Exploring the Connections between Budget Credibility and SDG Implementation

A Synthesis of Findings from 13 Country Case Studies

By Claire O'Donnell and Godson Aloryito
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Overview of Budget Credibility

Half-way to the 2030 Sustainable Development Goals (SDGs), the world is not where it needs to be to achieve the outlined targets. Over the past three years, challenges to achieving the SDGs have only intensified. Gains made before 2019 on goals such as SDG 1, on poverty, were reversed due to the Covid-19 pandemic, which led to increases in extreme poverty rates, reductions in gender equity, and a reversal of progress toward quality education, among other setbacks. Rising inflation and disruptions in global supply chains for food, fertilizer, and fuel also disproportionately impact vulnerable members of society.1 The 2023 Global Sustainable Development Report notes that, “in 2023, the situation is much more worrisome due to slow implementation and a confluence of crises.”2

Recurring deviations between priorities for social spending that are approved in government budgets and actual spending can undermine efforts to achieve the SDGs. Resources being shifted away from agreed targets across sectors and ministries can reduce funding for the priorities set out in the enacted budget and can result in some sectors being deprioritized during budget implementation.

Budget credibility is a useful measure of governments’ ability to uphold their promises during budget execution. Calculated as the difference between approved and executed expenditures, budget credibility is defined as the ability of governments to meet the fiscal targets set out in their annual budgets. Governments can underspend as compared to their initially approved budget, which can leave sectors and programs starved of resources, while overspent budgets can result in high deficits and debt crises. While there are many legitimate reasons why governments might shift budget targets throughout the year, for some countries, overspending or underspending initial and revised budgets can point to weak public financial management systems. Chronic deviations are often an indicator of systemic flaws in public finance systems that prevent funding from reaching its intended targets. Factors contributing to such deviations include poor planning and forecasting, delayed cash releases and resource flows, complicated procurement processes, and insufficient monitoring and control of expenditures.

Research shows that few countries have government budget reports providing explanations of budget deviations in sectors related to the SDGs, meaning there is little public information available on

whether budget deviations are justified or whether they are impacting the performance of government programs and services in these sectors.\(^3\) Budget credibility is named in SDG indicator 16.6.1; however, current reporting on this indicator is only at the aggregate level for total government expenditures as a proportion of the budget, not at the sectoral level.\(^4\) Research conducted in 2022 by the International Budget Partnership (IBP) and civil society partners in 13 countries found that budget credibility challenges are often concentrated in specific sectors and government entities.\(^5\) Expenditure shifts in these sectors can erode public trust and deprive those most in need of essential public services.

To dig deeper into these findings, IBP continued its collaboration with civil society partners to further research budget credibility challenges within specific SDG-related sectors. Researchers focused on one sector per country (such as education, health, water and sanitation, agriculture, or environmental protection) to better understand the trends, drivers, and impact of budget deviations on sector performance and efforts to achieve related SDGs.

The following synthesis outlines the findings of research briefs produced in 13 countries by IBP and civil society partners. The first section outlines the research approach using both document reviews and informational interviews. The second section discusses the budget deviation trends and how they impact performance against non-financial targets in each sector as well as the drivers of deviations cited either by official government documents or in informational interviews with government officials. The third section provides some examples of how these research briefs have been used as tools to engage with government. Finally, the fourth section discusses recommendations for how governments can improve their budget credibility and provides lessons learned for civil society.

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Research Approach

IBP and civil society organizations (CSOs) in 13 countries undertook the research synthesized in this brief between February and June 2023. Each researcher identified a credibility challenge in one sector considered important in the researcher’s country. Researchers used publicly available sources for enacted budgets and spending data, such as government budget execution reports, audit reports, sector and ministry reports, or government data portals, to identify budget credibility trends in the sector, including budget deviations over a minimum of four to five years. Researchers also considered whether budget deviations, be they in the form of over- or underspending, are concentrated in certain types of spending (e.g. personnel, goods and services, capital projects, and transfers), programs, or services.

The researchers further explored possible connections between spending deviations and sector outcomes by analyzing annual performance reports with output or outcome indicators for the sector, including targets set for the year and actual results achieved, compared to data on identified budget credibility trends. The researchers also relied on secondary data sources such as Voluntary National Reviews (VNRs), which include analysis of the chosen sector against the SDGs and sector reports by development partners (e.g. the World Bank, United Nations Children Fund [UNICEF], and others).

Researchers reviewed budget execution reports and sectoral and ministry reports to assess whether these reports included sufficient explanations about budget deviations and to learn more about the drivers and impacts of these deviations. While nearly all countries covered in the research published their approved budgets and actual spending information with enough detail to calculate budget deviations at the level of ministry or aggregate sectoral budgets (e.g. health, education, etc.), budget performance reports offered very little insights into why budget deviations had occurred and how the deviations impacted the delivery of planned sectoral programs. Limited disaggregated execution information in many countries constrained researchers’ ability to analyze the credibility challenges by program, department, or division or by sub-functional details for spending in the sector. This, in turn, limited researchers’ ability to better understand how funds have been spent on services or program areas, economic classification, or expenditure type (e.g. wages and salaries, goods and services, transfers and interest payments, or capital projects).

6 Voluntary National Reviews :: Sustainable Development Knowledge Platform
The methodology included informational interviews with government officials to gain further insights about the causes of the budget deviations observed in the sector, the impact of these deviations on the performance of related government programs and services, and potential solutions for improving budget execution trends in the sector. Researchers in nine out of the 13 countries were granted interviews that provided additional context to the observed credibility problems. However, many of the reasons provided by government officials during these interviews still did not fully explain the causal mechanisms driving the chronic budget credibility issues researchers observed in the budget data.
Findings

As national and international actors aim to raise additional revenues for goals such as the SDGs, IBP’s budget credibility research finds that available resources are not being efficiently spent. This paper argues that achieving the SDGs is not just about increasing financing towards development priorities, but also ensuring that governments spend their available resources wisely and effectively. Researchers found sizable deviations from the approved budget during implementation across the sectors studied. Table 1 below shows the minimum and maximum deviations in each of the cases investigated. Although in a few of the cases, researchers interrogated several levels of deviation by sector, ministry, and program, we highlighted just one for purposes of this table.

The budget deviations are significant, reaching as high as 563 percent, and impacting the delivery of priority services like water and sanitation, education, health care, agriculture, and infrastructure. In seven out of the 13 cases that we examined, the average deviation exceeded 20 percent of the approved budget.
Table 1: Selected Sector and Budget Deviation, by Country

<table>
<thead>
<tr>
<th>Sector</th>
<th>Country</th>
<th>Range of Annual Budget Deviation Rates Average, Study Years</th>
<th>SDG Status (2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural (SDG 2)</td>
<td>The Gambia</td>
<td>-8 to -43%</td>
<td>Major challenges remain</td>
</tr>
<tr>
<td></td>
<td>Ghana</td>
<td>-15 to -49%</td>
<td>Significant challenges remain</td>
</tr>
<tr>
<td></td>
<td>Zambia</td>
<td>35 to 563%</td>
<td>Major challenges remain</td>
</tr>
<tr>
<td>Health (SDG 3)</td>
<td>Mongolia</td>
<td>-2 to -6%</td>
<td>Major challenges remain</td>
</tr>
<tr>
<td></td>
<td>Nigeria</td>
<td>-21 to -47%</td>
<td>Major challenges remain</td>
</tr>
<tr>
<td></td>
<td>Nepal</td>
<td>-12 to -27%</td>
<td>Major challenges remain</td>
</tr>
<tr>
<td>Education (SDG 4)</td>
<td>Argentina</td>
<td>-15 to -43%</td>
<td>SDG achieved</td>
</tr>
<tr>
<td></td>
<td>Côte d’Ivoire</td>
<td>-2 to -43%</td>
<td>Major challenges remain</td>
</tr>
<tr>
<td></td>
<td>Romania</td>
<td>6 to 18%</td>
<td>Challenges remain</td>
</tr>
<tr>
<td>Water and Sanitation (SDG 6)</td>
<td>Indonesia</td>
<td>-3 to -21%</td>
<td>Significant challenges remain</td>
</tr>
<tr>
<td></td>
<td>Senegal</td>
<td>-18 to -80%</td>
<td>Major challenges remain</td>
</tr>
<tr>
<td></td>
<td>South Africa</td>
<td>-2 to -15%</td>
<td>Significant challenges remain</td>
</tr>
<tr>
<td>Environmental Protection (SDGs 13, 14, 15)</td>
<td>Mexico</td>
<td>11 to 38%</td>
<td>Significant challenges remain</td>
</tr>
</tbody>
</table>

Note: Light shading denotes countries that underspent their respective sector budgets while white boxes are countries that overspent their sector budgets during the corresponding research period.

The level of underspending was larger for capital expenditure than recurrent spending in six out of the 13 countries, which analyzed deviations by spending types within a sector. Lower capital spending suggests procurement processes for larger capital projects and public investment systems are causing delays and are not accurate in terms of budget planning. Most governments in this study failed to
publish adequate explanations for budget deviations. In eight out of the 13 countries, governments did not publish explanations for the deviation against planned outlays. Where researchers did find some government explanations (Argentina, Ghana, Indonesia, South Africa, and Mexico), these were general, lacking detailed explanations about why specific credibility challenges had occurred, whether the government planned to address them in the future, and their impact on service delivery.\footnote{IBP uses the term “general” to mean an explanation that addresses overall under- or overspending or performance, but that cannot explain deviations at the ministry or program level. “Generic” refers to explanations that might be intended for a specific ministry or program but are not on their own sufficient to really explain performance. For details, see: Jason Lakin & Guillermo Herrera “Explain That to Us: How Governments Report On and Justify Budget Deviations,” International Budget Partnership (2019), available at: https://internationalbudget.org/publications/how-governments-report-and-justify-budget-deviations/} A summary of the main explanations published in official reports and obtained through interviews with government officials is presented in Table 2. The most dominant reasons cited for the spending deviations are cash flow and late disbursement challenges, followed by poor budget planning, forecasting, and allocation. Bureaucratic processes, including procurement delays, also account for low budget execution.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Number of Times Cited</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow challenges and late disbursement</td>
<td>9</td>
<td>The Gambia, Ghana, Indonesia, Nepal, Nigeria, Romania, Senegal, South Africa, Zambia</td>
</tr>
<tr>
<td>Poor budget planning, forecasting, and allocation</td>
<td>6</td>
<td>The Gambia, Indonesia, Mexico, Romania, Senegal, Zambia</td>
</tr>
<tr>
<td>Bureaucratic processes that slow down implementation, including procurement delays</td>
<td>5</td>
<td>Argentina, Mongolia, Nigeria, Senegal, South Africa</td>
</tr>
<tr>
<td>Poor monitoring and oversight</td>
<td>4</td>
<td>Indonesia, Romania, South Africa, Zambia</td>
</tr>
<tr>
<td>Lack of technical capacity on budget implementation in ministries, departments, and agencies</td>
<td>3</td>
<td>The Gambia, Nigeria, South Africa</td>
</tr>
<tr>
<td>Delays or challenges pertaining to external or donor funds</td>
<td>2</td>
<td>Côte d’Ivoire, Nepal</td>
</tr>
<tr>
<td>External shocks (Covid-19, etc.)</td>
<td>2</td>
<td>Argentina, Zambia</td>
</tr>
</tbody>
</table>
Agriculture – SDG 2: Zero Hunger

Research in The Gambia, Ghana, and Zambia assessed budget deviation trends in the agricultural sector, which relates to SDG 2 on ending hunger. The findings revealed significant disparities in budget execution across the three countries. In The Gambia, the Ministry of Agriculture (MoA) consistently underspent its approved budget by an average of 25 percent from 2017 to 2021, while in Ghana, underspending by the agriculture ministry averaged 30 percent over the same period. By contrast, Zambia’s MoA overspent its approved budget by 217 percent, on average, between 2019 and 2022. This was largely due to overspending on Zambia’s Fertilizer Input Subsidy Program (FISP), which accounts for nearly 90 percent of the ministry’s budget. The FISP budget witnessed a persistent overrun of almost 300 percent, on average, between 2019 and 2022, with the highest rate of overspending–787 percent–recorded in 2019.

Further analysis revealed that spending deviations were more pronounced for specific expenditure types within the overall agriculture budget. Capital spending faced significant shortfalls during budget implementation as compared to recurrent expenditure. In Ghana, the Ministry of Food and Agriculture (MoFA) recorded the highest average deviation in capital spending, with almost half of planned capital outlays not executed. During the same period, Ghana’s treasury limited the funds released for the ministry to spend at levels below their approved allocations, and even then, the ministry underspent its available funds by 11 percent from 2017 to 2021, with unused funds returned to the treasury. Government reports suggested that the ministry’s cash management problems were linked to expenditure requests and procurement, which impact goods and services and capital expenditure but not wages. A similar trend was observed for The Gambia, where capital expenditure was underspent by 40 percent, which was five times more than the average deviation for recurrent spending such as salaries, wages and allowances, goods and services, and transfers.

Scrutinizing annual budget performance reports provided limited insights into the impact of deviations on the sector’s non-financial performance targets. However, the analysis was constrained by limited non-financial performance data and reports. This made it difficult to conclusively link budget deviations to the under-provision and potential non-delivery of approved programs, activities, and services in the agricultural sector. Nonetheless, the study in The Gambia revealed instances where budget activities related to research were either suspended or funded through reallocation from donor-supported projects. For example, the National Agricultural Sample Survey, intended to assess agricultural sector priorities and guide policy decisions, could not be funded through the national budget, despite its approval. Consequently, the MoA collaborated with development partners to fund and implement the delayed budget activity.
In **Ghana**, the credibility problem was reflected in the accumulation of payment arrears for the provision of key infrastructure projects and services. MoFA paid only 45 percent of the revised contract sum for 18 capital projects initiated in 2020 and less than a third of the revised contract sum for 42 capital projects started in 2021. Also, MoFA delivered only 78 percent of the target for subsidized seeds and 56 percent of the target for organic and inorganic fertilizer to farmers in 2021. In **Zambia**, the study found that excess spending on the FISP was at the expense of other poverty reduction programs and research. In 2020, for example, the FISP disbursement rate reached 183 percent of its allocated budget while funding for other agriculture-related poverty reduction programs and research, combined, reached just 24 percent.

Researchers looked for and assessed the reasons for agricultural budget underspending in The Gambia and Ghana as well as the considerable budget overrun in Zambia. In Ghana, the National Development Planning Commission reports that MoFA implemented 77 percent of all approved activities in 2017 and added that budget implementation was hampered by the outbreak of fall armyworm and infestation in maize fields, among other unspecified factors. This official explanation is inadequate, as it fails to elaborate on how these outbreaks relate to both poor budget implementation and the under-provision of promised services. During interviews, government officials in The Gambia and Ghana attributed spending deviations to cashflow and late disbursement challenges, often tied to the government’s revenue performance. Interviews with MoA officials in The Gambia also revealed that lack of capacity and preparedness in project planning and execution further impedes budget implementation. The late release of funds by the treasury for the execution of planned sector activities constrains both the optimal utilization of funds and the quality of service provided. In Zambia, government officials attributed the repeated overspending of the FISP and MoA budget to inadequate planning, lack of coordination among stakeholders, corruption, and weak monitoring and evaluation systems. They also flagged that mis-targeting of beneficiary farmers in the subsidy program led to spending leakages that benefitted people who should not have qualified for the subsidy.

### Health – SDG 3: Good Health and Well-being

In Mongolia, Nepal, and Nigeria, researchers assessed the extent of health budget implementation as well as the causes of budget deviations and their effects on healthcare outcomes in connection to SDG 3, which prioritizes good health and well-being. Although all three countries underspent their overall health budgets, **Mongolia** recorded the least average underspend against the enacted budget, at four percent from 2017 to 2021, followed by **Nepal**, at 18 percent from 2017 to 2020, and **Nigeria**, at 35 percent from 2018 to 2021.

Within **Nepal**’s Federal Ministry of Health and Population (MoHP) budget, subnational governments reported the highest budget execution rate between 2017 and 2020, spending an average of 92 percent
of the initial approved budget at the local government level and 86 percent at the provincial government level. By contrast, the MoHP registered a 75 percent budget execution rate during the same period. Across the health budget, capital expenditure recorded the highest average spending deviation during budget implementation, with nearly a third of planned capital outlays not implemented as approved in four years. A budget analysis published by Nepal’s health ministry notes that their budget implementation challenges are caused by cashflow challenges, as well as dependence on external development partners (EDPs), which financed almost 60 percent of the ministry’s budget in 2020 and 48 percent in 2021. Expenditure on wages and salaries and capacity building has steadily declined because some activities under these line items have been devolved to the sub-national governments with the onset of federalism in 2017. Procurement delays hampered the execution of the MoHP capital budget relative to the higher absorption rates for the recurrent budget.

Although underspending of Nigeria’s federal Ministry of Health (MoH) budget ranged from 21 to 47 percent between 2018 and 2021, the deviation was significantly higher for Ogun State, a subnational government—ranging between 48 and 82 percent during the same period. Several factors inhibit health budget performance in Nigeria, including cash flow and disbursement challenges related to bureaucratic processes. The 2015 National Health Act provides one percent of the government’s annual revenue to fund the Basic Health Care Provision Fund (BHCPF), the principal vehicle for funding primary health care in Nigeria. However, the central government requires that states provide 25 percent matching funds to access the BHCPF. In an interview, Primary Healthcare Board officials in Ogun State attributed the state’s low budget execution to bureaucratic processes that delay fund approval by the federal government’s National Primary Health Care Development Agency as well as the limited capacity of healthcare facility workers, who face challenges reconciling accounts. Also, Ogun State government officials in the MoH stated that competing priorities and recurrent expenses are consuming available resources and that limited funds must be allocated carefully, making it necessary for the state government to prioritize recurrent expenditure such as pensions.

Mongolia’s MoH recorded the least underspending against the approved budget, with an average underspending of four percent from 2017 to 2021. The highest underspending, of seven percent, was observed in 2020. Of all categories in the approved budget, the MoH’s capital budget recorded the most significant deviations, ranging from two to 22 percent for the period analyzed. Frequent modifications to the MoH’s procurement plan hindered capital budget execution, which resulted in delays in organizing procurement and project implementation. Interviews with MoH staff reveal that the Department of

8 [https://www.nhssp.org.np/Resources/HP/PFinal%20Budget%20Analysis%20of%20Health%20Sector-Five%20Yearsof%20Federalism.pdf](https://www.nhssp.org.np/Resources/HP/PFinal%20Budget%20Analysis%20of%20Health%20Sector-Five%20Years%20of%20Federalism.pdf)
Monitoring, Analysis, Evaluation, and Internal Auditing does not evaluate causes of spending deviations against the approved budget nor how the delivery of promised key health services and programs is impacted.

**Education – SDG 4: Quality Education**

Researchers in Argentina, Côte d’Ivoire, and Romania analyzed specific education programs in connection with SDG 4 on quality education. In Argentina, the study focused on the Kindergarten Building Strengthening Program (KBSP), which aims to expand the reach of schools serving children between the ages of three and five. Despite early childhood care being a key policy objective of the Ministry of Education, the program recorded an average execution rate of 71 percent of the approved budget between 2018 and 2022. During this period, KBSP expenditures on fixed assets recorded execution rates ranging from 15 to 83 percent. These rates are lower than those for transfers to provincial and municipal institutions to finance current expenses (salaries, goods and services) and capital (real direct investment in construction, which recorded execution rates between 85 and 100 percent during the same period). Fewer than expected classrooms and square meters were built due to significant budget modifications and cuts. For instance, just 19 percent, or 1,419, of the planned 7,537 new classrooms were built across the country from 2018 to 2022 under the KBSF. Official explanations for deviations are reported in Argentina through the Investment Account in charge of the General Accounting Office of the Nation, which falls under the Ministry of Economy. These documents provided explanations by year, including credit restrictions, delays in bidding and execution processes, contract terminations, financial advances on work orders, administrative delays, and Covid-19 restrictions.

In Romania, the study found that the education sector, consisting of the Ministry of Education, the Ministry of Internal Affairs (MIA), and the Ministry of National Defense (MND), overspent their approved budget by 13 percent on average in the five years between 2018 and 2022. This overspending applied mostly to current expenditure, especially for goods and services, reimbursable financing, and personnel costs. The reasons cited for these budget credibility challenges include inefficiencies in budget planning processes and inconsistent allocation methodologies, which contributed to budget deviations by failing to accurately estimate the financial requirements of the education sector and allocate resources accordingly. For instance, the education sector fails to allocate enough to cover teachers’ wages for the year, and this unrealistic allocation means the sector must increase spending during the year to

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9 The MIA and MND were included in the analysis because the two institutions are responsible for funding military schools. In other words, the education sector in Romania is not funded, on a national level, exclusively by the Ministry of Education.
cover outstanding wages. This persistently unrealistic wage structure, which also fails to account for regional cost disparities, exacerbates the government’s inability to attract and retain qualified teachers. Moreover, inadequate financial management practices and oversight mechanisms within the education sector have contributed to budget credibility challenges, as deviations from approved budgets often go unchecked and unaddressed. At the same time, limited budget performance information at the program level and the absence of progress reporting on program results and impact make it difficult to analyze how underspending impacts the delivery of approved programs.

In Côte d’Ivoire, the credibility analysis focused on two ministries within the education sector: the Ministry of National Education and Technical and Vocational Training (MENETFP) and the Ministry of Higher Education and Scientific Research (MESRS). Both ministries came close to fully executing their recurrent expenditure budgets (including salaries and purchases of goods and services) as planned. This stood in contrast to capital or investment spending. Between 2017 and 2020, 80 percent and 63 percent of the approved capital budget was implemented by MENETFP and MESRS, respectively. The sizable underspending of the capital budget stalled the provision of key investment projects in the education sector. In 2020, just 12 percent of the project to equip the national computing center was implemented, and 27 percent of the school canteen sustainability program was executed. Investment projects in the sector are mainly financed by loans or grants, with a significantly low contribution from the government. Complex procedures for the disbursement of external resources accounted for the low utilization of funds allocated to planned investments. According to a 2020 report on the budget execution bill, the approved education investment budget amounted to nine billion CFA francs, split between the state and external partners at two billion CFA francs and seven billion CFA francs, respectively. However, the external partners were unable to meet their commitments, and this negatively impacted fund availability to execute education-related capital projects in 2020.

**Water and Sanitation – SDG 6: Clean Water and Sanitation**

Research in Indonesia, Senegal, and South Africa focused on budget implementation issues in the water and sanitation sector and their effects on the attainment of SDG 6. While all three countries underspent their approved budgets, Senegal’s Ministry of Water and Sanitation (known by its French acronym, MEA) recorded the highest levels of underspending, averaging 60 percent between 2018 and 2021. This also reflected significant differences in the implementation of investment budgets compared with operating budgets. For example, in 2019, the implementation rate of the MEA operating budget was 88 percent of the approved budget while that of the capital budget was 66 percent. Nearly a third of MEA underspending between 2018 and 2021 was due to budget cuts by the Ministry of Finance. Researchers also found recurrent de-prioritization during the implementation of the budget, which implies that the
sector either receives a smaller share of cash releases or spends less of its budget than other sectors. From a programmatic perspective, spending deviations remain an issue, as illustrated by the Sanitation and Stormwater Management Program (PAGEP). The most critical PAGEP under-expenditure has been on capital projects, with an underspending rate of 73 percent in 2021, the most recent year analyzed.

In Indonesia, the study examined the budget performance of two sub-directorates responsible for clean drinking water and sanitation services within the Ministry of Public Works and Public Housing (MoPWPH): the Directorate of Drinking Water System Development (DDWSD) and the Directorate of Settlements, Environment, and Health Development (DSEHD). An average of 17 percent underspending of the sector ministry's overall budget impacted budget execution by the DDWSD and DSEHD, as their actual expenditures also fell short of their revised budgets by 11 and 15 percent of the approved budget, respectively, on average between 2016 and 2021. The Supreme Audit Institution's report on the performance of the MoPWPH attributed the ministry’s low budget performance to poor planning and weak oversight while the 2019 Financial Audit found that errors in budget code input accounted for the divergence in budgeted and reported expenditure and performance. Such an explanation is generic, however, and does not show how poor planning and weak oversight led to poor execution. Similarly, the audit report did not show what led to the discrepancy with the budget code input.

In South Africa, the study analyzed budget credibility issues in the Department of Water and Sanitation (DWS). Researchers found that the department’s overall expenditure fell short of the revised budget by eight percent, on average, between 2017 and 2021. DWS capital spending recorded the largest underspending, averaging 35 percent, compared to the one percent underspend recorded for recurrent expenditure in the same period. Underspending of the approved budget impacted the execution of key programs aimed at improving water infrastructure and access to potable water for communities. For instance, the Regional Bulk Infrastructure Grant (RBIG), which provides for the development of new infrastructure and the refurbishment, upgrading, and replacing of aging infrastructure that services extensive areas across municipal boundaries, underspent its final approved allocation in each year, with an average underspend of 16 percent over the five years between 2017 and 2021. Consequently, RBIG performance targets during those years were not met for the completion of large infrastructure projects; bulk raw water projects; and small regional projects under construction, including bulk water systems as well as water and wastewater treatment systems. The DWS annual reports note that underspending on workers compensation is often due to unfilled key positions, which are left vacant to avoid exceeding the department’s medium-term expenditure framework budget limits. Underspending on goods and services and payments for capital assets is usually ascribed to supplier or contractor challenges (project delays, disputes, unavailability of materials), inefficient processes and project management, or community protests and unrest. The South African government’s disaggregated reporting on spending
deviations against the approved budget as well as its practice of explaining performance shortfalls through the DWS annual report are commendable and can be emulated by other countries. (See the recommendations below for an example of the detailed justifications by the South African government.)

**Environmental Protection – SDG 13: Climate Action, SDG 14: Life Below Water, SDG 15: Life on Land**

Mexico analyzed budget execution in the environmental sector, which relates to the Mexican government's efforts toward achieving SDG 13 on Climate Action, SDG 14 on Life Below Water, and SDG 15 on Life on Land. The study found that, while the Ministry of Environment (MoE) consistently overran its initial approved budget by 21 percent, on average, in the six years between 2017 and 2022, spending against revised budgets is often achieved. The constant upward budget revisions were attributed to deficiencies by the MoE during its budget planning process. The MoE's budget is influenced by the proportion of non-tax revenue collected through the year from environmental duties and royalties, which are harder to estimate and thereby allocate. When analyzing budget credibility by spending type, researchers found that current expenditure was consistently revised upward and thus overspent, while capital expenditure showed subsequent downward revisions and underspending for all years except 2021 and 2022. The Annual Public Account published by the Ministry of Finance provided some justifications for the repeated upward revisions and overspending against the initially approved Environmental Protection budget. The deviations were explained by higher-than-expected supply costs and operational expenses, mostly related to labor. In some cases, the higher current expenditure was covered by higher revenues received from the payment of levied fines (non-tax revenues). In other cases, however, current expenditure overspending led to budget cuts in other classifications, such as investment.
Engaging on Budget Credibility Findings

Budget credibility research can serve as an effective advocacy and engagement tool to encourage government reforms. Below are examples of how researchers in Ghana, Nigeria, and Senegal engaged with the government and used their research findings to discuss how budget implementation could be improved for better service delivery.

Ghana

In Ghana, public officials at the MoFA and Ministry of Finance (MoF) have been hesitant to engage civil society to share their perspectives on why sector budgets are not implemented as planned. IBP’s civil society partner, the Peasant Farmers Association of Ghana (PFAG), leveraged its influence and secured a meeting with the Crops Services Directorate at MoFA. However, officials at the budget units of MoF and MoFA who oversee the release and utilization of funds had been reluctant to engage, even after several attempts.

The findings of the budget credibility research were shared during a stakeholder workshop which had MoFA and MoF officials, small-scale farmers, agriculture value chain representatives, and the media in attendance. Participants were keen to learn more from officials regarding MoFA’s inability to fully utilize funds transferred from the treasury. This was an especially relevant question given that the released funds actually fell short of the approved budget and MoFA remains indebted to suppliers of subsidized fertilizer and seeds from previous years. The MoFA and MoF officials responded to the queries during the event and indicated their willingness to engage PFAG to discuss further reasons hindering budget implementation while agreeing on ways to enhance MoFA’s budget execution going forward.

Nigeria

In Nigeria, researchers shared their findings with health and finance officials at the state and federal levels for their feedback and to agree on practical steps to improve health budget execution. The discussions were productive, with officials generally corroborating the findings and providing context and clarifications about aspects where they disagreed with the study. In Ogun State, officials admitted that, when funding shortfalls occur, they prioritize spending for tertiary health care and hospitals over primary health care facilities. Also, the State Executive Secretary committed to working on bottlenecks around accessing the federal funding available through the BHCPF.
The Executive Secretary of the Primary Health Care Board also mentioned that the State has started deploying technical staff from the State Primary Health Care Development Agency (SPHCDA) to train and assist health workers in financial reconciliation. Progress has been made, as the state successfully received its BHCPF disbursement for the first quarter of 2023 without delay.

**Senegal**

In Senegal, a meeting was held in June 2023 between the Sanitation Directorate staff and IBP. During that meeting, the findings from the study on budget credibility in the water and sanitation sector and, more precisely, the bottlenecks that slow down budget performance were discussed. An action plan was agreed between IBP and the Sanitation Directorate to address the credibility issues highlighted by the study and improve the PAGEP budget execution rate.

In this regard, a workshop held from August 30 – September 1, 2023, was the first activity of the 2023 action plan. The event was a way to connect actors involved in the implementation of the PAGEP with the managers of budget planning and programming from the country’s MoF. The main objectives of this workshop were to analyze the performance reports of sanitation projects under the PAGEP, to identify and work on the main chokepoints slowing budget execution rates, and to see how to better improve budget execution rates in the sanitation sector. Specifically, the workshop assessed the expenditure chain in the sanitation sector as well as the technical difficulties experienced by program managers through the Program Budget. The main expected outcome of this activity is to improve coordination between the Finance and Water and Sanitation ministries, establishing a viable communication channel that should help sanitation program managers better implement their budgets.

The above examples of engagement with officials in Ghana, Nigeria, and Senegal highlight strategies civil society actors can adopt to elicit responses from government officials on credibility issues. When civil society understands the budget implementation challenges in their countries, they can advocate for reforms to improve budget credibility based on the link to the urgent need for improving related services and outcomes that impact people’s lives.
Recommendations and Lessons Learned

Fundamentally, budget credibility can be likened to governments upholding promises. Governments need some flexibility in implementing budgets when unexpected events, such as shocks or crisis, happen during the year. Yet, in other cases, there can be politically motivated reasons for underspending or overspending approved budgets. When governments continually miss their spending targets, citizens are justified in demanding explanations. Governments, in turn, need to be responsive and report on why plans had to be amended. Citizens deserve to be told what options the government considered when altering its plans, what trade-offs were made, and the impact of these shifts on public services. With this information, citizens can discern whether the actions of government are indeed in the public interest.

Our research into the credibility of sector budgets in 13 countries shows that budget deviations, especially under-execution of approved budgets, are common, significant, and potentially detrimental to the attainment of sector outcomes as well as national development goals and the global SDGs. The credibility problems identified across sectors are most often attributed to cash flow and late disbursement challenges; poor budget planning, forecasting, and allocation; bureaucratic processes, including procurement delays; and poor monitoring and budget oversight. The following section offers suggestions for how governments can improve budget execution and performance in social sectors, consolidating recommendations from across the 13 research briefs. More detailed sector- and country-specific recommendations can be found in each research brief. (The full set of briefs can be found here.)

Recommendations for Government

Governments should review their own budget implementation reports to identify areas of low credibility, and then conduct investigations into the drivers of the credibility issues identified. Based on the findings, governments could then pursue reforms, such as:

1. **Ensuring timely release of budgeted funds.**

   Governments should promptly disburse allocated funds to line ministries and implementing agencies to support effective execution of budget plans. As highlighted in nearly all of the 13 countries covered by this paper, the late disbursement of funds has constrained budget implementation and adversely affected the strategic utilization of resources and efficiency of service delivery.
2. **Strengthening the revenue planning and forecasting function of government.**

   Government revenue projections must be reliable to fund planned spending. In other words, revenue credibility impacts spending credibility. Despite this, most of the governments surveyed as part of our research repeatedly budgeted beyond the resources they had to spend. Poor revenue performance led to under-execution of sector budgets. Governments should engage with relevant stakeholders to address technical capacity gaps and, where they exist, any political incentives that may lead to inflating revenue projections.

3. **Streamlining bureaucratic processes resulting in procurement delays.**

   Governments should address the slow pace of public procurement by making the processes less cumbersome and more transparent. Effective procurement systems and flexible procurement rules can facilitate execution of the budget, these rules are designed in part to control misuse of funds. When budgets are formulated, governments should incorporate these rules into estimates of how much spending can be realistically executed.

4. **Improving budget credibility fiscal transparency practices.**

   Governments should enhance disaggregated reporting on budget execution compared with original and revised allocations as well as performance against non-financial targets, while providing adequate reasons and justifications for any deviations (see IBP’s suggested framework for justification assessments). South Africa’s DWS offers a good example of how line ministries can provide detailed explanations for spending deviations against the approved budget in sector annual reports.

**How South Africa’s DWS Explained Spending Deviations in 2021**

Although it has not found a way to rectify the deficiencies it identifies, South Africa’s DWS offers a good example of how line ministries can provide detailed explanations for spending deviations against the approved budget in sector annual reports.
5. **Strengthening budget oversight mechanisms.**

After approving public budgets, legislators must exercise their oversight of in-year budget implementation through sector-specific legislative committees and by demanding better published explanations from the executive for budget deviations. Further, legislators should deliberate on budget implementation data and explanations in robust public hearings in their chambers. Audits of budget credibility by Supreme Audit Institutions, with publicly available audit reports and reviews of those audits by legislatures, can put pressure on the executive branch to press for improved budget execution. For more information and guidance on audit and oversight of budget credibility, please see [here](https://www.dws.gov.za/Documents/AnnualReports/DWS_2021-22AnnualReport.pdf).

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Lessons Learned for Civil Society

The research summarized in this paper also can guide similar future efforts by civil society researchers and advocates. Civil society has an important role to play in holding governments accountable for implementing their budgets as planned, including by analyzing reports and data to assess the budget credibility of their governments in different sectors. Civil society actors should:

1. **Seek out reliable data, even if it is not publicly available.**

   Where data is not publicly available, interviews with government officials can be instrumental. Access to government officials, however, is a significant challenge. Responses from government are often delayed and never guaranteed, and the ability to engage meaningfully with government is often built on existing relationships. Even when data is publicly available, line ministries like the MoA, which are responsible for executing programs or sector budgets, can outsource to the MoF the responsibility for explaining budget deviations. Our researchers relied on other sources, like reports of the countries’ Supreme Audit institutions, to assess the validity of these explanations, but civil society actors would do well to insist that line ministries account for spending deviations and explain, in their annual sector performance reports, the effect these deviations have on planned activities.

2. **Look beyond spending to better understand the root causes of poor budget credibility.**

   In each of the sectors analyzed, researchers attempted to identify the possible effects of spending deviations on the execution of planned activities and attainment of expected outcomes. Although budget under-execution and poor performance against non-financial targets often go together, poor budgeting, unrealistic performance targets, or delayed government disbursements may also play a part.

3. **Develop common criteria for assessing the justifications for poor budget credibility.**

   What constitutes an adequate government justification for budget deviations is a largely subjective question. While a proposed framework for justifications exists, civil society leaders and development partners should collaborate and work toward generally accepted global principles for assessing the quality of these justifications—principles that can then be universally applied to advocate for greater budget credibility and the transparency that must accompany it.
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