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# Guidelines for parliamentarians on budgeting for the SDGs: Making the most of public resources



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# The *Guidelines* in a nutshell

Parliamentarians have a key role to play in realizing the Sustainable Development Goals (SDGs), including in ensuring that funding and resources are invested effectively to support sustainable development. In addition to their responsibilities for translating the SDGs into legislation and monitoring their implementation, parliamentarians are responsible for adopting national budgets, making sure that they address the needs of both men and women and the most vulnerable and ensuring that their governments are held accountable on how resources are spent, and if they are in line with the national and international commitments they made. Parliamentarians should advocate for a complete and coherent integration of the SDGs into budgets.

Despite increasing recognition among parliaments of their role in financing for the SDGs, existing guidance and resources have largely focused on the required actions of governments and other actors, such as private-sector investors, and there has been limited focus on ensuring parliamentarians have the knowledge and capacity needed in this area. Making the most of limited public resources requires a thoughtful review of a country's budgeting practices and regular communication with all relevant stakeholders. It is essential that parliamentarians understand the sources of funding that are available in their countries and take the time to consider different strategies on how best to prioritize these, both when financial resources are readily available and when they are scarce.

These guidelines aim to help fill this gap by providing parliamentarians with a better understanding of issues related to budgeting, monitoring and policy choices for the SDGs. The publication provides information on key SDG budgeting topics and current challenges, and identifies concrete actions parliamentarians can take to advance efforts to achieve the goals set out in the 2030 Agenda for Sustainable Development (the 2030 Agenda).

**Section 1** encourages parliamentarians to take a close look at the resources that are raised for national budgets and to maximize existing revenue streams towards the SDGs.

**Section 2** explores ways in which parliamentarians can make the most of budgetary allocations, ensuring that these are applied strategically and coherently.

**Section 3** introduces the core concepts of transparency and accountability in the context of the SDGs, providing an overview of how parliamentarians can monitor the SDG policymaking process and its outcomes, including by advocating for workable reforms to the budgetary process. Each section ends with a handful of questions for further reflection that can be discussed with fellow parliamentarians nationally and abroad.

# Table of acronyms

<b>2030 Agenda</b>	2030 Agenda for Sustainable Development
<b>AAAA</b>	Addis Ababa Action Agenda
<b>DAC</b>	Development Assistance Committee (OECD)
<b>GDP</b>	Gross domestic product
<b>GNH</b>	Gross national happiness
<b>HLPF</b>	High-Level Political Forum
<b>IANZ</b>	Indicators Aotearoa New Zealand
<b>IFFs</b>	Illicit financial flows
<b>Joint Committee</b>	Joint Parliamentary Committee on GNH and the SDGs
<b>MoF</b>	Ministry of Finance
<b>MTBFs</b>	Medium-term budgetary frameworks
<b>ODA</b>	Official development assistance
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PCSD</b>	Policy coherence for sustainable development
<b>PLS</b>	Post-legislative scrutiny
<b>SAIs</b>	Supreme Audit Institutions
<b>SDGs</b>	Sustainable Development Goals
<b>SDSN</b>	Sustainable Development Solutions Network
<b>UN</b>	United Nations
<b>VNRs</b>	Voluntary National Reviews

# Introduction

In September 2015, United Nations Member States committed to implementing the 2030 Agenda, a transformative plan designed to shape a better future – environmentally, socially and economically – over the ensuing 15 years.<sup>1</sup> It is a people-centred plan that commits to leaving no one behind while at the same time protecting our shared planet. The 2030 Agenda shows policymakers how to take the knowledge we have on building a sustainable world and put it into action. Parliamentarians in particular play a critical role in ensuring governments deliver on their plans and promises to implement the SDGs – both to citizens and to the international community.

The SDG road map may well be clear but the goals and targets remain ambitious. They require not only substantial financial investment but also, in many countries, far-reaching societal transformation. It will take the collective commitment and efforts of citizens, policymakers, the private sector, scientists and many others to achieve the SDGs within this Decade of Action (2020–2030). Parliamentarians are also instrumental in keeping the SDGs high on the political agenda by holding debates, asking tough questions, engaging with citizens and shaping public opinion.

Parliament's role is even more crucial in times of uncertainty and financial scarcity, such as those which we are experiencing today. The COVID-19 pandemic has left governments facing a spike in policy and budgetary demands requiring immediate attention. Yet, the long-term impact of these measures must also be taken into account. Parliamentarians, through carefully considered engagement in the budget process, can help ensure that these strategies incorporate national values and that sustainability is at their core.

The 2030 Agenda offers the opportunity to “build back better”, to restore economic activity and to move away from the old patterns of environmental harm and unequal economic and social development.<sup>2</sup> So right now, the task facing governments is to make the most of existing resources and to ensure that public finances are managed in the best possible way.

Much of what parliaments have to offer comes at minimal additional cost. The parliamentary actions highlighted in these guidelines have the potential to expand the existing national budget envelope and motivate policies that result in a more equitable, sustainable and inclusive world. The choice for a better future is, in many respects, in parliaments' hands.

## Box 1

### Prioritizing public opinion on sustainable development

In April 2020, the United Nations Sustainable Development Solutions Network (SDSN) conducted a survey on progress made in implementing the SDGs and the major challenges that remained. Overall, respondents were of the opinion that the world was not on track to achieve the SDGs. They also felt that governments had made the least progress on environmental concerns and that the most progress had been made on digitalization for sustainable development.

Respondents also identified three major challenges standing in the way of the achievement of the SDGs:

- Lack of political leadership to implement the 2030 Agenda.
- Low levels of awareness of the SDGs among policymakers and the general public.
- Short-term thinking among policymakers and a focus on addressing immediate concerns over the pursuit of longer-term, sustainable objectives.<sup>3</sup>

<sup>1</sup> United Nations (2015b).

<sup>2</sup> United Nations (2020c); Sachs, J. and others (2020).

<sup>3</sup> Sachs, J. and others (2020), p. 53.



Deputies vote as Turkish Parliament approves the country's 2021 budget following a 12-day marathon session at the Grand National Assembly of Turkey (GNAT) in Ankara, Turkey, 18 December 2020. © Metin Aktas/Anadolu Agency via AFP

## Section 1: Maximizing existing revenue streams towards the SDGs

Filling the gap in SDG financing caused by the current economic crisis will involve creating new sources of government revenue. Yet the deficit can also be addressed by ensuring that existing resources are made available and used effectively for public benefit. This means cutting back on waste and the misuse of funds, as well as closing the gap in reported revenues in budget documents themselves. The reach of limited budgets can be maximized through increased efficiency, effectiveness and transparency.

The Addis Ababa Action Agenda (AAAA), adopted at the Third International Conference on Financing for Development in 2015, provides guidance on how to bolster national and international revenue sources in order to finance the 2030 Agenda. This section briefly reviews some of the key takeaways from this outcome document for parliamentarians seeking to maximize existing revenue streams towards sustainable economic, social and environmental goals.<sup>4</sup>

### Current challenges and potential parliamentary actions

Governments have a variety of revenue streams at their disposal, each with its own unique challenges. The main source of national income for most countries is tax revenue. Some of this revenue comes from direct taxes (i.e. taxes on citizens' personal income), while some comes from indirect taxes (the most common form being value-added tax, which governments impose on particular goods and services in order to generate revenue and guide consumer behaviour).

<sup>4</sup> Parliamentarians also have a role in overseeing a much broader palette of government policies that affect a country's ability to garner the resources needed to finance the 2030 Agenda. Although these are not discussed in these guidelines, some examples include national regulation of the financial and private sectors, remittance and foreign direct investment policies, and public-private partnerships.

While taxation is the most stable revenue source for governments, it relies on effective tax-collection systems, including robust regulatory and enforcement mechanisms. Tax policy must also be equitable, ensuring that the poorest segments of society are not adversely affected. Across the globe, many loopholes and tax breaks continue to increase income inequality by disproportionately benefiting the wealthiest.<sup>5</sup>

At the same time, citizens must be compliant. Tax evasion is illegal and, in some cases, citizens simply do not pay their taxes. In other cases, people can hold their earnings in tax havens (countries that do not share financial information freely with other countries). Multinational companies are also subject to tax. When companies do not pay tax, this is called tax avoidance. Recent research suggests that governments lose US\$ 500–650 billion in revenue each year as a result of corporate tax avoidance.<sup>6</sup> This practice also has a negative effect on financial stability in emerging economies, boosting monopolization and crowding out small and medium-sized enterprises from the market.<sup>7</sup>

Parliamentarians can review existing tax laws to close loopholes in domestic tax policies and tax agreements with other countries. This will help to ensure that tax income from individuals and corporations is not lost, increase much-needed transparency in the financial sector and make it possible to hold those responsible to account. A review of a country's tax policy can also help to ensure that the poorest and most vulnerable are not unfairly penalized by the tax system.

### Example 1

#### Colombia applies carbon tax revenues to sustainable development objectives

Colombia introduced a carbon tax in 2016 as a way to generate revenues for its new development agenda. The tax generated US\$ 161 million in its first year of operation and is estimated to have directly reduced the country's emissions by

1 per cent in 2017. Revenues are earmarked for the Colombia in Peace fund, which supports sustainable environmental projects in national post-conflict zones. The system also allows carbon producers to apply tax credits in order to meet their tax obligations in the form of low-carbon development projects that are aligned with national priorities.<sup>8</sup>

### Box 2

#### Considering the link between gender and tax

Even before the pandemic, women in 89 countries spent about three times as many hours on average doing unpaid domestic and care work as men – and women with young children at home devote even more of their time to unpaid labour.<sup>9</sup> When women perform unpaid work rather than entering the formal workforce, governments lose out on potential tax revenues. This challenge is amplified in developing countries, where the informal labour market for women is large. Moreover, in some countries, women in dual-earner households who enter the formal workforce may still be classified as secondary earners, meaning they are taxed at a higher rate than primary earners (most often men).

While this higher tax rate may appear to be good for government budgets, the disproportionate tax burden on secondary earners may discourage women from remaining in the formal workforce. The increased demand for remote schooling, care and domestic work during the pandemic may be prompting more secondary-earner women to leave their jobs, reinforcing the view that women's role is to shoulder the responsibility for unpaid work. To avoid inadvertently reinforcing gender biases through the tax system, parliamentarians can support tax policies that incentivize more women to join the formal workforce. This will help both to reduce existing gender inequalities and to increase government revenues.<sup>10</sup>

5 Shaxson, N. (2019).

6 Ibid.

7 Ibid.

8 World Bank (2019), p. 38.

9 United Nations (2020c), p. 36.

10 United Nations (2021), p. 42.

## Example 2

### South Africa implements health taxes to increase revenue

Taxes are used to generate government revenue, but also to help guide public behaviour. Health taxes are levied on products like tobacco, alcohol, sugar and fossil fuels, all of which have a negative impact on public health. Taxing these products results in healthier populations and generates revenues for the budget that can be used to support the achievement of global health aims such as universal health care, in line with SDG 3 (“Good Health and Well-being”).

In 2018, South Africa introduced a tax on sugar-sweetened beverages based on their sugar content. Taxes such as these can help to reduce obesity, type 2 diabetes, heart disease and tooth decay. The tax has raised public awareness about the negative health consequences of sugar consumption and prompted beverage manufacturers to reformulate their products. In its first year, the tax raised 3.2 billion rands (US\$ 214 million).<sup>11</sup>

## Reflecting on debt sustainability

Loans are another income source that governments depend on. Governments borrow money, in the form of short- and long-term loans, to account for the difference between revenue and expenditure. They can also use loans to pay interest on any outstanding debt. National debt is usually measured as a percentage of a country’s gross domestic product (GDP) because it is assumed that as a country’s economy grows, the government’s ability to repay its debt also grows. But slow economic growth and other challenges mean that many developing countries are struggling to repay their debt: roughly half of least developed and other low-income countries were assessed to be at high risk of, or already in, debt distress even before the pandemic. And the economic slowdown caused by COVID-19 has precipitated patterns of increased borrowing: based upon available country data, debt service payments were expected to exceed 25 per cent of tax revenue in 2020 in over half of developing countries, and to exceed 40 per cent in a quarter of them.<sup>12</sup>

Too much debt can undermine political and economic stability, weaken the national currency, constrain economic growth, jeopardize a government’s ability to borrow additional money and push up unemployment. There are several ways to reduce the national debt, including through increased taxation and reduced spending. Some countries even place limits on the amount the government can borrow without further approval by parliament. But parliamentarians’ ability to prevent future debt distress relies on them remaining consistently well informed. Parliamentarians can request information from their governments on the national debt and the extent to which this debt is sustainable, if this is not already present in budget documents. Parliaments and parliamentarians can also utilize existing structures (such as parliamentary committees, parliamentary budget offices and supreme audit institutions (SAIs)) to monitor debt sustainability throughout the entire budget cycle.<sup>13</sup>

Government bonds (debt sold to investors to support government projects in return for an agreed rate of interest) can assist in funding budget shortfalls. Those known as “green” bonds finance projects with specific environmental objectives (such as ecosystem conservation, sustainable water management or energy efficiency). These bonds offer a possible route for governments to raise revenue and reduce debt while still supporting projects that have positive environmental and climate benefits.

## Understanding official development assistance

Official development assistance (ODA) is generally understood as the flow of resources to developing countries from official government channels abroad. The main purpose of ODA is to promote economic development and the welfare of the recipient country. It must include a grant element of at least 45 per cent for low-income and least developed countries, 15 per cent for lower-middle-income countries and 10 per cent for upper-middle-income countries.<sup>14</sup>

<sup>11</sup> WHO (2019).

<sup>12</sup> United Nations (2021), pp. 123–124.

<sup>13</sup> Dubrow, G. (2020).

<sup>14</sup> This is according to the new 2018 OECD definition of ODA.

ODA amounts differ from country to country and over time: while some countries receive little or no ODA, it constitutes the majority of the government's budget in others.

ODA reached an all-time high during the COVID-19 pandemic: US\$ 161 billion was spent on development aid worldwide (a 3.5 per cent increase over the previous year), with a large share of these funds going towards the fight against COVID-19 in the world's poorer countries.<sup>15</sup> ODA in the form of loans and equity investments from the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC) donors also increased by 28 per cent in 2020, reaching US\$ 26.2 billion (up from US\$ 20.5 billion in 2019), just as concerns about a growing debt crisis had begun to mount.<sup>16</sup>

Based on recent trends, it is likely this increase in ODA lending will mean more loans to countries that are less able to repay their debt. In addition, given the increasing focus on domestic recovery efforts, ODA flows could decline substantially from 2021 onward.<sup>17</sup>

The first step for parliamentarians is to understand how much ODA their country receives. The share of ODA recorded in budgets subject to parliamentary scrutiny fell from 66 per cent in 2016 to 61 per cent in 2018 – a situation that undermines parliamentary oversight.<sup>18</sup> Parliamentarians are encouraged to request that ODA is recorded in budget documents so it can be considered in their monitoring and decision-making work. Parliamentarians can also question the content of their ODA, examining whether it comes in the form of a loan or grant and considering what this means for SDG financing efforts.

### Combating illicit financial flows

Combating illicit financial flows (IFFs) is also vital to maintaining the integrity of existing revenue streams. IFFs are generally understood as illegal movements of money or capital from one country to another. In some cases, this not only results in a loss of national revenue, but also threatens sustainable development (examples include wildlife and mineral smuggling, and illegal fishing and logging). However, not all IFFs have their origins in illegal activities. United Nations (UN) organizations consider "aggressive tax avoidance" an illicit activity if it is detrimental to sustainable development, even though tax avoidance is not technically an illegal act.<sup>19</sup> Illicit financial flows, in their various forms, often represent hundreds of millions of dollars in lost tax revenues that could otherwise have been used to support public priorities and the achievement of the SDGs.

Additional revenue can be generated through increased tax transparency and the exchange of information. In recent years, at least 107 euros billion in additional revenue has been identified worldwide (including 29 billion euros in developing countries alone) through a combination of voluntary disclosure programmes and offshore tax investigations.<sup>20</sup> Combating IFFs therefore involves paying attention to cross-border tax arrangements that facilitate tax avoidance and evasion by businesses and individuals.

Another common element of financial crime is money-laundering. Here, criminal proceeds are processed through alternative means to disguise their illegal origins. Money-laundering is often enabled by individuals and organizations such as lawyers, accountants, financial institutions – unless national regulations require them to report suspicious transactions.<sup>21</sup> Parliamentarians are encouraged to work to strengthen anti-money-laundering laws, and to require multinational companies to publicly disclose basic financial information in order to reduce the amount of money that is lost through illicit financial activities.<sup>22</sup>

### Potential parliamentary actions

- Support tax policies that incentivize women to join the formal workforce: doing so will help to break the cycle in which women shoulder a disproportionate burden of unpaid care work, as well as generating government revenue.

<sup>15</sup> OECD (2021).

<sup>16</sup> Development Initiatives (2021).

<sup>17</sup> Carson, L. and others (2021).

<sup>18</sup> OECD and UNDP (2019), p. 12.

<sup>19</sup> UNODC and UNCTAD (2020) defines IFFs as "financial flows that are illicit in origin, transfer or use, that reflect an exchange of value, and that cross country borders".

<sup>20</sup> United Nations (2021), p. 47.

<sup>21</sup> *Ibid.*, p.53.

<sup>22</sup> Global Financial Integrity (GFI); IPU and UNDP (2020), p. 29.

- Close loopholes in tax treaties by reviewing existing legislation and supporting bills that fight tax avoidance and tax evasion.
- Advocate for tax policy that supports sustainable development (e.g. carbon tax, health taxes, progressive taxes that promote gender equity, and tax incentives for renewable energy).
- Support efforts to end environmentally harmful subsidies (e.g. non-renewable energy, fisheries and mining).
- Request information from government on the national debt and debt sustainability.
- Ensure that ODA is recorded in national budget documents and review their content.
- Strengthen anti-money-laundering laws.
- Require multinational companies to publicly disclose basic financial information.

### Questions for reflection

1. When did your parliament last review its tax laws? Have these laws been analysed from a gender perspective to ensure that men and women are affected equally? Are corporations taxed appropriately? Does the tax system ensure that the poor are not taxed unfairly?
2. What type of information do you receive from government on its debt? Do you know your country's debt-to-GDP ratio?
3. Do budget documents include information about the amount of ODA your country receives? If so, do you know what portion of ODA comes in the form of loans and grants? To what extent is ODA used to support achievement of the SDGs?
4. How much revenue is lost in your country due to IFFs?
5. Does your budget or finance committee have sufficient human and financial resources to support parliament's efforts to safeguard existing revenue sources? Does it have sufficient capacity to carry out a gender analysis of taxation systems and other revenue sources?



## Section 2: Maximizing budgetary expenditure towards the SDGs

The goal for all countries is to achieve the SDGs in this decade and to ensure a full COVID-19 recovery where no one is left behind. This section takes a closer look at some of the ways in which parliamentarians can support budgetary allocations towards the SDGs, particularly in times of financial scarcity. Specifically, it focuses on making the most of limited public resources and exploring strategic policy approaches that can help to shape a world that is sustainable, inclusive and equitable for all – including for women and other underrepresented groups.

### Key concepts

Political decision-making often focuses on short-term gains that align with regular election cycles. The COVID-19 pandemic – which demands immediate responses to save lives and support a rapid recovery – has made it even more tempting to concentrate on the “now”. Yet we live on a planet with finite resources, so achieving the SDGs requires a continued focus on outcomes that are sustainable over time. Preserving the natural environment allows people to live healthier lives and increases their well-being, and is vital to realizing the many social and economic goals set out in the 2030 Agenda. In other words, building a sustainable future means incorporating long-term thinking into the policies and plans that are decided upon today. And it means working together to find potential solutions to unresolved structural problems.

One way to ensure that long-term thinking is built into government strategy is to review the budget for coherence. A coherent budget is one that aligns with a State’s international commitments, such as human rights commitments and the SDGs.<sup>23</sup> Policy coherence

Central African refugees clear the ground in a space that serves as a small market between their shelters in Congo Rive village in the Democratic Republic of the Congo, where they have taken refuge. They fled Bangui, capital of the Central African Republic, in January 2021 and sought asylum in the DRC. More than 70,000 refugees from the CAR have been registered in the DRC since violence broke out after last December’s elections. © Adrienne Surprenant/UNHCR

23 Hege, E. and Brimont, L. (2018).

for sustainable development (PCSD) is a concept that involves considering the effects of policies beyond the current generation and national borders. Originally, the term related to efforts to ensure that the national policies of donor governments were consistent with their development work abroad. Now, the goal of PCSD is to ensure that policies enacted today leave behind adequate economic, natural, human and social resources for future generations. And in practice, because most SDGs are cross-cutting, PCSD also implies increased coordination across a wide variety of stakeholders and interest groups.<sup>24</sup>

A second way to incorporate the long-term thinking required to achieve the SDGs into government policies is to ensure that the goals are incorporated into countries' medium-term budgetary frameworks (MTBFs). MTBFs are much like annual budgets except that they build on medium-term macroeconomic projections and include budgetary allocations over the course of a three-to-five-year period. MTBFs are a useful multiannual planning and budgeting tool and lend themselves well to incorporating strategic objectives such as those outlined in the SDGs. Because MTBFs form part of the annual budget cycle, they can be regularly scrutinized and reviewed by parliament.

## Current challenges and potential parliamentary actions

### Confronting difficult policy trade-offs

Government policies and plans will always require more resources than are available. For this reason, national budgets are often formed on the basis of debates between different ministries, which present their competing needs. Decisions on which policy or policies to pursue will often involve trade-offs between conflicting goals or values. A commitment to sustainable policy decisions only adds to this complexity. For instance, improved agricultural output requires access to clean water, while water use must be limited in areas where it is scarce.<sup>25</sup> Whether priority is given to improving agricultural output or safeguarding drinking water in a particular region will depend on who is making the decision and what they stand to gain.

In difficult cases such as these, public debate on potential trade-offs is essential – because it is only by engaging directly with the public that a government can know what its citizens value the most and how best to achieve the goals it has committed to. Such discussions can also lead to the identification of synergies and complementarities between and among the available policy options.

The SDGs envision a world where no one is left behind. By discussing these issues with citizens (as well as with civil society organizations, independent research institutes, labour unions and other entities), parliamentarians can ensure that the most vulnerable are protected and that their needs are addressed in the face of competing needs and powerful interests that may jeopardize the transformations required to create a more sustainable world.<sup>26</sup>

### Example 3 Finland begins to phase out harmful subsidies

After scrutinizing its per-capita energy consumption in 2019, Finland has decided to phase out its harmful fossil fuel subsidies. Fossil fuels represented some 40 per cent of energy consumption in 2018 and subsidies to the non-sustainable energy base stood at roughly 3.5 billion euros. The majority of these subsidies take the form of reduced tax rates and other indirect subsidies (such as those aimed at maintaining employment in a particular sector or region). Finland has therefore taken its first steps towards ensuring environmentally sustainable development in the country.<sup>27</sup>

### Eliminating financial waste

One way to compare the various elements of government expenditure is to make a distinction between mandatory and discretionary spending. Mandatory spending is

24 Fourie, W. (2018), pp. 4–5; OECD (2016), p. 62; United Nations (2015a); IBP (2017).

25 Fourie, W. (2018).

26 Renn, O. (2020).

27 Prime Minister's Office of Finland (2020a; 2020b).

expenditure that is already outlined in existing legislation and is not open to debate on an annual basis. These are long-term commitments made by governments to citizens, interest groups or even the government itself (such as public service bills and entitlement spending). Discretionary spending, in contrast, is allocated to various ministries, departments and agencies at an early stage in the annual budget process. This type of spending is what most people think of when they consider the “budget” because these appropriations are open to influence by parliamentarians and interest groups each year.

Yet in most countries, mandatory spending accounts for the vast majority of the budget. If reprioritizing the annual budget (e.g. to ensure enough funding is available to implement the SDGs) is the goal, then reviewing legislation that relates to these pre-existing commitments is a good place to start. Parliamentarians can check for inefficiencies, determine where specific spending cuts can be made and propose recommendations.

### Closing gaps in legislation

Post-legislative scrutiny (PLS) refers to the practice of periodically reviewing existing legislation to ensure it serves its intended purpose. The practice is useful because laws are created in specific historical and cultural contexts, and what was true or important yesterday may not be so today. A review of existing legislation is critical as governments work towards creating and enacting policies to achieve the SDGs. Parliamentarians may find that laws contradict one another (jeopardizing policy coherence) or identify gaps in legislation. Moreover, once parliamentarians begin to scrutinize legislation, various ways to free up budgetary resources may become apparent. This could include eliminating areas of repetition, cutting unnecessary or wasteful costs, or reviewing legislation from a value-for-money perspective. PLS can be a useful oversight tool for parliamentarians as they work towards achieving the SDGs.

### Questions for reflection<sup>28</sup>

1. Has the law achieved its objectives?
2. Who benefits from this law?
3. Are underrepresented groups (e.g. women, minorities, children or people with disabilities) affected negatively?
4. Does this law contradict or negatively affect other sustainable development aims?
5. How does this law contribute to the SDGs? Which one(s)?
6. Have resources (financial, human or other) been used efficiently?
7. Is there a more cost-effective approach to implementing this?

### Example 4

#### South Korea announces a Green New Deal for sustainable development and job creation

Green New Deals are policy proposals that work to mitigate climate change, reduce economic inequalities and create new jobs through the development of new, “green” economies. In doing so, they could pave the way for massive job creation, renewed economic growth and environmental sustainability, thereby helping to achieve both SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action). Green New Deals aim to shift countries to low-carbon economies and create jobs in markets such as solar and wind energy, electronic vehicles, clean public transport and energy-efficient buildings. In some countries, such as the United States, Green New Deals have been under debate for several years. In others, new climate-friendly economies are already being developed.

Most recently, South Korea announced that both the government and the private sector would commit approximately US\$ 132.6 billion over five years (2020–2025) to boost renewable energy capacity and create 1.33 million electric vehicles. The plan also promises to transform urban areas into smart green cities, create 230,000 energy-efficient homes and increase investment in artificial intelligence and telecommunications services. The national strategy is expected to create 659,000 new jobs and help the country recover from the current economic crisis while supporting the Paris Agreement.<sup>29</sup>

<sup>28</sup> Adapted from De Vrieze, F. and Hasson, V. (2017).

## Sourcing disaggregated data to support budget formulation

The central promise of the 2030 Agenda – to leave no one behind – means that new questions must be asked. Does a particular policy affect men and women equally? Does it have environmental consequences that our planet can sustain? How do minority groups fare? Parliamentarians require answers to these questions so they can support the government in making the best decisions for the country as a whole.

The answers to specific questions like these can be found in disaggregated data, which are essential for informing policy choices for vulnerable and marginalized groups and the environment. National statistical offices and ministries of finance are normally responsible for collecting such data and making them available. Parliamentarians may wish to consider working with these institutions to identify gaps and to improve how information is collected, divided and provided to parliament. Where data gaps remain, parliamentarians are encouraged to build strong partnerships with external institutions (such as universities, non-governmental organizations and UN agencies) to source the information they need. Parliamentarians can also help remedy data gaps themselves, particularly in countries where budget data collection and production are weak, since they gather key information about their citizens and home constituencies. These data can then be reflected in budgetary allocations.<sup>29</sup>

### Example 5

#### New Zealand develops statistical indicators to support strategic decision-making

Statistics New Zealand has developed Indicators Aotearoa New Zealand (IANZ), a series of statistical indicators that go beyond available data on economic measures of progress (e.g. GDP) to include a large number of social and environmental measures (such as human waste, governance and human capital). The indicators encompass current levels of well-being in New Zealand, the well-being of future generations and the impact New Zealand has on the rest of the world. IANZ was developed with a focus on sustainable development and the need to report on the SDGs. The indicators will support the government's aim to use well-being as the basis for strategic decision-making in the country.<sup>31</sup>

## Potential parliamentary actions

- Facilitate broad public debate on SDG priorities, trade-offs and processes, including potential synergies and complementarities between and among different policy options.
- Conduct a gap analysis on the budget for the SDGs; this should include scrutinizing existing legislation on mandatory expenditure in budget documents, and using PLS to check for waste and potential cost savings in relation to laws that address priorities in the sustainable development agenda.
- Develop partnerships with external institutions and home constituencies to source the necessary data.
- Collect disaggregated data from constituents and feed this into decisions related to the national budget to support equitable implementation of the SDGs.
- Ensure national statistical offices are well resourced so they can provide the data needed to inform policy choices early in the budget process and help track progress on the SDGs nationally.

## Questions for reflection

1. Which aspects of government expenditure are focused on sustainable development?
2. Can you think of any budgetary allocations that contradict one another or jeopardize PCSD?
3. Has your parliament established a strategy to maximize budgetary expenditure?
4. Do MTBFs include indicators that are aligned with the SDGs?
5. Which areas of expenditure are most prone to waste? How can this waste be minimized?
6. How much of government expenditure is presented to parliament in a clear, accessible and comprehensive manner? Do budget documents explain how government spending contributes to achieving the SDGs?

<sup>29</sup> IDB, GOPAC and UNDP (2017), p. 37.

<sup>30</sup> Stats NZ, "Indicators Aotearoa New Zealand – Nga Tutohu Aotearoa" (2019)



Lawmakers vote after consideration of the draft budget during the session of the Verkhovna Rada in Kyiv, Ukraine, 5 November 2020. © Sergii Kharchenko/NurPhoto

## Section 3: Monitoring the SDGs throughout the budget process

In environments where transparency and accountability measures are limited, it is significantly harder to ensure that governments source and use national budgets for public benefit. Transparency and accountability form the bedrock of parliamentary work across nearly every aspect of parliament's mandate. They are also interrelated. This section will introduce these key concepts, highlight challenges for parliamentarians and present options for strengthening oversight of the SDGs throughout the budget process.

### Key concepts

Parliamentarians can only conduct their work if they have transparent information about government activities. This includes budgetary information (such as revenues, expenditures and debt), as well as details of government policies and plans (such as national development plans and prior commitments). This information is critical for policy debates, and it allows parliamentarians to scrutinize government policies and plans and to hold those responsible to account for their promises to citizens and the international community. Ample information also makes it possible to ensure that revenues, expenditures and plans are coherent and mutually reinforcing – both of which are essential for sustainable policymaking. Despite the clear value of the free flow of information, the *Open Budget Survey 2019* found that some 75 per cent of the 117 countries surveyed had insufficient levels of budget transparency.<sup>31</sup>

While parliaments continue to ensure that governments are held to account for their responsibilities to citizens, our understanding of accountability today has expanded to include responsibilities to future generations and our shared ecosystem. These extra responsibilities mean that parliaments now require even more information. Likewise, they must employ the full range of oversight tools at their disposal to ensure that government responsibilities are being

31 IBP (2019).

upheld and that scarce financial resources can be used to their greatest benefit. The budget process serves as a fundamental monitoring framework for parliamentarians, who can make use of its structure and procedures to influence, scrutinize and oversee government priorities and spending plans. The process involves four interconnected phases: budget formulation, adoption, implementation and audit. It is a cyclical process because the information and insights obtained in each phase are intended to feed into and support the roll-out of the next.

In most countries, the budget is formulated by government. Once the budget is complete, it is presented to parliament for debate, potential amendment and adoption. Government then uses the resources approved by parliament to execute its plans in the implementation phase. From there, expenditure is audited by the SAI and its reports are shared with parliament and government for review. In some cases, parliament then formulates recommendations and communicates these to government for follow-up. In others, the plenary reviews the audit reports and officially closes the accounts for the year. Although the budget process is often understood to be a uniquely executive affair, there is much scope for parliamentary engagement at each phase of the process. Parliamentary oversight of, and input into, the national budget is key to holding government to account and ensuring that its policies and plans reflect citizens' preferences.

The budget can be designed in different ways to accommodate different information needs. A performance budget is one that presents information on what government departments have done or intend to do with the money provided to them. Beyond the achievement of specific policy goals, budgets can also support and monitor the inclusion of cross-cutting issues, which is essential for achieving the SDGs. Gender budgeting, for example, is a process by which gender mainstreaming is applied in the budgetary process. It involves conducting a gender-based assessment of budgets, incorporating a gender perspective at all levels of the process and restructuring revenues and expenditures to promote gender equality. In this sense, it aligns with SDG 5 (Gender Equality). Similarly, green budgeting means using the tools of budgetary policymaking to help achieve environmental goals, such as SDG 13 (Climate Action) and SDG 15 (Life on Land). This includes evaluating the environmental impact of budgetary and fiscal policies and assessing their alignment with the delivery of national and international commitments.

### **Box 3** Using the SDGs as a monitoring tool

Parliamentarians can use the SDGs as a monitoring tool by mapping and tracking budgetary contributions towards their achievement. It is important to maintain a targeted focus on the SDGs and, specifically, not conflate this with the goal of "economic growth". While the SDGs include objectives related to economic growth, they focus on positive economic outcomes that can be sustained over time within the limits of our ecological resources. They also incorporate non-monetary benefits into the equation, such as quality of life, equality and freedom across generations. By comparing the government budget against each of the SDGs, parliamentarians can better understand the relationship between them and help to ensure that adequate resources are continually directed towards their achievement.

In practice, however, there is rarely a one-to-one relationship between budgetary allocations and the goals of the 2030 Agenda. This can make it difficult to hold governments to account. One way to track progress on the SDGs throughout the budget cycle is to use what is known as budget "tagging". This approach, which applies to all budgets no matter how they are designed, involves earmarking relevant expenditures in sectors like health (SDG 3) and education (SDG 4) for regular monitoring. Some goals, however, are more difficult to track than others. For instance, the way that money is allocated in nearly every sector can help or hinder gender equality, which makes it harder to tag expenditures for SDG 5 (Gender Equality). The same could be said for SDG 13 (Climate Action), where spending is often spread across multiple ministries and at various levels of decentralization. In addition, some goals depend more on policy and regulatory improvements and less on actual spending. This means that tagging exercises must extend beyond the budget documents themselves. In general, government practices that enhance the timely submission and transparency of budget documents can help. So too can performance data, as well as data that are separated into categories to enable systematic monitoring.<sup>32</sup>

32 IBP (2017).

# Current challenges and potential parliamentary actions

## Addressing reduced government transparency and accountability

In the COVID-19 pandemic, governments are rolling out large-scale economic support packages in record time. The scale and speed of these responses have challenged traditional approaches to fiscal transparency and public accountability. Standard controls are often suspended or bypassed in emergencies. This weakens accountability and oversight systems, leaving resources originally intended for public consumption open to private exploitation. Criminal organizations have, for example, found ways to profit from the pandemic. For this reason, pandemic-related spending should be made transparent, with a clear overview of what the objectives are, how this spending contributes to sustainable development, what costs are involved and where the funding is coming from. Parliament needs to know how these plans differ from the original budget as approved and how they will affect the public.<sup>33</sup> The full emergency support package should be presented, debated and approved by parliament.

In some countries, a supplementary budget may be presented to parliament for authorization, which enhances transparency. Once these plans are implemented, parliament is encouraged to review its legal right to information and press for regular reporting from government to monitor progress. This can take the form of regular reports from relevant government departments on spending and performance, or even involve spending reviews where the government announces its major decisions to parliament and the public. Parliament can use these opportunities to assess the impact and efficiency of programmes in specific SDG policy areas. Other forms of parliamentary scrutiny could also be considered, such as a dedicated hearing in the parliamentary finance or budget committee.

### Box 4

#### Leveraging Voluntary National Reviews to promote debate

Voluntary National Reviews (VNRs) are country-led and country-driven reports on progress in achieving the SDGs both nationally and subnationally. They are presented at the United Nations High-Level Political Forum on Sustainable Development (HLPF). The 2030 Agenda encourages all countries to conduct these regular and inclusive reviews as a platform for building national partnerships and reviewing progress annually. VNRs allow countries to plan appropriate policies, structures and processes and to revise or introduce national development plans for achieving the SDGs.<sup>35</sup> Reporting in the first VNR cycle (2015–2019) largely focused on updating national development strategies to reflect the SDGs, determining the level of political engagement, mainstreaming and mapping SDG responsibilities across government ministries, and introducing mechanisms for interdepartmental coordination.<sup>36</sup> Parliamentarians can participate in the VNR presentation exercise or simply refer to their country's reports from year to year to monitor progress and promote debate in parliament.<sup>37</sup>

## Incorporating the SDGs into national and sustainable development strategies

Development strategies set out government plans on how to improve the lives of citizens and their communities. National budgets are designed on the basis of these strategies, so that governments can more effectively and efficiently achieve their aims. Parliaments play an essential role in ensuring that development strategies are aligned with local needs and other national and international commitments. Ensuring that the SDGs are incorporated into national development strategies is one of the most critical roles parliamentarians can play in helping to make sustainable development a reality. Since 2011, the proportion of developing countries with a national development strategy has grown from 36 to 64 per cent, and the

33 United Nations (2021).

34 GIZ (2019), p. 10.

35 Horan, D. (2019).

36 The IPU regularly monitors parliamentary engagement in the VNRs.

SDGs are increasingly incorporated into these strategies.<sup>37</sup> Some countries (such as Sierra Leone and South Africa) have begun to include the SDGs in national planning processes in tandem with other international frameworks such as the African Union Agenda 2063 and the Paris Agreement.<sup>38</sup> Similarly, the United Kingdom and Liechtenstein report that the SDGs have been mainstreamed into their respective government work programmes.<sup>39</sup>

Overall, however, just 30 per cent of the 47 countries that submitted VNR reports in 2019 indicated that the SDGs had been incorporated into their national development plans.<sup>40</sup> Moreover, in most developing countries, national development strategies are only voted on in parliament 30 per cent of the time.<sup>41</sup> Without a formal vote, parliament is unable to hold government to account for its commitments. For these reasons, it is essential that parliaments support a process of localizing and interpreting the SDGs into national development plans and ensure that this strategy is put to a formal vote for approval by parliament. To assist in this process, parliamentarians may wish to take the initiative to become more involved in national sustainable development strategies at the planning stage. The varied nature of the SDGs requires extensive coordination across government ministries, agencies and departments. Parliamentarians can take advantage of this opportunity to include themselves in the relevant national and sector-specific SDG dialogue structures.<sup>42</sup>

### Example 6

#### Slovenia aligns the SDGs with its national development strategy

Slovenia carried out a gap analysis and adopted the Slovenian Development Strategy 2030, which includes 12 goals and a national development policy programme. The country linked the SDGs to its national objectives and adapted them to the national context and challenges. It then adopted 30 key performance indicators to evaluate national development including budget performance. These indicators include a national translation of the SDGs.<sup>44</sup>

### Example 7

#### Bhutan integrates the SDGs into its strategy on gross national happiness

Bhutan is the home of the concept of gross national happiness (GNH), which was introduced in the 1970s as a counterweight to the idea that development can be measured on the basis of gross national product alone. GNH is a holistic approach to progress, taking elements such as psychological well-being and culture into account. When the country signed up to the 2030 Agenda, the Parliament of Bhutan established the Joint Parliamentary Committee on GNH and the SDGs (Joint Committee) to oversee government implementation of relevant policies and plans, to ensure alignment between the SDGs and national goals, and to monitor and evaluate progress towards the achievement of GNH and the SDGs. The Parliament of Bhutan organizes public hearings on the SDGs, and meetings of the Joint Committee on GNH and the SDGs are regularly convened. The Joint Committee is a demonstration of true national ownership of the 2030 Agenda and an example of a pairing between two strategic visions of development that extend beyond a focus on economic growth.<sup>45</sup>

## Aligning national budgets with the SDGs

In order to be effective, strategies for sustainable development must be better linked to the budget process so that parliamentarians can monitor progress. Yet only 30 per cent of countries that submitted their VNRs in 2019 included specific details about aligning the budget with SDG implementation.

37 OECD and UNDP (2019), p. 14.

38 GIZ (2019), p. 23; Government of South Africa (2019), pp. 7 and 103–106; Government of Sierra Leone (2019) p. 10.

39 GIZ (2019), p. 23.

40 Ibid.

41 OECD and UNDP (2019), p. 62.

42 IDB, GOPAC and UNDP (2017), pp. 21–22.

43 Hege, E. and Brimont, L. (2018).

44 Male Declaration Report (2020).

There are several good reasons for incorporating the SDGs into the budget process: doing so can improve policy coherence (helping to ensure that one budget decision does not have a negative effect on another), increase accountability (if the SDGs are used as a monitoring tool), and make national budgets comparable across countries, helping to track progress on the SDGs overall.<sup>45</sup>

The simplest way to link the SDGs to the national budget is through a national development plan that translates the SDGs into national priorities. But even in countries that do not have such a plan, parliamentarians are not without options. First, they can scrutinize national budgets using the SDGs as a guide – much like the process used in gender or green budgeting, whereby certain targets are compared with budgetary allocations – and use the evidence gathered to identify gaps in implementation, priority areas for funding and even impact (where performance information is available). Second, they can request that government include a narrative report on how the budget is linked to SDG goals or targets in the budget documentation presented to parliament prior to adoption. And third, they can advocate for the inclusion of the SDG framework in existing committee oversight portfolios. Israel, Pakistan, Tanzania and the United Kingdom have reported efforts to incorporate the SDGs into parliamentary committee work or to set up a separate SDG parliamentary committee. In the United Kingdom, for instance, the All-Party Parliamentary Group on the United Nations Global Goals for Sustainable Development brings together parliamentarians to discuss and promote the SDGs and monitor implementation.<sup>46</sup>

Ultimately, achieving the SDGs is as much about priority-setting as it is about budgets. By using SDG indicators to inform budget debates, parliament can garner public support for a national focus on achieving the SDGs.

### Example 8

#### Indonesia mainstreams the SDGs in its portfolio committees

In the Parliament of Indonesia, portfolio committees oversee the SDGs in their respective ministries, mainstreaming sustainable development into their existing oversight mandates.<sup>48</sup> In addition, the Committee for Inter-Parliamentary Cooperation coordinates the work of parliament on the SDGs as part of its overall mandate. The committee has supported the organization of a number of high-profile events related to the SDGs.<sup>49</sup>

### Sourcing information on SDG progress to support budgetary audit

Parliamentarians cannot scrutinize government's budget allocation decisions without first understanding how successful existing policies have been at achieving their objectives. Performance information is essential to building this understanding. Some parliaments receive detailed narrative reports directly from government or request these as needed. In other cases, performance reports may even be reviewed by the SAI and then tabled in parliament for further scrutiny and follow-up.

Yet there are still many countries in which performance information does not reach parliament or the relevant committees, meaning this essential review work cannot be carried out. Parliaments must work to change this if they are to ensure that government policies and plans benefit constituents and communities. Parliamentarians would do well to expand budgetary discussions, which are typically limited to financial and legal compliance, to include SDG-related outcomes and performance. This could go hand in hand with the forging of stronger relationships between committees, relevant government departments and SAIs, to encourage and source performance information where it is available. Parliaments could also request that budget proposal narratives include updates on SDG-related progress.

45 Hege, E. and Brimont, L. (2018).

46 GIZ (2019), p. 17.

47 Fitsilis, F. and Zisioglou, E. (2019).

48 Fitsilis, F. and De Vrieze, F. (2020).

### Example 9

#### Norway and Sweden incorporate narrative SDG reports into budget documents

In Norway, the Ministry of Finance (MoF) asks each ministry to write a short narrative describing how its activities relate to the national and international goal(s) for which it is responsible. Responses are then collated by the MoF, which uses this information to draft a chapter devoted to progress on the SDGs. This is then added to the budget proposal presented to parliament. Government ministries in Sweden are also encouraged to include narratives in budget documents demonstrating linkages between their area of work and the SDGs. Recent research indicates that the 2016 budget mentioned the SDGs roughly 100 times, with double this figure in the 2017 budget. Each of these approaches is a relatively easy and accessible way for governments to link budget proposals to their SDG contributions.<sup>50</sup>

#### Potential parliamentary actions

- Review access to information laws, scrutinize regular spending and performance reports from government, and participate in government spending reviews.
- Ensure that parliament votes on national development strategies and participate in national and sectoral coordination dialogues on the SDGs.
- Help to ensure that government translates the SDGs into national development strategies.
- Proactively engage in processes related to VNRs.
- Monitor budgetary progress against the SDGs and targets.
- Request that budget proposal narratives include progress on the SDGs.
- Incorporate the SDG framework into existing committee oversight portfolios.
- Use the SDG indicators to demonstrate national progress and inform the budget debate.

#### Questions for reflection

1. How does your parliament monitor progress on the SDGs?
2. In what ways does your national development strategy already incorporate sustainable development aims?
3. How would you rate your government's performance in making good on its commitment to achieving the SDGs?
4. When was your country's last VNR? In what way(s) did parliament participate in this process?
5. How can your committee incorporate the SDGs into its current portfolio?
6. At what stage in the budget process is your parliament most vocal on the SDGs?



A scavenger collects plastic waste at the Ciliwung River in Bogor, Indonesia on 21 March 2021, ahead of World Water Day. © Adriana Adie/NurPhoto

## Conclusion: Strengthening parliaments and parliamentarians' role in SDG financing

The COVID-19 pandemic and the ensuing crisis have taken a toll on economies across the globe. Many countries are in the process of adjusting their national priorities in the wake of COVID-19 and developing recovery packages. The readjustment of national budgets can impact progress towards achieving the SDGs as funds are redirected from longer-term development objectives to more immediate recovery measures. The redirecting of funding and reprioritization of national priorities can also undermine action on climate change through the Paris Agreement and disaster risk reduction through the Sendai Framework, which will negatively impact sustainable development. Despite the wide-ranging negative consequences, the pandemic has created an opportunity to streamline financing efforts to achieve the SDGs and other international agreements by aligning recovery efforts with these agendas.

Parliamentarians are tasked with ensuring that existing revenues are used to their greatest benefit, that expenditures are appropriated towards sustainable and coherent ends, and that budgets are monitored with the SDG targets in mind. As they work to maximize available resources, parliamentarians should be reminded that they occupy a unique space between governments and citizens. This positioning provides parliaments with ample opportunity to advance national development strategies towards the SDGs at minimal additional cost to citizens or the country.

In the face of competing priorities and major economic and social upheaval, political leadership is needed now more than ever. Parliamentarians play a critical role in keeping the SDGs on the political agenda and in communicating their vital importance to citizens. Parliaments and parliamentarians must ensure that adequate funds are devoted to the SDGs to deliver high quality results for people and countries. This can mean the difference between creating a sustainable, equitable future for citizens – and not.

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- Box 1 Prioritizing public opinion on sustainable development
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- Box 4 Leveraging Voluntary National Reviews to promote debate

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- Example 1 Colombia applies carbon tax revenues to sustainable development objectives
- Example 2 South Africa implements health taxes to increase revenue
- Example 3 Finland begins to phase out harmful subsidies
- Example 4 South Korea announces a Green New Deal for sustainable development and job creation
- Example 5 New Zealand develops statistical indicators to support strategic decision-making
- Example 6 Slovenia aligns the SDGs with its national development strategy
- Example 7 Bhutan integrates the SDGs into its strategy on gross national happiness
- Example 8 Indonesia mainstreams the SDGs in its portfolio committees
- Example 9 Norway and Sweden incorporate narrative SDG reports into budget documents

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