculture, may have come at the expense of spending in education and the environment as a result of COVID.

[17] Spending on the Zambia's Farmer Input Support Program (FISP) was analyzed in: World Bank (2021). Zambia's Farmer Input Support Program and Recommendations for Re-designing the Program. Available at: https://openknowledge.worldbank.org/handle/10986/35801

[18] See World Bank, "Two-Thirds of Poorer Countries Are Cutting Education Budgets Due to COVID-19," February 22, 2021: https://www.worldbank.org/en/news/press-release/2021/02/22/two-thirds-of-poorer-countries-are-cutting-education-budgets-due-to-covid-19 and CGD, "Pandemic-era Health Spending Increases in Developing Countries Are Unlikely To Be Sustained," June 6, 2022: https://www.cgdev.org/blog/pandemic-era-health-spending-increases-developing-countries-are-unlikely-be-sustained

Share of total spending in each sector from 2018 to 2020

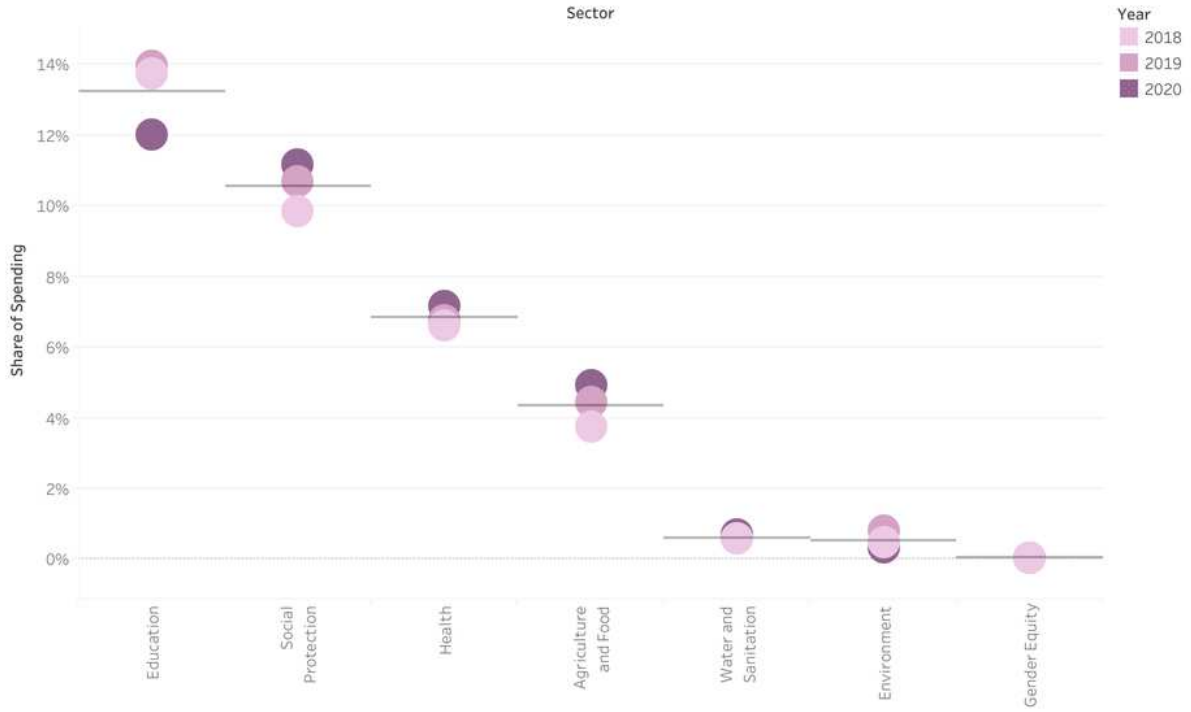

Figure 4: Changes in the share of spending in each sector out of the total budget over time from 2018 to 2020 by sector

Understanding Spending on Gender Equity

In Accra, Ghana Informal workers gather for the meeting of their association, the Makola Market Traders Union, led by Juliana Brown Afari in Makola Market. - Jonathan Torgovnik/Getty Images/Images of Empowerment

How public spending impacts gender equity is a complex question. All public spending can impact men and women differently – any type of public spending, in any sector, can potentially have an impact on gender equity.[19] Ideally, countries will have systems in place to identify and track the impact of spending on different genders However, none of the countries included in the study had published data from gender responsive budgeting efforts that analyzed - from budget allocation to execution - the impact of all public spending on gender equity. As a result, the case studies included both proxies for spending on gender, such as spending in women-focused ministries, but also an analysis of whether government budgets have systems in place to analyze, track, and report on the impact of government spending on gender. This approach recognizes that budget line items that specifically reference gender or women – usually ministries for women – play an important role but capture only a fraction of spending that may benefit women and cannot shed light on how public spending can benefit men and women differently, across the entire budget.

[19] Birchall, J. and Fontana, M. (2015) The gender dimensions of expenditure and revenue policy and systems. Available at: https://assets.publishing.service.gov.uk/media/57a08970ed915d3cfd000248/61047_GOKH_Gender-dimensions-of-expenditure-and-revenue-policy-and-systems.pdf

"Many ministries have significant underspending in their gender ministries or sectors – for example, the Gambia, Nigeria, and Zambia on average spent only half of their budget for their gender ministries or programs."

Researchers found that only 8 of the 13 countries included a budget line item that specifically referenced women. Two other countries – Ghana and the Gambia – have ministries for social protection and gender, however the budget data was not provided with enough disaggregation to separate these two functions. As shown in Figure 3, available budget data shows that many ministries have significant underspending in their gender ministries or sectors – for example, the Gambia, Nigeria, and Zambia on average spent only half of their budget for their gender ministries or programs from 2018 to 2020. Moreover, 7 out of 10 countries that included a gender line item had lower budget execution rates for the gender spending as compared to the total aggregate budget.

Gender Spending

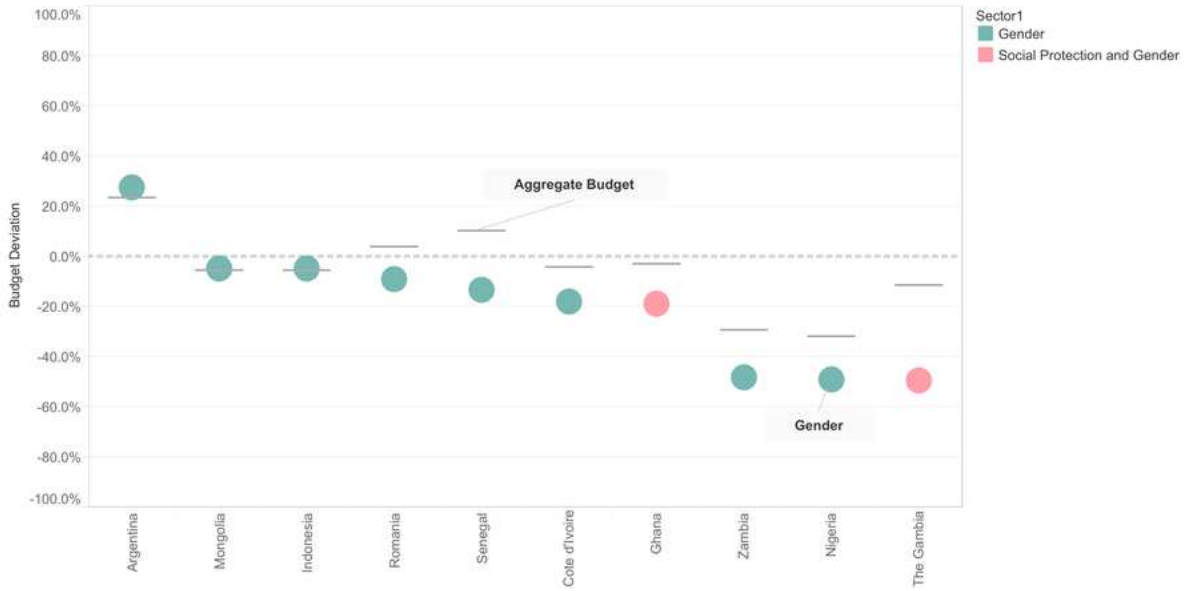

Figure 5: Budget deviations for spending on gender-related budget line items by country, 2018-2020

Recognizing that the impact of public spending on gender equality is wider than what any budget line-item can capture, case studies also reviewed whether governments have put in place systems for systematically analyzing or tracking spending on gender equity objectives. This analysis is in line with SDG indicator 5.c.1, which assesses whether countries have "systems to track and make public allocations for gender equality and women's empowerment."[20] Researchers found that all countries have established policies on promoting gender equity, but few have established systems that link those policies to budget tracking or analysis.

[20]For an overview of this indicator, see UN Women, Sustainable Development Goal Indicator 5c1: https://gender-financing.unwomen.org/en/highlights/sustainable-development-goal-indicator-5c1

Three countries that have more robust systems already in place are Mexico, Senegal, and Argentina. In Mexico, the government has published program expenditures that relate to women and men as Annex 13 of their annual budget since 2008, although civil society has questioned the transparency and clarity of the methodology that the government uses for including programs in this Annex. Senegal also regularly publishes a Gender Budget Document in the Finance Bill with a Gender Responsive Planning and Budgeting (PBSG) approach implemented in 11 ministries, and as a result of these efforts saw an increase in the amounts allocated to the gender budget in 2020 as compared to 2018 and 2019. In Argentina, the government has made a commitment to implement a Budget with a Gender Perspective approach. Starting in 2019 the National Budget Office started labeling programs that aim to reduce gender equality gaps, identifying 25 programs, and in 2020 identified 29 programs, including the state's social security administration and pension programs, which resulted in a substantial increase in funding identified as being targeted toward gender equity.

Connections between Budget Credibility and the SDG Index

A farmer in Mexico cultivating amaranth. - Nailotl/Shutterstock

When comparing trends in budget credibility with a country's performance on the SDG Index, researchers did not find any clear correlation between budget credibility trends and the reported performance indicators. Looking across the 13 countries, no pattern emerges from the data that shows any connection between budget deviations and either performance or trend on the SDG index. This finding is not unexpected, as multiple factors drive a country's progress toward achieving the SDGs, including levels of financing, effectiveness of public spending, and the regulatory environment, among others.

On the other hand, many researchers argued that potentially addressing budget credibility challenges in underperforming sectors can present an opportunity for governments to ensure these sectors are adequately resourced, without having to find additional budget allocations or financing. For example, in Mexico, the country analysis identified underspending in programs related to environmental protection, agriculture and nutrition, noting that SDGs indicators related to these sectors scored at the lowest performance level on the SDG Index, highlighting that more action is needed to achieve the SDG targets. Ensuring that these sectors fully implement their budget each year is one avenue for ensuring that the sector is adequately resourced.

Budget Credibility in VNRs

When governments commit to assessing their progress toward achieving the SDGs in a Voluntary National Review, or VNR, this process can create an opportunity to identify whether budget credibility challenges are undermining development progress in specific sectors. However, few VNRs produced by the case study countries reported data for SDG indicator 16.6.1, and for those that did, the data did not match the figures that researchers identified in publicly available budget documents. Furthermore, a review of VNRs published between 2019 and 2021 shows that this reflects a wider trend of limited reporting on SDG 16.6.1 and suggests there is an opportunity for governments to better incorporate budget credibility into VNRs and discussions around SDGs.

In reviewing the VNRs produced by case study countries, the case studies found that not all VNRs include data on SDG 16.6.1. All of the 13 case study countries had previously produced at least one VNR – and of these, eight countries had VNRs that included data on SDG 16.6.1: Argentina, Côte d'Ivoire, the Gambia, Indonesia, Mexico, Mongolia, Nepal, and Senegal. These VNRs simply present the data for the indicator, however, without discussing how the government's performance on budget credibility connects with efforts to achieve other SDG targets. In contrast, Zambia's 2020 VNR doesn't include the data for the 16.6.1 indicator, but does mention, "better planning, adherence to expenditure plans and improvement of the quality of the Government's spending," as one of the government's priority reforms in aiming to achieve the SDGs.[21]

One challenge for researchers who investigate budget credibility trends and the status of SDG 16.6.1 is that the methodology and source of data presented in the reports was not clear. In Indonesia's 2021 VNR and the Gambia's 2020 VNR, the data presented for the aggregate central government budget did not match the figures that the researchers pulled from publicly available documents. For example, in the Gambia the VNR reported a budget execution rate of 54 percent in 2018, however the values pulled by the researcher for the 2018 total budget were a 96 percent implementation rate. In addition, in some cases the values presented in the VNR also do not match the values in the SDG 16.6.1 database – for example, in Argentina, the 2020 VNR reported values of 25.1 percent for 2016 and 6.1 percent for 2017, while the SDG database reports budget execution rate of 135 percent and 108 percent for those same years, respectively. Such mis-matched data presents a challenge for researchers aiming to review progress on SDG 16.6.1 and examine trends at a sectoral level. Indonesia's 2021 VNR presents one example of additional data provided on the integrity of public accounts by including indicators on share of government agencies receiving unqualified status in their audit reports and scores on the government's performance accountability system.

[21] Zambia, Sustainable Development Goals Voluntary National Review 2020: https://sustainabledevelopment.un.org/content/documents/26304VNR_2020_Zambia_Report.pdf

To further examine the way that VNRs currently engage on budget credibility and SDG indicator 16.6.1, the IBP team reviewed VNRs produced between 2019 and 2021, identifying whether VNRs reported on SDG 16.6.1, and whether the data presented matched the values published in the PEFA database. The review covered 129 full VNR reports available on the United Nations database of VNRs.[22] Not all VNRs cover SDG 16 – of the 129 reports reviewed, 120 included a dedicated section to SDG 16. Moreover, fewer than one-third of these VNRs, 39 of the 120, included a dedicated section on SDG 16.[23] Most report budget deviations at the aggregate central government level, with only three countries (Ecuador 2020, Panama 2020, and Turkmenistan 2019) reporting deviations by different sectors, while Mozambique reports deviations by different types of spending (economic classification). Even VNRs that do report data for the indicator do not explain how better performance on budget credibility could help the government achieve the SDGs, or what reforms the government should pursue to address budget credibility challenges.

Data reported on SDG 16.6.1 for the VNRs also varies widely from the figures released by the PEFA database. Out of 67 comparable data points included in both the VNRs and the SDG database, only 11 showed the same value for the same fiscal year. For example, the Chad 2019 VNR reports a budget execution rate of 79.5 percent in 2015 and 92.4 percent in 2016, while the SDG database reports execution rates of 58 and 65 percent for those years, respectively. Ensuring consistent and reliable reporting of the data for this indicator in VNRs is one way that countries can better analyze their progress toward improving on budget credibility.

[22]Currently available at: https://hlpf.un.org/countries

[23]Eight countries mention SDG 16.6.1, but either do not report data for the indicator or report the wrong indicator as 16.6.1: Benin, Comoros, Guatemala, Honduras, Marshall Islands, Morocco, Trinidad and Tobago, and Ukraine.

Lessons Learned and Recommendations

Janet Atimoliga, a rice farmer, poses on her farm as she is assisted by women from her local farmer group, Korania Wedamdaga Women's Cooperative, to transplant and apply fertilizer to rice seedlings. Navrongo, Upper East-Ghana. - IBP

As governments prioritize spending to accelerate progress and meet SDG targets, they can also examine how budget credibility issues can undermine or reverse these planning efforts. Better analysis of budget credibility challenges – both by using clear, consistent indicators of budget deviations in VNRs, as well as analyzing sectoral trends in budget credibility – can help governments identify which sectors face credibility challenges and may be deprioritized during budget implementation, and work with government finance officials to address those issues.

Civil society actors may also have concerns about budget credibility issues, and the potential for budget deviations and underspending to deprioritize spending in social sectors. Analysis of deviations at a sectoral level, rather than at the level of aggregate budget deviations, can be especially helpful for identifying which sectors may have issues with chronic budget deviations. The analysis presented in this paper, and the accompanying case studies, presents one model for how civil society groups and other researchers can investigate these challenges and raise these issues with government and development partners.

Civil society groups can also leverage publicly available PEFA reports to access data on budget deviations in sectoral spending. PEFA reports include data on budget deviations (or budget reliability, as it is called in PEFA reports) under PI-1 and PI-2, which looks at budget reliability at both the aggregate total budget level and across ministries or sectors, with detailed data included in report annexes. Another potential source for consistent data is to use audited financial statements as the basis for reporting budget credibility patterns, and to encourage audit institutions to look at budget credibility issues as part of their efforts to audit SDGs and to ensure there is an independent standard for tracking budget credibility trends.

"Governments should use their Voluntary National Reviews to report data on SDG indicator 16.6.1 and to report budget deviations by sector."

Civil society has a role to play to advocate for public financial management (PFM) reforms to ensure that government and other duty-bearers account regularly for spending on SDGs. Such reporting should include analysis of funding allocations and execution, including explanations for government priorities for funding, and cases where they deviate from those priorities. One example of this advocacy is from PSAM in South Africa, which developed a Model Law on PFM as part of the Southern African Development Community (SADC) Parliamentary Forum process. This law requires a sustainable development statement to be submitted alongside the annual budget. [24]

As governments begin to adopt systems for tracking or tagging government expenditures according to SDG goals, these tools can be useful for understanding how spending is being allocated. However, civil society can also advocate for the government to report on the implementation of this spending, including budget execution rates for each SDG, to ensure that the prioritization of resources and sectors is not altered during budget implementation. This will also help civil society and development partners monitor whether governments use these tracking or tagging systems to shift expenditures and prioritize the sectors that need the most support.

Governments should use their Voluntary National Reviews to report data on SDG indicator 16.6.1 and to report budget deviations by sector. Government reports on budget execution can also clearly explain deviations in spending as compared to approved budgets and explain how these deviations may impact achieving government priorities, development plans, and service delivery. By identifying sectors and programs where budget deviations persist, governments can identify areas for reform to ensure that public funds are spent according to government priorities and that critical sectors are not being left behind.

[24] See Clause 66 of the Model Law adopted at the 51st Plenary Assembly of the SADC Parliamentary Forum: http://psam.org.za/wp-content/uploads/2022/08/6.0-Final-SADC-PF-Draft-Model-Law-on-Public-Financial-Management-3-June-2022.pdf

Annex: Summary of Country Case Studies

Country	Budget Classification Used to Estimate Sector Spending	Number of Sectors included in Case Study
Argentina	Administrative	7
Cote d'Ivoire	Administrative	7
Ghana	Administrative	6
Indonesia	Administrative	7
Mexico	Functional	6
Mongolia	Administrative	7
Nepal	Functional	6
Nigeria	Administrative and Selected Programs	7
Romania	Functional and Administrative	7
Senegal	Administrative	7
South Africa	Administrative	6
The Gambia	Administrative	7
Zambia	Programs	7

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