

Budget Credibility and the SDGs: Research Framework for Country Briefs on SDG 16.6.1

Background and Purpose

The 2030 Agenda for Sustainable Development set out an ambitious roadmap for countries to mobilize financing, implement programs, and strengthen institutions. These goals help focus countries on policies and services that will address poverty, empower women and girls, and take action on climate change. Achieving the 17 Sustainable Development Goals (SDGs) requires mobilizing international and domestic financing and prioritizing spending that promotes inclusive growth and better services for the poorest and most vulnerable in society.

Effective deployment of national resources through government budgets is one critical, core element of how governments can accelerate progress on addressing poverty and inequality and achieve these development goals by 2030. A critical challenge, however, for many governments, is both the transparency of government spending as it relates to the priorities outlined in the SDGs,¹ and the related challenge of whether governments are implementing their budgets as planned and spending where it is most needed to deliver services and support vulnerable populations. Many countries, especially low-income or fragile states, have faced long-standing challenges² with achieving their revenue and expenditure targets approved by their legislatures each year, also known as budget credibility, and these deviations have the potential to undermine country goals on effective service delivery and poverty alleviation.

Goal 16 of the SDGs, on peace, justice, and effective institutions, is a recognition that effective, accountable, and inclusive institutions is both central to people's wellbeing in any country and underpins government efforts to reach SDG targets in other sectors.³ Within SDG Target 16.6, which is to "Develop effective, accountable and transparent institutions at all levels", there is a specific indicator on budget credibility, **indicator 16.6.1.**, which measures: "Primary government expenditures as a proportion of original approved budget, by sector (or by budget codes or similar)." This indicator is designed building on the methodology for Budget Reliability (PI-1 and PI-2) in the 2016 Public Expenditure and Financial Accountability (PEFA) Framework.⁴ Budget reliability, as defined and

¹ Simson, R. 2014. "Transparency for Development: Examining the Relationship Between Budget Transparency, MDG Expenditure, and Results." International Budget Partnership Paper: <https://www.internationalbudget.org/publications/transparency-for-development-examining-the-relationship-between-budget-transparency-mdg-expenditure-and-results/>

² These challenges are 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/>.

³ Okai, A. "SDG 16 as an accelerator for the 2030 Agenda." *UNDP Blog*. (Posted 19 July 2020): <https://www.undp.org/blogs/sdg-16-accelerator-2030-agenda>

⁴ PEFA 2016 Framework: <https://www.pefa.org/resources/pefa-2016-framework>

measured in the PEFA framework, assesses whether governments spend as intended in the budgets approved by legislatures, and is another term for budget credibility.

The PEFA Secretariat, which is housed at the World Bank, is the institution responsible for reporting on this indicator, and as of June 2021 data for 145 countries is published on the World Bank Data Portal⁵ the United Nations Statistics Division's Global SDGs Database.⁶ The PEFA Secretariat reports values for this indicator based on values for budgetary central government as reported in PEFA assessments and additional data based on the same parameters collected by the World Bank.⁷ Regular reporting has also allowed PEFA to track progress in countries over time, showing that some countries have improved budget credibility practices, while others have regressed.⁸

So far, SDG indicator 16.6.1 is being reported only at the level of aggregate central budgetary government and is not yet available at the level of sectors or budget codes, as seen in the indicator's description. Yet, understanding how credible budgets are at a sectoral level is important for understanding how budget credibility is connected to achieving the SDGs. Previous IBP research has shown that budget credibility issues are often concentrated in certain sectors and types of spending. For example, a 2019 IBP paper looking at budget credibility trends in 35 countries found that spending on sectors related to economic growth (agriculture, energy, transport), as well as environmental protection and housing, tend to be underspent, on average, to a greater extent than spending on defense and social protection. In addition, budget deviations on capital expenditures are greater than recurrent expenditures such as salaries and wages.⁹

What does indicator 16.6.1 measure?

"The indicator attempts to capture the reliability of government budgets: do governments spend what they intend to and do they collect what they set out to collect. The ability to implement the enacted budget is an important factor in government's ability to deliver public services and achieve development objectives. The deviation between approved and actual spending is measured over a 12-month period (the budget year) and may have important implications for macroeconomic stability, public service delivery, and social welfare. A credibly implemented budget has only small deviations from the approved one. If expenditure is under-executed, beneficiaries may not receive crucial services. Over-executed budgets may result in budget deficits and increased public debt levels and can influence the macroeconomic stability. In both cases, lack of budget credibility undermines the usefulness of the budget process for policy making and implementation and erodes public trust in government."

Source: [World Bank Data Portal](#)

⁵ 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>

⁶ 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/>

⁷ See the detailed explanation for the methodology of Indicator 16.6.1 on the United Nations Global SDG Database <https://unstats.un.org/sdgs/metadata/files/Metadadata-16-06-01.pdf>

⁸ PEFA Secretariat. "Are we Making Needed Progress Towards SDG Goal 16.6 - Effective, Accountable and Transparent Institutions? PFM Insights Through PEFA Data Supports Global Monitoring." *PEFA News* (Published 17 November 2020): <https://www.pefa.org/news/are-we-making-needed-progress-towards-sdg-goal-166-effective-accountable-and-transparent>

⁹ 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/>

As part of IBP’s engagement on the issue of Budget Credibility, IBP is embarking on a process to partner with civil society organizations in 10 countries to look into country-level progress on indicator 16.6.1. Engaging on SDG 16.6.1 can create opportunities for civil society and international development actors to expand the dialogue around SDGs to include issues of budgets and public finance. Previous work from IBP has made the case that the SDGs cannot be achieved without allocating enough public resources and ensuring these funds are spent as planned.¹⁰ The inclusion of SDG 16.6.1 within the SDG indicator framework recognizes this connection, however, with data only currently being reported at the aggregate level, the connection between strengthening budget credibility and achieving SDG targets may not be evident for most countries. By examining budget credibility trends in each country at a sector-level, which can be compared to progress on the SDGs, as well as investigating the drivers and consequences of budget credibility challenges, these country briefs can spur dialogue within the international communities about how to promote better budgeting and spending practices in each country to accelerate progress toward achieving SDG targets.

This note outlines the research framework that will be used in developing the first brief on Budget Credibility and the SDGs that will be produced in partnership with CSOs in 10 countries and IBP’s country teams in four additional countries.¹¹ These country-specific briefs will examine budget credibility issues for government spending on sectors that are central to achieving the SDGs and contextualize these issues alongside country-level progress in achieving SDG targets. As part of the partnership with CSOs who develop the briefs, IBP will also encourage country-level discussions around budget credibility issues seen in each country and identify ways that countries can reform and accelerate progress in achieving their SDG targets by 2030. Partners will need to adapt this research to the country context based on available budget and SDG data, while also aiming to follow the structure and the methodology of the framework to the greatest extent possible to allow for comparison and analysis across countries in an IBP synthesis brief that will summarize findings and recommendations from the 10 country briefs.

¹⁰ 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/>

¹¹ Ghana, Indonesia, Nigeria, and Senegal

Research Framework for the First SDG Brief: Budget Credibility and Achieving the SDGs

The first country-level brief will focus on examining budget credibility trends for government expenditures in seven sectors that are connected to key SDG targets and connecting these trends to country-level progress in achieving the related SDG goals. The research process for the first brief will focus mainly on collecting and analyzing data from publicly available secondary sources, such as official budget documents and data repositories, as well as reports from other organizations such as PEFA assessments and reports on the SDG process and outcomes.

Budget Data and Sources: Research into the budget credibility of spending in selected sectors that are broadly related to the SDGs will follow the existing international standard set by PEFA that is the basis for reporting on country-level progress on SDG indicator 16.6.1, which will be adapted in the brief to look at the three most recent fiscal years available.¹² To examine budget credibility, each brief should collect and analyze data on approved expenditure allocations as compared to actual expenditures at the end of the year for the three most recent fiscal years for which final expenditure data is publicly available (e.g. 2018, 2019, and 2020). Whenever possible, researchers should look for data that covers the onset of the COVID pandemic, as it can be used to discuss the impact of COVID on budget credibility and spending in the briefs.

The main source for this data will be official budget documents, including the Enacted Budget which shows allocations approved by the year by the legislature¹³ and the Year End Report for actual expenditures.¹⁴ To be consistent with the PEFA methodology for collecting and reporting this data in indicator 16.6.1, figures that are reported in the budget briefs should be for the *budgetary central government*, which does not include subnational governments, extra-budgetary funds, or public corporations.¹⁵ To ensure comparability with the existing data on indicator 16.6.1, researchers should compare their calculations for total aggregate budget credibility based on available budget documents with the most recent data available on the World Bank, or recently published PEFA reports, to ensure that these numbers are the same.¹⁶ When the numbers differ, these differences can be discussed with IBP, and should be noted in a footnote or annex in the brief.

¹² <https://unstats.un.org/sdgs/metadata/files/Metadata-16-06-01.pdf>

¹³ For countries with one or more supplemental budgets where revised appropriations are approved by the legislature, the approved numbers in these tables should be for the final approved budget for the relevant fiscal year. As budgets can shift dramatically during a given year (as was seen in many countries during COVID), each brief can also show the original budget for the year, before supplemental revisions, as a comparison to the revised figures.

¹⁴ Where Year-End Reports (or End of the year Fiscal reports) are not available, researchers can also look to final in-year reports (such as 4th Quarter reports) that show figures for the full fiscal year. Other potential sources of information could include: Annual Financial Statements, Controller General Accounts, Federal Government Data, Department of Budget and Management Data, Supreme Audit Institutions, Federal Finance Administration, or Statistics Institutions.

¹⁵ For more information on the PEFA definition of 'budgetary central government' in the 2016 PEFA Framework p. 92: <https://www.pefa.org/resources/pefa-2016-framework> and the PEFA Handbook p. 182: https://www.pefa.org/sites/pefa/files/200225%20PEFA%20Handbook%20Vol%20II_v2.pdf

¹⁶ SDG 16.6.1 data can also be explored through this online visualization (data downloaded on April 29, 2021): https://public.tableau.com/profile/ibp.tableau#!/vizhome/SDG16_6_1/ByCountry

For each year, figures for approved allocation and actual spending should be collected for seven sectors that relate to 10 of the 17 SDG goals.¹⁷ This approach for classifying government spending builds on the existing methodology from Government Spending Watch which works to collect comparable data on government spending related to the SDGs over time.¹⁸

Budget and spending figures can be reported in the brief based on functional classification, whenever available.¹⁹ It will be critical to confirm that the government reports comparable data in the selected classification for both approved allocations and actual spending. In some countries, previous work around connecting the SDGs to budgets may already have developed a mapping of budget classifications to the SDGs, while in other countries, researchers may need to develop this categorization for the first time.²⁰ As a comparison, researchers can also view the database of government spending that is maintained by *Government Spending Watch* for a range of countries²¹ and also check other publicly available sources of budget documents data, such as PEFA reports and BOOST data, recognizing that these sources may follow different methodologies for classifying expenditures by sector and therefore there may be discrepancies.²²

To complete these calculations, partner CSOs will be provided with a **sample Excel template** that can be completed with available data to conduct the analysis around government spending in sectors related to the SDGs and budget deviations in these sectors.

SDG Data and Sources: To help make the case that budget credibility is important to SDGs, the results from the sample Excel template can be compiled into a summary table and presented alongside the country's progress on achieving SDG targets related to each sector. This section will be careful to explain that budget credibility is only one factor that can help countries make progress on SDGs, alongside the issues of whether enough funding is raised and allocated toward addressing the SDG goal, how funding is prioritized, the effectiveness of public spending, among others.

¹⁷ These seven sectors are: Agriculture and Food, Education, Environment, Gender, Health, Social Protection, Water and Sanitation. Additional details can be found in the sample Excel template provided.

¹⁸ <https://www.governmentspendingwatch.org/research-analysis/8-govt-spending-site/28-the-sustainable-development-goals>

¹⁹ In cases where a functional classification is not available or not used in a way that is consistent with the sector breakdown in the sample Excel table, the administrative classification (ministries, departments) can be used instead. In this case, researchers should aim to identify the main ministries that account for the majority of spending in each sector. These classifications do not need to be exactly, or map all of the expenditures across different units to each function – instead, the goal of this table is to identify overall trends in budget execution for most expenditures within a sector, rather than identifying all expenditures that are allocated for each sector.

²⁰ Budlender, D. 2017. "Tracking Spending on the SDGs: What Have We Learned from the MDGs?" International Budget Partnership Budget Brief: <https://www.internationalbudget.org/wp-content/uploads/tracking-spending-sustainable-development-goals-ibp-budget-brief-2017.pdf> For an overview of initiatives that have been already been conducted to map spending to development goals, see de Renzio, P. 2015. "Monitoring Spending in a Post-2015 World: How Can It Work?" International Budget Partnership Blog:

<https://www.internationalbudget.org/2015/05/monitoring-spending-in-a-post-2015-world-how-can-it-work/>

²¹ <https://www.governmentspendingwatch.org/spending-data>

²² BOOST data is available on the BOOST Open Data Portal: <https://www.worldbank.org/en/programs/boost-portal> PEFA reports are also available on the PEFA website: <https://www.pefa.org/> Researchers covering African countries may also be able to reference archived budget documents in the CABRI website: <https://www.cabri-sbo.org/en/budgets-in-africa/budget-enquirer>

To compare budget credibility trends in the seven sectors with progress on achieving SDG targets, the briefs will use the most recent results from the SDG Index from the Sustainable Development Report 2021.²³ This index shows country progress against the SDG Goals as performance categories and trends, with additional data showing outcomes on specific indicators related to each goal.²⁴ For additional information, researchers can also review the data available on the United Nations Statistics Division’s Global SDGs Database²⁵ as well as national SDG reports and Voluntary National Reviews that have completed by the government.²⁶ Additional details about how to present this information is shown in the notes in the sample Excel template.

Sample Table: SDG Progress as Compared to Budget Credibility Performance

SDG Goal	SDG Index Performance	SDG Index Trend	Sector	Average (2018-2020)	
				Share of Total Spending	Budget Deviation
Goal 2: Zero Hunger	Example: Major challenges remain	Example: Moderately improving	Agriculture and Food		
Goal 4: Quality Education			Education		
Goal 13: Climate Action			Environment		
Goal 14: Life Below Water					
Goal 15: Life on Land					
Goal 5: Gender Equality			Gender Equity		
Goal 3: Good Health and Wellbeing			Health		
Goal 1: No Poverty			Social Protection		
Goal 10: Reduced Inequalities					
Goal 6: Clean Water and Sanitation			Water and Sanitation		
<i>SDG Index Score</i>			<i>Total Budget</i>		

Sample Research Brief Outline (Target length of 8-10 pages):

²³ The 2021 Sustainable Development Report, and related dashboards and data, is available at:

<https://dashboards.sdgindex.org/>

²⁴ Country-level scores and trends can be viewed on the “Country Profiles” section of the Sustainable Development Report website: <https://dashboards.sdgindex.org/profiles>

²⁵ 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/>

²⁶ See the list of Voluntary National Reviews (VNRs) by country here: <https://sustainabledevelopment.un.org/vnrs/>

Below is a sample template for an outline with the key sections of the brief, including key questions that should be addressed in each section:

1. Overview of the purpose and findings of the brief:
 - What is the overall context of budget credibility in the country, and has the topic of budget credibility come up in recent news or public discussions around achieving development goals?
 - What are the key findings of this brief, and why should budget credibility be an important issue to consider when discussing the country's efforts to achieve the SDGs?
2. Overview of government engagement with the SDGs in setting national priorities:
 - To what extent are the SDGs aligned or reflected in national development plans or strategies? Are the SDGs or related national strategies reflected in the national budget?
 - What international financing and donor support has the government received in support of these efforts?
 - If the country has done a recent Voluntary National Review (VNR), is there a discussion about government budgets, public finance systems, or budget credibility in the report?
3. Background on budget credibility in the country:
 - What are the rules/regulations around budget credibility? When is the government allowed to shift money between administrative units during the budget year? When do they need approval from the legislature to do so?²⁷
 - What has been the overall trend in budget credibility over the last three years? Does the government tend to underspend or overspend? Do government documents explain any of these deviations?
4. Presentation of data sources and process for classifying the budget according to the seven sectors related to the SDG and data on country progress in achieving the 10 SDG targets (see **Sample Table** above and provided **Excel template**):
 - Which sectors have the highest share of spending in the budget? How does this connect to the progress to achieve the related SDGs? How much of spending on these sectors is channeled through the central government, as opposed to local governments?
 - Which sectors have high rates of overspending as compared to budget deviations in the overall budget? Which sectors have high rates of underspending?
 - Are there any trends over the three years in terms of changes in budget credibility, or increases or decreases in the share of spending in different sectors?
 - Are there any connections between progress toward achieving the SDG and budget deviations in related sectors?
5. Discussion of how COVID has impacted spending patterns in the country (in countries where data for 2020 is available):

²⁷ Researchers can refer to the most recent Open Budget Survey responses to questions 115, 116, and 117 in the Oversight section of their country questionnaires for an overview of the laws, regulations, and practices around shifting expenditures in your country: <https://www.internationalbudget.org/open-budget-survey>

- What policies did the government introduce to mitigate the health and economic impacts of COVID?
 - Did budget credibility patterns change during 2020? Were certain sectors impacted more than others?
 - What impact could these changes have for future efforts to achieve the SDGs?
6. Discussion of gender spending captured in the budget:
- How is spending on gender categorized in the budget? Does the government show only spending related to specific women's programs or departments, or does it show how spending across the budget impacts gender equity?
 - Recognizing that all government spending is related to gender equality, what is missing in the way that the government records, tracks, or presents government spending and how it impacts gender equity in the country?
7. Analysis of the limitations of the data presented in the brief:
- To what extent is service delivery in the seven focus sectors goes through sub-national or extra-budgetary channels and is therefore not reflected in the presented budget data or would be captured in SDG 16.6.1?
 - Are there any issues with comparability or transparency of budget data?
8. Conclusions and Recommendations?
- Is there evidence that the government is prioritizing allocations and spending in sectors that are needed to accelerate progress and achieve SDG targets?
 - How is the government's performance on budget credibility, and spending according to the targets for the year, impacting government spending in sectors that are needed to achieve the most pressing SDG targets?
 - What recommendations should the government consider to better incorporate issues of budget credibility in discussions about achieving the SDGs?
9. Annexes: Tables with detailed budget allocation and spending data by relevant budget classifications grouped by sector for the three fiscal years assessed in the brief (i.e. Sample Excel spreadsheet).