Status of Knowledge on The Integration of SDGs in Budgetary Process

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1. Introduction

In September 2015, United Nations Member States jointly committed to the 2030 Agenda for Sustainable Development Goals (SDGs). Governments are primarily responsible for realizing this transformative agenda. Integrating SDGs into planning at the state level is one of the keys to their achievement. There are at least two levels of integration. The first level is "mainstreaming" the SDGs in the national policies, which means that the SDGs are integrated into the existing national policies (United Nations Development Group 2015). The second level, which is more profound and focused in this work, is "institutionalizing the SDGs", which means that SDGs and their principles are integrated into rules and regulations.

For the government to implement policies for SDGs, financing these policies is one of the basic conditions for success. The 2030 Agenda for Sustainable Development also emphasizes budget allocation to support sustainable development, as stated clearly in the target 17.1 of SDG 17 (United Nations 2015). Government budgeting can reflect the priorities of the development policies in the next fiscal year. If the rules governing the budgetary process are coherent with the SDG and its principles, the government budgeting could likely be more supportive to the SDGs and strengthen the mainstreaming of the SDGs in the national policies.

National budgetary processes are the instrument for forecasting the government's revenue and authorizing its expenditure for a fiscal year. The budgeting process, as illustrated in figure 1, has four main steps. The first step is budget planning and formulation. The second step is budget approval, followed by the third step, which is budget execution. The last step is budget oversight (Hege and Brimont 2018). There are three actors involved in this process, namely, (1) **the government**, as a planner who uses budgets following national development goals and assigns the budget to government agencies as budget users; (2) **the Parliament** who can modify and authorize the budget; and (3) **a court of audit** who controls the execution of the budget.

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In the first step, the government is required to produce a budget proposal for the next fiscal year. The government sets national development goals and assigned government agencies to prepare a draft budget plan. These budget plans will be considered by the government to ensure the consistency of these plans to maximize the synergy between the plans' objectives and prevent contradictions and minimize trade-offs between them.

In the budget approval step, the legislature reviews the budget and enacts it into law. In this process, the Parliament can debate, alert, or improve budget plans to meet national development goals.

The next step is budget execution and implementation by the government through ministries and departments. To implement the 2030 Agenda, the government assigns ministries and departments to be responsible for Goals and Targets related to their mandates. Sufficient budget needs to be allocated to these ministries and departments for effective implementation of the SDGs.

Figure 1. National budget cycle
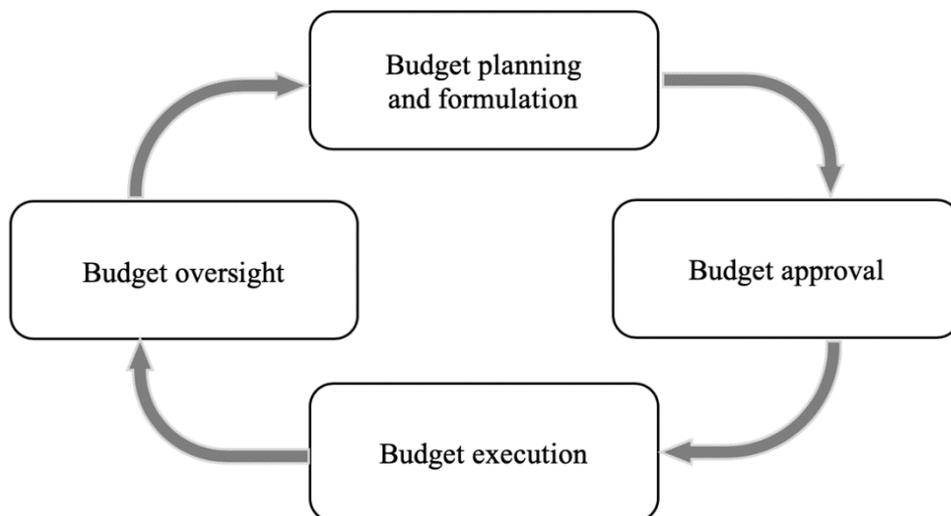
Source: Hege and Brimont 2018

The final step is budget oversight and evaluation of the budget performance. Supreme Audit Institution is responsible for monitoring budget spending to achieve budgetary goals, evaluating projects, and issuing audit reports to improve the operation of the evaluated projects in the next year. In addition, the 2030 Agenda encourage participation of civil society organizations and other sector to participate in state budget audits.

In Nepal, criteria have established to prioritize the Goals. The priorities in development plans of Nepal were poverty reduction, job creation, social and geographical inclusion, and effective service delivery. Development programs were classified as 'priority one' (P1), 'priority two' (P2), or 'priority three' (P3). In the case of limited budgets, projects in P1 would still be financially supported. The government of Nepal can track budget expenditures for each development goal (UNDP 2017c).

The state of Assam in India produced an SDG-oriented state budget in the fiscal year 2016/17 (UNDP 2017a). Classification of expenditures by the SDGs showed that the most significant allocations are made for SDGs 10, 4, 3, and 1 (inequality, education, health, and poverty). For monitoring the SDGs, the government of Assam developed a new IT-based system. The SDGs indicators were localized for Assam. There was a database to be compiled from sources at the national and state levels. There is an integrated Management Information System (MIS) of existing flagship programs (UNDP 2017b).

The government of the Philippines integrated SDGs into resource allocation. The Department of Budget Management (DBM) introduced the Program Expenditure Classification, which makes it easy to check budget usage. The DBM advised government agencies to explain the link between the proposed program and the SDGs indicator (UNDP 2017d).

In Mexico, the link between budgets and SDGs is not direct but needs to be mediated by local systems and institutions. Each ministry established relationships from national development plans and performance evaluation systems to sustainable development goals. It also identified programs that were directly and indirectly supporting SDGs and allocated budgets into each program (Mexican Ministry Of Finance 2017).

The government of Austria was integrating SDG-perspective into the Austrian system of performance-informed budgeting. All departments will have to link their performance goals and targets to the SDGs (Mulholland and Berger 2019). The government of Estonia is preparing for the implementation of a long-term strategy until 2035. This strategy will integrate SDGs development plans and budgetary process. Then, the budget allocated could also be linked to SDGs (Mulholland and Berger 2019).

Finland promotes sustainable development through the involvement of stakeholders. The government has included sustainable development plan in the annual report proposed to the Parliament and has established an annual public discussion forum for measuring and taking stock of progress in the implementation of the 2030 Agenda. Importantly, this

sustainable development plan also requires future governments to follow (Mulholland and Berger 2019).

The integration of SDGs into the budgetary process, therefore, benefits national development goals. First, it can track the budgetary contribution to the SDG and improve efficiency in and synergies between SDG targets in budget allocation. Second, SDG is a framework for evaluating budget proposals and can increase transparency for the proposal if non-governmental actors are included. Then, SDGs can increase accountability in the budgetary process. Third, budget allocation for SDGs makes it possible to compare progress and success in each country.

The objectives of this study are (a) to review the knowledge status of the SDG integration into the budgetary process, (b) provide a comparative study of the implementation of integrating SDGs into the budgetary process in different countries and the case of Thailand, and (c) to provide suggestions for improving the integration of SGDs into Thailand's budgetary process.

2. Results of Comparative Studies

To support the UN sustainable development goals. In December 2016 the XXIII International Organisation of Supreme Audit Institutions (INTOSAI) - the organization joining the supreme audit institutions of certain countries - congress made a declaration on the roles of audit offices regarding the sustainable development goals. INTOSAI Strategic Plan 2017-2022 addresses the role of SAIs in participating in the monitoring and review of SDGs within the context of sustainable development in each country. For the reason, that SAIs are independent and reliable, SAIs are responsible for providing information, monitoring, and reporting of government action in performance, accountability, effectiveness, transparency, and financial status, SAIs thus play an important role in reporting on the progress of countries in meeting SDGs. (Inamdar and Dadhe 2017, Domokos and Pulay 2020)

INTOSAI Strategic Plan 2017-2022 has four Approaches for the audit of Sustainable Development Goals as follows: (Inamdar and Dadhe 2017)

(1) Auditing national systems of follow-up. Assessing the preparedness of national governments to implement, monitor, and report on the progress of the SDGs. Review government readiness to implement, monitor, and review SDGs. Verify the implementation of

The International Standards of Supreme Audit Institutions (ISSAI) in government readiness processes to implement monitoring and SDGs. Assess the suitability of a government-established system for monitoring and progress reports on SDGs. Review to ensure the reliability of the national audit data.

(2) Performance audit of programs that contribute to SDGs. Assessing and supporting the implementation of SDG 16 which relates in part to effective, accountable, and transparent institutions.

(3) Assessing and supporting SDG 16. SAI plays a role in supporting Goal 16's success in building an effective institution, responsibility, and transparency at all levels. This emphasizes good governance, and this role will foster resistance and the prevention of corruption.

(4) Being a model of transparency and accountability. SAI relies on the supreme audit institution to exemplify transparency and accountability. Explain to other departments to see an example of good governance.

Figure 2. Four Approaches for the audit of Sustainable Development Goals

Source: Inamdar and Dadhe 2017

The Board of Audit of Japan examines the Japanese government's readiness to implement the Sustainable Development Goals using the INTOSAI SDG preparedness model. (Board of Audit of Japan 2017)

Step1: Political commitment, Prime Minister Shinzo Abe, speaking at the United Nations summit in September 2015, expressed Japan's intention to pursue its Agenda 2030 goal. In 2017, there was a fiscal policy reform plan to promote the SDGs through the cooperation of the ministers.

Step 2: Public awareness and participation, the Japanese Government fosters public awareness and participation in achieving SDGs. The government, therefore, organizes meetings with NGOs, educational institutions, business sectors, international organizations, and other agencies. The government communicates with the public to make people understand the SDGs and how SDGs are involved in everyday life. The SDGs are being discussed in parliament to reflect their interest in the SDGs.

Step 3: Allocation of responsibility, in December 2016, the Cabinet established "Japan's SDGs Implementing Guiding Principles," defining the responsibilities of various departments in meeting the SDGs. However, the published documents did not specify the allocation of financial resources, including other key stakeholders.

Step 4: Detailed plans, the "Implementing Guiding Principles" are the key principles in achieving the 2030 Agenda. There is an annex that defines specific measures to achieve the SDGs "Specific Measures to Achieve the SDGs", comprising more than 160 programs in 8 key areas, each linked to the SDG and Indicators.

Step 5: Measuring and monitoring systems, review the progress of the measures under "Implementing Guiding Principles" which includes improving and developing SDGs achievement indicators.

Step 6: Setting of baseline, the "Implementing Guiding Principles" require governments to set criteria for achieving their goals in each area.

Step 7: Monitoring and reporting arrangements, the "Implementing Guiding Principles" requires governments to participate in global monitoring and review of processes at the High-level Political Forum on Sustainable Development (HLPF), which is held every four years.

In Maldives, it was found that the government had established a committee from key stakeholders to prepare to adopt the SDGs in the national context as shown in figures 3 and figure 4 (Auditor General's Office of Maldives 2019).

In Hungary, apply SDGs to the national context. By identifying common goals between international and national levels. Then identify programs that will be able to support the achievement of each goal as shown in figure 5 (Domokos and Pulay 2020).

Figure 3. Coordination and monitoring structure
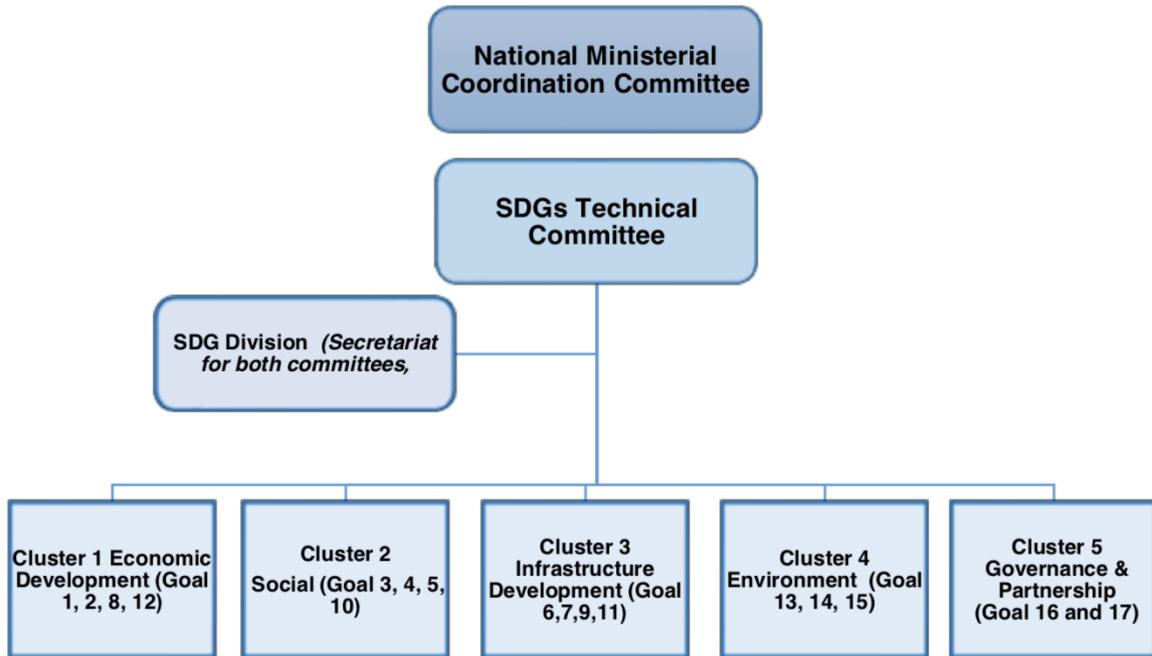
Source: Auditor General's Office of Maldives 2019

Figure 4. Stakeholders and their role in SDG implementation

Institution	Role
NMCC	To provide policy guidance on key decisions that are to be made during the process of the rolling out the SDGs
Technical Committee	This Committee consists of focal points from state agencies responsible for providing critical support, assistance and guidance on SDG enactment
SDG Division (replace by MNPI)	Mandated by the President's Office to oversee the implementation of the SDGs. The SDGs Division is the central agency for SDGs harmonization. This Division is entitled with the responsibility of coordination, monitoring and reporting the implementation process of SDGs in Maldives
SDG Goal and Proposed Lead Agencies	
Goal 1	SDGs division
Goal 2	Agriculture division, Ministry of Fisheries and Agriculture
Goal 3	Ministry of Health (MoH)
Goal 4	Ministry of Education (MoE)
Goal 5	Ministry of Gender and Family
Goal 6	Water and sanitation department /authority, Ministry of Environment and Energy (MEE)
Goal 7	Energy division, Ministry of Environment and Energy
Goal 8	Ministry of Economic Development
Goal 9	Ministry of Housing and Infrastructure
Goal 10	SDGs division
Goal 11	Ministry of Housing and Infrastructure
Goal 12	MEE (waste department)
Goal 13	Ministry of Environment and Energy (climate change division)
Goal 14	Ministry of Fisheries and Agriculture (marine research),
Goal 15	Ministry of Environment and Energy (conservation division)
Goal 16	Attorney General's Office

Source: Auditor General's Office of Maldives 2019

Figure 5. The relationships between sustainability goals

and programs in case of any given SDG
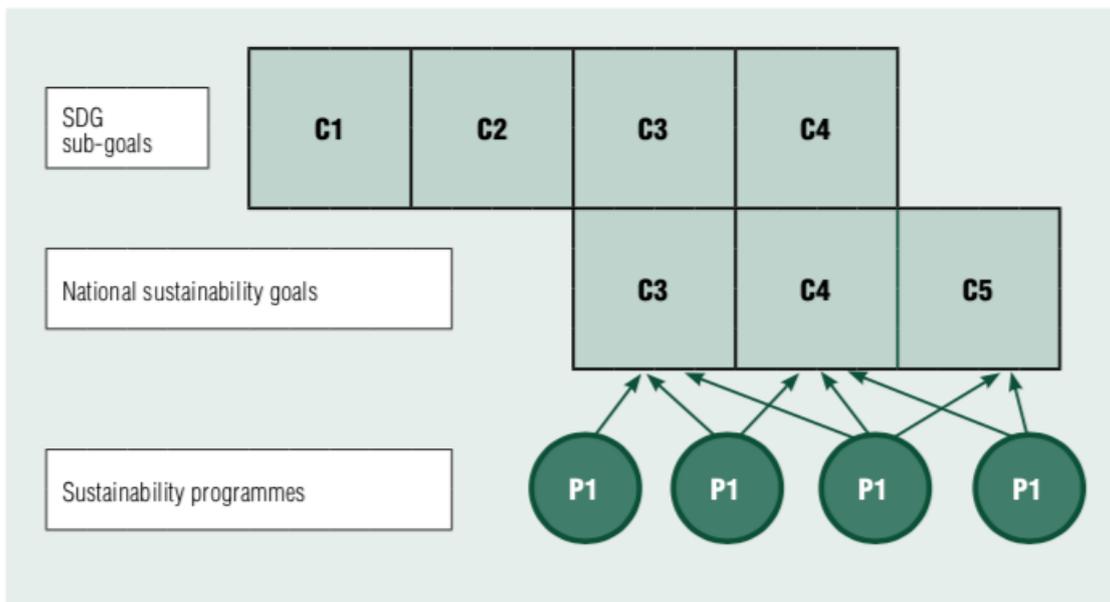
Source: Domokos and Pulay 2020

The State Audit office of Hungary developed a method for describing the linkage between indicators at international, national, and program levels. Figure 6 illustrates the targets C3, C4 and C5 are common targets in international, national, and program levels. Target C1 is not included in national goals because not related to Hungary. Target C2 appears among the national goals as well, but it was not included among the specific objectives of the development program. Targets C6 and C7 are out of international targets but important to Hungary.

In the three rows of the matrix below the goals, Indicators at international, national, and program levels were identified for each goal. Indicators with the same content were given the same serial number. The figure is indicators I31 and I42, so targets C3 and C4 can be audit using the same indicators both at the international, national, and program levels. In this case, marked with the letter L in the last line of the matrix. The letter R denotes a case where the identifier is shared between international and program levels. This means that national programs contribute to achieving international sustainability targets. The letter E marks the case where international and national indicators are identical, but there are no identical program-level indicators. This means that from data collection in Hungary, the SAO can request

Hungarian data from the Hungarian Central Statistics Office or other competent organizations, but the SAO will not have any specific audit evidence.

The letter H marks the case where only the nation and program-level indicators are identical. The letter P indicates that an indicator is available for the controlling of the program concerned, which is a basic condition for auditing the performance of the program. However, base on the effectiveness of the program it will not possible to provide empirical evidence that the program will achieve national or international sustainability goals. The letter N marks that due to the lack of indicators.

Figure 6. A matrix aiding the determination of whether a sustainable development goal can be Audited internationally and nationally


Source: Domokos and Pulay 2020

From the national budget cycle shown in figure 1, The budget execution process, as illustrated in figure 7, generally follows five steps. In the first step, the budget is allocated to the ministries, departments, and government agencies as per the approved budget. In the next step, government agencies initiate expenditure directly or by procuring goods and services. Government agencies make specific spending proposals. The chief accounting officer from the ministry or department reviews this proposal to ensure that they fall within budget and those appropriate procedures are followed (Ramkumar 2008).

In the payment step, actual payments for expenditures are generally made by the accounts department of the ministry, department, or agency by check or bank transfer. In some countries, governments pay in cash, which can lead to corruption.

In the next step, transactions are recorded in the accounting system. Almost all developing countries use a cash accounting system, which records expenditures when payments are made immediately after payment orders are issued. Although the system is easy to understand, it makes it difficult to create an overview of the government's financial situation over time. For example, if a government has entered into a contract to supply an expensive product or service, the financial statements under the cash accounting system will not refer to the purchase until the actual payment is made, possibly several months after that.

Under the accrual system, financial transactions are registered when the activity occurs. Thus, expenditures are accounted for when goods and services are delivered. This system provides a more accurate picture of the country's financial situation.

Figure 7. The budget execution process
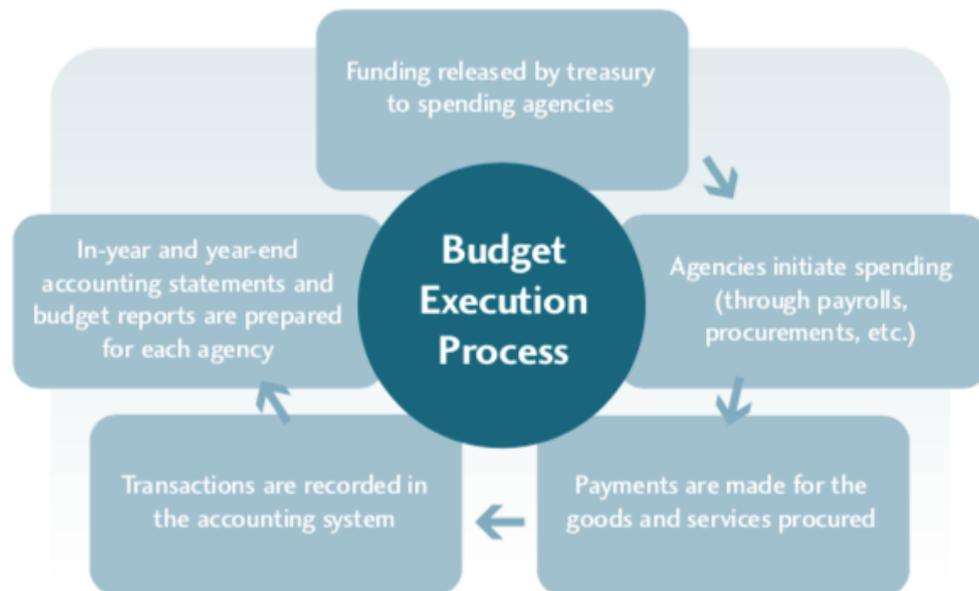
Source: Ramkumar 2008

The final step, production of accounting and budgeting reports. The 12-month period during which a budget is in effect is called the fiscal year. During the fiscal year, the accounting officer records all accrued income and expenses accrued during the year, and these recorded items form the basis for in-year budget and accounting reports.

Budget documents that can help keep track of the budget process are the enacted budget, in-year reports, supplementary budgets, and year-end reports (Ramkumar 2008).

(1) Enacted budget

After discussing the executive budget, the legislature usually votes into law. It is then called the "enacted budget." In some countries, the enacted budget provides only an overview of expenditures, in others, the enacted budget provides allocations to individual spending agencies and even programs. The enacted budget has a legal status that describes the extent to which the government can make changes to the budget this year without returning to parliamentary approval. This document is therefore important for audit purposes, it clearly states what the government should spend in the coming fiscal year.

(2) In-year reports

In the budget execution phase, For monitor expenditures, revenue, and debt levels. Governments produce monthly, quarterly, and mid-year reports that compare the actual budget results with the approved budget. To ensure that expenditures, revenue, and debt levels are as planned.

(3) Supplementary budgets

The supplementary budget allows the government to revise the original budget proposal to meet the unexpected needs that arise during the year, such as natural disasters or the lack of funding that could result from poor budget planning. Frequent use of supplementary budgets indicates poor budgeting practices. Routine supplemental requests undermine planning within ministries and agencies. The supplementary budgets should be approved by the legislature as a good practice of the budget process.

(4) Year-end reports

The year-end reports provide information on the actual expenditures, revenue, and debt. In some countries, this report is a single document for all of the government, while in other countries, individual administrative units issue their year-end reports. In-Year and year-end reports are important for audit purposes as they identify the extent to which the government is adhering to the content of the legislative budget.

Once expenditures are incurred, governments may want to implement an impact measurement process to assess whether they achieve desired outcomes. This could be an annual, year-end activity, or as part of an ongoing process during the fiscal year. The

government can use the following four techniques to measure and evaluate the impacts of its budgets. (Ramkumar 2008)

(1) Performance indicators and performance targets

Budgets that include non-financial performance data, including specific performance targets for expenditure programs, are often called "performance budgets." Countries that identify performance targets for their budgets may include them in budget documents or associated strategic or performance plans.

However, some countries where performance budgets are not implementing a support system that would enable officials responsible for implementing the budget to report on performance measures. This weakens the benefit of the performance targets.

Sometimes it is difficult for governments to accurately measure performance or set goals that help achieve policy goals. A common mistake in the development of performance indicators is to focus on the service process, rather than the success of the service. For example, the government officer uses the number of service planning meetings as a performance indicator rather than service impacts, such as a reduction in maternal mortality rate.

The Government agencies may prescribe a method for measuring performance that is not easily measurable. For example, an agency may set as a performance measure that it will "provide the best urban transportation service in the country" rather than that it will "operate 50 new bus routes and purchase 200 new buses for these routes."

The performance indicators included in the budget document should clearly state what goals the government will try to achieve and help observers examine what is achieved. Fiscal year-end reports or related documents should compare the established performance goals with actual results to assess success and future improvements.

(2) Efficiency measures

Some agencies try to verify their performance by conducting internal performance reviews, such as the share of total expenditures devoted to administration or personnel. This indicator can show performance when results are tracked over time or compared results with similar agencies.

(3) Use of customer satisfaction surveys

Performance Audits can provide information on whether the service has been delivered and what has been achieved. Efficiency reviews provide information on how the

service is performed. However, the evaluation of a budgeted project should also focus on assessing customer or user satisfaction.

The government, therefore, has to survey the satisfaction of state service recipients. The first type of question is whether users felt that the service was appropriate to their needs. And whether they were satisfied with the service delivered.

(4) Value-for-money audits

While the performance measurement system indicates whether the services were provided. But this system may not evaluate how these services are delivered. For this reason, they often do not provide information that can help the government or the public measure waste in government spending or assess the quality of service delivery.

Then, the public audit institutions have initiated value-for-money audits. This system is used to assess the economy, efficiency, and effectiveness of government services, which is a good measure of government performance.

In Canada, the Office of the Auditor General (OAG) uses four tools to conduct value-for-money audits: (Ramkumar 2008)

(a) Study to determine good practice, compare good versus low-performance cases, and explain why they provide better value than the other.

(b) Compare performance among several agencies by using different tools such as resource utilization, unit costs, and efficiency.

(c) Select a target group of 8 to 12 from senior officials and service users to provide feedback on the quality of services delivered by the government. Evidence from target audiences is qualitative from a realistic point of view, so it is useful to identify problems, test emerging findings to generate survey questions, and develop guidelines on policy issues.

(d) High-level comparisons with other organizations that perform similar functions can also provide useful information about the organization's performance and future improvements. Criteria to compare, such as the organizational structure, operational policies, and problem-solving processes.

Adopting the SDGs to suit the country's context. The government must establish the link between the national development goals and the SDGs. Therefore, the government can integrate the SDGs into the budget process. In the step of formulating a budget proposal for the next fiscal year. The government agencies have to plan their expenditures to achieve the national development goals. Thus, the relationship between the SDGs and the government

development programs can be established as shown in figure 5, and know that government expenditures are devoted to each of the Sustainable Development Goals.

In the budget approval stage, the Legislature may debate or advise the government on allocating resources or budgets for development goals. Parliamentary debates may include making recommendations on the various expenditure programs delivers to the public.

For monitoring and evaluation, governments must establish indicators at the international, national, and program-level as shown in figure 6. These indicators ensure that after the government agency delivers services to the public, the agency staff can assess the success of the programs. Additionally, government budget documents, including the enacted budget, in-year reports, supplementary budgets, and year-end reports, can also help monitor budget execution.

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