



Budgeting for the Sustainable Development Goals

Aligning domestic budgets
with the SDGs

Guidebook (2020)



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Acronyms

BRH	Bangkok Regional Hub
B4SDG	Budgeting for SDGs
CC	Climate Change
CCBII	Climate Change Budget Integration Index
CO	Country Office
CSO	Civil Society Organizations
DFA	Development Finance Assessment
FMIS	Financial Management Information System
IMF	International Monetary Fund
INFF	Integrated National Financing Framework
LNOB	Leaving No One Behind
MAPS	Mainstreaming, Acceleration and Policy Support
MDG	Millennium Development Goals
MOF	Ministry of Finance
MPI	Multidimensional Poverty Index
MTEF	Medium-Term Expenditure Framework
OECD	Organization for Economic Cooperation and Development
PEFA	Public Expenditure Financial Accountability
PFM	Public Financial Management
PER	Public Expenditure Review
PEIR	Public Expenditure and Institutional Review
PIMA	Public Investment Management Assessment
RBB	Results-based Budgeting
RIA	Rapid Integrated Assessment
RIA²	Regulatory Impact Assessment
SAI	Supreme Audit Institution
SDG	Sustainable Development Goals
UNDG	United Nations Development Group
UNDP	United Nations Development Program
VNR	Voluntary National Review
WB	World Bank

1. Background

The General Assembly of the United Nations adopted a resolution which joins all countries' efforts in achieving sustainable development by 2030. 2030 Agenda is formed guided by the purpose and principles of the Charter of the United Nations. Seventeen development areas have been declared as universal goals of the 2030 Agenda and all member countries are now part of the new Global 2030 Agenda: the Sustainable Development Goals¹ with 17 goals and 169 targets to measure the progress. Based on lessons from MDGs, governments need to systemically translate their high-level policy priorities into budget decisions and deliver via domestic budget processes.

This note is the second of two papers on Budgeting for SDGs (B4SDG) and aims at facilitating discussion and presenting possible solutions and models of Budgeting for SDGs for countries to consider while supporting the mainstreaming and accelerating efforts of national governments as part of the SDG agenda. The first paper "Budgeting for Agenda-2030: An Introductory Note"² introduces an overall framework for the approach to B4SDG reforms. The primary focus of this Note is in supporting the improvement of public expenditure effectiveness, efficiency, and equity pattern in delivering the SDGs. UNDP Finance Sector Hub has also developed various methodology tools and service offers addressing other aspects of Financing for SDGs, including on budget revenues and debt instruments, aligning with and unlocking private sector financing for SDGs, Integrated National Financing Frameworks, impact measurement, etc.³

B4SDG solutions may vary in their nature and are short-term and long-term in their reforms path. Some tools can be applied in isolation from others, others need an orchestrated effort throughout the whole Agenda-2030 timeframe. The paper discusses a range of challenges and building blocks to address those challenges and tries to filter down the number of options to four basic models of budgeting for SDGs presented below. Thus, the primary audience of this paper are UN agencies that support countries in mainstreaming the SDGs into national policy formulation, strategic and annual planning, budgeting, monitoring, reporting and evaluation processes. This paper can also be used as a guidance for designing the budgeting component of various programmes, projects and interventions. For instance, 62 UN Country Team proposals focusing on putting in place Integrated National Financing Frameworks (INFFs) have been approved in May 2020 by the Joint SDG Fund and UNDP is the lead organization in supporting these INFF initiatives in beneficiary countries. Budgeting for SDGs is a primary component in 36 of those INFF programmes and a supporting activity in 16 others (87% of funded INFF proposals).

The Opportunity for Accelerating the Achievement of SDGs Through Integration in Budgets

Countries and governments respond to broad sustainable development agenda in one way or another. Many aspects of health, poverty, education, security, environment, governance, and economic development are addressed in national policy, planning, budgeting, and accountability frameworks. Those may be explicitly linked to SDGs in some cases, or in other cases such linkage may not be explicit, or even non-cognisant and well-articulated. What the SDGs bring into governance systems is a more comprehensive, structured, and measurable dimension to national and international development goals, to assess public policies. The SDGs also aim to help countries improve cooperation between their ministries, and therefore design and build more coherent public policies. The interactions between the targets are considered the cornerstone of this global agenda that closely associates the different dimensions of sustainable development⁴. With SDGs explicitly being present in the national policy agenda, countries ensure a more coherent approach to national governance practices.

1 See resolution A/RES/70/1 adopted by the UN General Assembly on 25 September 2015

2 See Budgeting for Agenda-2030: The Concept Note, UNDP, 2020

3 See <https://sdgfinance.undp.org/>

4 https://www.iddri.org/sites/default/files/import/publications/pb1117_dd_odd-france.pdf.

Public budgets are simultaneously economical, legal, and political tools. As such, they are the most powerful instruments to ensure that policies, plans, and priorities of governments are implemented. The better the public budgeting is, the closer the policy implementation and outcomes are to the plans. ‘Better budgeting’ in the context of 2030 Agenda means explicit and measurable presentation of SDG targets in budget allocations and reports (and in other elements of the budget cycle), and use of those in budget decision-making. This can be achieved by adapting systems and practices through which the executive, the legislature, audit institutions, and the public are informed about the government’s SDG-related budget policies and implementation, and are closely engaged in accountability processes throughout the budget cycle. In other words, if governments are serious about delivering the SDGs, they shall not simply announce the goals in high-level policy papers, but must consider bridging the SDGs with their national budget systems too. The actual modality of such bridging may vary from country to country, dependent on many factors, which this paper addresses below.

When SDGs become part of the country’s national policy framework, it is crucial that the process is then followed by SDG integration into the countries’ budgetary frameworks. This is essential to ensure that the policy prioritizations are expressed in budgets as the latter is the strongest domestic legal basis that reflects countries’ commitments to 2030 Agenda and its related SDGs. If not integrated into the budgets, then it is very likely to expect disconnects between the strategic planning frameworks that have made commitments to the 2030 Agenda on the one hand, and public budgets that remain driven by “business as usual” on the other. Such disconnect is possible even in developed countries with good strategic planning and budgeting systems, e.g. despite having a set of new indicators for national sustainable development and welfare⁵, and the process of presentation of annual reports⁶ to Parliament and the public, these had not been enough to be able to significantly inform the development of public policies and their translation in the budget in France, as was the case a few years ago⁷. There have also been criticisms that such reports could remain a “communication exercise”, especially if the Executive selects exclusively the indicators showing good performance, as opposed to a more comprehensive approach⁸.

The United Nations is working together with its partners to support Ministries of Finance and Planning in establishing Integrated National Financing Frameworks (INFFs) that will strengthen financing working across public and private sectors towards national development priorities and the SDGs. In the context of the COVID-19 recovery, INFFs will play a key role in ensuring that countries can build back better, with a new generation of medium-term development plans, and financing strategies geared towards a sustainable future. Ensuring that the risks and opportunities of sustainable development are at the heart of budget decision making and public financial management will be a cornerstone for these Integrated National Financing Frameworks (INFFs).

5 The new indicators of welfare were introduced in France in 2015 through legislation under a law known as the “SAS Act”. The Act sought to introduce a whole new set of indicators to assess the public policies in the budget laws as it considered that GDP alone could not capture the different dimensions of sustainable development and welfare. For more information on the SAS Act and why it was introduced, please see <http://www.assemblee-nationale.fr/14/propositions/pion2285.asp>

6 The latest edition of the France’s Annual Report on the New Indicators of Welfare presented by the Prime Minister Office can be found here: <http://www.gouvernement.fr/le-rapport-2017-sur-les-indicateurs-de-richesses>

7 SDGs: A Policy Roadmap for France: https://www.iddri.org/sites/default/files/import/publications/pb1117_dd_odd-france.pdf
See also the assessment of the French Economic Observatory: <https://www.ofce.sciences-po.fr/pdf/pbrief/2017/pbrief14.pdf>

8 http://www.lemonde.fr/economie/article/2017/03/25/dominique-meda-il-faut-de-nouvelles-boussoles-pour-raisonner-au-dela-de-la-croissance_5100722_3234.html

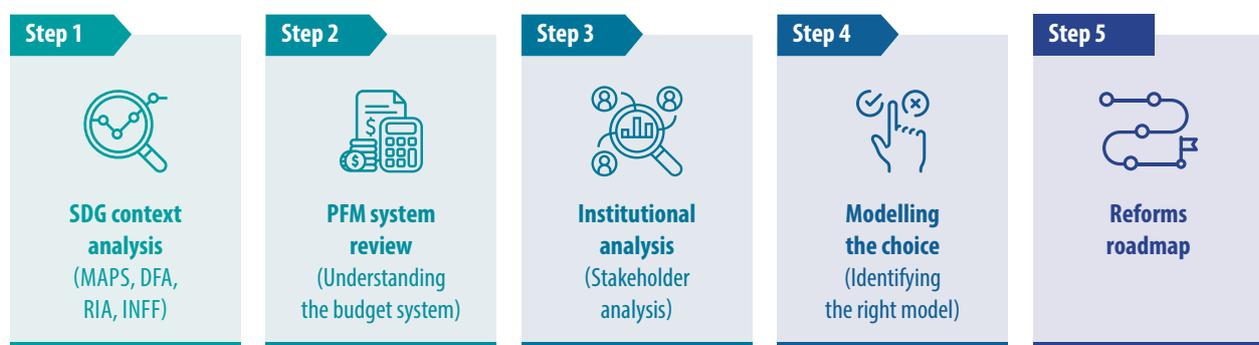
2. Facilitating the B4SDG approach with Governments

There is a growing focus on ensuring the effective integration of SDGs into national budgetary and planning processes⁹. Given its broad development mandate and country presence, UNDP, in partnership with peer organizations, is well placed to focus on SDG budgeting, strengthening the linkages to SDG-aligned planning and financing strategies and integration of efforts on governance, of SDGs and public financial management (PFM) in particular. Governance reforms is a competitive advantage of the organization over many other peers amongst the Development Partners. Other UN organizations and peers have significant PFM related expertise and experience in performing such reforms at sector level.¹⁰ Apart from standard PFM policy solutions and initiatives, UNDP also has experience in specific PFM reforms via development and promotion of solutions for sustainable development that go beyond the standard sectoral budgeting reforms. For instance, support to Public Expenditure and Institutional Reviews (PEIR) in cross-cutting areas (climate change, biodiversity, gender), as well as support to budget coding (climate, SDGs) and reporting reforms¹¹. UNDP's approach is not prescriptive and is adapted to different country contexts in line with their budgeting approaches.

Sequence of activities in promoting the B4SDG agenda

The following steps are designed to support UNDP country offices or UN country teams in defining the sequence of activities in promoting the B4SDG agenda. These steps, however, must be adjusted to be synergistic with ongoing country reforms and global efforts in relation to collaborative country support. For instance, facilitation of the Integrated National Financing Frameworks (INFF), Development Finance Assessments (DFA), Rapid Integrated Assessments (RIA) and the UN Joint SDG Fund programmes.¹²

Figure 1. Sequence of Steps



⁹ E.g., for UN, see FAO, UNICEF, UNDP, UN Women; and also IDDRI OECD,

¹⁰ See Annex C: Indicative List of PFM Tools Applied by Some UN Agencies.

¹¹ See more at UNDP Governance of Climate Change Finance (www.cfade.org) and BIOFIN (<https://www.biodiversityfinance.net/>)

¹² See more information on tools at <https://sdgfinance.undp.org/>

SDG context analysis

The first step is the SDG Context Analysis that may consist of various components (as illustrated in the Figure 1 and below).



STEP

1

STEP

2

PFM system review

UN/UNDP country teams have access to existing documents, reviews and analyses that will help understanding the country's budget system. This is an important step to align the proposed B4SDG model with the country context.



Institutional analysis

The purpose of this step is to form the map of key stakeholders and to assess their role in promoting, supporting, and implementing B4SDG reforms. Importantly, these stakeholders are not solely the national institutions and government organizations but also development partners and UN peers.



STEP

3

STEP

4

Modelling the choice

This paper offers a wide range of tools that can be applied for B4SDG reforms and that correspond to the problem tree identified in the first paper – Budgeting for Agenda-2030: The Concept Note. The choice of the most relevant tools for each country requires a systemic review of the context, available options for tools, capacity constraints, and timeframe for the reforms. These details are discussed below in more details.



Institutional analysis

Finally, the results of preceding steps need to be formulated in reforms offer that UN/UNDP country offices need to discuss with government counterparts, primarily finance ministries and agree on the actual roadmap.



STEP

5

The details for each of the above steps are presented in relevant sections. ▶

Example on bridging B4SDG with ongoing processes in the Kyrgyz Republic

The Kyrgyz Republic is in the process of establishing an Integrated National Financing Framework (INFF). As part of this process, UNDP has been working with the Ministry of Finance to consider options in alignment of SDG targets with the country's national budget performance framework. The process aims at a relatively simple B4SDG tool to be deployed in the course of the following 6 months, to be followed by a more systemic B4SDG response that is to be implemented as part of the INFF Roadmap.



STEP 1: SDG Context Analysis

1

The typical initial process is a stocktaking exercise on where the country stands in terms of mainstreaming the SDGs into national strategic planning, policy formulation, budgeting, monitoring and evaluation processes. There are many effective instruments and processes that help a government to nationalize the SDGs and integrate them into national governance systems. One of the first steps in considering the B4SDG in any country can be a review of those processes and results achieved so far. Such analysis can be done by UNDP CO in-house capacities using own expertise and knowledge, perhaps through the country economist, SDG focal point, or financing policy advisors. Findings from overall governance practices assessments, Mainstreaming, Acceleration and Policy Support (MAPS) engagements Rapid Integrated Assessments (RIA), Development Finance Assessments (DFA) and Integrated National Financing Frameworks (INFF) roadmaps, as well as more general information on government's national development strategies, VNRs, Development Partners support in specific SDG areas, sector strategies and strategic plans and other relevant exercises can be a good basis for such analysis with, however, some specifics added on bridging overall governance systems specifically with the PFM frameworks.

Inclusion of PFM components during MAPS missions and via DFA, RIA, INFF related processes/reports or other relevant initiatives will help smoothly bridge the suggested Step 1 and Step 2 of this Note. It may also help in designing short-term solutions and an immediate intervention that are relevant in the country context, e.g. the Joint SDG Fund Call for Proposals in 2020. Within the above contexts, there are entry points for UNDP to engage with the governments on Budgeting for SDGs on immediate actions while leaving longer-term systemic solutions after follow-up analytical steps are completed.

Review of General Governance Practices

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. A review of previous MDG (if relevant) governance successes and lessons, or any other quality assessment of various aspects of governance in relation to national development goals, is a good starting point.

Countries may already have reviews of SDG-related national goal setting, e.g. through UN MAPS engagements – Mainstreaming, Acceleration and Policy Support for SDGs. Each component may inform decision makers on how to integrate SDGs into budgets effectively. For instance, if a country has an effective

system of relatively more decentralized¹³ governance practices (and budget formulation process as part of it), and budget decisions are properly informed by the country's policy and strategic planning systems, then decentralized SDG budgeting model with limited adjustments to existing practices can still be very effective in ensuring SDGs are integrated into the budgets.

Therefore, the primary focus on institutionalizing the B4SDG reforms in such an environment would be at the level of line ministries to integrate SDGs in their sector strategies, and rely on conventional budgeting and M&E systems to effectively deliver such strategies to the people, and so achieve SDGs. In fact, many European countries have focused on sector-level SDG budgeting, and in an indirect manner, rather than applying a centralized methodology by the Central Budgeting Authority¹⁴. Such approach is in line with the general practices of application performance-based budgeting in such countries, as evidenced by the survey conducted by OECD¹⁵, whereby the role of line ministries is more critical in allocating budgets using performance information, setting performance targets, generating the performance information, and conducting evaluations. Hence, it is natural for those countries also to integrate SDGs into their budgeting practices in a more decentralized fashion. However, this model is not a universally effective and recommended approach as it heavily relies on a governance model that is practiced in some countries, while a more decentralized B4SDG approach will be more applicable to match a more centralized governance model of that country.

Development Finance Assessment (DFA)

The DFA is a tool to identify opportunities to mobilize additional sources of finance and use existing financial resources more efficiently to achieve the SDGs. The DFA offers support for governments and their partners in identifying and building consensus around solutions to address financing challenges. It follows a process of multi-stakeholder consultation informed by accessible analysis on finance policy issues, and what they mean for a wide range of actors, and builds an agreed roadmap that can support progress across a range of areas, including:

- Strengthening the link between planning and finance policy functions.¹⁶
- Strengthening multi-stakeholder dialogue on financing.
- Solutions and reforms for mobilizing resources.
- Effectively managing finance for results.

The DFA is structured as a government-led process, with an oversight team led by a key ministry to guide the DFA process. It aims to demystify technical debate on public and private finance and brings together decision makers from across government, the private sector, International Financial Institutions (IFIs), NGOs, development partners and other actors. By engaging this wide group of actors and making financing dialogue more accessible, the DFA aims both to build a broader base of support for reform agendas and to identify innovative solutions to

DFA and PFM System Review (Namibia and Uganda)

Various examples of DFA illustrate the comprehensive nature of DFAs that can be effectively used in Steps 1, 2, and 3 of this Note. The DFA in Namibia conducted in 2019 provides detailed information on planning and budgeting processes, roles of various institutions, information on linking Medium-Term Development Planning and Budgeting for Results, Components of the Integrated National Framework for Planning and Financing, etc.

The DFA conducted in Uganda in 2019 presents information on the integrated planning and budgeting, PFM challenges, MTEF and budget preparation process details, monitoring and evaluation practices, etc.

In fact, DFAs already supply substantial information requested in the Steps 1, 2, and 3 of this Guidance Note.

13 The term 'decentralized' in this case is primarily used to describe a decentralized budget formulation process with line ministries playing most important role in bridging sector policies with budget allocations. However, it can also be used in the context of federal vs. subnational level budget formulation.

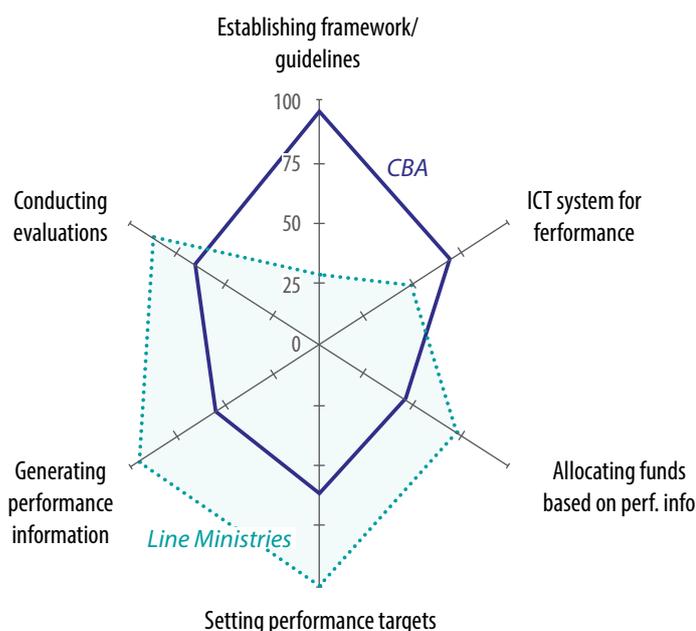
14 See "Budgeting for the SDGs in Europe", ESDN Quarterly Report 52, 2019

15 See "2016 OECD Performance Budgeting Survey, OECD, 2016

16 DFAs also identify opportunities to promote a stronger performance orientation in budgeting and analyse the strategic phase of budget development for strategic policy priorities for the allocation of resources under the budget.

the challenges of financing the SDGs¹⁷. A thorough analyses of institutional frameworks, PFM practices and processes revealed in DFAs¹⁸ provide substantial information that can speed-up the B4SDG design step, e.g. presentation of MTEF and budget steps and processes helps in identifying the relevant institutions, elements of the budget cycle, and required adjustments to budget formulation business processes. Such comprehensive picture provided in DFA (or other existing reports may help COs in speeding-up the overall B4SDG analytical steps, and moving to the Step 4 of this Guidance Note.

Figure 2. The role of Line Ministries in Performance-based Budgeting.



Source: OECD Survey, 2016

Rapid Integrated Assessment (RIA)

The objective of RIA toolkit is to support countries in mainstreaming the Sustainable Development Goals into national and subnational planning, by helping them to assess their readiness for SDG implementation. The toolkit suggests clear steps and templates for policy makers to conduct RIA of the SDGs to determine their relevance to the country context, both at the national and subnational level, and interlinkages across targets. The RIA is applied in four stages as outlined below:

- **Stage 1** offers guidance on analysing the relevance of the SDGs for the country, including determining the national and subnational development priorities, and mapping SDG targets aligned to the development and sectoral plans.
- **Stage 2** provides options for applying an integrated approach to achieve sustainable development. This includes determining the focus of SDG targets vis-à-vis the sustainable development dimensions (social, economic, and environmental) and across the 5Ps (people, planet, prosperity, peace, and partnership) – to ascertain a balance across aligned targets, and to identify the interlinkages across targets.
- **Stage 3** discusses ways to assess existing monitoring capacity and provides a checklist for conducting a needs assessment. The need for cross-cutting indicators to reduce the monitoring burden at the country level is also discussed.

¹⁷ See UNDP (2019) Development Finance Assessment Guidebook

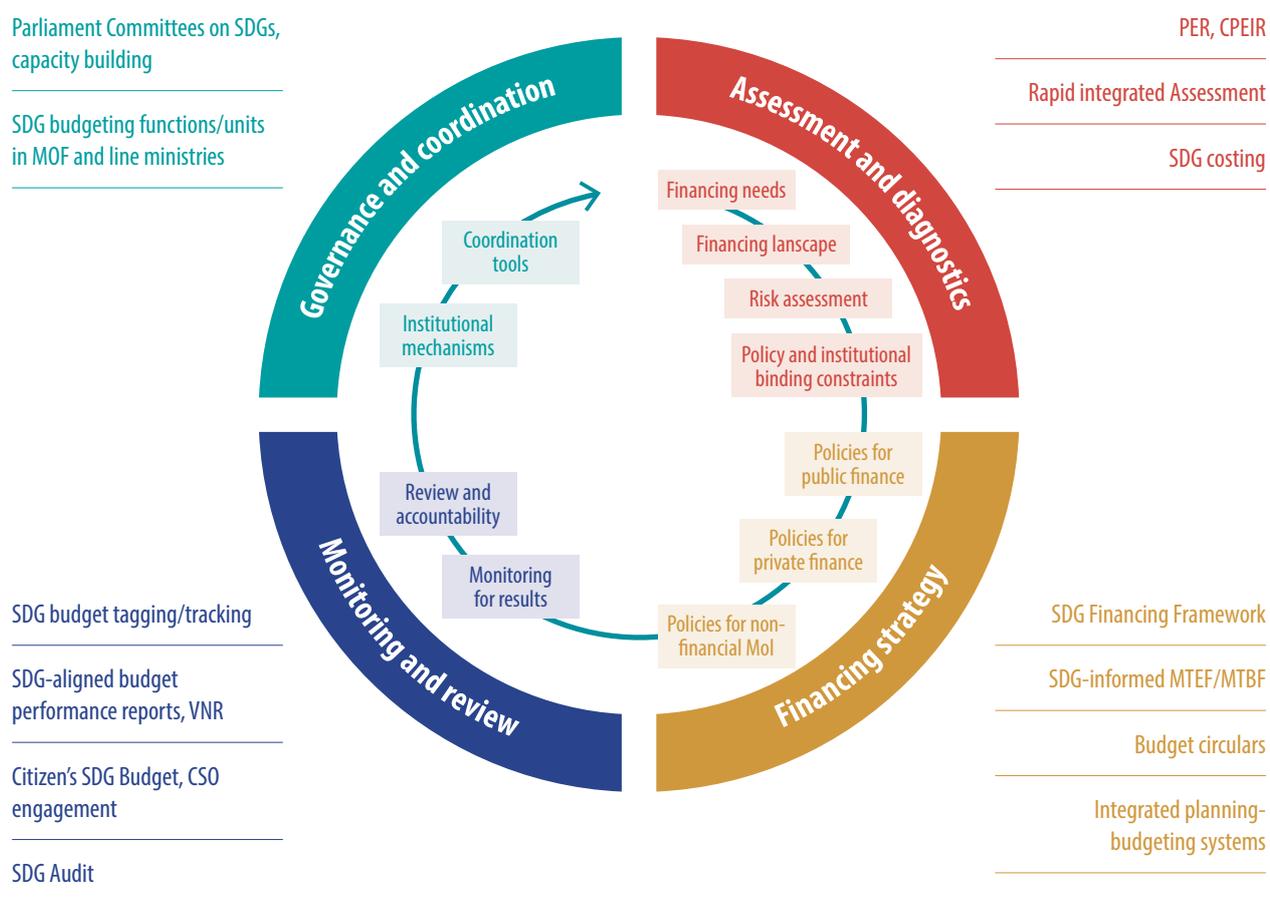
¹⁸ See DFA Namibia example [https://undp.sharepoint.com/:b:/r/teams/RSCA/Know/sscde/Country%20Folders/Development%20Finance%20Assessment%20\(DFA\)/Namibia/DFA%20final%20report%20Nov%202019%20-Namibia.pdf?csf=1&web=1&e=fLurnV](https://undp.sharepoint.com/:b:/r/teams/RSCA/Know/sscde/Country%20Folders/Development%20Finance%20Assessment%20(DFA)/Namibia/DFA%20final%20report%20Nov%202019%20-Namibia.pdf?csf=1&web=1&e=fLurnV)

- **Stage 4** consolidates the primary output of the RIA. This entails developing a national and/or subnational SDG profile that identifies development challenges, gaps in alignment with the national/subnational plans, corresponding indicators and a quick snapshot of potential interlinkages. The SDG profile indicates the readiness of a country to mainstream and implement the SDGs¹⁹.

Integrated National Financing Frameworks (INFF) and the Role of B4SDG

The aim of an INFF is to provide a conceptual framework that government can use to strengthen integration between long-term sustainable development aspirations and the policies that will mobilise the investments needed to achieve those aspirations²⁰.

Figure 3. INFF Building Blocks and Related B4SDG tools



In follow up to the Addis Ababa Action Agenda, the Inter-Agency Task Force on Financing for Development has identified four building blocks of an INFF²¹ (see Figure 3). These are assessments and diagnostics, a financing strategy, monitoring and review, and governance and coordination. Bringing these building blocks together and operationalising the concept of an INFF can help governments to strengthen vertical integration between sustainable development aspirations, and the policies governing each individual area of public and private finance. It can help to build greater lateral integration and coherence across financing policies, addressing trade-offs, gaps and synergies, and deepen collaboration between public and private actors.

¹⁹ See Rapid Integrated Assessment (RIA): To facilitate mainstreaming of SDGs into national and local plans, UNDP, 2017

²⁰ See Development Finance Assessment and Integrated Financing Solutions, UNDP, 2017

²¹ See Financing for Sustainable Development Report 2019, United Nations, 2019

More than fifty countries are operationalising the INFF concept with UN support. Tools such as the DFA and guidance on SDG budgeting are at the heart of these endeavours. More specifically, budgeting for SDGs provides mechanisms for deepening the vertical integration between a country's long-term sustainable development aspirations and the resources over which government has most direct control, i.e. the budget. This is critical because of the importance and scale of public finance. Many SDGs are primarily public in nature and will require public investments and services; public finance is also one of the largest resources in the financing landscape for many countries. Enhancing the integration of the budget with the SDGs is therefore a key part of the objective of an INFF to strengthening vertical integration between development aspirations and financing policies. Strengthening budget-SDG integration can also have important positive spill-overs to other aspects of an INFF as well. A government that can tangibly show that the budget is integrally aligned to, and effectively investing in sustainable development outcomes, is likely to have greater success in promoting deeper alignment from other important actors across society, including SOEs and non-state and private actors. In these ways, budgeting for SDGs and INFFs are inextricably linked and for many countries operationalising an INFF, the options presented in this note will form important steps in the process.

All the above instruments are useful in stocktaking on the SDG context in a given country. However, those are not mandatory steps, neither in their sequence nor content for starting the discussions and design of the Budgeting for SDGs model. Country offices may also opt for a simpler Step 1 process and then move to the Step 2 below, in case of no sufficient background information being available to systemically analyse the SDG context when using the above instruments.



STEP 2: PFM System Review

2

After a review of the country's SDG overall context it is necessary to deep-dive into Public Financial Management systems to understand existing practices, revenue and expenditure trends and patterns, relevance of those to SDGs, fiscal space, fiscal accountability, and technical capacities of countries to align their budget cycles with Agenda-2030. Such specific PFM systems analysis can be performed by UNDP COs to identify bottlenecks and challenges, as well as opportunities on integrating SDGs into budget systems.

PFM system review can be done by UNDP Country Offices with their own expert resources, and by using local knowledge and expertise, and by using existing UNDP and other assessments, e.g. Public Expenditure and Financial Accountability (PEFA), Public Investment Management Assessment (PIMA), Public Expenditure Reviews (PER), IMF's Debt Sustainability Analysis, country reports on Article IV consultations, and other reports conducted by various development partners such as the WB, UNICEF, UNWOMEN, WHO, IMF, etc. Some of the existing PFM practices of a few UN organizations are presented in the Annex C of this Note.

Some countries have already completed a mapping of SDGs with country support portfolio, so basic understanding of national budget expenditure gaps in relation to specific SDG targets is available, also using findings from RIA analysis. COs may still want to have a more complete picture on SDG targets alignment with budget expenditure and identifying financing gaps, and the available fiscal space of national budgets to address the SDG policies and targets. This very exercise itself is an element of B4SDG, so lessons from that in-house exercise must be transferred to national counterparts (government and/or CSO), so monitoring of SDGs vs budget alignment takes place on a regular and systemic basis.

As part of the above exercise, country offices may also conduct a stocktaking, and possibly, even mapping of existing budget performance information in relation to SDG targets and beneficiaries (in countries where performance-based

budgeting exists in any of its forms). This is an important step in ensuring the beneficiary-centred approach of SDGs and its indicators are also properly reflected in budget performance indicators. If not, then there will be a certain risk in misalignment of “SDG language” with the “budget language” (e.g. in the context of LNOB) and therefore monitoring, reporting and accountability aspects of SDGs will be undermined in the budget framework. Absence or presence of such information in countries will be one of the driving factors in defining the appropriate model for Budgeting for SDGs.

Review of Specific Budgeting practices and ongoing reforms and systems in the country

- A comprehensive PFM system analysis will be useful to have while considering the right option for the B4SDG, e.g. by reviewing existing PFM system analytic reports and assessments. For instance, selected sections of the Public Expenditure Financial Accountability (PEFA²²) can inform on how reliable or policy-informed the budgets are, how transparent and accountable the Executive is, while formulating and reporting on budget expenditures, etc.
- More specifically, if a country runs (or is in the process of introducing) a programme-based budgeting, and have comprehensive and flexible FMIS systems, then integrating SDG-related targets into existing budget programmes would be much easier. If a country does not have a programme-based budgeting but has a solid experience in performance-based, or at least performance-informed budgeting practices, then naturally many (if not all) SDG national targets can be mapped with, or directly replace, the relevant outcome indicators and targets that the Executive and the Legislature are using during budget formulation and in budget negotiations, as well as monitoring and reporting processes.
- In addition, the identification of specific beneficiaries of government services is very important in aligning high-level policies and development goals with budget framework. Again, countries with some form of programme-based budgeting will naturally be better placed to align beneficiary-centred SDGs with budget programmes and allocations. Interestingly, some countries make it mandatory for the budget performance information to reflect “citizens’ perspective” to the budget expenditure. For instance, France introduced an Organic Budget Law in 2001 and a related “Methodology on Performance-Based Approach”, where one specific type of budget performance indicators is based on how citizens see the budget execution (mostly through outcome indicators). Having said that, countries without any form of performance/

UNDP FSH Service Offer on Revenues

In addition to the focus and tools on expenditures provided in this Note, UNDP FSH has also a set of service offers in relation to debt and revenue instruments of SDG Financing. Examples of such offers are the Tax Inspectors Without Borders (TIWB), Tax and Covid-19 Guidance Note and Developing Tax Policies to Accelerate Sustainable Development.

For instance, TIWB addresses the need of developing countries in tackling widespread tax evasion and avoidance by multinational enterprises. Under TIWB, highly qualified tax experts work alongside tax auditors of developing countries on live tax audits cases which help in augmenting revenue and also transfers skills through the unique “learning by doing” process.

TIWB partners with international organisations, partner countries who send tax experts to support developing countries and donor countries which provide the much-needed funds to support this assistance. It is a successful case study of bringing together many different players to one platform, to help build capacity in addressing international taxation issues.

The success of the model relies on complementary partnership between the UNDP and the OECD. The OECD provides the technical expertise in taxation. UNDP with its on-ground presence in developing countries provides support in implementation of TIWB programmes and helps get them embedded in country-owned and country-led development strategies.

TIWB has seen phenomenal growth since its launch with rising demand and highly impressive results. As of now, the initiative has already expanded to 39 countries and jurisdictions with 28 completed programmes, 44 programmes underway and 23 programmes in the pipeline. To date, TIWB programmes have contributed to USD 532 million in additional tax revenues for developing countries and overall tax assessments in excess of USD 1.75 billion.

22 See Pillar on Policy-based Fiscal Strategy & Budgeting, indicators PI-14, PI-15, PI-16 and PI-18, www.pefa.org

Public Expenditure and Financial Accountability

PEFA is designed to provide a snapshot of PFM performance at specific points in time using a methodology that can be replicated in successive assessments, giving a summary of changes over time.

PEFA is a methodology for assessing public financial management performance. It identifies 94 characteristics (dimensions) across 31 key components of public financial management (indicators) in 7 broad areas of activity (pillars).

www.pefa.org

Public Investment Management Assessment

IMF's PIMA is a comprehensive framework to assess infrastructure governance for countries at all levels of economic development. PIMAs evaluate the procedures, tools, decision-making, and monitoring processes used by governments to provide infrastructure assets and services to the public; help identify reform priorities; and devise practical steps for their implementation. In this context, and as part of the IMF's Infrastructure Policy Support Initiative (IPSI), PIMAs also promote the implementation of the 2015 Addis Ababa Action Agenda for financing sustainable development and the infrastructure-related SDG.

www.imf.org

programme-based budgeting also need to consider introduction of relevant framework for inclusion and explicit presentation of beneficiaries of the SDG goals in budget documents.

- Budgeting methodology and systems harmonisation in federal systems or countries with significant decentralization of budget systems is another key dimension for PFM analysis prior to the determination of Budgeting for SDGs model. This paper does not specify the methodological aspects for subnational level budgeting; instead, it serves to analyse the risks associated with possible misalignment of budget systems, methodology, and data consolidation processes that come from various approaches in budget processes and technologies. For instance, a variation in budget formulation and reporting business processes, budget calendars, circulars, and charts of accounts between different levels of government or disconnected/misaligned FMIS may impose significant risks in consolidating budget data, even if SDG classification is introduced at one or all levels of government.

Expenditure Analysis, Fiscal Space and Financial Sector Analysis

Domestic public and private financing capacity assessment on high-level national goals provide useful information to identify the scope of financing needs and gaps for SDG coverage. Various public expenditure reviews by UNDP, WB, and other agencies can inform on the extent to which budget allocations are responsive to national goals and whether the public expenditures are effective and efficient.

- **Application of PERs, PEIRs²³, review of revenue policies and administration practices, fiscal space (specifically in the context of financing SDGs) and other budget analysis tools** will help mapping the national development goals and SDGs with current budget allocations and identification of financing gaps. The findings from such assessments will be critical in understanding the roles of various stakeholders in a proposed Budgeting for SDGs model.
- **SDG Financing practices and capacities:** countries vary in their capacities to generate and manage private and international financial inflows for the SDGs. Existing Public Private Partnership practises, corporate social responsibility of private corporations and financial market maturity, savings ratio in the economy and the ability to attract SDG-linked bonds, etc. all play a significant role in identifying the niche for the Budgeting for SDGs. For instance, if a Low Income Developing Country heavily relies on international/donor support in SDG implementation, and if the Development Partners avoid using national PFM systems in implementing projects, then such a country is less likely to need comprehensive FMIS adjustments for Budgeting for SDGs (as DPs will anyway avoid using the national systems for

23 See UNDP BRH relevant products on Climate Public Expenditure and Institutional Reviews at www.cfade.org

sustainable development projects) than other countries with stronger budget fiduciary systems.

- **Accelerators identified:** Accelerators analysis helps identifying the most effective pathways to achieve targets for the relevant SDGs through a focused set of interventions that simultaneously impact many targets. This is a very important factor to consider as in those cases where a powerful accelerator is identified, a country with limited capacities may opt for a less complicated Budgeting for SDG model whereby existing budget formulation business processes, FMIS, and other PFM practices can effectively absorb the recommendations of the identified accelerator. Therefore, marginal adjustments and simpler solutions on budget formulation and reporting will be required in such country. UNDP has developed a tool to help countries with such an analysis²⁴. As a number of MAPS engagements demonstrate, although in all cases the accelerators are rooted in the national policy context, the approach to accelerators varies between the countries: i.e., in some countries those are identified during the review of existing plans, while in other cases the accelerators are defined during consultations and analysis using quantitative tools (e.g. Moldova). Countries with a data deficit may opt for a combination of consultations and simpler analytical tools.

B4SDG in EU Countries

B4SDG experience in European countries is mixed with most of the countries relying on their own national development strategies being the basis for budgeting, e.g. Romania and Estonia. Therefore, in such cases SDGs need to be integrated into the national strategies and subsequent various specific policy frameworks first, e.g. Sweden, but no specific SDG related budget allocations are explicitly visible. Such an approach also stimulates line ministries to operationalize SDGs in their ordinary budgets rather than finance ministries setting new budgeting criteria/processes to consider SDGs separately.

Germany introduced specific ex post and, in some cases, also ex ante sustainability justification requirements on specific budgeting processes, e.g. subsidies. Finland and Iceland, however, have moved further in that direction and linked their budget performance frameworks with SDGs which enables a stronger and more direct integration of SDGs in budget formulation, execution, reporting and accountability.

Supreme Audit Institutions are increasing their interest in SDGs starting with SDG preparedness assessment, e.g. Netherlands, and then also auditing the performance of budget programmes. For instance, Austrian SAI recommends alignment of the country's federal budget outcome targets with SDGs.

24 See UNDP SDG Accelerator and Bottleneck Assessment Tool



3

STEP 3: Institutional Analysis



We acknowledge also the essential role of national parliaments through their enactment of legislation and adoption of budgets and their role in ensuring accountability for the effective implementation of our commitments. Governments and public institutions will also work closely on implementation with regional and local authorities, sub-regional institutions, international institutions, academia, philanthropic organizations, volunteer groups and others

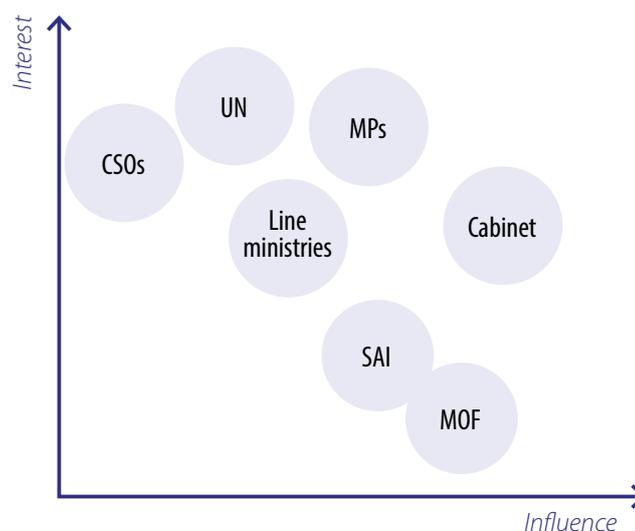
UN GA Resolution²⁵.

Stakeholders Analysis is a simple but powerful tool to define the entry points for UNDP COs in their communication with the government counterparts. It allows identification of primary partners within the national authorities who will be most influential and interested in promoting the B4SDG. This step can be easily completed by the CO using the existing knowledge of the CO staff.

Stakeholder Analysis as a Driving Factor for Choosing the Right Model

While presenting all the provided factors, options, and the toolkit, this paper focuses on a smaller number of most applicable models that countries may opt for as an optimal budgeting framework for SDGs. Basically, these 'shortlisted' options reflect on where the powers and interests of domestic stakeholders reside in relation to the Budgeting for SDGs and who the primary counterpart for the UNDP (UNDS) is in this regard.

Figure 4. Stakeholders Analysis for B4SDG



An indicative Stakeholders Analysis in relation to the interests and influence over opting for a model for Budgeting for SDGs is presented in the Figure 4. Although no specific and representative stakeholder analysis has been performed for this Concept Note, some indicative thinking on the possible balance of powers of national stakeholders is presented in this diagram nonetheless.

25 See Transforming Our World: the 2030 Agenda for Sustainable Development, UN General Assembly Resolution A/Res/70/1, 2015

Line ministries are likely to be amongst the most interested parties in seeking improved SDG-based budget allocations, as that will bridge their missions with allocated funds. Line ministries were also quite active in MDG processes for selected goals, and it is likely that goal-specific dialogue of Development Partners with national governments will still be most active via the line ministries, especially on the policy support side. However, they are hardly the most influential stakeholders in promoting and pursuing PFM system adjustments, so budgets start speaking SDG language.

On the other side, ministries of finance will be more influential to perform that task, but they may not be the most interested ones in new comprehensive governance agenda, such as the Agenda-2030 when it comes to PFM system changes. Budgeting systems are quite rigid in all countries and MOFs must be really convinced, engaged, and committed to such heavy changes to systems that are currently operational.

Parliaments (Members of Parliaments) and government as a whole (at the prime ministerial level) may locate somewhere in between line ministries and finance ministries to reflect the collective responsibility over the 2030 Agenda²⁶. In many countries, a specific role for SDG coordination (and a push for Budgeting for SDGs) can be played by central planning agencies (planning commissions or their equivalent agencies). Some experience from European countries indicate that even when there is no planning commission, that role has to be played in one or another way, and it is the finance ministry that can effectively perform that function. In addition, both the parliament and the executive may have different capacities to run SDG-informed budget formulation or budget scrutiny. SDG Budgeting can run in a country more smoothly and with more stakeholders actively and effectively engaged when/if:

- parliament has specialized SDG or other national development goals-related committees (e.g. Scientific Advisory Committee in France),
- parliament has specialized budget office that analyses the potential and actual impact of budget policies on SDG targets and informs parliamentary budget deliberation and oversight,
- the country already has specialized budget analysis institutions (government agencies, arms-length scientific-research institutes, think-tanks) with well-established and institutional framework of cooperation with finance ministries, parliaments or SAIs on various budget analyses,
- civil society organizations are active in the budget dialogue with both MOF and parliament/SAI and supply budget effectiveness analysis.

Therefore, an accurate allocation of influence and interests in each country will be possible to make after a context-relevant review of governance practices and institutional capacities.

For countries with significant public finance powers devolved to subnational (provincial and local) levels of government, a designated institutional framework review for all levels of government will also be required, even if the actual B4SDG model design is aimed at federal/central level only. For many SDGs subnational level governments and other actors are key in achieving the desired outcomes, hence a structured analysis of budget formulation roles, vertical transfer mechanisms, and budget delivery institutional mechanisms, is important to address the SDG-related information supply requirements (e.g. what is the role of subnational governments in the process of budget formulation, when and how the SDG performance information is developed and provided to budget decision-makers, and whether subnational level budget execution mechanisms include performance-based contracts/transfers).

As part of the analysis, COs may also need to perform an institutional capacity gap assessment to feed into the capacity building approach and plan in later stages of the B4SDG model design, i.e. the Step 5 of this Guidance Note. In many instances, such analysis is already available conducted by UN or other Development Partners implementing TA. For those cases when such information is not available, COs are advised to consult with other Development Partner in conducting such capacity gap assessments collaboratively.

In any case, this paper supports performing a country-specific stakeholder analysis during SDG MAPS missions, or other relevant initiatives, for UNDP Country Offices to have a better understanding and ability to design models that are more tailored to each country context.

²⁶ See for example: "The Riksdag and the Government adopt both indicative and binding decisions that affect the implementation of the 2030 Agenda in Swedish society and for Sweden's contributions to the global implementation of the Agenda in: <https://sustainabledevelopment.un.org/content/documents/16033Sweden.pdf>



4

Step 4: Modelling the Choice

This step is the core step for designing the model that best suits the country, and it can start with shortlisting possible B4SDG options down to a limited number of practical and country-context relevant options. Some of the ideas, methods and recommendations presented in this paper will help COs to get the short list of possible options down to 1-2 models after responding to a set of key questions that are presented in Table 1 and to use Figure 5 below to identify which base model can be recommended to national counterparts. Step 4 first discusses the technical dimensions of the reforms that stakeholders need to consider prior to the process of design of the best-fit model for their country. Then this section presents the long list of possible tools to employ which can be shortlisted after five critical parameters are discussed in the subsection on “Moving forward with modelling the Choice for SDG Budgeting”. This Step then concludes with the 4 base models that derive from the modelling exercise, after the five critical parameters are clarified.

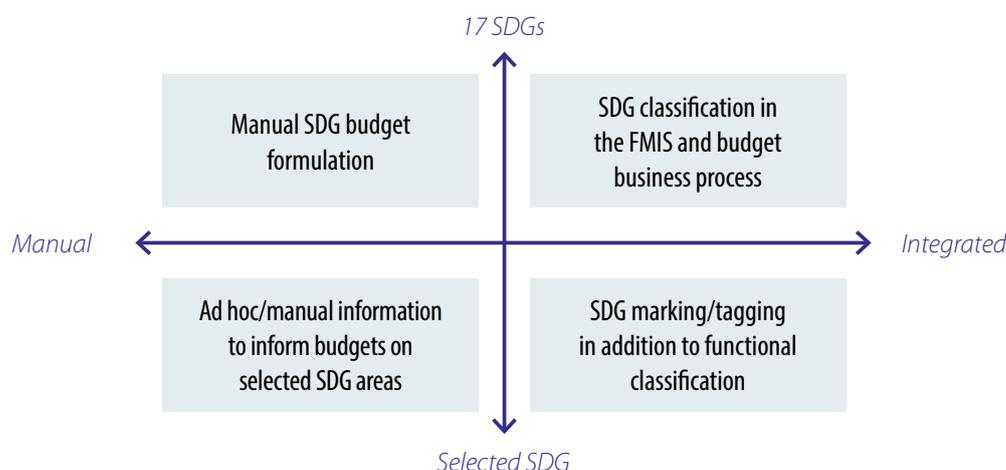
This modelling exercise is PFM-heavy, and UN Country Teams may need to rely on specialized PFM expertise to support with effective follow-up from Steps 1, 2, and 3 to Step 4. In doing so, the results of SDG Context (Step 1), PFM System (Step 2) and Institutional (Step 3) analyses need to be extensively discussed with the national counterparts. The dialogue with government counterparts on possible application of the B4SDG concept at the national level must engage as many key stakeholders and counterparts as possible. UNDP CO staff will better be informed about the balance of powers within the national authorities, especially if Stakeholder Analysis has been done. Then, the recommended approach/es must be discussed with the government counterparts, including the ministry of finance (even in the case of opting for a model with limited engagement of the MOF in B4SDG process). In doing so, Budgeting for SDGs must not be framed as a completely new concept for budgeting. In any case, governments plan and spend money pursuing achievement of societal goals, so B4SDG is not an entirely new concept; rather, it is an upgrade to existing budgeting practices. Budgeting for Agenda-2030 helps government to streamline that process, and in many country cases no fundamental changes to budget systems will be required.

Key Technical Dimensions Budgeting for SDGs Modelling

Agenda-2030 and its integration into overall governance system in a country is a more comprehensive concept than the integration of SDGs targets into budget formulation and reporting processes. An example of a wider governance reforms agenda is Component 1 of the Joint SDG Fund that aims at reinforcing the SDG financing architecture. Although this paper focuses mostly on the budgeting part and provides options on models that countries may want to adopt to strengthen their public expenditure management system to address SDGs, nevertheless, the B4SDG reforms may need to be aligned and well situated within the overall INFF framework in those countries where it is implemented. Public finance is an important and integral part of the INFF operationalization process, but it is most effective when works in synergy with other aspects of the INFF.

The choice on B4SDG models/options is a very country-specific process, so it is critical to understand the most decisive factors that drive such choice.

Figure 5. Technical Dimensions for Designing the Model for Budgeting of SDGs



As we see, of the solutions on integrating SDGs into budgets, there are two technical dimensions around which the decisions must be made:

- **SDG coverage axis:** whether the country demand for B4SDGs is on one, few or all SDG areas; and,
- **Solutions technology axis:** whether critical budget business processes need to integrate SDGs or those can be done on an ad hoc/manual basis (e.g. due to the costs of those changes may exceed the expected benefits or due to capacity constraints).

Figure 5 provides a presentation on the above two axes on PFM technical dimensions with 4 illustrative examples. However, the B4SDG toolkit (see below) to serve the above aspects is significantly larger and covers both supply- and demand-sides to respond to the problem tree presented in the first paper on Budgeting for Agenda-2030: The Concept Note.

B4SDG Toolkit

Dependent on what the key challenges are in integrating SDGs into budgets²⁷, the country may choose one or another set of tools that are most applicable for specific country context in integrating SDGs into budgeting. Some of the tools are designed to respond to the demand-side challenges, so the parliaments, civil society organizations, media, and the public require that more budget decisions, allocations, and reports are SDG-aligned. Others are designed for the supply-side to boost the capacity of various organizations to meet the increased demand. Some tools will be applicable to both sides.

1. Demand-side

- 1.1. SDG advocacy to budget decision makers (e.g. MPs, Senators²⁸) and other key stakeholders (SAI).
- 1.2. Mapping SDGs with the national development agenda (with an assumption that it will then be selected by the budgeting system) and accountability frameworks (including using VNRs for domestic accountability purposes).
- 1.3. Development of an SDG Citizen's budget – a simplified and brief budget information for ordinary citizens on SDG related allocations and expected results²⁹.
- 1.4. Institutionalization of SDG-Budget bridging process.

27 See the Problem Tree of the "Budgeting for Agenda-2030: The Concept Note"; UNDP, 2020

28 See an example on Climate Finance Handbook for the Federal Parliament in Nepal (https://www.np.undp.org/content/nepal/en/home/library/environment_energy/climate-finance-handbook-for-the-federal-parliament-provincial-and-local-assemblies.html)

29 See an example of integrating SDG15 in Mongolian 2020 Citizen's Budget (https://mof.gov.mn/files/uploads/article/_%D1%82%D3%A9%D1%81%D3%A9%D0%B2_2020-pdf1.pdf)

- 1.4.1. Facilitation of an SDG Task Force in the Budget Cabinet and/or Parliament Budget Committee.
- 1.4.2. Establishment of SDG budgeting units in MOFs or aligning job descriptions to reflect SDGs.
- 1.4.3. Capacity building on SDG costing and budgeting in Line Ministries³⁰.
- 1.5. SDG Audit³¹
- 1.6. Engaging Civil Society Organizations in SDG Budget Monitoring.
 - 1.6.1. Support in SDG monitoring, reporting and statistics, including transparency and outreach of SDG data for research institutions, CSO, universities.

2. Supply-side

- 2.1. Adjusting budget calls (circulars) to reflect on SDGs while justifying the budget proposals (e.g. budget proposal templates on SDG-based justification in Mongolia).
- 2.2. Simple checklist of SDG relevance during budget formulation stage (e.g. Nepal's example of project prioritization).
 - 2.2.1. As a variation, the checklist can be a little more elaborated and incorporate weights aligned with SDGs.
- 2.3. Coding of individual cross-cutting issues (e.g. Climate Change Budget Tagging in Nepal, Pakistan, the Philippines, Bangladesh, Ghana and other countries³², gender).
- 2.4. SDG budget classification (SDG tagging, coding, e.g. Budget presentation by SDGs in Mexico), including via upgrading of FMIS systems.
- 2.5. Development of Selected SDG Financing Frameworks or overall Integrated National Financing Frameworks and integrating those into existing strategic budgeting processes, such as the MTEF (including adjustments to budget calendars to host more policy-based budget negotiations).
- 2.6. Ad hoc SDG budget execution reporting (will be non-systemic if no SDG coding exists, but still possible).
- 2.7. Cross-cutting research to inform on effectiveness and efficiency of budget interventions (specific budget lines) on selected SDGs (e.g. Pakistan's CC-MPI-Budget analysis).
- 2.8. Integration of SDG targets in budget programmes (for countries with performance and programme-based budgeting practices). This tool can be extended to performance-based transfers.
- 2.9. Capacity building and assistance with SDG costing (applicable to any country context but exact approach may vary dependent on overall budgeting and SDG specific budgeting practices).
- 2.10. Contribute to better and more comprehensive assessment of budget allocations on SDG targets and impact (better works in programme-based budgeting environment).
- 2.11. Integrated planning and budgeting processes. Assisting in incorporating SDG targets in sector strategic plans in those countries where strategic plans are well linked with budgets.
- 2.12. Engaging Civil Society Organizations in SDG Budgeting.
 - 2.12.1. Capacity building of CSOs in SDG costing, and CSO-Government cooperation modalities.

Moving forward with modelling the Choice for SDG Budgeting

The range of tools presented above is a long list of possible instruments. Some of those tools are desirable to apply in certain countries while others may only fit specific contexts. Steps 1, 2, and 3 of this Paper are therefore essential prior to the modelling of the B4SDG choice.

Findings from the Steps 1, 2, and 3 will help the national counterparts and UN country teams in matching the available toolkit with the actual demand on specific B4SDG reforms. The next section of this paper offers a simplified set of five technical areas and related questions that will guide the process of defining the most suitable B4SDG model for each country. Five technical areas are presented in a form of questions (presented in the table below)

³⁰ See more in Annex C: SDG Costing and its role in B4SDG and UNDP Guidance Note on Costing (forthcoming)

³¹ See INTOSAI reports on SDG Audit experience (<http://www.intosai.org>)

³² More information available in *Knowing What You Spend*, UNDP, 2019

Table 1 presents indicative scope for each area of this exercise to illustrate minimal level of scope (min), intermediary level of scope (mid) and utmost (max scope) alternatives that countries need to consider for each question. The five presented dimensions and answers to those questions are not necessarily cross-dependent for all the cases, therefore the Max option for one dimension may effectively work with a Min option in the other dimension.

Table 1. Opting for the right B4SDG model

Min (requires less advanced system)	Mid	Max (requires advanced systems)
Question 1: WHY? (Why the country needs B4SDG and who are the B4SDG primary users/beneficiary?)		
Limited number of users (the Cabinet, Finance Ministry and/or SDG Council/working group).	Most domestic stakeholders including parliaments, SAI, CSO, etc take part in budget formulation and/or budget reporting and accountability for SDGs.	All domestic stakeholders plus international audience (e.g. for VNR, cross-country comparable data, etc).
Question 2: WHO? (Who will be mainly responsible body to operate B4SDG)		
Centralized, e.g. a central unit responsible for Financing for SDGs (e.g. finance/planning ministry)	Centralized, plus selected line ministries relevant to selected priority SDGs	Decentralized (deconcentrated): all primary budget organizations (line ministries) and other key stakeholders
Question 3: WHAT? (What is covered by the B4SDG?)		
Selected SDG areas and SDG targets (as per government desire/choice)	Information on cross-cutting SDGs (e.g. poverty, climate change, biodiversity, gender equality) supplements the existing functional classification. As a result, complete SDGs information is available either via existing classification or supplemental SDG budget tagging. (if these systems are not in the same FMIS, then accuracy and timeliness of information is compromised.	Full SDG coverage: All SDG indicators and targets are explicitly reflected in budgets as part of the budget information system.
Question 4: WHEN? (When in the budget cycle will SDG information be used?)		
At the end of budget formulation process – reflecting B4SDG information in final budget documents (after the budget decisions are made): B4SDG is primarily used for information purposes (is not driving budget decisions)	During the budget formulation process: may have limited influence on some critical budget decisions but not on a systemic basis.	Before or at the very beginning of the budget formulation process and then throughout the rest of the budget cycle (e.g. at strategic budget allocations stage, or in Medium-Term Budget Frameworks: as a result, strategic budget allocations are fully SDG-informed).
Question 5: HOW? (How the PFM business processes will adapt the B4SDG?)		
Basic/manual processes on SDG relevance for certain cases, e.g. SDG relevance checklist for selected budget proposals to support budget decision making. The depth of analysis may be basic as the budget lines are not mapped with SDGs. This option is easy to implement in any country.	Mapping of budget lines with SDGs is done. B4SDG information is used at both budget formulation and budget reporting stages but process is manual/ad hoc, so risks of quality and timeliness of information exist.	B4SDG information is integrated into chart of accounts or FMIS, so the information on SDG linkage is supplied to budget decision makers before the budget decisions are made (or any other time required throughout the rest of the budget cycle). Also, reporting is done on automatic basis, as part of the FMIS produced report.



B4SDG in Nepal

Expert opinion-based allocation of budget lines by individual SDGs. The system is operational since 2017 and is used in medium-term budget planning to inform on relevance of budgets by 17 SDGs. It is a non-systemic approach while simple system to follow.



B4SDG in Pakistan

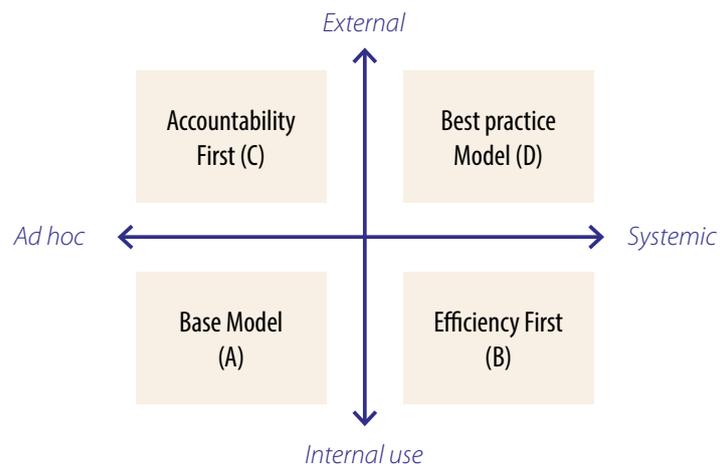
The MOF, the Ministry on Climate Change and other line ministries at the federal and provincial level have adapted the budget processes for a selected SDG area on Climate Action (SDG 13). SDG budget tagging has been introduced and integrated into the FMIS. Capacity building with media and CSOs has been instrumental for increasing transparency and for the public expenditure reviews produced to inform budget decision-makers. Parliament has set up an SDG Committee for Climate Change related policy scrutiny and parliament control.

Results of the queries above will guide the UN country teams in designing the scope of B4SDG reforms, primary counterparts and areas to focus on. These will shape the 'portrait' of the B4SDG model that suits best in a given country context. We tried to group the possible answers to the questions above into base models to operate with. Some illustrative example on modelling the answers are also presented in Annex A: Strategic Choices in Defining the Right Model. Reference source not found..

Four Base Models to Consider

Depending on who the primary counterpart for the UNDP/UNDG is, and what the primary objectives of the national stakeholders are in pursuing the Budgeting for SDGs agenda, there are models that are designed more for **government insiders** (MOF, line ministry professional staff, etc.) or **'external' actors**. The latter are more vocal in a domestic political agenda, and if SDGs become an integral component for the domestic politics then 'external' characteristics of the Budgeting for SDGs model will be more applicable. The 'insiders' model' will be more applicable for countries with the executive playing a more centralized role in the Agenda-2030, with less political dialogue and more within the civil service internal processes.

Figure 6. Four Base Models for B4SDG



At the same time, another dimension to consider is whether the counterparts prefer to fit the Agenda-2030 into the **existing governance business processes**, or if they are open to considering more advanced solutions and **governance systems reforms**, including reengineering of policy and budgeting business processes.

These models are indicative of the various dimensions that need to be considered while designing the optimal model for a country. They are not prescriptive in their nature. However, presenting the four simplified models may be useful for framing the discussion within a country context (see Figure 6).

Model A: Base Model: The cross-section of "ad hoc" and "internal" axes (lower left box) determines a budgeting model whereby the SDG relevant budgeting information is mostly used during internal budget decision making processes but not during the political/public accountability processes. At the same time, the central PFM unit (ministry of finance) does not adapt the PFM systems for the SDGs, and line ministries rely on existing business processes. Basically, the SDG-relevant budget information will be generated

by line ministries in a non-systemic way, e.g. intermittent reports on budget allocations per selected SDG targets, budget execution reports on the progress and related expenditures, etc. Ideally, even under this non-systemic approach the budget execution reports must be aligned or even merged with SDG performance reports. Despite its simplicity, this model can still be operational and quite effective in some country context and PFM environments. Moreover, it could be a practical solution for countries that do not currently have capacities and resources or do not otherwise aim at more comprehensive reforms for the moment.

Estimated impact of this model is that it will not much change the existing budgeting processes, but will enable governments in understanding somewhat better the alignment of budget resources with SDGs. At the same time, this model requires the least resources to be deployed by the country and is applicable in environments with the least advanced governance practices and capacities.

Model B: Efficiency First: The Model B is similar to the Model A in terms of the usage of SDG relevant information primarily by the Executive but adds on to that model a more systemic response of the central PFM unit to adapt the budgeting business processes to host SDG information.³³ The exact tools used in implementing the systems adaptation can vary. E.g., adaptations to the budget circulars and proposal templates with requirements on SDG relevance, priority level, bridging SDG targets with budget outcome frameworks, etc. Model B can be useful and effective in public administration environments with strong decisive roles of central units such as the ministry of finance. At the same time, MOFs must be flexible enough to make the required adjustments in budget business processes and systems.

Estimated impact of this model is a more SDG-influenced budget formulation process whereby the SDG targets become part of the government's internal discourse on SDGs, their strategic priority allocations and reporting over the progress. Technical assistance and technology reforms resources from the government and DPs are required for this model. The country must already have some existing technical capacities and systems environment to aspire Model B implementation from the very beginning of Budgeting for SDGs process. Moving from Model A to Model B is possible during the course of general SDG related reforms and will solely be dependent on technical capacities of the country to adjust its budgeting practices and business processes.

Model C: Accountability First: This model is very different from the earlier models. It assumes significantly wider participatory approach in strategic planning, budget formulation, monitoring and reporting on SDGs. The SDG-relevant budget information will circulate across various actors (including parliaments, SAI, CSOs, media, think-tanks, etc.) and all those will have an influential role in SDG Budgeting processes. This model also assumes that there are feedback



B4SDG in Ghana

Like Nepal, Ghana aims at producing budget allocations by SDGs. In doing so, Ghana has upgraded the chart of accounts to host specific fields on policy objectives that are then linked with Government's Policy Objectives aligned to the SDGs.



B4SDG in Assam State in India

The Ministry of Finance of Assam state in India maps its budget lines with expected outcomes. Starting from 2016 those outcomes are directly linked with individual SDG indicators.



B4SDG in Bangladesh

Bangladesh has launched institutional adjustments to support the Agenda-2030 agenda. The Government of Bangladesh has established an Inter-Ministerial Committee on SDG Monitoring and Implementation. The Committee is responsible for priority making over the goals and reports to the Prime Minister on biannual basis over the progress on SDGs. The country has also developed SDG Financing Strategy and SDG costing for all SDGs.

33 See for e.g., Ghana's SDG Budgeting Manual.

channels and consultation mechanisms in place, and utilized so that budget processes are informed by all these stakeholders, either at the budget formulation and approval, or monitoring and reporting stages, or both. However, under this model, the cooperation modality and the feedback systems are not systemic in their nature, and budget business processes still operate in old fashion. SDG-related information is produced manually, ad hoc or even by non-executive actors, including DPs. Line ministries disseminate the SDG budget-related information on ad hoc manner and the quality of the cooperation with non-executive stakeholders varies as per the capacities in line ministries. The role of the ministry of finance as the central PFM unit is limited in SDG specific aspects or similar to pre-SDG period.

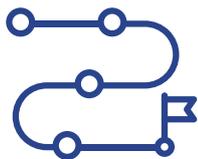
Estimated impact of this model is to have a very participatory SDG governance system with many national, subnational, government and non-government stakeholders adding value to the overall process of SDG implementation. It can also be very powerful for countries with line ministry functioning in an active, autonomous and participatory environment in policy formulation and strategic planning, as well as where cooperation of line ministries with non-executive actors is well-established (including UNDP). This is specifically relevant in the environment where participatory budgeting culture is not new, and citizens, media, CSO and parliaments have strong roles in budget scrutiny while governments show high level of accountability. At the same time, the country may not have sophisticated budget classification systems and introduction of SDG aligned budget prioritization systems, classifications, chart of accounts, regular reporting and audit may face technical challenges at the initial stages of Budgeting for SDGs. Spending time in introduction of such systems may consume significant resources while adding little additional value.

Model D: The Best Practice: The fourth general model is based on Model C recommendations; however, is intended for countries with a high level of technical and human capacities. This Model is also recommended to countries that are in a process of, or aspire to, introduce modern budgeting principles with enough flexibility to re-engineer business processes to accommodate SDGs. This Model also requires stronger weight of the Agenda-2030 in the national political agenda (e.g. quality policy discourse over SDG priorities and targets between the Executive and the Legislature, e.g. during the budget hearings at the Parliament). In order to operationalize this model, PFM/ budget systems and business processes must be adapted to SDG language, institutional adjustments, or at least clarity on SDG accountability, must be in place, and comprehensive, timely information must be published throughout the budget cycle to enable non-executive actors (parliaments, media, CSO) to influence and monitor budget policies, and execution and participation in accountability processes.

Estimated impact of this model is to run a comprehensive Budgeting for SDGs model with budget formulation processes accommodating the spirit and essence of the Agenda-2030. Country systems will produce SDG related information, including the priorities, targets, progress in achievement of the goals and other dimensions of the SDG information. Budget cycle elements will host SDGs as part of their regular business processes. Government will show high level of accountability for the Agenda-2030. Wide range of stakeholders, primarily the Legislature and CSOs will play an active role in SDG-related policy and budget formulation, monitoring, reporting and accountability.

Switching Between the Models Over Time

While the scope of this Concept Note does not cover overall governance and PFM system reforms it is still worth mentioning that the countries may switch between and aspire running better models once the country shows positive dynamics in the areas of governance and PFM. Not exclusively, but it is more likely to expect introduction of more systemic PFM solutions in the Budgeting for SDGs in countries during the life cycle of the Agenda-2030 than observing significant reforms in the overall governance models and shifts in powers and roles between the key stakeholders. Therefore, the more natural expectation of transformations between the above four models is that the changes over time in Figure 6 occur more likely horizontally than vertically, i.e. countries who start with Model A are likely to be moving towards Model B over time, and countries that started with Model C will ultimately introduce the more comprehensive and systemic B4SDG model, Model D. The applied toolkit will need to be adjusted accordingly.



5

STEP 5: Reforms Roadmap

The final choice by the government counterparts and the development of a roadmap in implementation of the Budgeting for SDGs in a country must be backed up with a concrete list of tools and technical assistance package that UNDP will offer to the country. UNDP Finance Sector Hub (FSH) is formulating a set of service offers to support COs that is organized around 4 main streams of support. The FSH team already has relevant experience in designing and operationalizing different technical assistance (TA) packages, and specific tools to draw lessons from, and will continue updating those tools as per the following four work streams:

- Integrating SDGs into medium term and/or annual budget policies.
- Strengthening SDG budget expenditure monitoring and reporting systems.
- Strengthening accountability for SDG-aligned budgets.
- Analyses of impact of budgets on SDG targets.

The Annex B: Integrating SDGs into medium term and annual budget policies is an example of how a service offer around one workstream is designed and the Annex D: Sample Terms of Reference for PFM Consultancy presents an example of a related Terms of Reference to engage PFM expertise on B4SDG activities (see the sample scope of work as per these four work streams).

Ideally, UNDP COs will prepare their specific collaborative country assistance strategy in supporting the implementation of the Agenda-2030 where the Budgeting for SDGs will be a component of it (e.g. B4SDG aligned INFF roadmap). However, in case that the development of such an assistance package is not aligned timewise with the B4SDG offer, the CO may want to narrow the menu down to a B4SDG specific toolkit and start consultations and negotiations with the government and non-government stakeholders in parallel to the development of the comprehensive SDG technical support strategy. In doing so, Country Offices need to integrate the capacity building approach and plan into the B4SDG country support strategy. The capacity building plan must be based on the capacity gaps analysis as part of the Institutional Analysis conducted in Step 3. As such, the capacity building plan also needs to be bridged with specific recommendations on both institutional and functional improvements, as well as capacity building measures addressing the revealed gaps.

UNDP Finance Sector Hub

The SDG Finance Sector Hub (FSH) supports national strategies for accelerating progress on the SDGs at the country level. Deepening public-private collaboration is a modus operandi for UNDP's work on financing the SDGs. UNDP's Finance Sector Hub is an integral part of the organization's larger SDG Integration workstreams and offers a comprehensive package of methods and tools in support of UNDP's SDG Integration offer, to enable governments, the private sector and international financial institutions to scale up financing for the SDGs.

FSH offers four flagship initiatives to seize opportunities and address bottlenecks in scaling up finance for the SDGs. Flagship initiatives are SDG Impact, Integrated National Frameworks (INNFs), Insurance and Risk Facility, and Digital Financing.

At the national level, the Finance Sector Hub supports UNDP Country Offices in aligning public as well as private finance with the SDGs. Working with UNDP Regional Bureaus, the Finance Sector Hub promotes knowledge and technical/technology exchanges between countries through South-South partnerships and works to generate stronger regional integration on key financing-related topics.

The Finance Sector Hub collaborates with partners and networks that champion the systemic reforms and brings an SDG financing focus to the partnerships with International and Development Finance Institutions, business leaders, faith-based finance partners, and other private sector partners. UNDP builds consensus for improved governance of financing, and also strengthens the work on SDG financing with the UN system, including UNDESA, UNICEF, UN Women and UNCDF.

And the final stage will be to complete the dialogue with the government counterparts by presenting the list of possible tools that the UNDP/UNCT and/or other development partners can offer to support the preferred B4SDG model and the capacity building plan to support the effective implementation of the recommended B4SDG model. The UNDP CO can discuss the individual tools together with other UN and government partners to identify short- and long-term technical assistance and development interventions to support the Mainstreaming of the SDGs into national budgeting processes. As a result, both the government and UNDP CO will have determined a clear roadmap on Budgeting for SDGs for the country. It is worth keeping in mind that the dialogue and final choice over the model and its application will benefit strongly if the CO offers specific hands-on support in application of the relevant tools over one, few or all SDGs. It may require piloting of few concepts and tools for a limited range of SDGs before the final decision over the model and long-run reforms path is identified and agreed.

Governments are already beginning to develop financing strategies for achieving the SDGs and there is an increasing momentum for reforms to develop Integrated National Financing Frameworks (INFFs) to align public and private finance behind national sustainable development strategies. A key foundation for the success of these strategies and frameworks is a budget system with the SDGs at their core. Therefore, strong alignment of INFF and B4SDG roadmaps within countries is required as all four INFF pillars contain strong focus on public finance (see more specific example of aligning B4SDG tools with INFF pillars in Figure 3).

3. UNDP Service Offer for B4SDG

A close look to sixty-two successful Joint SDG Fund proposals in May 2020 revealed that around nine out of ten of those contain direct or supportive B4SDG activities. Those B4SDG activities can be roughly grouped by the four workstreams of UNDP FSH service offers with most of the proposed activities aimed at the first two workstreams identified by the UNDP FSH, i.e. i) integrating SDGs into medium term and/or annual budget policies, and ii) strengthening SDG budget expenditure monitoring and reporting systems. The iii) strengthening accountability for SDG-aligned budgets, and iv) analyses of impact of budgets on SDG targets are also present in those proposals, but with lesser frequency. Previous experience and the review of the structure of 62 successful Joint SDG Fund proposals help the UNDP's Finance Sector Hub to fine-tune the range of B4SDG relevant service offers to help UNDP country offices to focus the efforts on most relevant budgeting reforms:

Integrating SDGs into medium term and annual budget policies³⁴

- **Establishing and accelerating common methodologies for integrating SDGs into medium term and annual budget policies:** this draws on work in Africa and Asia-Pacific. As discussed in section 2 of this document (in the context of costing), the importance of a medium-term expenditure framework (MTEF) cannot be overestimated. While it is highly desirable for a country to have a high-level policy framework (e.g. a strategic vision paper covering the whole period of the Agenda-2030), the translation of such a vision document into annual budget appropriation is often challenging. This is due to a varying nature, scope and prime audience of vision papers vs. budgets. Medium-Term Expenditure Frameworks can help with bridging that gap by integrating both policies and expenditure plans into a single framework for a more manageable time horizon (usually three years).

UNDP COs can help governments in integrating SDG policies and targets into MTEF processes and documents, and help line ministries, finance ministries, and parliaments with more effective and SDG-informed budget negotiations (helping cabinets in performing more effectively the 'strategic allocative function' of MTEFs).

B4SDG and COVID-19 Response and Recovery from PFM perspective

Similar to the generic B4SDG approach, UNDP offer on PFM solutions to COVID-19 align with main B4SDG categories, adapted to specific features of COVID-19 Response and Recovery framework:

1. Review budgetary allocations and expenditures against the findings of socio-economic impact assessments of COVID-19 and SDG targets.
 2. Support for costing of targeted priorities identified through socio-economic assessments and forward-looking risk-informed investments in the context of national budgets and budget support
 3. Support the establishment of government budget tracking of COVID-19 response and recovery aligned with the SDGs as a framework for accountability including with additional international public finance and any debt reliefs.
 4. Transparency and accountability on COVID-19 related budget actions (e.g. citizen's budget on covid-19 budget actions).
-

34 See more at <https://sdgfinance.undp.org/sdg-service/service-1-integrating-sdgs-medium-term-and-annual-budgets>

SDG Budget Tracking (tagging, coding) as a central reform area for UNDP Country Offices

Tracking government budget allocations and actual expenditures against the SDGs is a central reform area for UNDP to facilitate in developing countries. Introduction of SDG budget tagging may be premature for some countries but in most other cases it can become pivotal in facilitating other B4SDG tools. The benefits of application of SDG budget tracking mechanism will be across several budget cycle elements to effectively employ SDG related results-based budgeting, even in an environment where RBB is not systemically applied:

- Improved Strategic Allocative Function of Medium-Term Budget/Expenditure Frameworks via informed budget decisions on which specific SDG areas are most affected by upcoming budget decisions.
- Improved SDG-Informed Communication of line ministries with finance ministries (in cases where SDG budget tagging application is decentralized and employed at early stages of the budget cycle).
- Improved Accountability and Communication with Parliaments during budget hearings (budget approval stage) via presentation of budget annexes using the reports from SDG budget tagging tool.
- Improved expenditure performance monitoring and reporting using SDG targets via mapping of relevant budget lines with SDGs. SDG tagging will play an important role in ensuring the mapping.

Strengthening SDG budget expenditure monitoring and reporting systems³⁵

- **Strengthening SDG budget expenditure monitoring, reporting, and evaluation systems** (e.g. building on UNDP experience in Public Financial Management Information System reforms to track climate change expenditures).

Once the SDG framework is adopted by national (or subnational) authorities in one or another form, finance and line ministries need to consider SDG performance monitoring and reporting systems to effectively close the feedback loop. The exact form of this reform may vary from country to country. For instance, for countries with already existing performance budgeting culture, SDG performance can be easily integrated into the existing monitoring and reporting systems (e.g. Iceland and Finland). For countries without performance budgeting systems, UNDP can assist governments by starting with ad hoc monitoring and expenditure effectiveness analyses on most priority SDG targets, and showcase the usefulness of such feedback mechanisms for both improved budget accountability and budget decision-making processes.

Strengthening accountability for SDG-aligned budgets³⁶

- **Strengthen Parliamentary and civil society capacity to perform oversight function on SDG Budgeting** – building on existing governance programming.

The Concept Note on Budgeting for Agenda-2030 has highlighted the importance of supporting the demand side for B4SDG reforms in a country, and so collaboration with parliaments and CSOs is extremely important to ensure the sustainable nature of SDG framework is being effectively used in budget formulation, approval, monitoring and evaluation stages of the budget cycle. More specifically, UNDP country offices can support functional and institutional reforms to ensure parliament committees are well-placed and equipped with budget scrutiny and oversight toolkit before, during and after budgets are approved³⁷.

Analyses of impact of budgets on SDG targets

Various **impact assessment exercises** can help governments to increase their capacity and accountability on SDGs. It is also critically important for UNDP country offices to engage partnership with government, parliament, civil society, research, and academic institutions to ensure the transfer of know-how and sustainability of budget impact assessment practices in relation to SDG progress monitoring and evaluation.

³⁵ See more at <https://sdgfinance.undp.org/sdg-service/service-2-strengthening-systems-monitoring-and-reporting-sdg-related-expenditures>

³⁶ See more at <https://sdgfinance.undp.org/sdg-service/service-3-improving-accountability-and-impact-measurement-sdg-aligned-budgets>

³⁷ see a Handbook for Parliament and CSOs on SDG13 developed in Nepal by UNDP, 2017 https://www.np.undp.org/content/nepal/en/home/library/environment_energy/climate-finance-handbook-for-the-federal-parliament-provincial-and-local-assemblies.html

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Annex A

Strategic Choices in Defining the Right Model

Answers to five dimensions of Table 1 will guide PFM experts while recommending the optimal model for a country. Below are two examples on how various factors drive towards different choices on the model.

Example 1: for instance, if a country considers its own SDG Budgeting processes to be:

1. primarily used within the Executive, and
2. line ministries will be the primary actors in SDG implementation process, and
3. facilitation of selected SDG targets identified as priority by the government, and
4. to primarily inform about SDG related budget decisions (rather than driving those), and
5. if those line ministries will continue using existing budgeting practices without significant PFM reforms to host SDGs;

Table 2. Using the queries in identifying the right model

	Min	Mid	Max
WHY? <i>The users of the B4SDG</i>	✓		
WHO? <i>Main responsibility of the B4SDG process</i>			✓
WHAT? <i>Coverage of B4SDG</i>	✓		
WHEN? <i>The stage when SDG information is used</i>	✓		
HOW? <i>PFM business processes</i>	✓		

Then, the model chosen will correspond to the cross-section of 'ad hoc' and 'internal' axes of Figure 6. Basically, such country will start with the Base Model (A) and will gradually move to models B, C or D after revisiting the 5-dimension questions and getting upgraded responses to those.

Example 2: another example is presented for a country with a programme-based budgeting. Responses to the above questions for such country will get to a model of a combination of the following solutions:

- For the "Why" dimension - All domestic stakeholders, including parliaments and non-executive stakeholders
- For the "Who" dimension - Decentralized: all stakeholders are engaged in SDG budgeting
- For the "What" dimension - Full SDG coverage
- For the "When" dimension - At the beginning of budget formulation
- For the "How" dimension - integrated into FMIS and possibly mapped with budget programme classification. If FMIS is flexible, then a designated SDG classification is introduced in the chart of accounts with possibly structural alignment with the programme classification³⁸.

38 See some more explanation of the rationale for this option at the IMF blog on Integrating SDGs with budgets, <http://blog-pfm.imf.org/pfmblog/2016/08/how-to-link-sdgs-to-the-budget.html>

Table 3. An example of a model for a country with effective programme-based budgeting

	Min	Mid	Max
WHY? <i>The users of the BSDG</i>		✓	
WHO? <i>Main responsibility of the BSDG process</i>			✓
WHAT? <i>Coverage of BSDG</i>			✓
WHEN? <i>The stage when SDG information is used</i>			✓
HOW? <i>PFM business processes</i>			✓

As a result, such country will opt for the full opposite model – the Best Practice Model D.

Annex B

Integrating SDGs into medium term and annual budget policies

This is an example on designing reforms in one segment of B4SDG support, i.e. Integrating SDGs into medium term and/or annual budget policies. This annex links with the B4SDG Reform Area A of the indicative Terms of Reference for B4SDG engagement (see Annex D: Sample Terms of Reference for PFM Consultancy).

Problem statement

Government budgets are one of the primary tools for advancing progress toward the 2030 Agenda at the national level. Yet, there is often a disconnect between the aspirations of the 2030 Agenda, typically expressed through national plans, and budget processes at national, let alone the sub-national, levels. This disconnect expresses itself in various aspects of the budget cycle with the weak transition of SDG policies into strategic budget decisions being one of the most critical one as other elements of the budget cycle rely on the quality of strategic decision-making process. The challenges underpinning it relate to misalignment between planning and budgeting, lack of SDG-aligned strategic frameworks for budgeting and poor costing of SDG-related budget interventions.

Outcomes expected from support and products to be delivered

Strategic budget policies and annual allocations by sectors will be systemically informed by SDG policies and targets.

Target clients

- **Ministry of Finance** (Primary counterpart)
- **Line Ministries** (for related SDG areas)
- **National Development/Planning Authorities**
- **Parliament Budget and Sector Committees** (for countries where committees play an active role during the Strategic Budgeting phase of the budget cycle)

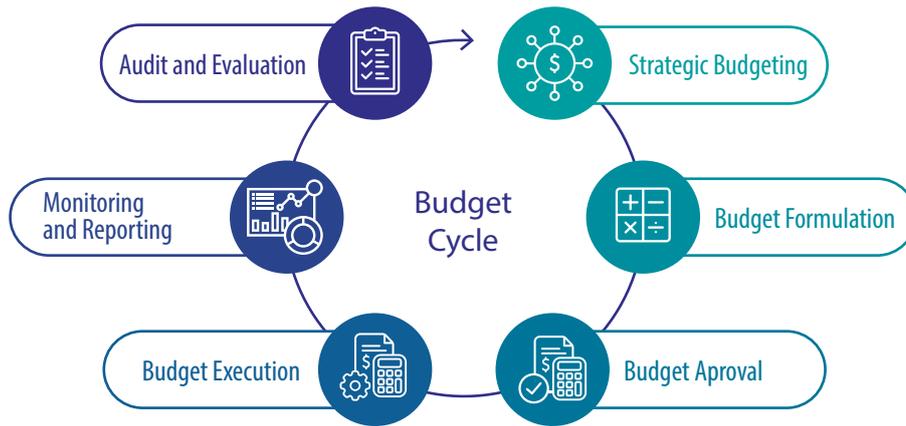
UNDP niche and theory of change

- UNDPs added value - How UNDP will achieve impact through the service

UNDP is experienced in designing theories of change and delivering results for various individual SDG areas such as the biodiversity, climate change, gender equality, disaster risk reduction, etc. UNDP is well placed to build on the existing expertise and effective solutions practiced in various individual SDG areas to assist with the roll out to all SDGs that are relevant in the country context.

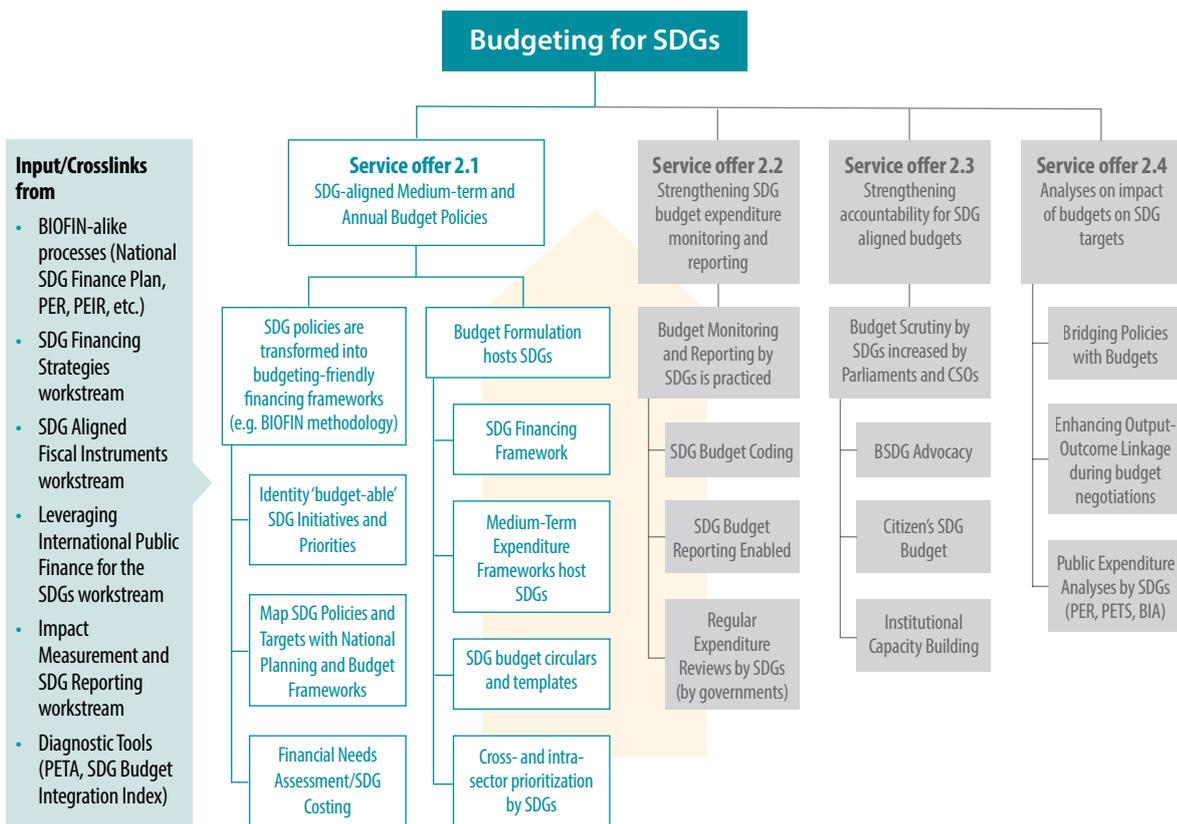
The primary focus of this service offer is an effective and SDG-aligned budget policy-making via improved strategic and annual budgeting phases of the budget cycle. The critical building blocks for the theory of change for this service offer are:

1. SDG policies are transformed into budgeting-friendly financing frameworks, with the following processes and activities performed:
 - a. Budget initiatives identified and prioritized across and within each SDG area (what to spend budgets on?)
 - b. Mapping of SDG policy areas and targets vs national development plans and budget programmes/activities and performance indicators is completed (Why to spend money?)
 - c. SDGs are costed and broken-down by costing of individual budget initiatives (How much each budget decision will cost?)



2. Integration of SDG Financing Frameworks into existing budgeting processes and decision-making via upgraded Medium-Term Expenditure Frameworks, SDG-aligned budget circulars and templates.

The figure on the Theory of Change highlights the building blocks relevant to this service offer while also presenting the other components of the Budgeting for SDGs package.



Guidance

Step 1: CO preparatory 'homework':

- a. Analyse existing information such as PEIRs (e.g. Bangladesh, Indonesia, Nepal, Pakistan, Cambodia), BIOFIN (e.g. Rwanda), PEFA (e.g. Armenia), various PFM reports (e.g. Cameroon: Aligning Public Expenditure with the Goals of Vision 2035), MAPS (e.g. Mongolia), etc.; define the priority focus area (e.g. environment and health in Mongolia) and assign relevant staff.
- b. Institutional Analysis to define primary counterparts. Those may be ministries of finance and line ministries or parliaments dependent on whether the primary focus is on the demand side of the B4SDG or the supply side (skip this step if findings already available from earlier processes).
- c. Model the B4SDG choice and design the project/initiative for engagement.

Step 2: In-country consultations with MOF, national counterparts, IFIs, e.g. IMF for Article IV consultations or ADB (e.g. experience of UNDP Mongolia on joint project on SDG Budgeting following MAPS recommendations).

Step 3: Technical engagement on SDG areas (e.g. following the BIOFIN methodology):

- a. Assist the government counterparts in identification of budget-able SDG initiatives and priorities.
- b. Mapping various performance frameworks to ensure coherence between the national plans, policies, SDG framework and budget performance framework.
- c. Assist quality dialogue between the line ministries responsible for SDG areas with the Ministry of Finance by i) performing SDG costing (by SDG areas and by specific initiatives); ii) Consolidating the demand and costing information into 'budget-able' SDG financing framework, i.e. specific to the context, priorities, budget timeframe and resource availability.

Step 4: Technical engagement on 'systems'-side (e.g. SDG budgeting approach for SDG 15 and SDG 3 in Mongolia):

- a. Review the budget calendar and identify critical milestones where B4SDG engagement can be effective (e.g. development of SDG Financing Frameworks as an integral part of regular MTEF process, see related CCFF recommendation on SDG 13 in Nepal).
- b. Develop the relevant tools/proposals for the counterparts (e.g. integration of SDG targets related requirements in budget proposal templates).
- c. Pilot new approach in few SDG areas.

Step 5: Design B4SDG sustainability approach (consider legislative amendments to require SDGs being part of the budgeting process, revise the budget calendar to allow more room for budget negotiations using policy targets, etc.).

Provisional institutional framework for brokering the offer for UNDP Country Offices is:

1. Finance ministries

- a. Integrate SDG Financing Frameworks via converging SDGFFs into mid-term (three-year MTBF/MTEF) and short-term (annual) budgeting processes to enable focused budget decision-making per individual SDG-aligned budget initiatives.
- b. Consult with relevant stakeholders on sustainable fiscal framework of SDG implementation and identification of the fiscal space (central banks, IFIs/IMF/WB).
- c. Enhance strategic budgeting processes, budget circulars and templates to host SDG policies and targets (e.g. Mongolian case with SDG focused new budget proposal templates).

2. Line ministries

- a. Identify and justify priority SDG policies and targets relevant to particular fiscal period (mid-term and annual horizons)
- b. Mapping national policies and planning documents vs. SDGs vs. budget categories (programmes, activities, appropriations, performance indicators)

- c. Evidence-based budgeting: bridging research with budgets via SDG-aligned policies and strategic planning mechanisms. Engage with research institutions, CSOs, think tanks on evidence-based budgeting (bridging research with budgets via SDG-aligned policies and strategic planning mechanisms).
- d. Estimate general costs of relevant SDG areas. Then, the costing exercise focuses on specific targets and budget initiatives to achieve those targets over the specific budgeting period.

3. Parliament Committees

- a. Capacity building and strengthening the demand for SDGs being reflected and discussed in public budgets

4. UNDP Country Offices with National Stakeholders Leading SDG Agenda (e.g. MOF)

- a. facilitate scoping of prioritization by SDGs (e.g. via BIOFIN -like methodologies)
- b. Employing diagnostic processes to identify bottlenecks in budgeting processes and entry-points to align the budget cycle with SDG framework (e.g. via Climate Change Budget Integration Index).

Tools and experiences

- **Guidance on domestic public sectors SDG Financing Frameworks**, including through coordinated SDG-informed IMF Article IV consultations and WB PERs (*potential*). *In countries where Integrated National Financing Frameworks are introduced, then SDGFF/MTEF process must be fully aligned with the INFF. The latter covers the full range of financing flows, including domestic and international public and private finances.*

SDGFF is an important vehicle to enable quality dialogue between the SDG front-runner ministries and ministries of finance and parliaments. The content and the format of SDGFFs is specific to government identified SDG priorities (not solely the priority SDG areas but individual SDG targets to attain in a specific period) and the resource envelope to support the implementation of those specific SDG policies. In many countries with an operational medium-term expenditure framework and INFF COs must avoid duplicating the same function by introducing a separate SDGFF – instead, it is better to supplement the existing MTEF processes and documents with SDG framework. For countries with less developed medium-term budget systems (e.g. MTBF, MTFF) a separate SDGFF process may become a temporary solution with, however, maximum possible efforts made to integrate those at some stage (or at least developed and published jointly).

Examples and reading:

- Guidance Note on SDG 13 Financing Framework
 - SDG 13/ Climate Fiscal/Financing Frameworks (Bangladesh, Indonesia, Nepal, Pakistan (provincial), Cambodia).
 - BIOFIN experience on SDG 15 Financing Needs Assessment (Rwanda, Seychelles).
- **SDG Costing³⁹** (potential)
SDG costing is performed in many countries or regions at a high level (see example from UNESCAP on Asia-Pacific). These top-down estimates are very useful for countries to define their overall approach towards the attainment of SDGs. However, ministries of finance also need bottom-up cost estimates for specific budget initiatives to support budget decision-making.

39 See more on SDG costing in the Annex C: SDG Costing and its role in B4SDG

Examples and reading:

- (SDG Costing in Asia-Pacific)
- Nepal on SDG Costing
- IMF on Spending Needs for Achieving Selected SDGs
- BIOFIN experience on SDG 15 costing outcomes as part of the Financing Needs Assessments (Rwanda with costing methodology and steps, Seychelles)
- UNDP Guidance Note on Costing, 2020 (forthcoming)

- **SDG budget formulation tools**

There is a range of tools to apply for budget formulation process, such as integration of SDG targets related requirements in budget proposal templates, priority setting mechanisms, budget circulars, etc. The overall objective of all these tools is to better inform budget decision makers on expected SDG results vs. allocated/proposed funds in routine formats and processes established by ministries of finance. The more SDG related requirements are embedded into routine processes the better – COs must avoid recommending parallel processes outside of routine budget processes as those might be ignored by actual budget decision making systems).

Examples and reading:

- Budgeting for Agenda-2030:
- SDG-aligned budget circulars;
- Budget templates (Mongolia); checklists for priority setting (based on Nepal's example on prioritization process, read *If Budgets Could Speak SDGs*); investment appraisal guidelines
- Mexican example on bridging SDGs with budget routine processes via programmes

- **Guidelines and educational materials**

These are guidelines and materials to be developed to support COs and governments on mainstreaming the 2030 Agenda into the whole strategic planning and budgeting cycle.

Partnerships with United Nations & others

Coordination and co-financing of the SDG/B4SDG reforms agenda, e.g. partnership with WB, ADB, IMF, EU and others in:

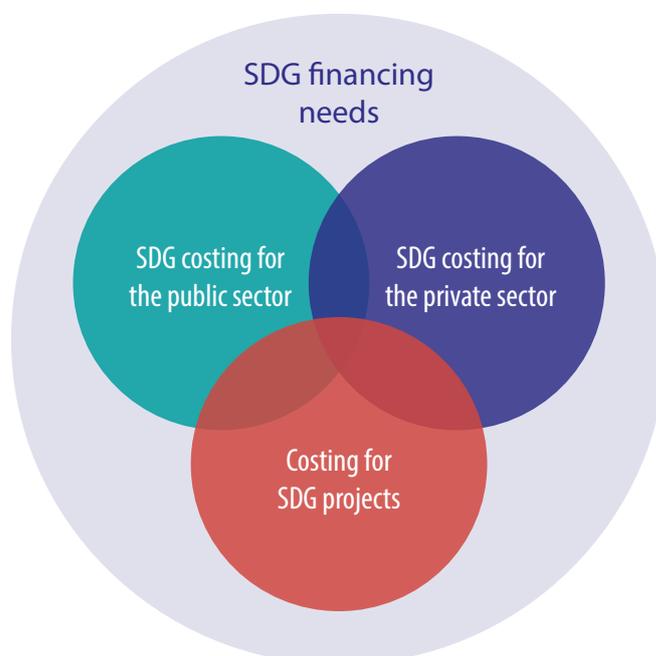
- developing INFF or public sector related SDG financing frameworks and translation of those to medium-term budgets,
- aligning SDG budgeting agenda with the aggregate fiscal framework via joint consultations on overall fiscal envelope and alignment with identified SDG priorities and costing (e.g. coordinated efforts for Article IV consultations on fiscal space with IMF)
- enhancing performance framework of budgets via results-based budgeting (with traditional donors on results-based budgeting, e.g. EU, DFID, GIZ, ADB),
- promoting Citizen's SDG Budgets (e.g. Mongolia has incorporated SDG 15 into the 2020 Citizen's Budget) by coordinating with traditional donors supporting Citizens' Budget (e.g. US Treasury, GIFT initiative, etc.),
- effective use of the fiscal space, etc.

Annex C

SDG Costing and its role in B4SDG

Costing of SDG investments is integral to the planning, budgeting and financing processes. Broadly, four categories of SDG costing can be identified (**Error! Reference source not found.**), each representing a distinct approach to SDG costing, with costing of SDG financing needs being the most comprehensive and in line with the overall financing strategy. These different categories are used to support different policy functions, even as they are interrelated⁴⁰. What is most relevant in this context is **SDG costing for the public sector**, i.e., costing the resources (budget inputs) associated with specific SDG areas or targets articulated during budget formulation. This is particularly relevant for SDGs that are primarily public in nature (e.g. health, education, environment) as opposed to those where private investment can be mobilized (SDG targets linked to ICT and other infrastructure and services) as a critical component of the SDG financing strategy.

Figure 7. Categories of SDG Costing



Also relevant is the estimation of the financial implications/burden for the private sector or households when governments introduce some SDG-related policies (**SDG costing for the private sector**). Tools like the Regulatory Impact Analysis (RIA) are the vehicles to help with this angle of the SDG Costing.

Broad steps involved in a typical costing exercise in the context of B4SDGs⁴¹.

1. The Ministry of Finance (MOF)/Planning estimates the total amount of resources available for the upcoming budget and proposes expenditure ceilings for the different line ministries;⁴²
2. Planning/programme or equivalent units in line ministries or SDG/NDP outcome groups identify possible planned interventions to meet the specific SDG/s;

⁴⁰ See UNDP Guidance Note on Costing (forthcoming)

⁴¹ See UNDP (forthcoming), UNESCAP (2019) and UNICEF (2019) presentations

⁴² Ideally, there should be an MTEF such that the expenditure ceilings, the estimation of costs and the reconciliation processes are undertaken for medium-term rather than for annual spending so as to support the financing of the various multi-year programmes specified in the national plans or strategies. E.g., see UNICEF (2016)

3. They work with the budget departments in the line ministries or planning entity to cost the alternative proposals for the SDG related interventions, or the annual action plan of the SDG-aligned national development plan priorities for the budget, by choosing an appropriate costing methodology, factoring in data availability;
4. The costed alternatives (different public investments, achieved through a change in policies, provision of incentives or transfers, and/or use of new technologies etc.) to achieve the same objectives are discussed, including in consultation with experts and stakeholders.⁴³
5. Line ministries/relevant units submit budget requests to Ministry of Finance/Planning as the case may be. Some countries (e.g. Mongolia) have piloted SDG budget templates for the submissions.

As regards to costing methodologies, there are various options (see **Error! Reference source not found.** below). For areas such as health and education SDGs, the various specialized agencies (e.g., UNICEF, UNESCO, WHO) have specific methodologies for costing. To a significant extent, the granularity of estimates will also be dependent upon data availability. The incremental budgeting approach is often used for repeat submissions, particularly where data is an issue, but this is not ideal for the SDGs which call for transformational planning.

Figure 8. Costing Methodologies

Costing Approach	Common Use	Opportunities	Challenges
Incremental Budgeting Approach	Annual increments allocated, most budgets	Gradual change	Limited vision, lack of connection with results
Historical Projections	Empirical data used for budgeting	Accurate, based on real experience	Not comprehensive, may not be optimal but based on limited budgets
Cost Modeling	Extrapolation from small cases, budgeting new activities	Alternative scenarios, understanding cost effectiveness	Lack of empirical data, country or geographic specificity
Activity-Based Costing	Project budgeting, programme budgets	Detailed bottom up budgeting	Not necessarily focused on outcomes
Results-Based Costing	Planning by objectives, log frame, programme-based budgeting	Best practice, detailed, focused on outcomes	Advanced approach, not used in most countries

Source: UNDP BIOFIN Workbook 2018

From the point of view of ensuring coherence between planning and budgeting, and policy coherence from an SDG perspective, much will depend on the prevailing institutional and PFM frameworks in the country. The solo submissions of line ministries or goal by goal costing is not ideal as there are synergies across the goals, and budgeting by ministries will likely lead to fragmentation as well as miss out on possible cost savings. To achieve SDG 1 (e.g. poverty reduction) also involves the achievement of targets across many goals (e.g. for nutrition, sanitation, employment, inequality, climate change etc.). As the UNDP costing note and other guidance notes (UNICEF 2019) point out, it is important to look at integrated costing approaches which can deal with across the board cross-sectoral synergies, as opposed to

⁴³ See UNDP (2018) Biofin; UNESCAP (2019); UNICEF (2019). In some instances, there is use of formal tools such as Cost-Benefit Analysis (CBA) and Cost-Effectiveness Analysis (CEA); Benefit Incidence Analysis (BIA) which is used to measure the equity of public expenditure across income or expenditure quintiles (or deciles). Increasingly there is also an emerging focus on (i) climate relevance and factoring in resilience for investments and on transformation in line with the SDGs (not cost the status quo!)

any stand-alone calculation for specific SDGs. The Bangladesh national NDP costing exercise that is addressed in the note also demonstrates how and why there is a need for synchronization of the costing across different SDGs at this level as well.⁴⁴

Where PFM/budget systems and business processes can be 'adapted to SDG language' which is useful from an SDG perspective, the estimated additional (marginal) costs required to achieve the expected increase in coverage called for by the SDGs can be identified for the budget submission. In Mongolia, UNDP supported the finance ministry to develop and adopt new SDG Budget templates for SDG-based marginal budgeting with piloting processes in two ministries conducted in 2018 and 2019 (see the box on Mongolian experience above). Expenditure trends analysis was used to identify the 'discrepancies' between existing SDG trends, the policy targets, and budget allocations with a view to informing budget discussions, identifying fiscal space, and securing additional funding during the budget formulation phase of the budget cycle.

44 See UNICEF (2019). The macro model shows that single-sector solutions are unlikely to achieve adequate results with any feasible set of resource allocations. The complexity of SDG inter-relationships and the challenges of diminishing marginal returns to socioeconomic investments require cross sectoral approaches at decentralized levels.

WHO PFM Experience: The role of national health accounts in informing budget formulation and expenditure tracking

Health accounts track health expenditure from all sources to different types of providers (for example, hospitals vs providers of ancillary services) and different uses (for example, inpatient vs outpatient care or curative care vs preventive care).

Health accounts address five basic questions.

1. Where do resources come from (through which financing mechanisms have the revenues/resources been pooled)?
2. Who is managing those resources and under which financing arrangements do people get access to health care goods and services?
3. What kinds of goods and services are consumed?
4. Which health care providers deliver these goods and services?
5. Who benefits from the expenditures (by age, gender, regions, diseases)?
An updated System of Health Accounts was issued in 2011 and then in 2017 to allow comparison across countries and to accommodate a number of changes and improvements.

(Budgeting for Health, WHO, 2016)

Annex D

Indicative List of PFM Tools Applied by Some UN Agencies

Many UN organizations are engaged in PFM and particularly budgeting processes in the countries where they operate. Although this paper does not pretend to capture all the existing experience, as a general observation, the budgeting toolkit applied by various UN agencies is very similar. Various factors and challenges define the actual tools to be applied by various UN organizations in different countries. For instance, while health sector specialists (e.g. from WHO) can rely on countries' national health accounts or information presented in the functional classification of the budget as a source for analysis, UNDP could not do the same for climate change as most of the governments do not track climate change as a separate category in the functional classification of the budget – hence, an additional effort in mapping budget lines with climate change relevancy was required. Public Expenditure and Institutional Reviews, budget mapping exercise, and cost allocation are amongst the tools that help UN organizations to address the challenge of cross-cutting nature of topics such as the child-related policies, climate change, biodiversity and gender.

In this annex, some practices of UNDP, UNICEF and UNWOMEN are reviewed and below are general observations for those:

- All three organizations (UNDP, UNICEF, UN Women) operate in various phases of the budget cycle.
- All three organizations employ a wide range of tools and are mostly identical in their nature.
- All three organizations operate with a range of national stakeholders, both on the executive and legislative, as well as CSOs/academia and media.
- All three organizations have strong capacity-building experience.
- A distinct difference is noticeable in the focus areas and relevant experience in specific topics and operations with different beneficiary groups:
 - UNDP in climate change,
 - UNICEF in a range of areas related to child-friendly policies (education, WASH, poverty, health etc.),
 - UNWOMEN in gender-responsive budgeting.

At the same time, some specialization is noted by the agencies, such as:

- UNDP supports various countries in SDG governance and adaptation of budget business processes to new requirements, as well as conducting specific expenditure analysis on relevance of budget allocations to SDGs;
- UNICEF on effective advocacy with both the executive and legislative authorities, and line ministry support on costing policies and benefit-cost analysis;
- UNWOMEN on impact assessment, advocacy, etc.

These particular competitive advantages can and must transform into complementing opportunities, especially in the context of development of joint proposals, such as for the Joint SDG Fund. This is particularly relevant to small-size UNCTs where a PFM expert in one organization can join efforts with an economist of another one and advocacy expert from the third one to jointly pursue the objectives of the Joint SDG Fund project.

The diagram below highlights the overall snapshot of PFM tools applied by these three UN organizations presented by relevance to various elements of the budget cycle:

Figure 9. Indicative list of PFM tools applied by UNDP, UNICEF and UNWOMEN

UNDP: supporting strategies and medium-term budget processes to integrate SDGs in strategic allocative function of the budget. Support in policy formulation to better inform budgets and prioritization criteria (e.g. on climate change)

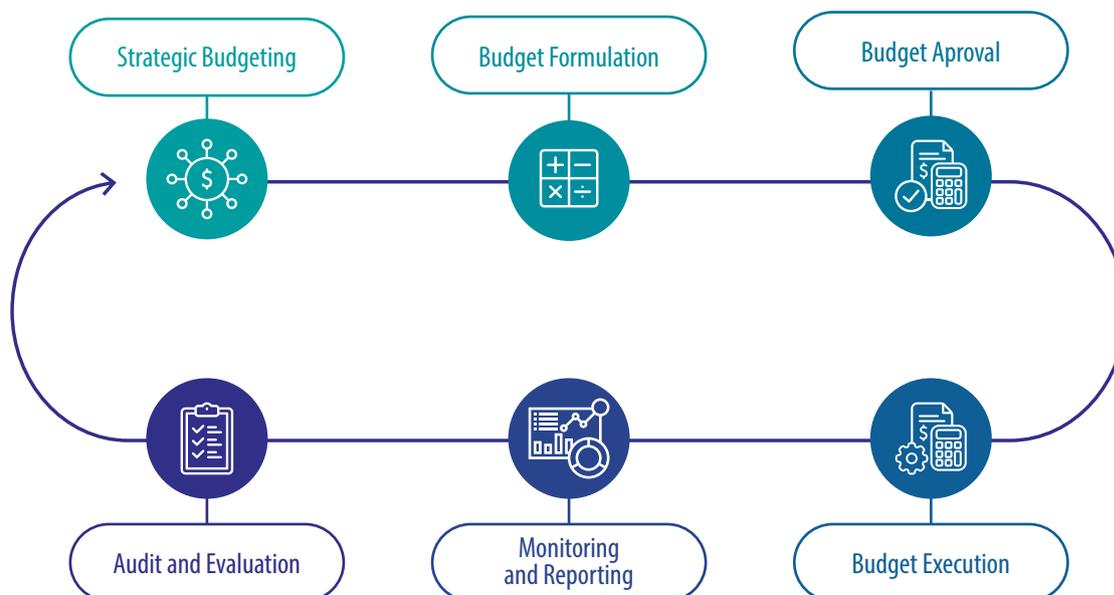
UNICEF: strong experience in policy review/alignment of budgets and policies, fiscal space analyses, financing strategies, MTBF/FF development, prioritization, and policy/budget advocacy at various levels.

UNWOMEN: Situation and ex ante gender impact analysis of policies; analysis of impact of budget on time-use

UNDP: budget circulars/templates, e.g. working with finance ministries to enhance results-based budgeting processes

UNICEF: line ministry support in evidence-based budgeting and costing of social sector policies/programmes, participatory budgeting mechanisms

UNWOMEN: support in KPI development and application of GRB methodologies at sector and local level. Integration of GRB requirements in budget circulars. Development of frameworks/methods for gender budget statements



UNDP: cost-benefit and expenditure trend analyses, public expenditure reviews (PEIRs)

UNICEF: Expenditure trend analysis, Budget efficiency reviews to inform on better spending options, PETS, PERs and budget briefs, TrackFin. Collaboration with CSOs

UNWOMEN: Sector based GRB analysis, including sex-disaggregated benefit incidence analysis of expenditures. Benefit incidence and unit cost analyses.

UNDP: budget tagging/coding, expenditure reporting, expenditure tracking surveys (PETS), upgrading FMIS to host cross-cutting SDGs

UNICEF: development of social/child-focused expenditure M&R. Citizen's budget, participatory budgeting. Capacity building in M&R of key oversight bodies. Budget tagging and mandatory reporting on child-related public expenditures, social sector budget briefs.

UNWOMEN: Capacity development and TA on gender markers/tagging; systems to track gender budget allocations and expenditures; support in developing national monitoring mechanisms (e.g. reviews, parliamentary debates, evaluation); citizen budgeting/gender budget watchdog reports.

UNDP: Advocacy on various thematic areas and SDGs, including on climate, biodiversity, gender, etc. Working with parliaments, including designated TA projects. Using KPIs for informing decision-makers.

UNICEF: strong advocacy campaigns during budget approval phase. Using KPIs for informing decision-makers and supporting fiscal space and prioritization discussions. Capacity building. Collaboration with CSOs to influence budget decisions.

UNWOMEN: Advocacy on negative macroeconomic impact of gender-blind policies and expenditures. Using KPIs for informing decision-makers. Work with parliaments on gender budget assessment/advocacy.

Annex E

Sample Terms of Reference for PFM Consultancy

United Nations Development Programme

Individual consultant procurement notice/terms of reference

Title of Individual Consultant:	International Consultant – SDG Budgeting Expert
Duration of assignment:	[X] months, maximum [X] working days
Duty station:	Home-based with 2 mission travels to [City] (subject to travel restrictions being lifted), [Country]
Start Date:	[Month] 2020
Language(s) Required:	[English, ...]

This generic TOR outlines the sections that will typically feature in a TOR for SDG Budgeting Expert and includes standard text for some sections that can be discussed and adapted as appropriate during the scoping phase of Budgeting for SDGs Project/technical assistance of UNDP under the Joint SDG Fund Programme/Budgeting for SDGs reform roadmap agreed with the government counterparts.

Background

A. Context / Project Description

A short Project description section will briefly summarize the context in which the Budgeting for SDGs Project/reform originated and identify any specific policy processes that it is designed to feed into or support.

The 2030 Agenda for Sustainable Development (2030 Agenda) presents an ambitious, complex and interconnected vision that countries around the world have committed to working towards. Realizing this vision will require mobilizing a diverse range of public and private resources to contribute to sustainable development outcomes. The Addis Ababa Action Agenda, which outlines a framework for financing the 2030 Agenda, calls for integrated approaches to finance that are driven at the national level. An integrated national financing framework (INFF) is the system of policies and institutional structures that government uses to mobilise the investments necessary to achieve the national sustainable development strategy.

Operationalising the concept of an INFF and bringing its building blocks together can help governments to strengthen vertical integration between national development aspirations and SDGs, and the policies governing each individual area of public and private finance. More specifically, integration of SDGs into national budgeting provides mechanisms for deepening the vertical alignment between a country's long-term sustainable development aspirations and the resources over which government has most direct control, i.e. the budget. This is critical because of the importance and scale of public finance. Enhancing the integration of the budget with the SDGs is therefore a key part of the objectives of an INFF.

Budgeting for SDGs reform paths and solutions vary in their nature and can be applied in isolation or need an orchestrated effort throughout the whole Agenda-2030 timeframe. The modelling of Budgeting for SDGs (B4SDG) choice can vary from a base model aimed at enabling governments in understanding better the alignment of its budget resources with SDGs to a 'best practice model', where country systems produce SDG related information, including the priorities, targets, progress in achievement of the goals and, most importantly, a wide range of stakeholders, primarily the legislature and CSOs play an active role in SDG-related policy and budget formulation, monitoring, reporting and accountability.⁴⁵

⁴⁵ For more information please refer to UNDP (2019) "Budgeting for Agenda-2030 Opting for the Right Model".

Within the current context, where Covid-19 is significantly altering the short- and medium-term outlook for sustainable development in many countries, as well as their ability to mobilise public and private financing, Budgeting for SDGs solutions are being used to address budget related challenges and help governments in the transition from the response to recovery.

Here the ToR can provide an overview of the SDG development context in the country (based on MAPS, DFA, RIA and INFF assessment results) and the challenges as a result of the immediate and secondary impacts of Covid-19 (based on Covid-19 socio-economic impact assessment). In terms of country's PFM / Budgeting system context, it can specify major challenges and opportunities in aligning of national budget resources with specific SDG targets (based on PFM-related assessments, PEIR) as well as how the proposed Budgeting for SDGs reform will align with the existing PFM practices, ongoing reforms and systems in the country as well as reinforce the INFF architecture of the country overall. The ToR can also provide an overview of key stakeholders, such as finance, planning and line ministries, Parliament committees and CSOs, and their role in promoting, supporting and implementing the Budgeting for SDGs reform.

B. Objectives of the Project

A short summary of the objectives (summarized from the objectives detailed in the Project TOR / JP documents) should be included in the TOR for reference. This will include the added-value of mainstreaming of the SDGs into national budgeting processes in the country and within the context of operationalization of an INFF as well as the specific ways that it will help the government to strengthen governance of public finance for national sustainable development and effective response and recovery from Covid-19.

The overall objective of the Project is to strengthen the governance of public finance for national sustainable development, and effective responses to and recovery from unforeseen disruptions like Covid-19 that are undermining the SDG-aligned development progress in the country.

Specific objectives of the Project throughout the following B4SDG reform areas / various phases of the process are to:

B4SDG Reform Area A: Integrating SDGs into medium term and/or annual budget policies

- Establish and accelerate common methodologies for integrating SDGs into medium-term and/or annual budget policies (supporting the supply side for B4SDG reform in the country).

B4SDG Reform Area B: Strengthening SDG budget expenditure monitoring and reporting systems

- Strengthen SDG budget expenditure monitoring, reporting and evaluation systems (supporting the supply side for B4SDG reform in the country).

B4SDG Reform Area C: Strengthening accountability for SDG-aligned budgets

- Strengthen Parliamentary and civil society capacity to perform oversight function on SDG Budgeting – building on existing governance programming (supporting the demand side for B4SDG reform in the country).
- Ensure sustainable nature of SDG framework being effectively used in budget formulation, approval, monitoring and evaluation stages of the budget cycle.

B4SDG Reform Area D: Analyses of impact of budgets on SDG targets

- Perform impact assessment exercises to help increase the government's capacity and accountability on SDGs (by engaging in partnership with government, parliament, civil society, research and academic institutions).

Scope of work and deliverables

Objectives of the Assignment:

The TOR should provide an overview of the Expert's assignment overall. Depending on the concrete set of B4SDG tools/technical assistance of UNDP under the JP/Budgeting for SDGs reform roadmap agreed with the government counterparts this may refine and adapt the following standard text. For further details on the B4SDG processes, please refer to the Facilitating the B4SDG with Governments section of the SDG Budgeting Guidance Note (p.6-29).⁴⁶

⁴⁶ UNDP (2019) "Budgeting for Agenda-2030 Opting for the Right Model".

Under the supervision of the UNDP Deputy Resident Representative/Project Manager and with guidance from the UNDP Bangkok Regional Hub, the Expert will support the implementation of the Project/SDG Budgeting component of the JP for [Country]. The expert will work together with a local budgeting expert/consultancy team for the duration of the assignment, whose role will entail assistance with data/information collection and relevant analysis, coordination and liaison with government institutions and facilitation of stakeholder consultations on budgeting for SDGs in [Country] while travel is restricted.⁴⁷

The objectives of the assignment throughout the various B4SDG reform areas / phases of the process include the following:

B4SDG Reform Area A: Integrating SDGs into medium term and/or annual budget policies

- Assist in integrating SDG policies and targets into MTEF and/or annual budgeting processes and documents and help line ministries, finance ministries and parliaments with more effective and SDG-informed budget negotiations.

B4SDG Reform Area B: Strengthening SDG budget expenditure monitoring and reporting systems

- 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 processes (for countries without performance budgeting systems).
- Assist in integrating SDG performance into the country's existing monitoring and reporting systems (for countries with already existing performance budgeting culture).

B4SDG Reform Area C: Strengthening accountability for SDG-aligned budgets

- 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.

B4SDG Reform Area D: Analyses of impact of budgets on SDG targets

- Support analysis of impact of budgets on SDG targets to ensure the transfer of know-how and sustainability of budget impact assessment practices in relation to SDG progress monitoring and evaluation.

A. Scope of work and Deliverables

An overview of the work to be completed by the Expert during each phase in the process of the Project should be specified, with anticipated completion dates aligned to the milestones of the Project. Depending on the concrete set of B4SDG tools/technical assistance of UNDP under the JP/Budgeting for SDGs reform roadmap agreed with the government counterparts this may include activities and deliverables such as specified below (see specific examples in the table below). For further details on the B4SDG processes activities please refer to the Sequence of activities in promoting the B4SDG agenda section of Budgeting for SDGs Guidance Note (p.7-29).⁴⁸

The expert will drive the process under the guidance of the main government counterparts on the Project and UNDP Country Office including but not limited to the following activities throughout the various B4SDG reform areas / phases of the process:

⁴⁷ At the time of finalising this TOR, travel to [Country] is not possible. While mission(s) to [City] to facilitate the required stakeholder consultations would be preferred if possible at some point during the process, the Project will be set up in such a way that the SDG Budgeting Expert role can be completed remotely, if this is not possible.

⁴⁸ UNDP (2019) "Budgeting for Agenda-2030 Opting for the Right Model".

B4SDG Reform Areas and Specific Tools and Services	Scope of work	Outputs/Deliverables
Reform Area A: Integrating SDGs⁴⁹ into medium term and/or annual budget policies		
A.1. Adjusting budget calls (circulars) to reflect on SDGs while justifying the budget proposals.	A.1.1. Adaptation of budget circulars and proposal templates with requirements on SDG relevance, priority level, bridging SDG targets with budget outcome frameworks, etc.	New budget circulars and proposal templates presenting SDG-based justification for budget requests
A.2. Simple checklist of SDG relevance during budget formulation stage to support budget decision-making (as a variation, the checklist can be a little more elaborated and incorporate weights aligned with SDGs).	A.2.1. Development of SDG relevance checklist for selected budget proposals (the depth of analysis may be basic or more elaborated).	SDG relevance checklists for priority setting
A.3. Coding of individual cross-cutting issues (e.g. climate change, gender, biodiversity, poverty, other SDGs).	A.3.1. Development of individual SDG policy-budget mapping (for manual/ automated processes)	Individual cross-cutting issues information developed through SDG budget coding
A.4. SDG budget classification (SDG tagging, coding).	A.4.1. Development of SDG policy-budget mapping table (for manual/ automated processes, with/ without changes in the chart of accounts)	Budget classification table aligned with SDG policies / SDGs information developed through SDG budget tagging, coding
A.5. Development of selected SDG financing frameworks or overall INFF and integrating those into existing strategic budgeting processes (e.g. MTEF).		
A.6. Institutionalization of SDG-Budget bridging process. A.6.1. Establishment of SDG budgeting units in line ministries, finance ministries and Parliaments or aligning job descriptions to reflect SDGs.	A.6.1. A.6.1.1. Development of a Handbook/job descriptions on SDG budget formulation to support effective and SDG-informed budget negotiations (methodological guidance)	Handbook/job descriptions on SDG budget formulation (methodological guidance)
A.6.2. Capacity building and assistance with SDG costing (applicable to any country context but exact approach may vary dependent on overall budgeting and SDG specific budgeting practices) - <i>for further details please see SDG Costing and its role in B4SDG sub-section of SDG Budgeting Guidance Note (p.21).</i>	A.6.2.1. Development of training modules and/or delivery of on-the-job capacity building on SDG costing	1-2 training modules and/or on-the-job capacity building on SDG costing delivered

49 Please note that the specific tools and services shall be applied over one, few or all SDGs depending on the B4SDG model or reform path identified and agreed with the government. This can include piloting of a few concepts and tools for a limited range of SDGs before a wider rollout across all SDGs/sectors.

B4SDG Reform Areas and Specific Tools and Services	Scope of work	Outputs/Deliverables
A.6.3. Other on-the-job on-demand capacity building for MOF and line ministries on all above tools/services	A.6.3.1. Development of training modules and/or delivery of on-the-job capacity building	1-2 training modules and/or on-the-job capacity building delivered
Reform Area B: Strengthening SDG budget expenditure monitoring and reporting systems		
B.1. Integrating SDG targets in budget programmes (for countries with performance and programme-based budgeting practices). This can be extended to performance-based transfers.		Budget programmes aligned with SDG policies and results
B.2. Contribute to better and more comprehensive assessment of budget allocations on SDG targets and impact (better works in programme-based budgeting environment).		Budget programmes aligned with SDG policies and results
B.3. Incorporating SDG targets in sector strategic plans (for those countries where strategic plans are well linked with budgets).		
B.4. Engaging Civil Sector Organizations (CSOs) in SDG Budgeting.		
B.4.1. Capacity building of CSOs in SDG costing, and CSO-Government cooperation modalities.		
Reform Area C: Strengthening accountability for SDG-aligned budgets		
C.1. Development of an SDG Citizen's budget – a simplified and brief budget information for ordinary citizen on SDG related allocations and expected results.	C.1.1. Integration of SDG policies and targets in the Citizen's Budget	Citizen's Budget integrating SDG policies and targets summary for all selected SDG sectors
C.2. Institutionalization of SDG-Budget monitoring and oversight in Parliament.	C.2.1.	
C.2.1. Facilitation of an SDG Task Force in Parliament Budget Committee.	C.2.1.1. Development of a Handbook on SDG budget proposal review and monitoring of SDG-based budget performance (methodological guidance for parliamentarians)	1 workshop developed and delivered for MPs on the developed Handbook
C.2.2. Capacity building of Parliament Budget Committee on budget monitoring and oversight functions.	C.2.2.1. Development of a training on SDG policy oversight function by the Parliament budget committees, such as budget analytical toolkit, bridging research on policies and budgets, etc.	1-2 training sessions developed and delivered to Parliament budget committees on SDG policy implementation oversight

B4SDG Reform Areas and Specific Tools and Services	Scope of work	Outputs/Deliverables
C.2.3. Support in budget SDG policies analysis and oversight by Parliament Budget Committees.	C.2.3.1. Research on SDG policies effectiveness and policy advice development and communication to Parliament committees	Evidence-based policy paper and policy brief on selected SDG sectors policy effectiveness
C.3. SDG Audit C.3.1. Support on facilitation of SDG Performance Audit	C.3.1.1. Support in SDG policies mapping/bridging with line-item budget execution data for effective SDG performance audit	
C.3.2. Capacity Building on SDG Performance Audit	C.3.2.1. Training on SDG Performance Audit toolkit	
C.4. Engaging Civil Sector Organizations in SDG- Budget monitoring and oversight.	C.4.1. Development of an approach note on MOF-CSO collaboration on budget formulation and monitoring of SDG-based budget performance	Approach note developed and discussed with the MOF and CSOs
C.4.1. Capacity building for CSOs and media on SDG- budget monitoring and oversight functions	C.4.1.1. Training for CSOs on SDG- budget analytical toolkit, bridging research with SDG policies and budgets, etc.	1 training module for CSOs developed and delivered
C.4.2. Support in SDG budget monitoring, reporting and statistics, including transparency and outreach of SDG data for research institutions, CSO, universities.		
Reform Area D: Analyses of impact of budgets on SDG targets		
D.1. Ad hoc SDG budget execution reporting (non-systemic, if no SDG coding exists).	D.1.1. Develop an expenditure trends analysis to identify the discrepancies between existing SDG trends, the policy targets and budget allocations	1 sector expenditure trend analysis submitted to MF and parliament committees
D.2. Cross-cutting research to inform on effectiveness and efficiency of budget interventions (specific budget lines) on selected SDGs (e.g. climate change budget analysis).	D.2.1. Research on SDG priority sector public services and budget effectiveness and benefit incidence D.2.2. Impact assessment/PEIR development for evidence-based budget formulation	Research and primary data collection completed Impact assessment/ PEIR on selected sectors completed and recommendations submitted to MOF and line ministries

B. Institutional Arrangement

The Expert will work under the close guidance of the UNDP Country Office reporting to the UNDP Deputy Resident Representative / Project Manager and under the guidance from the Development Team in UNDP Bangkok Regional Hub. On a daily basis the Expert will work closely with an assigned focal point from the Ministry of Finance and a local budgeting expert/other members of the consultancy team.

C. Duration of the Work

The expected duration of this assignment is [X] days with a start date of [Month] 2020, and planned to be completed within [X] months. The timeframe and expected deliverables are shown in the table under **section A** above.

D. Duty Station

The selected international consultant will be home based with an anticipated two missions to [City, Country] (subject to travel restrictions being lifted).

Required competencies, qualifications and experience

Academic Qualifications:

- Master's degree in the field of Public Finance, Economics or other relevant fields.

Experience:

- At least 5 years of experience in the field of public finance management reform at country level, in particular, on integrating SDGs in budgeting processes, results- or program-based budgeting, performance monitoring & evaluation and reporting of budgeting.
- Research experience in the areas of public finance, budget review and public expenditure review are required.
- Demonstrated ability to engage in strategic analysis, and in-depth sectoral analysis.
- Excellent writing skills required, as demonstrated by previous high-quality research/analytical reports on relevant topics.
- Ability to lead consultations with senior government officials from ministries of finance, line ministries and supreme audit institutions required.
- A specific experience in [field of expertise] is mandatory/an advantage.
- Previous experience of work in [Country] or countries of similar context, especially with a development partner or government is a very strong advantage.

Language requirement:

- Fluency in English (written and spoken), and an ability to summarise and present information.

Competencies:

- Demonstrating/safeguarding ethics and integrity.
- Demonstrate corporate knowledge and sound judgment.
- Self-development, initiative-taking.
- Acting as a team leader and player and facilitating team work.
- Facilitating and encouraging open communication in the team, communicating effectively
- Creating synergies through self-control.
- Managing conflict.
- Learning and sharing knowledge and encourage the learning of others. Promoting learning and knowledge management/sharing is the responsibility of each staff member.
- Informed and transparent decision making.

