Budget Credibility and the Sustainable Development Goals (SDGs)

Second Research Brief - Examining Budget Credibility in a Sector

Background: In 2022, nine civil society partners and IBP collaborated on a series of research briefs exploring the connections between budget credibility challenges and progress toward achieving the Sustainable Development Goals (SDGs) in seven key sectors.

Findings from these briefs showed that countries often have chronic deviations in specific sectors, which are more than the overall budget execution rates. Across the 13 studies, we found that water and sanitation, gender and the environment tend to have lower rates of budget execution than other sectors. Voluntary National Reviews (VNRs) reviewed during the research process showed that many reports include data on 16.6.1 showing aggregate budget credibility trends. However, few VNRs provided further analysis of this data, and no VNRs analyzed the potential impact of budget credibility challenges on progress to achieve the SDGs.

Critically, few countries had government budget reports that provided explanations about budget deviations in these sectors, meaning there is little public information about whether budget deviations are justified, or whether they are impacting the performance of government programs and services in these sectors. Even as the studies did not find any overall correlation between budget credibility patterns in the seven sectors and either the progress or trends toward achieving the SDGs, researchers noted that many sectors that are lagging on SDG performance are also underspending their annual budgets, meaning that increasing budget execution rates could potentially improve outcomes in these sectors.

These findings suggest that more research is needed to connect budget credibility challenges to outcomes in sectors. The next phase of research proposes an approach to further investigate this issue.

Purpose and Objectives of Second Brief: Following on the research done in the first brief, we are excited to continue the partnership with civil society researchers to conduct further research into budget credibility challenges, focusing on *one key sector* that is of interest to the researcher and their organization where there have been credibility issues identified (either overspending or underspending against the approved budget) and progress is lagging on achieving the related SDG in the first research brief. This second brief will provide further context and analysis to the findings of the first brief for this sector, focusing on exploring budget credibility issues within the sector and investigating the causes and consequences of these issues.

These sector briefs can be used to continue to advocate with governments and development partners about the connections between budget credibility and achieving the development goals and can provide more nuanced inputs that could inform future VNRs and discussions around the SDGs.

Proposed Approach: To explore budget credibility trends in a specific sector, we propose a research approach that combines the analysis of government budget data, government performance data, secondary data sources, and interviews with government officials and sector experts to investigate the causes and consequences of budget credibility challenges in the sector and potential strategies for improving:

- First, initial desk research using publicly available sources for budget and spending data, such as government budget execution reports, audit reports, or government data portals, will identify budget credibility trends in the sector, including budget deviations over time, whether budget deviations are concentrated in certain types of spending (such as capital spending), and deviations in specific programs or services.
- Budget deviations in the sector will be analyzed in comparison to government performance reports and secondary sources to identify connections and possible consequences of budget deviations on sector outcomes.
- To understand the causes and consequences of these budget deviations, researchers will review budget execution reports to look for, and assess, whether these reports include adequate explanations about budget deviations.
- Findings from this desk research will be presented during informational interviews with government officials (finance ministry and line ministry officials, for example) to ask for explanations about the causes of the budget deviations observed in the sector, and the impact of these deviations on the performance of related government programs and services.

Sources of data to analyze include:

- [Budget execution reports](), sector or ministry reports, and data portals that contain detailed actual spending data for the sector, which is comparable to an equivalent figure in the approved budget, to explore whether there is underspending or overspending against the budget for different types of spending within the sector, such as:
  - Economic classification details for spending in the sector, such as spending in the sector on personnel/staff, goods and services, capital spending, transfers,
  - Program, department/division, or sub-functional details for spending in the sector, to provide greater insight on how the money is being spent on services or program areas.
  - Explanations for reported budget deviations within the sector, which can be analyzed for whether they provide [sufficient reasons]().
- Additional data on budget credibility trends in the sector over a longer time period (5 or more years, including 2021 and 2022 if data is available), which will show how budget deviation trends have changed over time.
- Other secondary sources that analyze budget allocations and spending for the sector, including reports from development partners such as the World Bank, UNICEF, and others.
- Data on subnational budgets and spending can be found in data portals or subnational budget documents and can be used to examine differences in budget performance across subnational governments and regions.
- Performance reports with output and/or outcome indicators for the sector, including targets set for the year and actual results achieved, which can be compared to data on budget credibility trends within the sector.
- SDG progress reports for the sector, including previous VNRs that include analysis of the chosen sector.
- ***Note that many countries will not have all these possible resources available, and therefore the briefs should be developed based on the data sources and resources that are publicly available now. We are not expecting researchers to submit information requests to government,*

unless it is likely that the data would *be made available by the government within a few weeks of the request.*

In addition to budget data and non-financial data, informational interviews with government officials (finance or line ministry officials, for example) or sector experts will provide additional insight into the underlying reasons for budget credibility issues, especially where there is a lack of data available publicly. Interviews with government officials can help answer questions such as:

- Why have the observed budget deviations occurred? What are the underlying drivers?
- In some years, or in some programs, deviations may be lower – can they explain why this happens? What is different about these years or programs?
- How have these deviations impacted related programs and services?
- What should be changed and what reforms are needed to improve budget credibility in the sector?

Format and Length: This second brief will be a short summary of your findings, no more than 2,500 words in length (~5 pages). We will kindly request that authors keep to this word limit, otherwise we will ask for revisions to shorten the brief before reviewing the drafts.

A sample outline would include:

- Introduction explaining the budget credibility issue in the sector and why it was selected for analysis in the brief,
- Summary of sources that were reviewed and analyzed, including interviews with government officials,
- Presentation of findings, connecting any budget deviations observed within the sector with performance/outcomes for related programs or services, including:
  - Analysis of causes of budget credibility challenges, including trends in budget deviations, additional data on what types of spending have the highest rates of deviation, findings from interviews on the drivers of credibility issues,
  - Discussion on the consequences of credibility challenges, including the connection between budget deviations and performance in the sector, findings from interviews on the consequences of deviations, and linking to the potential impact on achieving the SDGs.
- Recommendations for how budget credibility could be improved in the sector, including any recommendations on data or documents that should be published that would help the public better understand budget implementation and credibility issues for the sector.