BUDGET TAGGING OF THE UKRAINIAN BUDGET SYSTEM WITH SUSTAINABLE DEVELOPMENT GOALS

CONTENTS

ACRONYMS

UNDP	The United Nations Development Programme
SDG	Sustainable Development Goals
BSDG	Budgeting Sustainable Development Goals
GDP	Gross Domestic Product
NES	National Economic Strategy
SSSU	The State Statistical Service of Ukraine
ESDN	The European Sustainable Development Network
CSO	Civil Society Organizations
INFF	Integrated National Financing Frameworks
IWG	The Interagency Working Group

INTRODUCTION

Ukraine is committed to achieving the SDGs. Since 2015, a series of reforms aiming to implement socio-economic transformations and strengthen the democratic system have been launched in Ukraine. The SDGs are integrated into the state policy following the principles of the SDG 2030 Agenda.

An inclusive process of the SDGs adaptation, which was tailored to the national development context, resulted in a national SDGs system consisting of 86 national targets with 183 monitoring indicators. The Government established the Inter-Agency Working Group on SDGs. Responsibilities of the ministries for the SDG targets were defined, the President of Ukraine issued a Decree setting the SDGs as a benchmark for programming and forecasting documents, the SDGs monitoring system was developed, the assessment of mainstreaming the SDGs into national and subnational planning was produced. The SDG targets have been incorporated in 162 Governmental regulatory legal acts (4,300 planned actions)[1]. In March 2020, the new Cabinet of Ministers adopted its Programme, reaffirming the commitment to the SDGs.

The process of budget tagging with SDGs can increase accountability. Forging links between budgets and SDGs, especially the indicator framework, can reveal the progress of a country towards the SDGs and help assess the government's performance.

State and Local Ukrainian budgets provide funding for all the 17 goals with respective targets. However, the dispersion of the programs and their different levels of effectiveness cause the unavailability of assessment of the funding amounts for each SDG. The expenses of the government, region, and communities were linked with SDGs that are monitored by the State Statistics Service of Ukraine (SSSU).

This report together with Annexes represents the last Deliverable under the UNDP project entitled "Promoting Strategic Planning And Financing For Sustainable Development On National And Subnational Level in Ukraine."

The report contains: (1) Detailed methodology and techniques for SDGs budget tagging compatible with the existing national economic, budgetary, and public finance management system; (2) Results of the Budget tagging exercise for the State Budget 2020, 3 Regional budgets, and 3 Community budgets; (3) BSDG existing limitations; (4) Methodology of the BSDG strategy development; (5) Annexes that include the BSDG Strategy and Guidelines for the different governance levels.

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[1]   RIA of budget programs of the Ministry of Regional Development.

Chapter 1.
ANALYSIS OF BEST PRACTICES OF BUDGET TAGGING IN THE WORLD

Integrating budget planning for the Sustainable Development Goals (SDG) is one of the key priorities within the United Nations 2030 Agenda for Sustainable Development. As of 2018, all the UN Member states had adopted the SDGs[2]. The budgeting process heavily influences the possibility and effectiveness of achieving the SDGs. Specifically, SDGs planning has effects on the adopted or drafted governmental plans and policymakers' choices within those plans, as achieving ambitious goals requires resources which could be allocated through the budgeting process.[3]

BUDGET CYCLE

It is important to understand the key budget process stages in order to properly assess their role in implementation of SDGs budgeting. As proposed by the International Budget Project, nonpartisan research and policy institute, there are, generally, four key stages of the above-mentioned cycle which include:

1. **Budget formulation**. At this stage, the executive body proposes the draft version of the national/local budget.

2. **Budget Approval.** At this stage, the legislative body provides review and amendments for the proposed budget as well as formally adopts it as a law.

3. **Budget Execution.** At this stage, the executive body actually collects revenue (in form of taxes and other payments) and then distributes/spends it according to allocations defined by law.

4. **Budget Oversight.** At this stage, the national accounts are audited and reviewed by the legislative bodies in order to assess the effectiveness and accuracy of the collection and distribution of funds.[4]

As could be seen from the budget cycle, there are two main groups of stakeholders which are involved in the budgeting process – legislative, which formally approve the planned allocations and check the correspondence, and executive, which are, in fact, implement the planned course of funds redistribution within the budget.[5]

DEVIATIONS OF GOVERNMENTAL EXPENDITURES

The minimization of the deviations of governmental expenditures is crucial for the facilitation of budget planning, which, in turn, is one of the key prerequisites for the successful implementation of SDGs budgeting. There are several possible reasons for such deviations in the international scientific literature:

• **Poor Financial Management Systems**. This issue is especially common among developing countries in which governmental finan-

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[2] E. Hege, L. Brimont (2018). Integrating SDGs Into National Budgetary Processes . Studies N°05/18, IDDRI, Paris, France, p.20.

[3] E. Mulholland, G. Berger (2019). Budgeting For The SDGs In Europe: Experiences, Challenges and Needs, ESDN Quarterly Report 52, April 2019, ESDN Office, Vienna.

[4] V. Ramkumar (2008). *Our money, Our responsibility: A Citizens' Guide to Monitoring Government Expenditures*. The International Budget Project. https://www.internationalbudget.org/wp-content/uploads/Our-Money-Our-Responsibility-A-Citizens-Guide-to-Monitoring-Government-Expenditures-English.pdf

[5] It is worth noting that the exact number of stakeholders involved could vary from state to state.

cial institutions may feel pressured by the political actors, which negatively influences the national budgeting.

- **Corruption.** This issue may have a significant effect on both sides – collection of taxes and payments (which could be illegally avoided) and governmental expenditures (which could be misused, exaggerated, or stolen).

- **Fund diversions**. In some cases, governments can redistribute funds allocated for one specific program into others, which may or may not have corruption motives behind it. Nevertheless, fund diversions could negatively influence the budgeting process.

- **Use of Reserves During Unexpected Events**. There are quite widespread practices to use governmental reserves during crises (from environmental to economic) in order to ensure proper financing of the unexpected expenditures.

- **Inadequate Funding**. Some governmental programs may be dependent on a specific number of people who should receive support, and, in case of unexpected rise of that number, some programs may be underfunded. This issue may arise due to a number of reasons which may or may not include malintent actions.

- **Off-Budget Donor Funds**. Developing countries may receive additional funding from the internationally funded development programs or other organizations, which de facto increase the amount of money available for public spending.

- **Weak Oversight**. Due to the capacity limitations, it is quite common for some countries to provide insufficient oversight regarding governmental spending.[6]

INTEGRATION OF THE SDG IN THE BUDGETING CYCLE

According to ESDN, it is crucial to obtain the political will of the executive branch of the government in order to ensure the implementation

of the SDGs.[7] Moreover, when it comes to the budget execution process it is necessary to ensure the connection between the SDGs and respective ministries` goals since the national treasury will release funding based on declared priorities. Furthermore, if the SDGs are accounted for in the budget on the previous stage of the cycle, then executives will have the necessary mandate to allocate funds to meet the targets according to the SDGs.[8]

GOVERNMENTAL APPROACHES OF THE SDG INTEGRATION

According to E. Hege and L. Brimont (2018), there are four ways in which the government could integrate the SDGs in the budgeting process:

1. **Including qualitative and quantitative elements on the SDGs implementation in the budget propositions to parliament**. Descriptive indication of the links between the SDGs and respective goals of the Ministries is used, for example, in Norway, Finland, and Sweden. (Although, there is usually no strictly defined form of how to address the SDGs.)

2. **Mapping and tracking the budgetary contribution to the SDGs.** This mainly means to track the budgetary expenditures according to the SDGs on some level. Such an approach is used in Mexico (linking specific budgetary programs to the SDGs) and Colombia. Nepal and Indian State of Assam code their budget in accordance with the SDGs overall.

3. **Using the SDGs as a management tool for negotiations.** There are several extents to which appealing to the SDGs may influence the budget allocations, which varies on state. For example, in Norway and Finland it may provide some limited leverage, in Assam it is used as a tool for lining departments to obtain priority fundings (quite a similar approach was meant to be introduced in Afghanistan as well).

4. **Improving budget performance evaluation.** Some countries use targets from the SDGs in order to improve the evaluation of budget performance. It is the case for Mexico (which

6 V. Ramkumar (2008). *Our money, Our responsibility: A Citizens' Guide to Monitoring Government Expenditures*. The International Budget Project. https://www.internationalbudget.org/wp-content/uploads/Our-Money-Our-Responsibility-A-Citizens-Guide-to-Monitoring-Government-Expenditures-English.pdf

7 E. Mulholland, G. Berger (2019). Budgeting For The SDGs In Europe: Experiences, Challenges And Needs", ESDN Quarterly Report 52, April 2019, ESDN Office, Vienna.

8 Ibid.

has the budget evaluation system which is being updated to meet the requirements imposed under international obligations taken by the state), France (where alignment of the budget performance indicators with the SDGs was partially introduced in 2018), Slovenia (which used nationally adapted translation of the SDGs in its strategic and budgetary documents).[9]

FACTORS OF SUCCESSFUL IMPLEMENTATION

According to ESDN study, there are several factors which could be defined as conditions for the successful implementation of the SDGs in the state budgeting system:

- Translation of the SDGs in order to better fit the **national context**.
- The existence of a specific **national implementation plan or strategy** which formulates national priorities.
- **High-level political support** of the process of implementing the SDGs.
- The degree of involvement of the **Ministry of Finance**. (The active role of the ministry could be crucial for the successful implementation).

- The rise of political **debate and accountability** regarding the SDGs integration in the budgetary process.[10]

COMPARISON OF THE SDGS INTEGRATION

According to E. Hege and L. Brimont (2018), there were at least 23 countries worldwide which practiced some form of SDGs integration as of 2018. However, taken into account the **substantial difference** in the ways and degrees of SDGs integration in the budget process in different countries it is hard to assess the exact amount.[11] Moreover, there are some cases when countries declaratively announce introduction of the practice of integration but do not proceed with actual official adoption[12]. Table 1 below demonstrates a comparison of the countries which considered SDG integration into the budgetary process.[13] As can be seen from the table, including the SDGs in the high-level national strategic planning is one of the most common ways to ensure the SDGs as a national priority. This is often backed up by high-level political support.

Table 1. Comparison of best practices of BSDG in the world.

Characteristic	Assam (India)	Afghanistan	Colombia	Finland	Mexico	Norway	Sweden	Nepal	Latvia
Year in which the SDGs were integrated into the budgetary process	2016	2019	2018	2018	2018	2016	2018	2016	2017
Extent to which the SDGs have been translated into the national context									
National implementation plan or strategy							Strategy for localizing the SDGs in the City of Malmö		
Nationally translated targets or priorities									
Gap analysis to identify national challenges									
High level political support for the SDGs									

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[9] E. Hege, L. Brimont (2018). Integrating SDGs Into National Budgetary Processes. Studies N°05/18, IDDRI, Paris, France, p.20

[10] E. Mulholland, G. Berger (2019). Budgeting For The SDGs In Europe: Experiences, Challenges and Needs, ESDN Quarterly Report 52, April 2019, ESDN Office, Vienna.

[11] E. Hege, L. Brimont (2018) Ibid.

[12] As, for example, Austria or Czech Republic.

[13] *Table is based on E. Hege and L. Brimont (2018) study results adjusted with additional data on several countries (Sweden, Nepal, Latvia). Due to the absence of the original research methodology, some data are presented as partial.*

Characteristic	Assam (India)	Afghanistan	Colombia	Finland	Mexico	Norway	Sweden	Nepal	Latvia
Degree of involvement of the Ministry of Finance									
Exercise initiated by the Ministry of Finance									
The Ministry of Finance piloting the approach		The Ministry of the Economy	National Planning Department						
Ministries use the SDGs as an argument for their budget proposal									

　Only partial data is available

　Data is available

CASE STUDIES

MEXICO | In order to start making progress regarding SDGs achievements and taking into account the fact that the budget and the SDGs were not directly connected, Mexico adopted a Results-based Management approach. To make the budgets and the SDGs more closely linked together, particularly to match the ministries' development programs with the current SDGs, the government of Mexico used National Planning together with the Performance Evaluation System. Moreover, each program was classified as direct or indirect in terms of contribution to the SDG target indicators to count the overall level of investments and estimate total investment per target. Further, 102 targets were analyzed deeper by topics and split into more precise versions to identify which governmental action is particularly linked to the part of the target. As a result, the number of governmental programs connected to each SDG and the percentage of SDGs connected with the following programs became apparent.

SWEDEN | The achievement of the SDGs were organized through working with many policy frameworks. Therefore, the budgeting of the SDGs was made as part of the general budgeting process. The examples of policies that contribute to the SDGs include the strategy for sustainable consumption, the climate policy framework, the national strategy for the work on human rights, the strategy for the smart industry, and others.

LATVIA | The SDGs are realized through the seven-year national development plans as well as sectoral policies and plans. In this case, indicators show the connection between policies objectives and government budget. As for the development plans of local authorities, they are based on local priorities with the consideration of available resources.

FINLAND | The SDGs are promoted through the multi-stakeholder participation and interaction. Finland organized an ownership system to popularize sustainable development through partnerships and institutional development. Moreover, to always stay focused on the SDGs agenda, the government of Finland included the popularization of sustainable development in its annual report to the Parliament and established an annual public discussion forum. In Finland, it is tracked that objectives and principles of sustainable development are included in budget preparation and future Government Programs. Moreover, they plan to explore the cross-sectoral approach to budgeting and Ministries' performance.

UKRAINE | The SDG budget tagging exercise was conducted by National Consultant for UNDP in summer 2021 by using the best approaches of partner countries: multi-stakeholder participation of national and local levels of governance and the deep analysis of the budget programs to properly attribute ones to SDG targets and indicators. As of 2021, the world community begins to track investment of public funds into the SDGs to ensure their achievement. Hence, the unique process of tagging for Ukraine, due to the complexity of the post-soviet economy, can serve as an example for other Eurasian countries to strengthen their national commitments in front of citizens and the world community with a global budget tagging framework.

Chapter 2.

ANALYSIS OF THE INTEGRATION OF THE SDGS INTO STRATEGIC PLANNING OF UKRAINE

Stocktaking exercise on where the country stands in terms of mainstreaming the SDGs into national strategic planning, policy formulation, budgeting, monitoring, and evaluation processes. The timeline of the SDGs integration into the Ukrainian governance environment has the following main stages:

Figure 1. Overview of the budget flows ecosystem
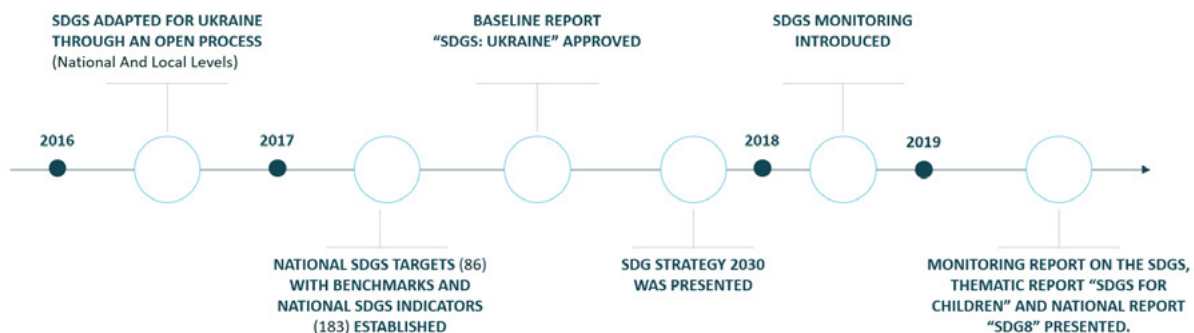
The SDG Context Analysis could start with an assessment of previous processes to understand how well the governance practices and business processes accommodate high-level policy goal-setting, implementation, and accountability.

According to the Rapid Integrated Assessment of budget programs of the Ministry of Regional Development in 2021,[14] Ukraine lacks an effective strategic system and a clear hierarchy of planning documents. This is due to both gaps in the implementation of legislation and the lack of legally defined rules of strategic planning. However, when preparing strategic planning documents, all authorities must take into account

the country's international obligations. In recent years, the goals of sustainable development until 2030, adopted by the UN in 2015, have become more important in strategic planning.[15]

The President of Ukraine issued a decree on September 30, 2019, supporting the global goals of sustainable development to 2030 proclaimed by the resolution of the United Nations General Assembly of September 25, 2015 # 70/1 and the results of their adaptation to the specifics of Ukraine set out in the Sustainable Development Goals: Ukraine national report, to ensure compliance with the Sustainable Development Goals of Ukraine until 2030.[16]

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[14] I would like to thank the author for granting me access to the draft report and initial conclusions.

[15] RIA of budget programs of the Ministry of Regional Development

[16] https://www.president.gov.ua/documents/7222019-29825

Figure 2 illustrates the evaluation of the Fiscal planning process by the BSDG approach for both national and local budgets. It consists of 5 main stages: (1) drawing up the budget declaration, (2) drawing up budgets, (3) adoption of the law on the budget, (4) budget execution, and (5) budget execution reporting.

Figure 2. Overview of the budget process stages regarding BSDG interventions
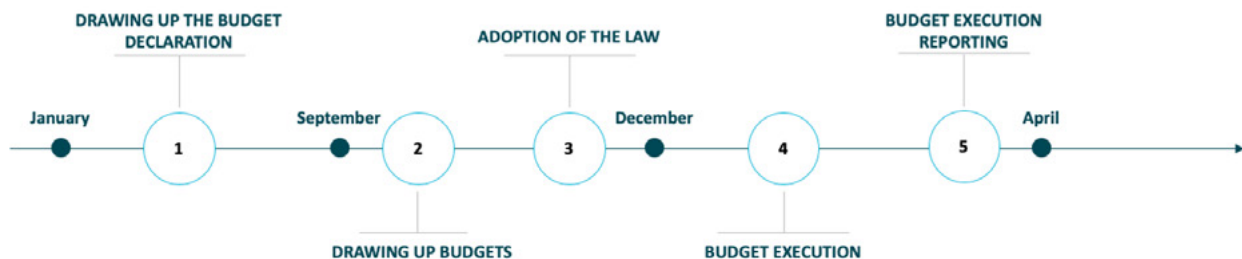
The budget process is not represented with the SDGs. Each stage needs to be injected with proper BSDG procedures to ensure the complexity of SDG budgeting.

Stage 1 starts when the Ministry of Finance issues an order approving an **indicative action plan** to ensure the preparation of the Declaration and the draft Law. This plan outline has to be amended in order to reflect the SDG-related streams of finances.

Stage 2 starts when the Ministry of Finance sends to the Managers **an instruction letter on drawing up a budget request** and expenditure limits, after which the Managers draw up **budget requests** and submit them to the Ministry of Finance. Therefore, the instructions and the budget requests have to contain the alignment with the SDGs.

Stage 3 is the adoption of the Law on Budget by the parliament, so the parliamentary procedure documents of the committees and the **Project of Law** have to be aligned with the proper SDGs.

Stage 4 is a stage of budget execution with the approval of the procedures for the use of funds and approval of the **passports of budget programs** by the institutions and responsible executors. The budget program passport has to directly define the SDG relation together with multiple SDGs distributions if they exist.

Stage 5 starts when the Treasury Service submits a **monthly report on the budget execution** to the Verkhovna Rada, the President, the Cabinet of Ministers, the Accounting Chamber, and the Ministry of Finance. The outline of this report should contain the relations with the SDGs.

According to the above-mentioned RIA, there are 145 planning and strategic normative acts which mention the SDGs. Table 2. describes SDGs' incorporation.

As could be seen from the table, the SDGs 13, 6, 14, 15 are among those which have the least amount of mentions in the national strategic documents.

The task for the sustainable development goals was distributed by the decision of the interdepartmental working group in 2018. At the same time, this consolidation already needs to be revised in view of the changes that have taken place in the structure of central authorities and their powers. That is why it is necessary to determine the updated distribution of the SDGs by CER, which would be enshrined in the relevant order of the Cabinet of Ministers.[17]

According to the distribution for 2018, the Ministry of Social Policy and the Ministry of Economy are entrusted with the majority of the tasks for the purposes of sustainable development (if we take into account the transfer of the employment function, the Ministry of Economy will be the undisputed leader). The Ministry of Environment is also expected to play an important role in implementing the sustainable development goals, but environmental and climate protection programs usually receive little attention, especially in terms of budget funding.

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17 RIA of budget programs of the Ministry of Regional Development

The Ministry of Regional Development, the Ministry of Health, and the Ministry of Education and Science are responsible for the same number of the SDGs tasks and are important for providing quality public services for the population, which will contribute to a better quality of life. In total, the 17 Sustainable Development Goals are scattered among different central executive bodies. Therefore, a mechanism for

Table 2. The SDGs mentioned in strategic and planning documents

SUSTAINABLE DEVELOPMENT GOALS	Tasks which mention the SDGs	Initiatives which mention the SDGs
GOAL 1. END POVERTY	53	99
GOAL 2. END HUNGER, PROMOTE SUSTAINABLE AGRICULTURE	52	66
GOAL 3. HEALTHY LIVES AND WELL-BEING	67	217
GOAL 4. QUALITY EDUCATION	51	177
GOAL 5. GENDER EQUALITY	41	91
GOAL 6. CLEAN WATER AND SANITATION	14	37
GOAL 7. AFFORDABLE AND CLEAN ENERGY	100	202
GOAL 8. DECENT WORK AND ECONOMIC GROWTH	54	200
GOAL 9. INDUSTRY, INNOVATION, AND INFRASTRUCTURE	215	575
GOAL 10. REDUCE INEQUALITY	37	141
GOAL 11. SUSTAINABLE DEVELOPMENT OF CITIES AND COMMUNITIES	49	306
GOAL 12. SUSTAINABLE CONSUMPTION AND PRODUCTION	47	230
GOAL 13. MITIGATE CLIMATE CHANGE IMPACT	5	56
GOAL 14. CONSERVE MARINE RESOURCES	20	22
GOAL 15. PROTECT AND RESTORE TERRESTRIAL ECOSYSTEMS	26	55
GOAL 16. PEACE, JUSTICE, AND STRONG INSTITUTIONS	182	928
GOAL 17. PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT	39	63

Chapter 3.
BUDGET TAGGING SYSTEM DESCRIPTION

This Chapter discusses how the budget tagging system was developed and what methodology was used. By following the described steps of the work process organization, other UN member states will be able to develop their own congruent methodology for the domestic BSDG implementation.

The budget system of Ukraine consists of the state budget and local budgets. Local budgets include the budget of the Autonomous Republic of Crimea, oblast and rayon budgets, and local self-government budgets. Local self-government budgets are budgets of territorial communities (hromadas) of villages, their associations, rural settlements, and cities (including districts in cities). Tax and non-tax income, international aid, committed private donors and various forms of public-private partnerships form State and local budgets in Ukraine. Those budgets exchange their funds to address the needs of the citizens on 3 levels of governance with educational, other program subventions and credits. The overview of the budget flows ecosystem is presented at Figure 1.

There are 3 main coding classifications to track the allocation of funds: (1) **program based**, (2) economic and (3) functional. The program-based one is applied both at the level of the State Budget and at the level of local budgets (according to the decision of the Verkhovna Rada of the Autonomous Republic of Crimea or a corresponding local council). Program-based classification has the largest disaggregation of budget flows and thus, serves as a unified and most complex basis for the SDG budget tagging.

A spending unit of budget programs is defined by a key spending unit by agreement with the central executive body, which ensures formulation of the State budget policy (local financial body). A spending unit of budget programs may be represented by the key spending unit under the budget programs implemented by their respective management team, and/or by the spending unit of a lower level implementing budget programs within the system of the key spending unit. In the course of implementing budget programs, the spending unit of budget programs ensures that the budget funds are used in an efficient manner and for the intended purpose throughout the entire term of implementation of the corresponding budget programs within the established budget allocations.

Programs vary within names, code structure and content. Thus the disaggregation into 5 categories that describe the relationship to the SDG was introduced as shown in Figure 1.: **financing direct SDG targets, financing supporting for the target institutions, financing supporting for the target innovations, financing supporting for the target infrastructure, financing of the other associated with the target programs.** The proposed categorization by 5 streams of public expenses that have different relations to the SDGs was primarily followed by assigning respective 5 weighting coefficients. The proposed weighting system is aimed to provide further information for decision makers by separating direct and other costs of a program. However, through consultations with the informal working group it was decided that these related expenditures (e.g., management, operation, technology) are equally important components of a program,

and should not get different weights. Still, the proposed cost typology remains part of the budget tagging methodology, because it provides useful additional information.

The weighting inside the program expenditure among different SDGs and Targets proposed by

the project cannot be implemented, because of lacking information on how program expenditures are subdivided by the SDGs. Without reliable information, partitioning of program expenditures would be arbitrary and subjective. This issue is discussed in more details in Chapter 3.

Figure 1. Overview of the budget flows ecosystem.
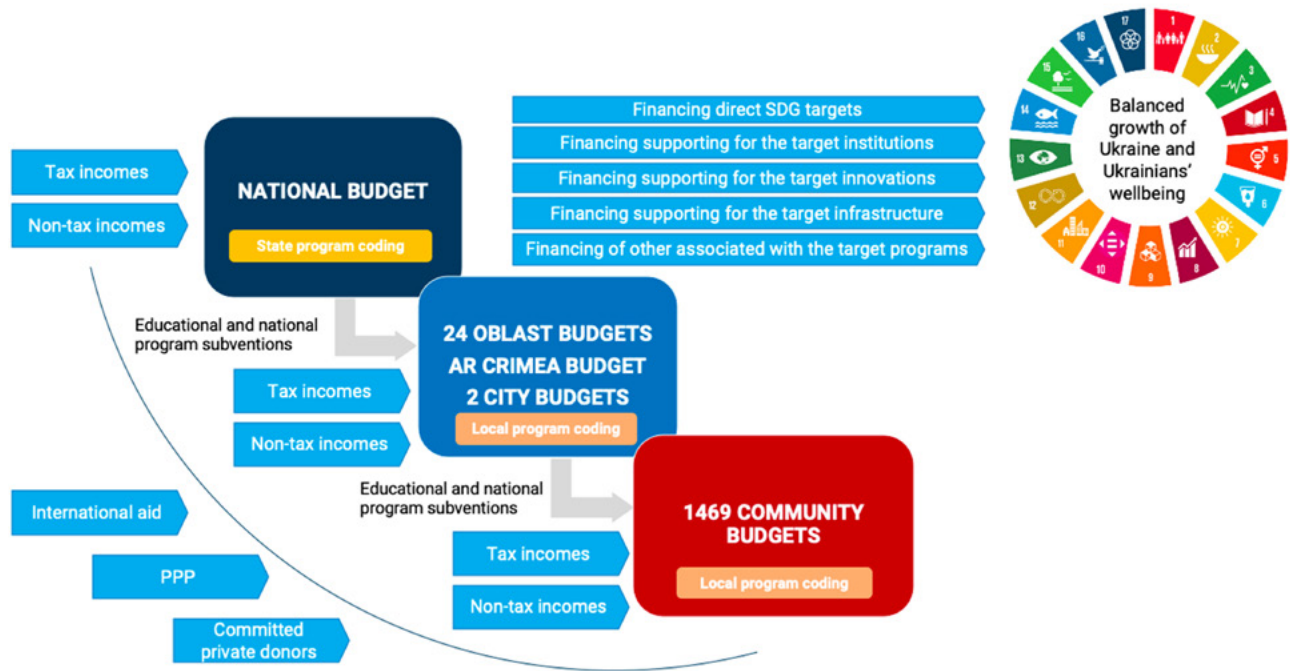
Specific components of the program-based budgeting in the budget process include budget programs, spending unit of such budget programs, budget program passports, and performance indicators of such budget programs. State budget program coding system

consists of 7 digits and is described in Figure 2., while the local budget program coding system has 4 digits. The program names and content differ between those 2 systems, thus there are two streams of budget tagging process for Ukraine.

Figure 2. State budget program coding.

7 digits of the State budget expense code describe basic categorization:
- by the executor and specific department;
- by the program number;
- by specific tracking number (e.g., "6" as a fifth digit indicates that the expenditure is financed by international institutions via aid or credits).

After the definition of the needed set of codes, national SDG targets and collection of the data of the current budget expenditures, reports on Ukrainian SDGs progress,

and reports on budget tagging implementation we can design the proper budget tagging process. The overview of the process is presented in Figure 3.

Figure 3. Design of the budget tagging system in Ukraine.
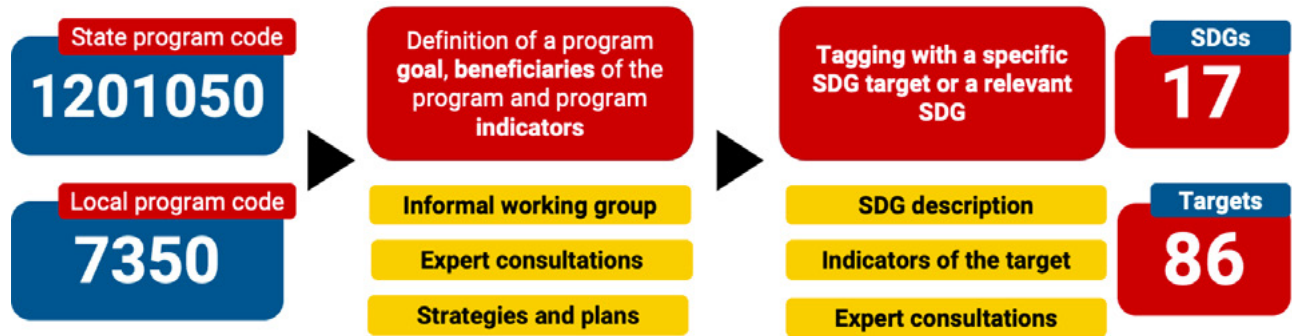
The first necessary step of the budget tagging is to define each program by the **policy maker, goal, beneficiaries and success indicators** to ensure most relevant linkage with SDGs. If local governments below oblast level have partial influence on their budget priorities, then only the community spending (programs) should be in the focus of budget tagging. These local governments themselves cannot modify the state budget expenditures, so the information on the scope and type of local expenditures will be misleading. Thus, Local budget items controlled by oblast and communities have to be separated.

To ensure a practical approach to the exercise the real budget expenditures were analyzed together with the Ukrainian SDG commitments for the definition of responsibility zones shared by different tires of governments (Table 1).

Table 1. Analyzed materials and reasoning for consideration in the process.

Description of the materials	Reasoning for consideration
86 SDG Targets approved by the government of Ukraine and SDG indicators used by SSSU.	All UN member states have followed the domestic approval of the SDG 2030 Agenda with definition of the country's priority targets and existing indicators. Gathering and examining both lists is crucial for further stages of the budget tagging.
6 annual State budget expenditure reports from 2015 to 2020.	There is a need to define the programs' characteristics and their historical dynamics.
6 annual State budget credits reports from 2015 to 2020.	Credits form an additional budget flow that is not mentioned in expenditures, but contributes directly to the SDGs
3 oblast expenditure reports from 2020: Poltava, Donetsk, Kherson.	Oblast level local budgets need to be separately analyzed and tagged with proper SDGs. The choice of different oblast provides the budget tagging with diverse regional social-economic context: • Poltava oblast has one of the highest regional GDP per capita in Ukraine (North); • Donetsk oblast is a war-damaged region (East); • Kherson oblast has one of the lowest regional GDP per capita in Ukraine (South).
3 community expenditure reports from 2020: Kyiv, Terebovlia, Biloberizka.	Community level local budgets need to be separately analyzed and tagged with proper SDGs. The choice of different types of communities provides the budget tagging with diverse regional social-economic context: • Kyiv city is a separate administrative unit and has the highest regional GDP per capita (Central); • Terebovlia is a small city-community in Ternopil oblast (Central South); • Biloberizka is a village-community in Ivano-Frankivsk oblast (West).

After forming the unified list of program codes and Ukrainian SDG related commitments for further descriptive analysis the **informal working group** was initiated, by approaching the defined stakeholders with official invitation. The list of the informal working group participants is presented in Table 2.

**Table 2.** Informal working group participants.

Name	Affiliation	Contribution to the process
Dmytro Lyvch	UNDP Individual Consultant	Overseeing the process, development of the methodology and materials.
Vitalii Serhiichuk	SDG 2030 Agenda expert	Group coordination, methodological support for the BSDG project.
Volodymyr Yushchuk	Head of the Department at the Ministry of Finance of Ukraine (Local Budgets Department)	Expert analysis and methodological support for the BSDG project.
Maryna Bohuslavets	Deputy Head of the Department at the Ministry of Finance of Ukraine (Local Budgets Department)	Expert analysis and methodological support for the BSDG project.
Bosak Mykhailo	Head of the Department at the Ministry of Finance of Ukraine (State Budget Department)	Expert analysis and methodological support for the BSDG project.
Liudmyla Boichenko	Deputy Head of the Department at the Ministry of Finance of Ukraine (State Budget Department)	Expert analysis and methodological support for the BSDG project.
Vita Klymenko	Director of the Agency for Regional Development of Poltava oblast "Office of European Integration"	Expert analysis and methodological support for the BSDG project.
Svitlana Tul	Deputy Director of the Agency for Regional Development of Poltava oblast "Office of European Integration"	Expert analysis and methodological support for the BSDG project.
Liudmyla Kravchenko	Head of the Department of Expenses at the Financial Department at Kherson Oblast Administration	Expert analysis and methodological support for the BSDG project.
Olena Yakuba	Head of the international relations Department at "Office for investment and export development" at Kherson Oblast Administration.	Expert analysis and methodological support for the BSDG project.
Iryna Pechka	Head of the Department of the methodological support of the decentralization reforms at Donetsk Oblast Administration	Expert analysis and methodological support for the BSDG project.
Oleksii Tkachenko	Head of the Budget Department at Donetsk Oblast Administration	Expert analysis and methodological support for the BSDG project.
Anatolii Kutsevol	Deputy State Secretary of the Cabinet of Ministers of Ukraine	Methodological support for BSDG integration Strategy.
Yaroslav Zhydyk	SURGe expert	Methodological support for BSDG integration Strategy.

As a result of the budget tagging exercises that include (1) systematization of the program codes and Ukrainian SDG commitments; (2) systematization of the Ukrainian budget reports of 3 levels of governance; and (3) definition of the expense program goal, beneficiaries and success indicators for each program expense, the navigation matrix of the program expenses and SDGs was formed. It is visualized in Figure 4.

Figure 4. Overview of the budget tagging process for the State budget (national level) and Local budgets (oblast and community level).
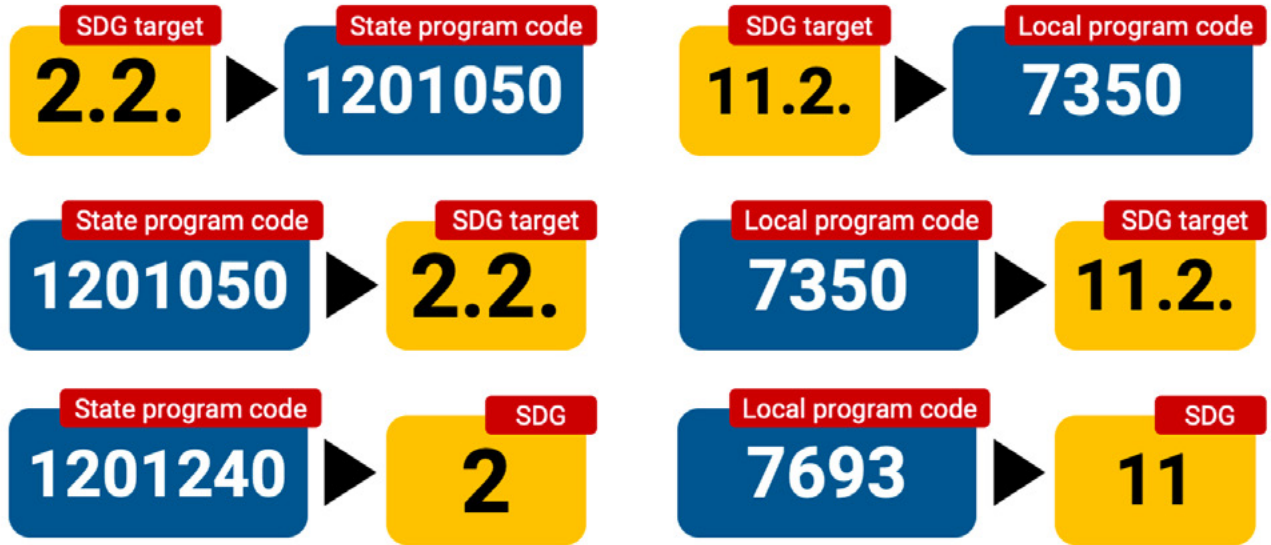
As pictured in Figure 4 the budget tagging exercise creates a navigational matrix of linkages between SDG targets and relevant State program code for the national budget; SDG targets and relevant local program code for community and regional levels; and vice versa. Most of the programs are able to be linked with proper SDG targets. If the budget program does not follow the target but is associated with the Goal, it is linked directly to the goal. The following Chapter presents the results and findings of the proposed method and presents the deliverables.

Chapter 4.
BUDGET TAGGING RESULTS AND FINDINGS

After the execution of all the steps mentioned in the previous Chapter two XLS files were created: (1) SDG tagging of the State budget and (2) SDG tagging of the Local budgets. The context of each file together with the links thereto are presented in Table 3, the visualized format of those files is presented in Figures 5 and 6.

Table 3. List of deliverable files.

XLS file with a hyperlink	Content and comments
👆 State budget tagging	The first file of the second Deliverable under the UNDP project contains:
	– The State program coded expenses tagging matrix with relevant SDG targets;
	– State program coded credits tagging matrix with relevant SDG targets;
	– Summary of State expenditures and credits allocation among SDGs;
	– List of category codes;
	– Summary of international aid programs allocation from 2015 to 2020;
	– International aid programs 2015-2020;
	– 17 Goals with 86 targets and the programs that relate to them.
👆 Local budget tagging	The second file of the second Deliverable under the UNDP project contains:
	– Local program coded expenses tagging matrix with relevant SDG targets;
	– Summary of Local budget expenditures allocation among SDGs for 3 Oblast level budgets and 3 community level budgets;
	– SDG tagging of the Kyiv City Budget 2020;
	– SDG tagging of Poltava Oblast Budget 2020;
	– SDG tagging of Donetsk Oblast Budget 2020;
	– SDG tagging of Kherson Oblast Budget 2020;
	– SDG tagging of Terebovlia community Budget 2020;
	– SDG tagging of Biloberizka community Budget 2020;
	– List of category codes;
	– 17 Goals with 86 targets and the programs that relate to them;
	– Budget tagging exercise, conducted by the Poltava Oblast representatives.

Figure 5. The visualized format of the State budget tagging.

Matching of the State Budgetary Programs with SDG Targets

Summary of Ukrainian State Budget 2020 expenditures and credits, categorized by SDG

Figure 6. The visualized format of the Local budgets tagging.

Matching of the Local Budgetary Programs with SDG Targets

Comparable summary of Local budgets 2020 expenditures, categorized by SDG

By setting up the budget tagging for State and Local budgets with categorization of programs, users of the budget tagging system are able to:

1. Monitor public financing in a transparent tool and see what commitments are not met by the country or the community;

2. Conduct gap analysis of needed public investment concerning a specific Goal or target;

3. Assess the allocation of international aid.

Monitor public financing in a transparent tool and see what commitments are not met by the country

or the community | By summing up the Goal-related program expenditures and defining the portion that is contributed to each Goal, we can see that SDG 16 is the largest holder of state funds as it contains national security maintenance, court system, police and institutions. The focus of national expenditures on the social sector, that contains pensions and social security programs, is noticeable by the concentration of 16,7% of national expenditures. After the social sector, Ukraine focuses on Health (12%), Investments and Partnerships (11,4%), Education and Infrastructure (~10%). SDGs 5 and 13 are highly underfinanced. The visualization of national funding allocation by the SDGs is presented in Figure 7.

Figure 7. Distribution of national budget expenditures and credits by the SDGs.
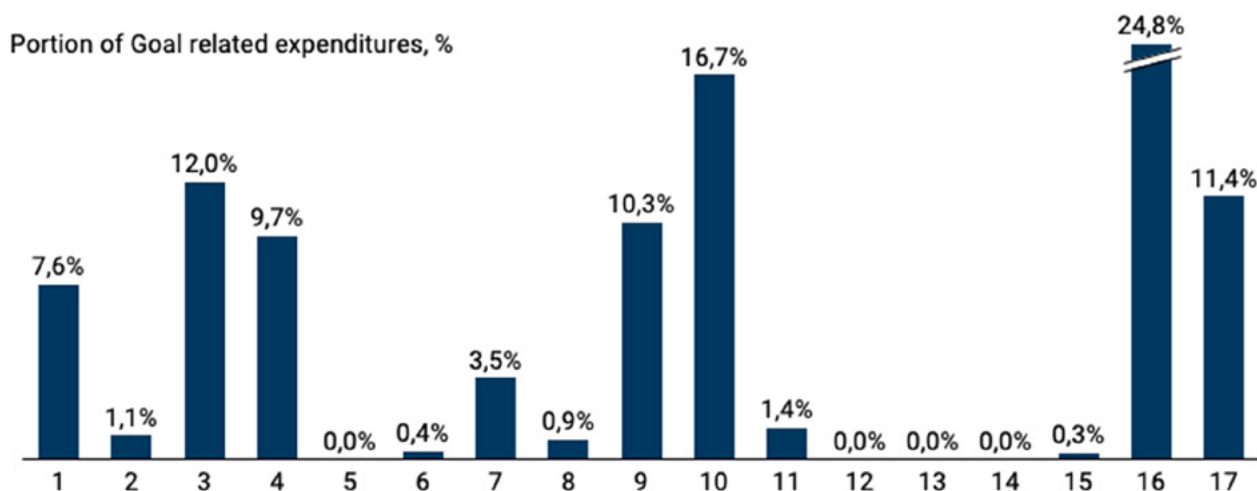
The visualization of oblast funding allocation by the SDGs is shown in Figure 8. It helps to see the focus of the oblast level policy making. Oblasts mostly allocate their funds into Healthcare, Education and Innovations. The funds often are similar, except direct ecological and energy programs in Donetsk oblast to mitigate war-caused damage.

Figure 8. Distribution of oblasts budget expenditures by SDGs.
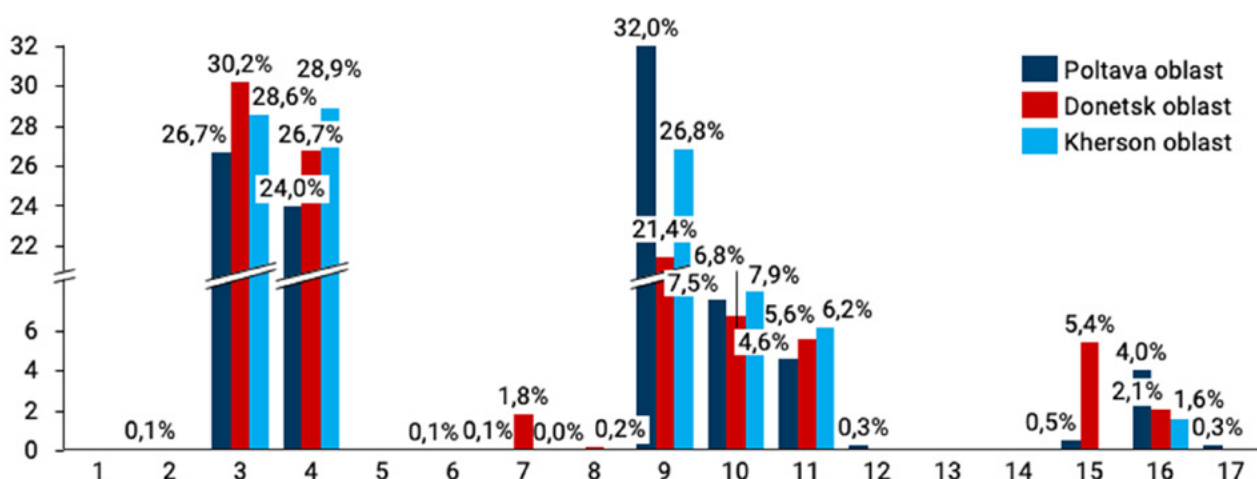
Community level budgeting is less balanced and depends on the level of community development. As it is seen in Figure 9, Kyiv, being highly developed, has resources to invest into the SDG 11, while Biloberizka spends the majority of its funds on basic healthcare services for citizens. The portion of management costs in small communities is much higher than in large cities.

Figure 9. Distribution of community budget expenditures by the SDGs.
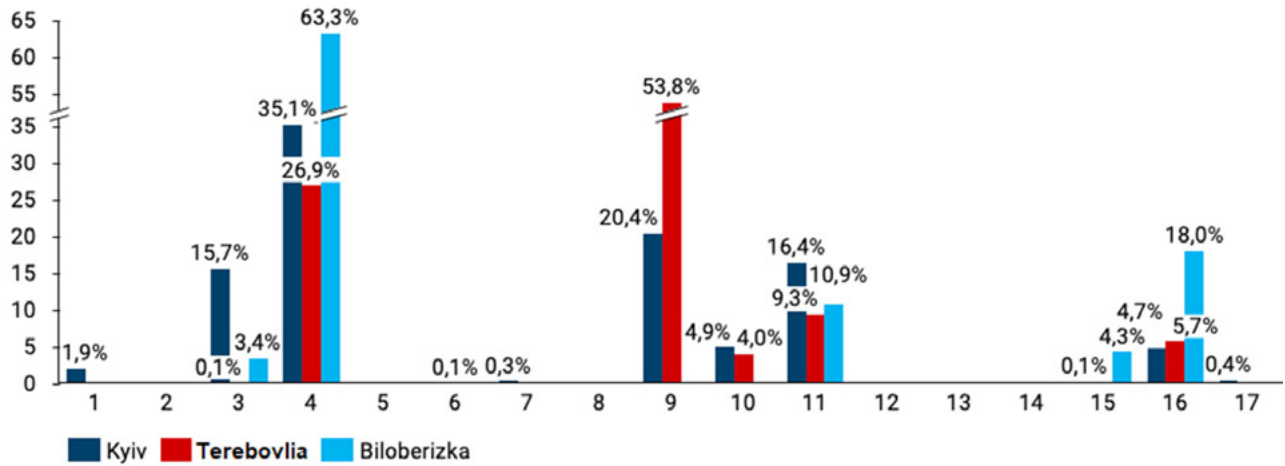
Conduct gap analysis of needed public investment concerning a specific Goal or target | "Direct Program" reflects a category of the State Budget programs that directly contributes to the exact target or the Goal. "Direct Program" usually follows the targets' name, context and the result, that is measured by the same or similar indicators. 100% of direct financing into the SDG 1 is explained by the context of the Goal that aims to eliminate poverty by supporting programs for the poor. There are 3 state programs that subsidize expenses for the poor categories of Ukrainians, so they all are classified as "Direct Programs''. Infrastructure projects in SDGs 9 and 12, National Debt maintenance and investment support in SDG 17, national health programs in SDG 3 are the reasons why those Goals are filled with direct program finances. All other SDGs lack direct program financing and can serve as a focus of future development projects. More detailed analysis is presented in Figure 10.

Figure 10. Percentage of Direct program financing of the State budget.
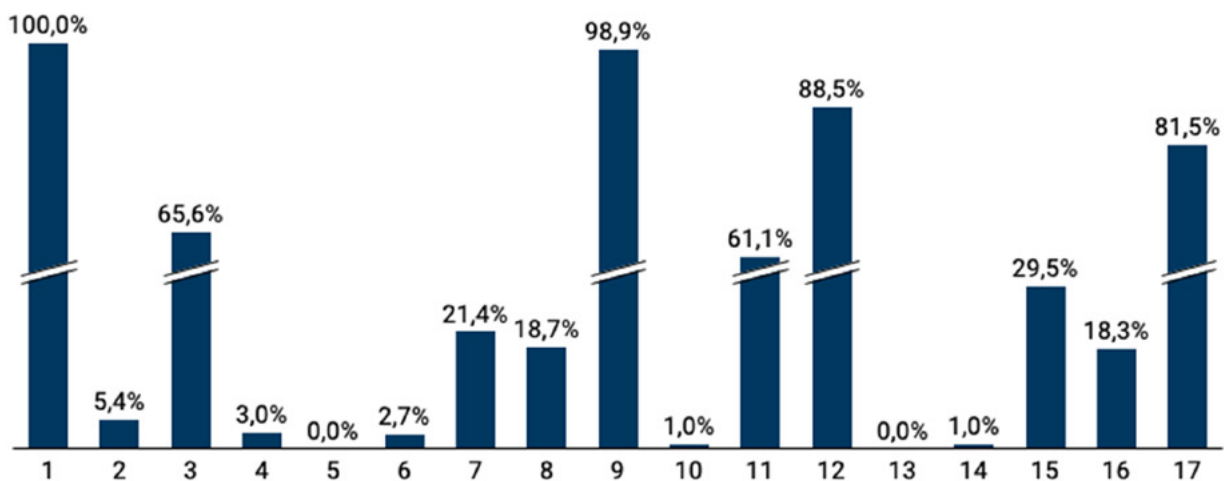
Assess the allocation of international aid | As seen in Figure 11, allocation of the international aid has a stable character and follows a similar distribution. Only 8 out of 17 Goals have been targeted by the international aid programs in last 6 years[18]. That is caused by the long-term planning of the international aid programs. However, we can state that Innovations and infrastructure (SDG 9) programs have become a higher priority with the decrease of Energy sector support (SDG 7).

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[18] Through the State budget programs. Still the international aid is broader than the one in State programs and in other unanalyzed forms can cover more Goals and with a different distribution

Figure 11. Distribution of international aid programs by targeted SDGs from 2015 to 2020.
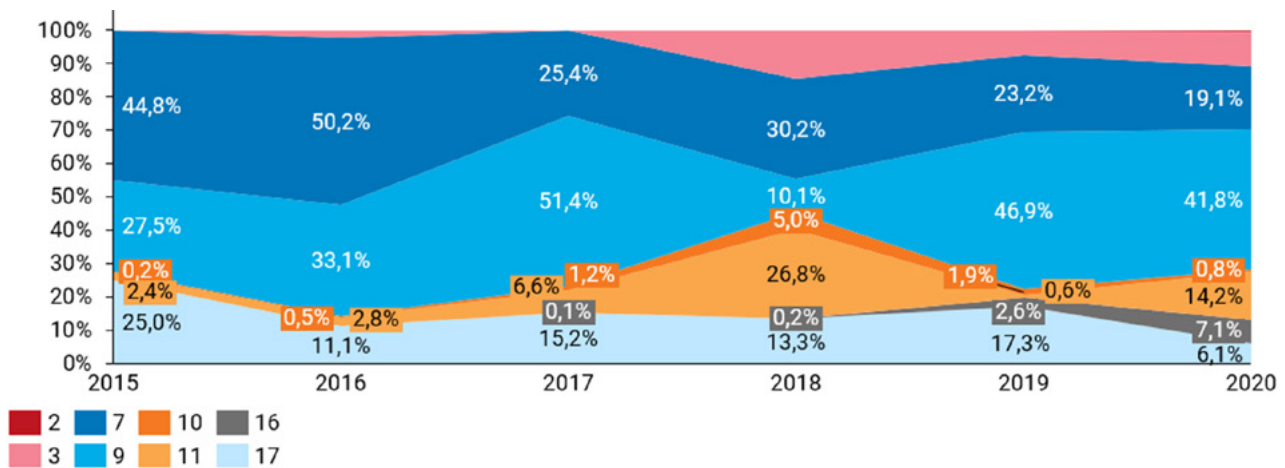
As it is seen, implemented tagging of different budgets with the SDGs allows to analyze various budgeting characteristics and monitor public investment into the SDG 2030 Agenda. The presented results are just a part of the functionality of the BSDG integration that has a much broader one if correctly injected to the monitoring and evaluation procedures. Still, the proposed methodology and findings are made manually and without the automatic system being integrated on multiple steps of the funds allocation cannot be properly based on them by the public officials. The discussion of the limitations and consistent BSDG integration into the Ukrainian budget system is presented in Chapter 3 and 4 respectively.

Chapter 5.
BUDGET TAGGING METHODOLOGY LIMITATIONS

Consolidation of the Ukrainian budget system with the Sustainable Development Goals to establish effective financing for sustainable development at the national and subnational levels in Ukraine takes place in an environment that has limitations described in Table 4 both for the national and local budgets.

Table 4. Categorized limitations of the methodology.

Description	Proposed mitigation during Budget Tagging
The wording of the Program may not reflect a specific SDG Target or SDG at all.	The assessment of the declared objectives of the program, beneficiaries and performance indicators, together with the context of the SDG Target allows to define the SDG-related focus of the program.
The structure of the passport of the program expenditure is broad and may contain several SDGs Targets, or even separate SDGs.	Even if the program covers multiple SDG Targets, each of the latest are still financed by the public funds and are to be reflected as SDG-related allocations. In this case the total amount of funds for each Goal will be greater than the real amount of expenditures.
Sometimes, the passport of the program does not specify all the internal disaggregations (e.g., Goal #5 would be more "financed" if it included the salary of the gender-ombudsman in the operation costs of the Ministry of Social Policy).	For this reason, among others, the direct program funding category was introduced into the methodology to define the specific programs of the national and local budgets that finance the SDG target directly. As an example, Poltava region has a direct regional program to spread awareness concerning gender inequality issues.
The content of the same local program expenditure code differs in different local budgets.	Consultations with the responsible budget spending institutions in order to understand which exact service or product was invested in allows to properly navigate among the allocations.

The conducted exercise is not precise but does reflect the proportion of the budget flows. In order to ensure the elimination of limitations at all the public management levels a series of interventions to the existing budget system are to be introduced, the detailed description of which is discussed in the next Chapter and Annexes.

Chapter 6.
BSDG INTEGRATION INTO THE UKRAINIAN BUDGET SYSTEM

In order to integrate BSDG into the budget system of Ukraine there is a need to define the current state of affairs, the desired goal of that process, existing bottlenecks and needed interventions.

To properly formulate the mentioned objectives, the informal working group has developed the goal of the BSDG integration: **"Establishment of**

the automated SDG budget tagging system to provide responsible stakeholders with relevant data on the public expenses allocation concerning the SDG 2030 Agenda".

The group followed with the development of the maturity matrix of the BSDG integration, presented in Figure 12.

Figure 12. Maturity matrix of the BSDG integration.
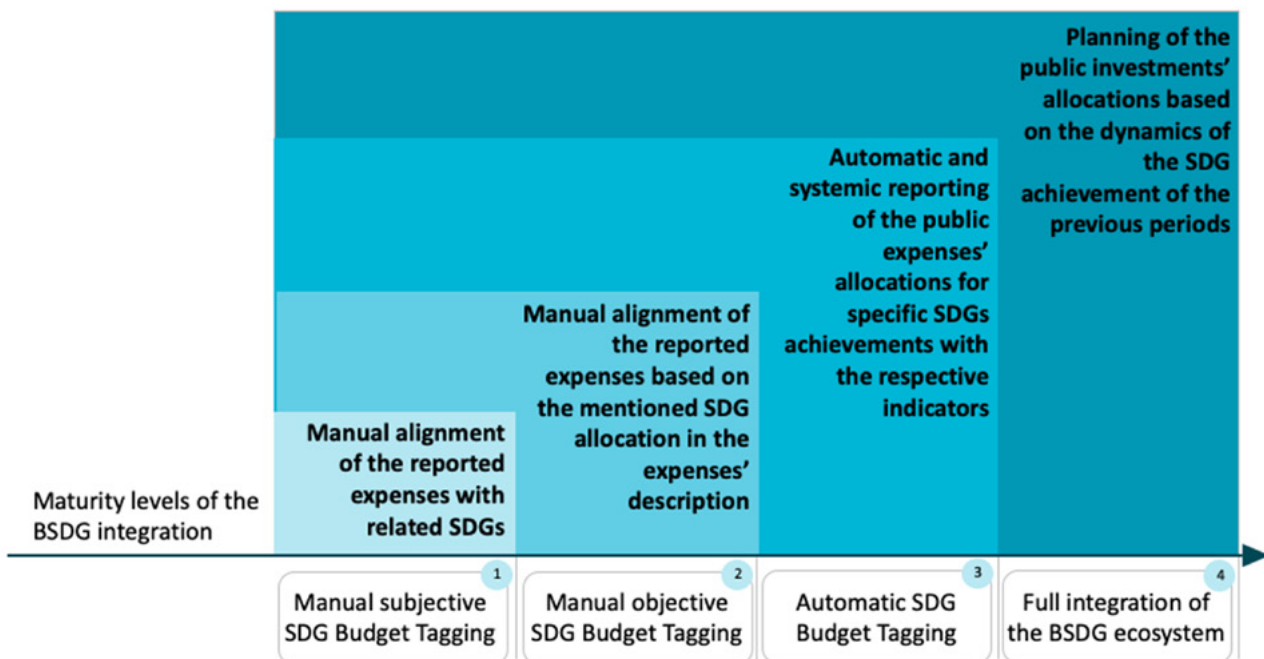
The maturity matrix presents 4 levels of the BSDG integration into the public investment planning and reporting process:

1. *Manual subjective SDG Budget Tagging* is executed when public funds are not allocated to the specific SDG or SDG Target at the planning stage and, thus, is conducted by post factum

analysis of the expense relation to the Sustainable Agenda as it was discussed in Chapter 2. That makes the process subjective as the outcome of the alignment might differ from the expense programing unit's vision and is a matter of multiple rounds of validation as discussed in Chapter 3.

2. *Manual objective SDG Budget Tagging* is conducted when each public expense at the planning stage is aligned with a respective SDG or SDG Target. That allows the responsible for the BSDG unit to report on the SDG-related allocations without additional validations with the policy makers.

3. *Automatic SDG Budget Tagging* is conducted automatically by the programmed IT-tools that does not need any human resources' interventions. Still, this system provides only reporting on SDG-related allocations and does not align the expenses with the SDG achieving indicators.

4. *Full integration of the BSDG ecosystem* is an ultimate level of the BSDG integration, when the automatic system provides the efficiency gap analysis of the unit expenses regarding SDG achievement for responsible stakeholders to adjust public expenses programing more efficiently in order to meet the commitments of the SDG Agenda 2030.

The Ukraine has just entered the process of BSDG integration with the UNDP project "Promoting strategic planning and financing for sustainable development on national and subnational level in Ukraine" that allowed the National Consultant to define the existing bottlenecks and develop the plan of further BSDG integration.

In order to properly incorporate the BSDG approach and move to the next stages of the maturity matrix National Consultant developed the BSDG Strategy by effectively combining following activities:

1. Analysis of the SDGs' integration into strategic planning of Ukraine, through examining the related UNDP reports and SDG regulatory base in Ukraine.

2. Analysis of BSDG practices, through examining the related UNDP reports and SDG regulatory base in the world.

3. Definition of the current state of affairs with existing bottlenecks through informant interviews with the informal working group participants.

4. Informal working group validation of the developed materials and list of initiatives.

The formed strategy with developed guidelines is presented in the Annex A and A.1.-A.3. respectively.

Analysis of the SDG integration into the Infrastructure Strategy 2030

	Target	Included in document	Comment
Goal 9: Industry, innovation and infrastructure	9.1 Develop high-quality, reliable, sustainable and affordable infrastructure based on the use of innovative technologies, including environmentally friendly modes of transport	Yes	The task is integrated into the "Competitive and efficient transport system", "Innovative development of the transport industry and global investment projects" directions of Strategy
	9.2. Ensure increased use of electric transport and related network infrastructure	Yes	The task is integrated into the "Safe for society, environmentally friendly and energy efficient transport" direction of the strategy
	9.3. Ensure access to road infrastructure based on the use of innovative technologies, in particular by expanding state participation in various infrastructure projects	Yes	The task is integrated into the "Competitive and efficient transport system" direction of the strategy
Goal 11. Sustainable development of cities and communities	11.5. Reduce the adverse impact of pollutants, including on the urban environment in particular, through innovative technologies	Yes	The task is integrated into the "Safe for society, environmentally friendly and energy efficient transport" direction of the strategy

Analysis of the SDGs' integration into the National Economic Strategy 2030

	Target	Included in document	Comment
Goal 1. End poverty	1.1. Reduce poverty by 4 times, in particular by eliminating its extreme forms	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	1.2. Increase the coverage of the poor with targeted social support programs	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	1.3. To increase the viability of socially vulnerable segments of the population	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
Goal 3. Healthy lives and well-being	3.1. Reduce maternal mortality	Yes	The tasks are integrated as goal indicators into the "Healthcare" substream of "Quality of Life" Strategy stream.
	3.2. Minimize preventable mortality among children under 5 years of age	Yes	The tasks are integrated as goal indicators into the "Healthcare" substream of "Quality of Life" Strategy stream.
	3.3. Stop the epidemics of HIV / AIDS and tuberculosis, including through the use of innovative practices and treatments	Yes	The tasks are integrated as goal indicators into the "Healthcare" substream of "Quality of Life" Strategy stream.
	3.4. Reduce premature mortality from non-communicable diseases	Yes	The tasks are integrated as goal indicators into the "Healthcare" substream of "Quality of Life" Strategy stream.
	3.5. Reduce by a quarter the premature mortality of the population, including through the introduction of innovative approaches to disease diagnosis	Yes	The tasks are integrated as goal indicators into the "Healthcare" substream of "Quality of Life" Strategy stream.
	3.6. Reduce the rate of serious injuries and deaths due to road accidents, including through the use of innovative practices of resuscitation, treatment and rehabilitation of road accident victims	Yes	The tasks are integrated as goal indicators into the "Healthcare" substream of "Quality of Life" Strategy stream.
	3.7. Provide general high-quality immunization of the population with the use of innovative drugs	Yes	The tasks are integrated as goal indicators into the "Healthcare" substream of "Quality of Life" Strategy stream.
	3.8. Reduce the prevalence of smoking among the population using innovative means of informing about the negative consequences of smoking	Yes	The tasks are integrated as goal indicators into the "Healthcare" substream of "Quality of Life" Strategy stream.
	3.9. Reform health care financing	Yes	The tasks are integrated as goal indicators into the "Healthcare" substream of "Quality of Life" Strategy stream.
Goal 4. Quality education	4.1. Ensure access to quality school education for all children and adolescents	Yes	The task is integrated as a goal indicator into the "Education" substream of "Quality of Life" Strategy stream.
	4.2. Ensure the availability of quality preschool development for all children	Yes	The task is integrated as a goal indicator into the "Education" substream of "Quality of Life" Strategy stream.
	4.3. Ensure access to vocational education	Yes	The task is integrated as a goal indicator into the "Education" substream of "Quality of Life" Strategy stream.

	Target	Included in document	Comment
	4.4. Improve the quality of higher education and ensure its close connection with science, promote the formation of cities of education and science in the country	Yes	The task is integrated as a goal indicator into the "Education" substream of "Quality of Life" Strategy stream.
	4.5. Increase the prevalence of knowledge and skills needed for decent work and entrepreneurship	Yes	The task is integrated as a goal indicator into the "Education" substream of "Quality of Life" Strategy stream.
	4.6. Eliminate gender inequality among school teachers	Yes	The task is integrated as a goal indicator into the "Education" substream of "Quality of Life" Strategy stream.
	4.7. Create modern learning conditions in schools, as well as inclusive, innovation-based approaches	Yes	The task is integrated as a goal indicator into the "Education" substream of "Quality of Life" Strategy stream.
Goal 5. Gender equality	5.1. Create conditions for the elimination of all forms of discrimination against women and girls	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	5.2. Reduce the level of gender-based and domestic violence, ensure effective prevention of its manifestations and timely assistance to victims	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	5.3. Encourage shared responsibility in housekeeping and child rearing	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	5.4. Ensure equal opportunities for representation at higher levels of decision-making in political and social life	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	5.5. Increase public access to family planning services and reduce adolescent birth rates	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	5.6. Expand women's economic opportunities	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
Goal 11. Sustainable development of cities and communities	11.3. Ensure protection and safeguarding of the cultural and natural heritage, with involvement of the private sector	Yes	The task is integrated as a goal indicator into the "Culture" substream of "Quality of Life" Strategy stream.
Goal 6. Clean water and sanitation	6.1. Ensure the availability of quality services for the supply of safe drinking water, construction and reconstruction of centralized drinking water supply systems using the latest technologies and equipment	Yes	The task is integrated as a goal indicator into the "Environment" substream of "Quality of Life" Strategy stream.
	6.2. Ensure the availability of modern drainage systems, construction and reconstruction of water intake and sewerage treatment facilities using the latest technologies and equipment	Yes	The task is integrated as a goal indicator into the "Environment" substream of "Quality of Life" Strategy stream.
	6.3. Reduce discharges of untreated wastewater, primarily through the use of innovative water treatment technologies, at the state and individual levels	Yes	The task is integrated as a goal indicator into the "Environment" substream of "Quality of Life" Strategy stream.

	Target	Included in document	Comment
	6.4. Increase water efficiency	Yes	The task is integrated as a goal indicator into the "Environment" substream of "Quality of Life" Strategy stream.
	6.5. Ensure the implementation of integrated water resources management	Yes	The task is integrated as a goal indicator into the "Environment" substream of "Quality of Life" Strategy stream.
Goal 10. Reduce inequality	10.1. Ensure accelerated growth of income of the least well-off 40 percent of the population	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	10.2. Prevent manifestations of discrimination in society	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	10.3. Ensure access to social services	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	10.4. Pursue remuneration policy based on equality and fairness	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	10.5. Reform pension insurance based on fairness and transparency	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
Goal 12. Sustainable consumption and production	12.1. Reduce resource consumption of the economy	Yes	The tasks are integrated as goal indicators into the "Environment" substream of "Quality of Life" Strategy stream.
	12.2. Reduce the loss of food along the production and marketing chains	Yes	The tasks are integrated as goal indicators into the "Environment" substream of "Quality of Life" Strategy stream.
	12.3. Ensure sustainable use of chemicals through innovative technologies and production	Yes	The tasks are integrated as goal indicators into the "Environment" substream of "Quality of Life" Strategy stream.
	12.4. Reduce the amount of waste generation, and increase recycling and reuse through innovative technologies and production	Yes	The tasks are integrated as goal indicators into the "Environment" substream of "Quality of Life" Strategy stream.
Goal 13. Mitigate climate change impact	13.1. Limit greenhouse gas emissions in the economy	Yes	The task is integrated as a goal indicator in the "Environment" substream of "Quality of Life" Strategy stream.
Goal 14. Conserve marine resources	14.1. Reduce marine pollution	Yes	The tasks are integrated as goal indicators into the "Environment" substream of "Quality of Life" Strategy stream.
	14.2. Ensure sustainable management and protection of marine and coastal ecosystems, and improve their resilience and recovery through innovative technologies	Yes	The tasks are integrated as goal indicators into the "Environment" substream of "Quality of Life" Strategy stream.
	14.3. Implement effective regulation of extraction of marine resources	Yes	The tasks are integrated as goal indicators into the "Environment" substream of "Quality of Life" Strategy stream..

	Target	Included in document	Comment
Goal 15. Protect and restore terrestrial ecosystems	15.1. Ensure conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems	Yes	The tasks are integrated as goal indicators into the "Environment" substream of "Quality of Life" Strategy stream.
	15.2. Promote sustainable forest management	Yes	The tasks are integrated as goal indicators into the "Environment" substream of "Quality of Life" Strategy stream.
	15.3. Restore degraded lands and soils through innovative technologies	Yes	The tasks are integrated as goal indicators into the "Environment" substream of "Quality of Life" Strategy stream.
	15.4. Ensure the conservation of mountain ecosystems	Yes	The tasks are integrated as goal indicators into the "Environment" substream of "Quality of Life" Strategy stream.
Goal 16. Peace, justice and strong institutions	16.1. Reduce the prevalence of violence	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	16.2. Increase detection of victims of human trafficking and all forms of exploitation	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	16.3. Increase confidence in courts and ensure equal access to justice	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	16.4. Strengthen the system for preventing and counteracting the legalization of illegal incomes, the financing of terrorism and proliferation of weapons of mass destruction	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	16.5. Reduce illicit trafficking of weapons, ammunition and explosive materials	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	16.6. Reduce the scale of corruption	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	16.7. Increase the efficiency of government bodies and local self-government	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	16.8. Recover conflict affected areas in the Eastern Ukraine (Donbas)	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.
	16.9. Strengthen social stability, and promote peacebuilding and community security (conflict and post-conflict settlement)	Yes	The tasks are integrated as goal indicators into the "Social Policy" substream of "Quality of Life" Strategy stream.

BUDGET TAGGING OF THE UKRAINIAN BUDGET SYSTEM WITH THE SUSTAINABLE DEVELOPMENT GOALS INTEGRATION STRATEGY

GOAL

Establishment of the automated SDG budget tagging system to provide responsible stakeholders with relevant data on the public expenses allocation concerning the SDG 2030 Agenda.

The strategy with developed guidelines will serve as a tool to:

- Assist in integrating SDGs and SDG Targets into the annual budgeting processes and relevant documents;

- Assist in developing ad hoc monitoring and expenditure effectiveness analyses on priority SDG targets to showcase the usefulness of such feedback mechanisms for both improved budget accountability and budget decision-making procedures;

- Assist in implementation of functional and institutional reforms to ensure parliament committees and CSOs are well-placed and equipped with budget scrutiny and oversight toolkit before, during and after budget are approved.

- Support the basis for the analysis of impact of public investments on the SDG achievement to ensure the transfer of know-how and sustainability of budget impact assessment practices in relation to SDG progress monitoring and evaluation.

INITIATIVES TO TACKLE THE EXISTING ISSUES

In order to tackle the existing inconsistencies of the Ukrainian public funds management environment with the SDG 2030 Agenda, the list of initiatives was developed by conducting multiple informant interviews, stakeholder workshops and best practices analysis. The list is presented in Table 1 in English and Ukrainian. The list of initiatives is followed by instructions with guidelines and Annexes also presented in English and Ukrainian.

Table 1. List of proposed initiatives (English)	Таблиця 1. Перелік запропонованих ініціатив (Ukrainian)
1. Introduce needed amendments to the national strategic documents, Regional Development Strategies, Community Development Strategies by stating the relevant SGDs and SDG Targets, which should be aligned with the strategic goals, operational goals (directions) and tasks specified in the Strategies.	1. Внести зміни до національних стратегічних документів, Стратегій розвитку області, Стратегій розвитку ТГ із зазначенням цілей та завдань ЦСР, які повинні корелювати зі стратегічними цілями, операційними цілями (напрямами) та завданнями, що зазначені в Стратегіях.
2. Introduce needed amendments to the implementation plans for the national strategic documents, Regional Development Strategies, Community Development Strategies by stating the relevant SGDs and SDG Targets, which should be aligned with the strategic goals, operational goals (directions) and tasks specified in the implementation plans.	2. Внести зміни до Плану заходів з реалізації Стратегії розвитку області та ТГ із зазначенням цілей та завдань ЦСР, які повинні корелювати зі стратегічними цілями, операційними цілями (напрямами) та завданнями, що зазначені в Плані заходів.

Table 1. List of proposed initiatives (English)	**Таблиця 1.** Перелік запропонованих ініціатив (Ukrainian)
3. Introduce needed amendments to the budget program passports with the indication of the relevant SGDs and SDG Targets: indication of the SGDs after item 6. The purposes of the state policy on which achievement realization of the budgetary program is directed; indication of the SDG Targets after paragraph 8. Tasks of the budget program.	3. Внести зміни до паспортів бюджету програми із зазначенням цілей та завдань ЦСР: зазначення цілі ЦСР після пункту 6. Цілі державної політики, на досягнення яких спрямована реалізація бюджетної програми; зазначення завдань ЦСР після пункту 8. Завдання бюджетної програми.
4. Introduce needed amendments to the report on the implementation of the passport of the budget program indicating relevant SGDs and SDG Targets: indication of the SDGs after paragraph 4. Objectives of public policy, the achievement of which is aimed at implementing the budget program; indication of the SDG Targets after item 6. Tasks of the budget program.	4. Внести зміни до звіту про виконання паспорта бюджетної програми із зазначенням цілей та завдань ЦСР: зазначення цілі ЦСР після пункту 4. Цілі державної політики, на досягнення яких спрямовано реалізацію бюджетної програми; зазначення завдань ЦСР після пункту 6. Завдання бюджетної програми.
5. Introduce needed amendments to the state and local budgets, indicating the relevant SGDs and SDG Targets.	5. Внести зміни до державного та місцевих бюджетів із зазначенням цілей та завдань ЦСР.
6. Introduce needed amendments to the report on the implementation of state and local budgets, indicating the relevant SGDs and SDG Targets: indicating them after column 2. Budget classification code.	6. Внести зміни до звіту про виконання державного та місцевих бюджетів із зазначенням цілей та завдань ЦСР: зазначення цілей ЦСР після колонки 2. Код бюджетної класифікації.
7. Develop a unified form of state, regional and local target programs indicating the relevant SGDs and SDG Targets.	7. Розробити уніфіковану форму державних, регіональних та місцевих цільових програм із зазначенням цілей та завдань ЦСР.
8. Develop a unified form of report on the implementation of state, regional and local target programs, indicating the relevant SGDs and SDG Targets.	8. Розробити уніфіковану форму звіту про виконання державних, регіональних та місцевих цільових програм із зазначенням цілей та завдань ЦСР.
9. Make changes to the procedure for submitting a report on budget execution with the possibility of estimating the budget by expenditures concerning the achievement of the SDGs.	9. Внести зміни до порядку представлення звіту про виконання бюджету із можливістю оцінки бюджету за видатками на досягнення ЦСР.
10. Make changes to the order of strategic planning by taking into account the assessment of the dynamics of achievement of the SDGs indicators and the funds spent for their achievement.	10. Внести зміни до порядку стратегічного планування із врахуванням оцінки динаміки досягнення індикаторів ЦСР та видатків на їх досягнення.

INSTRUCTIONS AND GUIDELINES

The format of integration of the mentioned initiatives might differ for various jurisdictions and management structures, and follows the principles of the intersectoral collaboration approach, data-driven decision making, inclusivity and flexibility. Still, this Strategy proposes the following working plan of the BSDG introduction into governance at any structural level. The working plan contains 4 main steps presented in Figure 2 and described below in English and Ukrainian.

Figure 2. Proposed working plan for BSDG introduction.

1. The Government / Oblast Administration/ Council of the territorial community decides on the integration of the SDG 2030 Agenda, the commitment of which Ukraine undertook in 2015, to the management of public funds.

2. By decision of the relevant governing body, the interagency working group (IWG) is created, which includes representatives of strategic departments, chief fund managers, statistical management bodies and other stakeholders, including professional non-governmental organizations. The task of the IWG is proposed to state the following: "*Assessment of the managerial environment concerning the issue of the integration of SDGs and the implementation of necessary changes*."

3. Responsible bodies, defined by the IWG, get acquainted with the SDG Agenda and relevant supporting materials and analyze the environment according to its own or recommended methodology (Attached to the Annexes to the Strategy).

4. If necessary, the IWG initiates the necessary changes to strategic or budget documents and enshrines their consistency in regulations for further automation and annual monitoring of the achievement of the SDGs 2030.

Lists of issues for the "Assessment of the managerial environment concerning the issue of the integration of the SDGs and implementation of necessary changes" are presented below with the assessment process guidelines visualized in respective Annexes.

List of issues for the National level government:

1. Projects and tasks of strategic documents at the national level contain their alignment with the relevant SDGs and SDG Targets.

2. The measures and tasks of the Government Action Plan include their compilation with the relevant SDGs and SDG Targets.

3. There is a list of SDG Targets that are not included in any of the strategic documents at the national level.

4. The main spending units that form passports of budget programs are indicated in the relevant SDG/s in paragraph 6 and relevant SDG Target in paragraph 8.

5. Item 4 of the report on the implementation of the budget program passport indicates the relevant SDG/s.

6. Item 6 of the report on the implementation of the passport of the budget program indicates the relevant SDG Target/s.

7. A column has been added to the budget execution report indicating the relevant SDG/SDG Target after column 2 (Budget Classification Code).

8. The published report on budget execution on the open portal has the function of deriving expenditures by SDGs and by SDG Targets.

9. The budget request for the next period is formed on the basis of expenditures on the SDGs of the previous period and the achievement of SDGs' indicators.

List of issues for the Oblast level government:

1. Projects and tasks of Oblast Development Strategy contain their alignment with the relevant SDGs and SDG Targets.

2. The measures and tasks of the Strategy Action Plan include their compilation with the relevant SDGs and SDG Targets.

3. There is a list of SDG Targets that are not included into any of the strategic documents at the oblast level.

4. The main spending units that form passports of budget programs are indicated in the relevant SDG/s in paragraph 6 and relevant SDG Target in paragraph 8.

5. Item 4 of the report on the implementation of the budget program passport indicates the relevant SDG/s.

6. Item 6 of the report on the implementation of the passport of the budget program indicates the relevant SDG Target/s.

7. A column has been added to the budget execution report indicating the relevant SDG/SDG Target after column 2 (Budget Classification Code).

8. The published report on budget execution on the open portal has the function of deriving expenditures by SDGs and by SDG Targets.

9. The budget request for the next period is formed on the basis of expenditures on the SDGs of the previous period and the achievement of SDGs' indicators.

List of issues for the Community level government:

1. Projects and tasks of Community Development Strategy contain their alignment with the relevant SDGs and SDG Targets.

2. The measures and tasks of the Strategy Action Plan include their compilation with the relevant SDGs and SDG Targets.

3. There is a list of SDG Targets that are not included in any of the community's strategic documents.

4. The main spending units that form passports of budget programs are indicated in the relevant SDG/s in paragraph 6 and relevant SDG Target in paragraph 8.

5. Item 4 of the report on the implementation of the budget program passport indicates the relevant SDG/s.

6. Item 6 of the report on the implementation of the passport of the budget program indicates the relevant SDG Target/s.

7. A column has been added to the budget execution report indicating the relevant SDG/SDG Target after column 2 (Budget Classification Code).

8. The published report on budget execution on the open portal has the function of deriving expenditures by SDGs and by SDG Targets.

9. The budget request for the next period is formed on the basis of expenditures on the SDGs of the previous period and the achievement of SDGs' indicators.

Annex A.1.
BSDG GUIDELINES FOR THE STATE LEVEL

1 Projects and tasks of strategic documents at the national level contain their alignment with the relevant SDGs and SDG Targets

| YES | ← Make appropriate changes to strategic documents at the national level ← | NO |

2 The measures and tasks of the Government Action Plan include their compilation with the relevant SDGs and SDG Targets

| YES | ← Make appropriate changes to the Government Action Plan ← | NO |

3 There is a list of SDG Targets that are not included into any of the strategic documents at the national level

| YES | ← Develop a comprehensive list of unmentioned SDG Targets ← | NO |

4 The main spending units from passport of budget programs are indicated in the relevant SDG/s in paragraph 6 and relevant SDG Target in paragraph 8

| YES | ← Introduce needed amendments to the passports of budget programs ← | NO |

5 Item 4 of the report on the implementation of the budget program passport indicates the relevant SDG/s

| YES | ← Introduce needed amendments to the report on the implementation of the program passport ← | NO |

6 Item 6 of the report on the implementation of the passport of the budget program indicates the relevant SDG Target/s

| YES | ← Introduce needed amendments to the report on the implementation of the program passport ← | NO |

7 A column has been added to the budget execution report indicating the relevant SDG/ SDG Target after column 2 (Budget Classification Code)

| YES | ← Introduce needed amendments to the budget execution report ← | NO |

8 A report on budget execution published on the open portal has the function of deriving expenditures by the SDG Targets

| YES | ← Introduce needed amendments to the publication of the budget execution report ← | NO |

9 The budget request for the next period is formed on the basis of the SDGs' expenditures for the previous period and the achievement of the SDGs' indicators

| YES | ← Introduce needed amendments to the planning procedures ← | NO |

Annex A.2.
BSDG GUIDELINES FOR THE OBLAST LEVEL

1 Projects and tasks of Oblast Development Strategy contain their alignment with the relevant SDGs and SDG Targets

| YES | Make appropriate changes to the Oblast Development Strategy | NO |

2 The measures and tasks of the Strategy Action Plan include their compilation with the relevant SDGs and SDG Targets

| YES | Make appropriate changes to the Strategy Action Plan | NO |

3 There is a list of SDG Targets that are not Included into any of the strategic documents at the regional level

| YES | Develop a comprehensive list of unmentioned SDG Targets | NO |

4 The main spending units from passports of budget programs are indicated in the relevant SDG/s in paragraph 6 and relevant SDG Target in paragraph 8

| YES | Introduce needed amendments to the passports of budget programs | NO |

5 Item 4 of the report on the implementation of the budget program passport indicates the relevant SDG/s

| YES | Introduce needed amendments to the report on the implementation of the program passport | NO |

6 Item 6 of the report on the implementation of the passport of the budget program indicates the relevant SDG Target/s

| YES | Introduce needed amendments to the report on the implementation of the program passport | NO |

7 A column has been added to the budget execution report indicating the relevant SDG/ SDG Target after column 2 (Budget Classification Code)

| YES | Introduce needed amendments to the budget execution report | NO |

8 A report on budget execution published on the open portal has the function of deriving expenditures by SDGs and SDG Targets

| YES | Introduce needed amendments to the publication of the budget execution report | NO |

9 The budget request for the next period is formed on the basis of expenditures on the SDGs of the previous period and the achievement of SDGs' indicators

| YES | Introduce needed amendments to the planning procedures | NO |

Annex A.3.
BSDG GUIDELINES FOR THE COMMUNITY LEVEL

1 — Projects and tasks of Community Development Strategy contain their alignment with the relevant SDGs and SDG Targets

| YES | ← Make appropriate changes to the Community Development Strategy ← | NO |

2 — The measures and tasks of the Strategy Action Plan include their compilation with the relevant SDGs and SDG Targets

| YES | ← Make appropriate changes to the Strategy Action Plan ← | NO |

3 — There is a list of SDG Targets that are not included into any strategic documents at the community level

| YES | ← Develop a comprehensive list of unmentioned SDG Targets ← | NO |

4 — The main spending units from passports of budget programs are indicated in the relevant SDG/s in paragraph 6 and relevant SDG Target in paragraph 8

| YES | ← Introduce needed amendments to the passports of budget programs ← | NO |

5 — Item 4 of the report on the implementation of the budget program passport indicates the relevant SDG/s

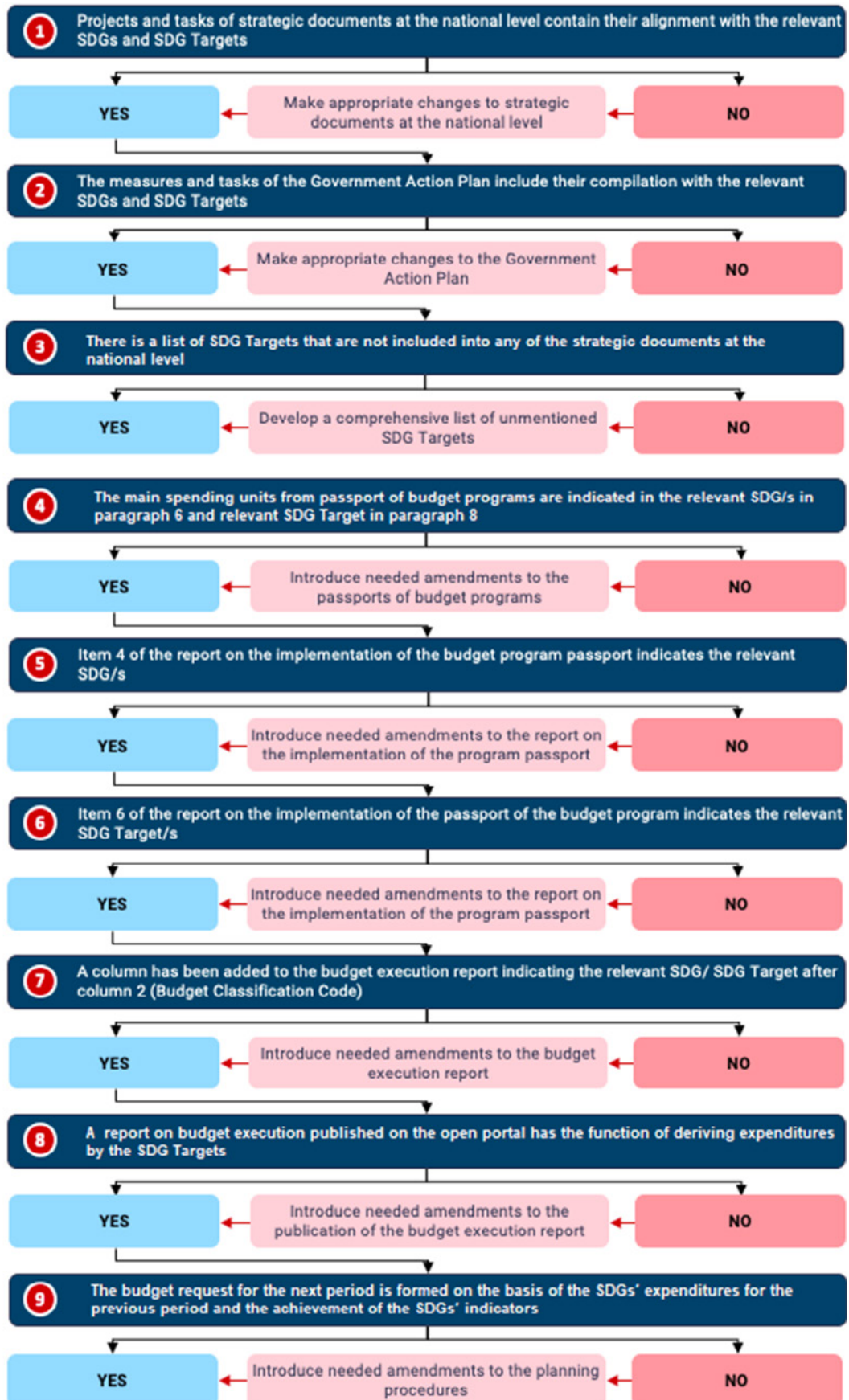| YES | ← Introduce needed amendments to the report on the implementation of the program passport ← | NO |

6 — Item 6 of the report on the implementation of the passport of the budget program indicates the relevant SDG Target/s

| YES | ← Introduce needed amendments to the report on the implementation of the program passport ← | NO |

7 — A column has been added to the budget execution report indicating the relevant SDG/ SDG Target after column 2 (Budget Classification Code)

| YES | ← Introduce needed amendments to the budget execution report ← | NO |

8 — A report on budget execution published on the open portal has the function of deriving expenditures by SDGs and SDG Targets

| YES | ← Introduce needed amendments to the publication of the budget execution report ← | NO |

9 — The budget request for the next period is formed on the basis of expenditures on the SDGs of the previous period and the achievement of SDGs' indicators
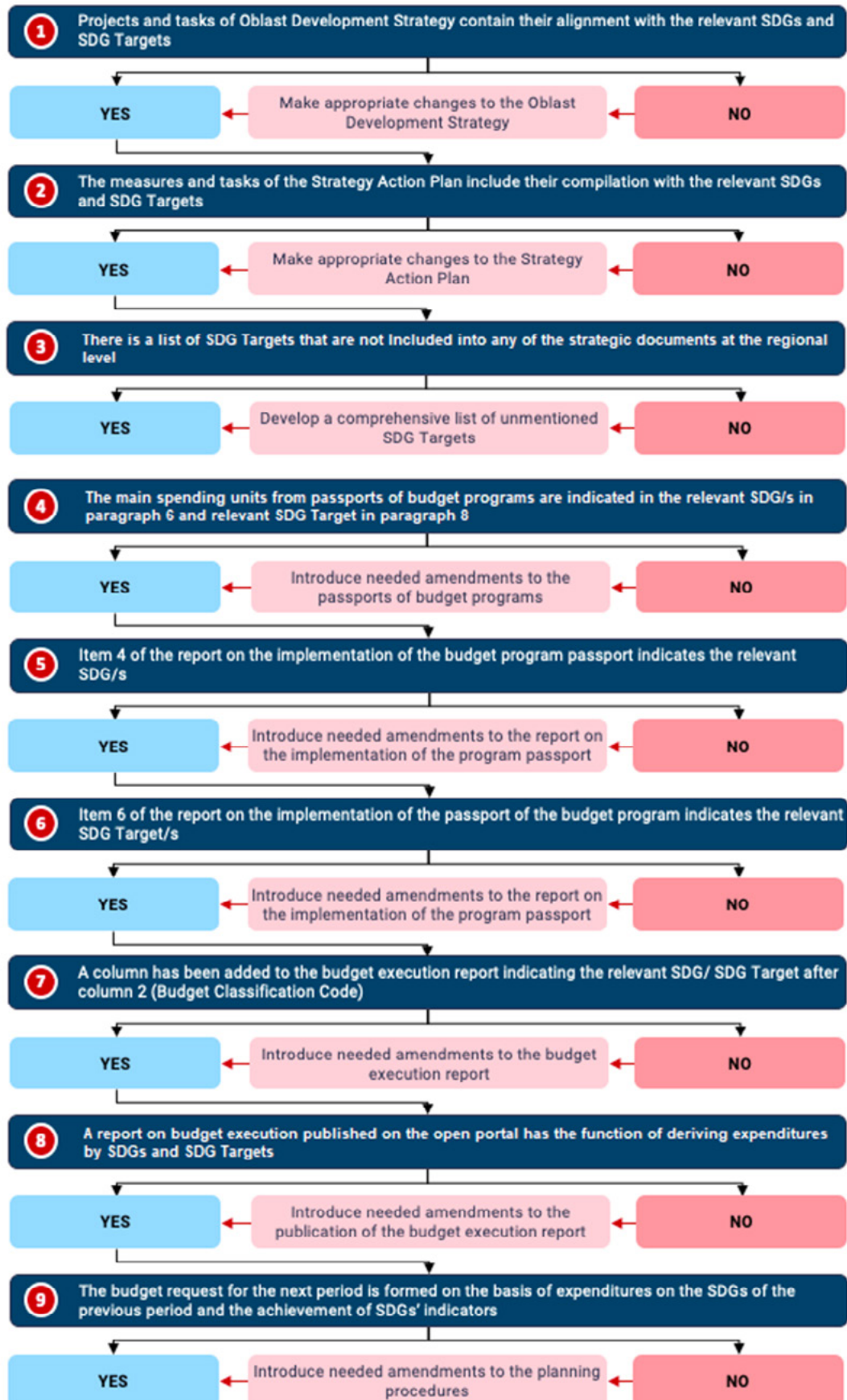
| YES | ← Introduce needed amendments to the planning procedures ← | NO |

Annex B.
SUMMARY NOTES FROM IWG SESSIONS

Issue	Authority	Comment
Methodology	Ministry of Finance of Ukraine	In determining approaches to be used to assess the activities and tasks performed within the budget programs as compared to the SDGs, special attention should be paid to the SDGs, the achievement of which is ensured by several budget programs (including various bodies), as well as budget programs, which can be aimed at achieving multiple SDGs.
Methodology	Ministry of Finance of Ukraine	We believe that the state and regional policy goals at the local level, which are reflected in the passports of budget programs, should be coordinated and formed subject to the provisions of the Decree of the President of Ukraine "On Sustainable Development of Ukraine until 2030" dd. 30.09.2019 No. 722/2019. We note that one of the major principles of the budget system of Ukraine is the principle of unity, which is provided by a single legal framework, a single monetary system, a single regulation of budgetary relations, a single budget classification, unity of budget execution and accounting and reporting. Therefore, in the case of developing detailed instructions on the application of a methodological approach to the consolidation of program expenditures with the SDGs and the relevant decision of the Government, the documents used in the budget process at the local level will be aligned with such a decision.
Limitations	Ministry of Finance of Ukraine	One of the limitations for the application of the Methodology is defined: "Strategic planning does not contain a formal summary of the Government's Program Objectives aligned with the SDGs, which makes it impossible to form passports of budget programs with defined SDGs." We consider this restriction to be a key one. In order to abolish it and harmonize the SDGs and the goals of state policy in the system of strategic planning, it is necessary to involve the Ministry of Economy. Accordingly, this will be a step towards harmonizing the SDGs with budget planning and budget financing, as the Budget Code of Ukraine, which defines the principles of the program-target method, provides inclusion in the documents, formed at different stages of the budget process, in particular, to the Budget Declaration, budget request, budget program passport.
Guidelines	Poltava Agency for Regional Development	Make changes to the form of the Regional Development Strategy / TG Strategy indicating the SDG goals and targets, which should correlate with the strategic goals, operational goals (directions) and objectives specified in the Strategy.
Guidelines	Poltava Agency for Regional Development	Make changes to the form of the program budget passport, approved by the Order of the Ministry of Finance of Ukraine, indicating the goals and objectives of the SDGs: – indication of the SDGs after item 6. The purposes of the state policy on which achievement realization of the budgetary program is directed; – indication of the SDG Target after item 8. Tasks of the budget program.
Guidelines	Department of Finance of the Kherson Regional State Administration	To supplement the list of effective indicators of budget programs with the SDGs. Integration of SDGs should be added when compiling budget requests and budget program passports.
Guidelines	Department of Finance of the Kherson Regional State Administration	Consider developing a separate reporting form on this issue and adding it to the report on the implementation of local budgets. In this case, the State Treasury Service will be responsible for the formation of such a report.

BUDGET TAGGING OF THE UKRAINIAN BUDGET SYSTEM WITH SUSTAINABLE DEVELOPMENT GOALS