



Budgeting for the SDGs in Europe: Experiences, Challenges and Needs

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Table of Contents

INTRODUCTION	4
CHAPTER 1: 2030 AGENDA ON BUDGETING FOR THE SDGS AND NATIONAL BUDGETARY PROCESSES	5
2030 AGENDA ON BUDGETING.....	5
NATIONAL BUDGETARY PROCESSES	5
CHAPTER 2: IMPORTANCE OF INTEGRATING THE SDGS INTO NATIONAL BUDGETARY PROCESSES	8
SUCCESSFULLY INTEGRATING THE SDGS INTO BUDGETARY PROCESSES	8
CHAPTER 3: BUDGETING FOR THE SDGS IN EUROPEAN COUNTRIES	10
AUSTRIA	10
CZECH REPUBLIC.....	10
ESTONIA	11
FINLAND	11
GERMANY	12
GREECE	13
HUNGARY	13
ICELAND.....	13
ITALY.....	14
LATVIA.....	15
POLAND.....	15
ROMANIA.....	16
SWEDEN	16
CONCLUSION	17
TRENDS IN NATIONAL BUDGETING FOR THE SDGS WITHIN EUROPE	17
FUTURE NEEDS AND CHALLENGES OF BUDGETING FOR THE SGDS	18

Introduction

The topic of this European Sustainable Development Network (ESDN) Quarterly Report (QR) is budgeting for the Sustainable Development Goals (SDGs) in Europe. It provides an overview how European countries are approaching budgeting for the SDGs in their attempts to align budgets along the Goals, which experiences they made, and which challenges still lie ahead. This Report represents one of the first attempts to provide a comprehensive overview on this topic in Europe. The Report acknowledges the increasing importance of this topic for European policymakers and hopes that the information contained herein spurs further discussion on budgeting for the SDGs in Europe, as only a couple of countries have explicitly integrated the SDGs into their budgets so far.

Chapter 1 provides an overview of how the 2030 Agenda views budgeting, as well as how countries typically go through their budgetary processes. This information, in particular, is useful, as it highlights the different parts of the budgetary cycle and when interventions or awareness about the best time to bring the SDGs into the budgetary cycle.

Chapter 2 covers three major reasons as to why budgeting for the SDGs is important and how it aides countries in their overall implementation of the 2030 Agenda and the SDGs.

Chapter 3 provides a current overview of how European countries have been addressing budgeting for the SDGs and which experiences they made.

The Conclusions section of this QR not only focuses on identifying trends across European countries regarding budgeting for the SDGs, but also seeks to answer questions from policymakers regarding budgeting for the SDGs that were asked prior to the ESDN Peer Learning Platform and Visit based on the Platform's results and the topics that were discussed.

Chapter 1: 2030 Agenda on Budgeting for the SDGs and National Budgetary Processes

2030 Agenda on Budgeting

Within paragraph 45 of the [2030 Agenda for Sustainable Development](#), there is a reference made to the **role that national budgets have in the implementation of the SDGs**. This passage reflects, to a great degree, the role and responsibility of parliaments in adopting national budgets that address the SDGs. It stresses the importance and very real effects budgets have on the implementation of the SDGs and the 2030 Agenda at the national level, as they influence government work programs and what policymakers are able to address when they make policies.

*“§45 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, subregional institutions, international institutions, academia, philanthropic organizations, volunteer groups and others”.*¹

Before delving into the details on how to integrate the SDGs in the budgetary process, a general overview on national budgetary processes and various steps in the budgetary cycle is provide below.

National Budgetary Processes

The International Budget Partnership published a report, [“Our Money, Our Responsibility: A Citizens’ Guide to Monitoring Government Expenditures”](#), that summarizes what national budgets are and how the entire budgetary process functions.

The International Budget Partnership report summarizes that national budgets are essentially the reflection of a given government’s policy priorities over the course of the country’s next fiscal year. Apart from the budget reflecting the government’s policy priorities, it is also a reflection of the government’s planned expenditures and revenue; how much the government is planning to spend versus how much the government is making, such as from tax revenues, in the upcoming year.²

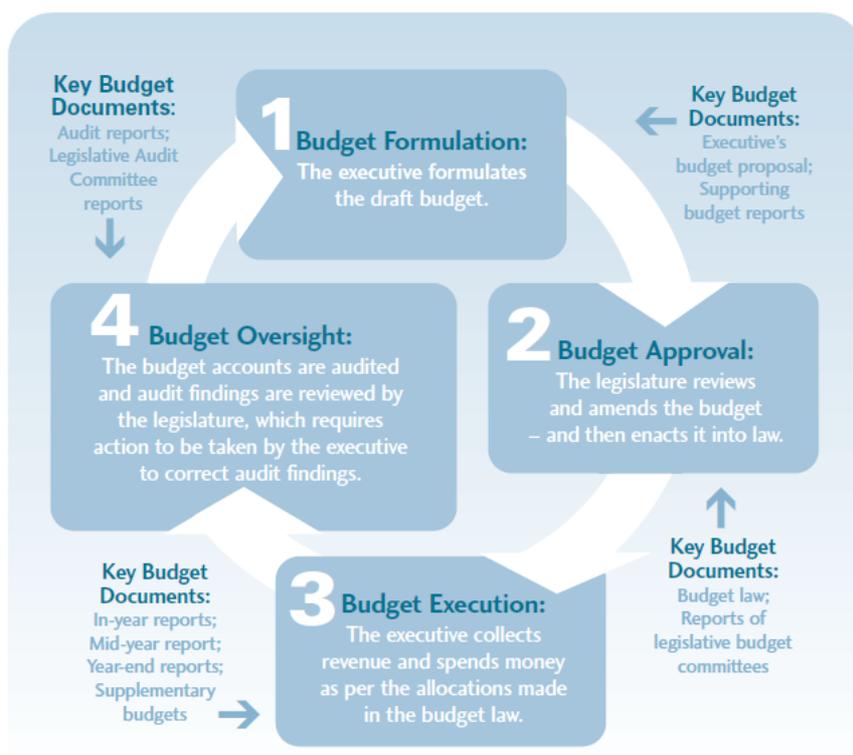
However, national budgets are much more than documents showing government revenue versus government spending steered by policy priorities; budgets require a continuous cycle of different processes to make them function. The International Budget Partnership report identifies **four components to the entire budgetary process: 1) budget formulation; 2) budget approval; 3) budget execution; and 4) budget oversight**. The executive branch of government putting together and drafting a budget plan usually marks the first step. In the second phase, or enactment phase, the legislative branch of government debates, alters, or improves the executive budget plan. Then, the budget enters the third phase, or execution phase, where the government begins to implement the policies that are set out in the budget. Finally, in the fourth phase, or the auditing and legislative assessment phase, a country’s national audit institution and the legislative branch proof and assess the budget regarding the expenditures that were made over the course of the year. *Figure 1* depicts the entire budgetary process, as proposed by the International Budget Partnership report.³

¹ Transforming our world: the 2030 Agenda for Sustainable Development.

² Ramkumar, Vivek. *Our Money, Our Responsibility: A Citizens’ Guide to Monitoring Government Expenditures*. International Budget Partnership, p. 6.

³ Ibid. p. 7.

Figure 1: The Budget Cycle



Source: “Our Money, Our Responsibility: A Citizens’ Guide to Monitoring Government Expenditures”, International Budget Partnership, p. 6.

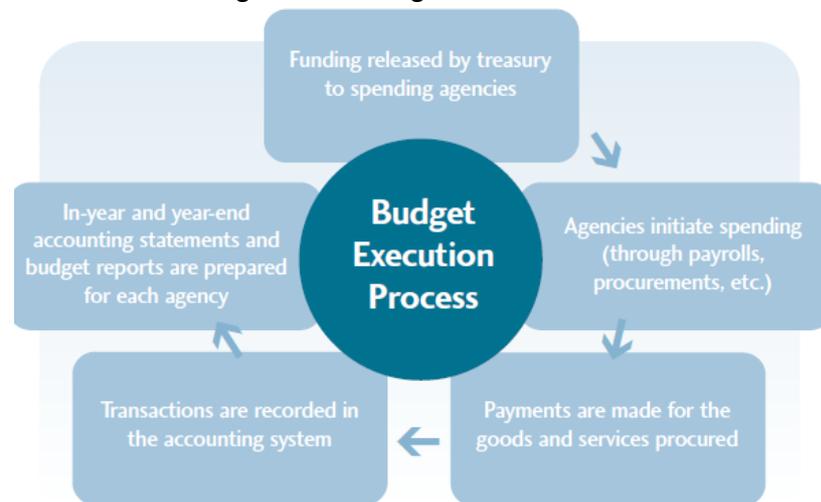
When it comes to the **implementation of the 2030 Agenda and the SDGs**, which includes their alignment with national budgets, it is undeniably **important and necessary for there to be the political will from the executive branch of the government to genuinely see the SDGs and their subsequent targets realized**. Without political commitment, which can be demonstrated by budgeting for the SDGs and their implementation, the realization of the SDGs is much harder, as it becomes more difficult for government ministries to justify budgetary expenditures relating to the SDGs if there is no clear mandate to implement them. Therefore, having the executive branch supporting the SDGs by creating budgets that reflect them and their subsequent targets is a vital first step in the implementation and budgetary process. This also holds true for the legislative branch of the government in terms of their political will towards the implementation of the SDGs, as they also need to amend and approve the national budget.

The **budget execution process**, phase three of budgetary process as a whole, is classified in the International Budget Partnership report as generally consisting of five steps: 1) monies are released to various line ministries (or departments/agencies) as per the approved budget; 2) agencies initiate expenditures directly or by procuring goods and services; 3) payments are made for these expenditures; 4) expenditure transactions are recorded in accounting books; and 5) in-year reports are produced throughout the year, culminating at the end of the year with the closure of the accounting books and the production of year-end reports, which can be seen below in *Figure 2*.⁴ The **first two steps of this particular budgetary process will be focused on**, as these are the main aspects that drive

⁴ Ibid. p. 14.

ministries, government agencies, and departments in their implementation of the government’s political agenda.

Figure 2: The Budget Execution Process



Source: “Our Money, Our Responsibility: A Citizens’ Guide to Monitoring Government Expenditures”, International Budget Partnership, p. 14.

The first step marks the beginning of the budget’s implementation, and, by extension, the **government’s political priorities for the next year**. The national treasury releases funding to the relevant ministry, which usually occurs once phase two of the budgetary process has been completed and the budget has been agreed upon and signed into law. The funds, which can be made in quarterly or monthly payments from a central revenue fund, may be made by means of formal warrants (government authorization forms) that sanction their release and specify the budget line items against which the government agency may incur expenditures.⁵

Once the funds have been released to the respective ministry, **responsible authorities within the ministry then propose specific expenditures**, marking the beginning of phase two of the budget execution process. The ministry’s chief accounting officer will then review the proposed expenditures in an effort to ensure they do not exceed the ministry’s allocated budget and that all appropriate protocol has been followed. Once the proposed expenditures have been approved, the ministry is then able to begin working towards the implementation of the expenditure, which, for example, could be setting up the infrastructure necessary for creating a wind farm.⁶

Steps one and two of the budget execution process are of particular importance with respect to the implementation of the SDGs, since these two steps dictate how much government ministries, agencies, or departments will receive from the government and the budget, which, if the SDGs have been expressly budgeted for, would then earmark funds for the ministry to begin phase two, which is using the budgetary funds to begin the actual implementation of the executive branch’s policy priorities. **If the SDGs are accounted for in the national budget, then ministries have the mandate and justification to begin spending to meet the targets set out within the SDGs, making it much easier for them to become realized, as, through the budget, the chances of successful implementation are greatly enhanced.**

⁵ Ibid. p. 15

⁶ Ibid.

Chapter 2: Importance of Integrating the SDGs into National Budgetary Processes

Apart from understanding how budgetary processes function, in general, it is important to understand why it is important to integrate the SDGs into national budgeting processes and how that aids countries in the implementation of the SDGs. The *Institut indépendant de recherche sur les politiques et plateforme de dialogue multi-acteurs* (IDDRI) published a study in July 2018 entitled “Integrating SDGs into national budgetary processes”, which examines budgeting processes in a few selected countries.

At the beginning of the IDDRI study, the authors made assumptions regarding the reasons a country would incorporate the SDGs into their budgetary processes in the first place. One assumption the authors of the study made was that **aligning budgets with the SDGs improves overall policy coherence**, which reinforces the very nature of the SDGs as being overarching and intertwined. The authors argue that policy coherence can have two different meanings with respect to budgets, where, firstly, **a coherent budget avoids conflicts between different resource allocations**, and, secondly, that **budgets should be in line with other international commitments**, regardless of whether they are legally binding.⁷

The second assumption was that **the SDGs could increase accountability**. To this end, forging links between budgets and the SDGs, especially the Indicator Framework, can **reveal the progress of a country towards the SDGs and help assess the government’s performance**. While most countries use performance-based budgeting that relies on result indicators, the SDGs could add an additional, holistic layer of criteria to evaluate the sustainability of a budget. The **SDGs could serve as an evaluation framework to provide a more comprehensive assessment of budget proposals and therefore increase transparency for non-governmental actors, notably parliament and civil society**. This may increase government accountability, although this greatly depends on what is presented and measured: budget allocations, actual spending, results, etc.⁸

The third assumption was that the **SDGs could help make national budgets more comparable and thus contribute to the global ranking of sustainable development policies**. This could play a positive role in the transition towards sustainable development if it **promotes exchanges between policymakers and experts from different countries and feeds the international debate with collective intelligence**. It could also serve as a tool for civil society to hold States accountable for their commitments.⁹

Successfully integrating the SDGs into budgetary processes

There are different ways to integrate the SDGs into national budgetary processes. Some are quite complicated and time-consuming. The ultimate goal of all of these different tools should be to make progress tackling the challenges and the worrying long-term trends that are highlighted by the Agenda 2030 and the SDGs.

The first characteristic of successful budgetary integration of the SDGs relates to the broader **SDG implementation strategy of a country and the extent to which the government translates the broad SDG framework to suit its national context and priorities**, as well as its sustainable development challenges. The SDGs require some translation in order to adapt them to the national context before

⁷ Hege, E., Brimont, L (2018). Integrating SDGs into national budgetary processes. Studies N°05/18, IDDRI, Paris, France, 20 p. 6-8.

⁸ Ibid.

⁹ Ibid.

becoming operational for their integration into a national budget. **It is easier to link the SDGs to the budget if there is a national implementation plan or strategy that formulates national priorities.** These priorities can be cross-sectoral. This process can be supported by an independent gap analysis, but ultimately it also involves political decisions. Thus, **high-level political support is an important condition for success.**¹⁰

The **second characteristic of success is the degree of involvement of finance ministries** and whether they are leading such a budgetary exercise or supporting it, whether such an exercise was intrinsically motivated and initiated by a country's finance ministry, or whether the finance ministry is being forced to follow such a budgetary framework and if they are resistant to it. Another issue is whether a finance ministry uses the SDGs as a management tool to negotiate on resource allocations and avoid conflicts within the overall national budget. One signal that the **SDGs have an impact**, at least marginally, **as an argument in budget negotiations**, is that **ministries actually voice their concerns on some SDGs and use them to defend their proposals and fight for their budget share.**¹¹

The third, and final, characteristic of successfully integrating the SDGs into the budgetary process is **political debate and increased accountability.** It is essential that the tools developed to integrate the SDGs into national budgets are also taken up by stakeholders, such as NGOs, parliamentarians and supreme audit institutions, as these actors are crucial in holding governments to account regarding their commitments to the 2030 Agenda.¹²

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

Chapter 3: Budgeting for the SDGs in European Countries

In order to investigate the current status of and experiences with budgeting for the SDGs, the ESDN Office sent a questionnaire in January 2019 to the ESDN's National Focal Points (NFPs) of European countries. The questions that were asked were centered on the processes or mechanisms for budgeting for the SDGs in place, or if such a process/mechanism were planned. In total, 13 NFPs of European countries provided feedback to the questionnaire¹³. Their answers are detailed below.

Austria

A kind of "SDG-Mainstreaming" approach is being considered in Austria. While there will be no specific extra budget lines for the SDGs, the implementation of the SDGs could be made more visible by integrating the SDG-perspective into the Austrian system of performance-informed budgeting. This is already being done on a voluntary basis, the question, however, is if this could (and should) be made compulsory, so that all departments will have to link their performance goals and targets (or at least some of them) to the SDGs. The implementation of a connection stronger than that is not probable and would also run counter to Austria's system of performance-informed budgeting, where there is no direct link between resource allocation and performance targets.

Another relevant perspective for Austria is the question of how sustainable and how resilient the budget- expenses as well as revenues- is on a long-term perspective. This is basically a risk-management question, as there will be revenues that will (and will have to) sink in the future, for example, revenues for taxes on gasoline and diesel. The same goes for expenditures: Subsidies and other public expenditures that actually create incentives for a behavior not in line with the spirit of the SDGs will have to be reconsidered.

Czech Republic

The Czech Republic takes the SDGs into account during budgeting only in an indirect way. There is no complex process that has been established, in which all the 17 SDGs are bundled up and then the budget is created. Financing of national priorities embedded in the Strategic Framework Czech Republic 2030, the overarching vision and strategy for the sustainable development of the Czech Republic and main basis for SDGs implementation, should be covered by each ministry from its own budget. Therefore, the SDGs could be considered as mainstreamed into the budget process in general.

On the other hand, the Czech Republic monitoring process assessing and evaluating if the mainstreaming is sufficient and effective. The existing analytical system enables the identification of cross-cutting issues, such as expenditure on the environment in each ministerial budget. However, it would be useful to align this within the structure of the SDGs, as well as allow the SDGs into the state budget's structure.

From the point of view of the Ministry of Environment, and due to the division of competencies, the Ministry of Environment's budget chapter follows only some of the SDGs, which have to be reflected during the budget process. The ministerial competencies cross, more or less, with SDGs 3, 6, 7, 11, 12, 13, 14 and 15, where some of these goals even have predetermined money sources, like SDG 13 - climate action -, as the money received from Emission Allowances are used for climate change

¹³ The ESDN Office would like to thank all the NFPs who contributed to this Quarterly Report.

precautions, like decreasing emissions. This can also be seen when dealing with, for example SDG 15, when money is used from mining fees to restore land damaged by mining.

Estonia

The budget system in Estonia is not directly linked to the SDGs. However, Estonia is currently preparing a long-term strategy for the country until 2035. This strategy will integrate the SDGs and will serve as the basis for government development plans (education, healthcare, energy, etc.) and will be linked to the budget planning process. In this regard, there will be some kind of link between the SDGs and the state budget.

Apart from that, the SDGs will be integrated into governmental development plans (concrete goals, measures, indicators), so the budget money allocated according to these development plans could also be linked to specific SDGs.

Finland

A long-term approach is crucial to the implementation of the 2030 Agenda. It is well known that Finland has a long and successful tradition in promoting sustainable development through multi-stakeholder interaction and participation. Finland has created a system of ownership to promote sustainable development through institutional arrangements and partnerships. To include sustainability issues in everyday discussions of legislative and budgetary matters, the Government decided to include the promotion of sustainable development in its annual report to the Parliament, and establish an annual public discussion forum for measuring and taking stock of progress in the implementation of the 2030 Agenda in Finland. Most importantly, the Government's Implementation Plan urged that the principles and objectives of sustainable development are to be included in future Government Programs, the Government's foresight activities and budget preparation. The Government's Implementation Plan also stated that the possibilities of adopting a phenomenon based – thematic and cross-sectoral – approach to Ministries' performance and budgeting will be explored.

Brainstorming provided ideas for sustainable development budgeting. In autumn 2017, at short notice, texts about putting sustainable development into effect in the different branches of government were included for the first time in a government budget submission, the 2018 budget proposal.

Under the direction of the Minister of Finance, Petteri Orpo, the Ministry of Finance arranged a seminar in November 2017, to which representatives of various organizations, public officials and others were invited. The seminar focused on the search for ideas about how sustainable development can be taken into consideration in the budget. The participants numbered more than 100, and many different ideas were presented. The results of the brainstorming have been used in determining the next steps in the preparation of the 2019 Budget.

In the justifications for the main expenditure titles in the 2019 budget proposal, the connections that the appropriations have with sustainable development are brought out more clearly. The main title justifications will cover both of Finland's priority areas and the 2030 Agenda connections.

A new element in the 2019 budget is a separate analysis focusing especially on the appropriation connections relevant to the priority area of a carbon-neutral and resource-wise Finland. The analysis will examine which appropriations represent specific advances towards the aims of this priority area. The analysis is incorporated into the rationale section of the budget proposal.

The budget and the budget review is also examining, among the revenue estimates, the main taxation issues that are of significance for a carbon-neutral and resource-wise Finland. The rationale also incorporates a qualitative assessment of elements of public funding that are detrimental to the environment, on the basis of earlier studies.

Sustainable development issues are also emphasized in the budget review publication, "Budget review 2019" from the Ministry of Finance.

Germany

In Germany, the lead responsibility for the 2030 Agenda and the Germany Sustainability Strategy lays within the Federal Chancellery. However, all ministries retain primary responsibility for their own contributions in respective policy areas.

There are some specific instruments in place to align parts of the federal budget with the 2030 Agenda:

1. A sustainability check is used as an ex-post instrument in Germany's biannual subsidies report. This report covers all federal subsidies, including federal financial assistance and federal tax benefits. The sustainability impact assessment has been required since 2015. It is fundamentally based on the National Sustainability Strategy, which is the key framework for implementing the 2030 Agenda, and focuses on long-term economic, environmental, and social impacts of subsidies. The assessments are carried out by the ministry primarily responsible for each subsidy in consultation with government departments affected by the subsidy.
2. If a budgetary position is linked to a regulation, an ex-ante sustainability check is undertaken as part of the regulatory impact assessment. Sustainability is enshrined in the Joint Rules of Procedure of the Federal Ministries as a mandatory criterion when assessing the impact of the Federal Government's proposed laws and regulations. The sustainability assessment is linked to the National Sustainability Strategy and therefore to the 2030 Agenda. In late 2018 the government decided to allow for utility of laws approaches besides dominating cost of laws/bureaucracy approaches in assessing new regulations to better balance out advantages against disadvantages of sustainability oriented regulatory initiatives.
3. In addition, administrative activities are increasingly linked to the targets of the National Sustainable Development Strategy. The Federal Government adopted a program of measures of sustainable administrative activities in 2015 with the theme "setting a good example". For example, it includes targets and measures regarding the reduction of energy consumption in government buildings, procurement standards, sustainable event management, and compatibility of work and family life or nursing care.
4. There is increasing awareness concerning the application of sustainability (ESG-) criteria for public asset investment strategies (e.g. different kinds of pension funds or a so called public waste deposal reserve fund to be used for radioactive waste deposal investments after 2030, when waste sites are identified).

For other budgetary issues, the guiding principle of sustainability, which is relevant for the entire government, should support alignment with the 2030 Agenda. In practice, consultations among ministries affected by a particular budgetary issue can contribute to such an alignment. Some of the measures mentioned above have been in place before the adoption of the 2030 Agenda. Allocating more funds towards sustainability, therefore, has been a more gradual process over the past decade.

Very recently the issue of sustainable budgeting gets more political momentum and first steps to produce and prioritize ideas how to proceed further in addressing this issue in a broad, systemic and holistic manner are taken up in 2019.

Greece

Regarding budgeting for the SDGs in Greece, and due to the strict budget limitations Greece still faces, implementing the SDGs will be done fully within the available financial resources. Emphasis will be given to crosscutting issues and policies, so as to benefit from horizontal activities that can have a multiplier effect on more than one policy area and thus make budget spending more efficient. Such an example will be the promotion of the implementation of Greece's national Strategy for Circular Economy, which was recently adopted under SDG 12, that will be based on a multiplicity of available sources.

Regarding developing impact assessments as a planning and monitoring tool for budgeting, investing, spending, financing, and regulation, this is an area of great interest to Greece, and one on which Greece is currently gathering input on the approaches followed by other OECD partner countries in order to develop its own national approaches.

Hungary

There is not any dedicated part of the Hungarian budget for the SDGs, but several ministries and institutions are spending under different titles from various sources, and those are in line with SDGs.

Iceland

Iceland took an active part in the negotiations on the SDGs at the United Nations and has put an emphasis on areas in which Iceland has certain expertise and can place added value, for example in gender equality, sustainable energy and fisheries. The first steps in implementing the SDGs in Iceland was done through the establishment of an inter-ministerial working group, which includes all ministries. The principal task of the working group was to work towards implementing the SDGs in Iceland and to analyze Iceland's position with respect to the SDG targets.

A status report was published in 2018, which maps out the government's main tasks, plans and challenges for each of the goals. The working group set out 65 targets as a priority, out of the total 169 targets, to guide the government in implementing the goals in the coming years. The SDGs have been linked to numerous government policies and programs, for example the new educational policy, a new policy for development co-operation, Iceland's Climate Action Plan and Iceland's Presidency of the Nordic Council of Ministers in 2019.

In December 2015, a new bill on public finance, organic budget law (OBL) was passed in the Icelandic Parliament, *Althingi*. A medium-term (5 years) fiscal strategic plan in the spring and a budget bill in the fall. The OBL is linked to the SDGs, because, as Article 20 stipulates, „Each minister shall formulate and submit a five year strategy plan for expenditure areas (34) and expenditure functions (100) for which that minister is responsible.“ It is now legally binding for all ministers to set out targets in the medium-term plan

Currently, Iceland has approximately 180 goals for expenditure areas and expenditure functions, plus gender goals, plus the SDGs, and plus 180 goals in the coalition agreement from 2017. It is also important to keep in mind that Iceland has had four governments since 2016. These frequent changes in government has meant there have also been frequent changes regarding targets and goals.

The way in which Iceland keeps track of all the goals is through a tailor-made IT system built on an old budget system that allows the Ministry of Finance and Economic Affairs to link the SDGs to other targets put forth by the government. Now, all ministries and the Parliament use the same system, where they put in targets for expenditure areas and functions and link the SDGs to those targets. It is mandatory to link all the priority SDGs to a target set forth for expenditure areas and functions, because if that is not done a red flag is raised in the system.

What happens after the ministries have used the IT system is that each minister puts forth an annual report for the preceding fiscal year (OBL). In the annual report, each minister assesses how the development of each target is going: Have they been met within a given timeframe, if not, why, etc. The next step is to integrate the assessment of the SDGs into each minister's annual report. The SDGs are then linked to the both the budget process and the budgets execution. Through this type of system, informed decision-making is promoted and enhanced.

Italy

Budgeting in Italy has recently changed and the implementation of the 2030 Agenda can benefit from this change. The financial reform regarding the structure of the annual Economy and Financial Document, which has recently become related policy-objectives, will seek to guide Italy's budgeting towards the definition of an integrated budget explicitly related to the SDGs in the near future. Although it has to be considered as a long route, the first steps seem to have been traced, including the linkage among the National Strategy for Sustainable Development and the National Reform Programme.

The Italian national budget alignment with the SDGs goes through the Economic and Financial Document (DEF) that outlines the national economic policy strategy. This document includes three parts: Stability Program; Analysis and Trends of Public Finance; National Reform Program (PNR). The National Reform Program includes a government program, with a vision that goes beyond strictly economic measures. In particular, the PNR 2017 refers to three "strategic actions" that can be traced back to Agenda 2030: The National Strategy for Sustainable Development (approved in December 2017), which defines broad guidelines for environmental, social, and economic policies, aimed at achieving the SDGs. It also draws an important role for institutions and civil society on the long road to implementing the 2030 Agenda in Italy.

The periodic monitoring of targets through a set of indicators widely based on the BES project, launched in 2011 by the Italian National Institute of Statistics (ISTAT), to measure equitable and sustainable well-being (BES) besides economic conditions. It takes into consideration economic parameters alone as inadequate to evaluate the progress of societies and views them to be complemented by social and environmental information, as well as by measures of inequality and sustainability.

The specific trial for the adoption of a "gender budgeting" to assess the impacts of fiscal policy on women and men in terms of money, services, time and unpaid work.

With regard to point 2, for the first time, in 2017, four BES indicators have been introduced within the Economic and Financial Document (DEF), following national legislation promoting the integration of BES within economic programming (L.163/2016). The chosen indicators for the 2017 exercise are trend of average income available, income inequality, and lack of participation in the labor market, CO2 emissions, and other climate-altering gasses. The DEF sets programmatic objectives for each variable. Starting from 2018, 12 BES indicators have been integrated into the DEF, of which two are related to the environmental dimension (CO2 emissions and index of unauthorized buildings).

Furthermore, in regards to the implementation of the PNR at the sub-national level, regional reforms and innovative actions have been traced back to the expected results of the Partnership Agreement on the ESI Funds¹⁴ Programming period 2014-2020, as well as to many specific targets of the 2030 Agenda according to the logic of a coherent inclusion of the regional planning in the broader global context.

Although this represents just the beginning of the process, it marks an important step towards aligning policies and national budgeting with the 2030 Agenda in Italy.

Latvia

As noted in the VNR to the HLPF in July 2018 – The most important national sustainable development goals that are elaborated in Latvia 2030 are operationalized through seven-year national development plans, such as the current National Development Plan for 2014-2020 (NDP2020), and sectoral policies and plans. These tie policy objectives to the government budget through a set of indicators. Latvian local governments base their development plans on local priorities, taking into account available resources.

Theoretically, all the spending can be tracked toward the SDGs from a definitive mapping of all policy outcome indicators toward achieving the SDGs that was conducted in July 2017. This mapping will be more or less in force until 2021 when Latvia will enter a new policy-planning phase with the advent of a new National Development plan 2021-2027.

Poland

The key document through which the 2030 Agenda and its SDGs are implemented in Poland is the Strategy for Responsible Development (SRD), adopted on 14/02/2017. It is an instrument of flexible management of the country's development processes, setting priorities, directions and actions until 2030, the effect of which will be to improve the quality of life and the possibility to benefit from economic growth for all, in line with the no one will be left behind principle.

The new development model for Poland presented in the SRD meets the expectations set out in the 2030 Agenda. The convergence of the SRD and the Agenda is visible in their objectives, priority areas and actions, as well as indicators.

The implementation of the objectives of the SRD requires the involvement of more than PLN 1.5 trillion from public funds by 2020. Funds will come from the state budget, budgets of the territorial government units, national earmarked funds (the Labour Fund and the National Fund for Rehabilitation of Disabled Persons (PFRON), resources of executive agencies and funds managed within the Polish Development Fund.

Another source of funding of the development includes EU financing, i.e. EU funds, programmes and initiatives EEC Financial Mechanisms, external funds (e.g. Norway Grants).

The third funding stream will come from other foreign sources - from credit, surety and guarantee programmes.

Private sources, including resources from the banking sector and the capital accumulated on the accounts of enterprises will be an additional source of financing for the development (about PLN 0.6 trillion). Large investment funds are also in possession of the State Treasury companies. They, as well

¹⁴ European Structural and Investment Funds

as the actions of governmental agencies and other public entities, will allow for effective, long-term growth of Polish national property and Polish investments. After 2020, the public investment-financing burden will be shifted to national funds, both public and private.

Romania

On May 2017, the Department of Sustainable Development was established within the Prime Minister's Office through Government Decision 313/2017. The Department is tasked with coordinating the implementation of the 2030 Agenda on a National Level.

The first task of the department was the revision of Romania's Sustainable Development Strategy, finalized on 9th of November 2018, with the new National Strategy of Romania for Sustainable Development 2030. The new strategy sets Romania's priorities along the 17 SDGs. Romania's next task is to develop the action plan for the implementation of the strategy. The Department applied for European funds to get technical assistance for the action plan and asked for support from the OECD to develop tools to integrate the SDGs into the budgetary processes. Moreover, representatives of the Department are participating in dedicated events for exchange of knowledge and good practices.

Sweden

The Government of Sweden has worked with SDGs with a focus on policy for achieving the global goals through many policy frameworks. Hence, the budgeting for the SDGs in Sweden is integrated in the bigger budgeting process. This also includes the elements of budgeting for the SDGs that have been important and possible to policymakers.

The different policies that contribute towards the attainment of the SDGs in Sweden are listed below:

- a climate policy framework that sets the framework for society's actors, including the goal that Sweden should not have any net greenhouse gas emissions to the atmosphere in 2045;
- a strategy for sustainable consumption, which includes: aims to increase knowledge and deepen cooperation between social actors;
- a ten-year national strategy to prevent and combat men's violence against women;
- a new national goal and a new orientation for the disability policy based on the UN Convention on the Rights of Persons with Disabilities;
- a strategy for the smart industry, which aims to strengthen the industry's competitiveness with a focus on digitization, sustainability, competence and innovation power;
- a revised ownership policy for the state-owned companies that states that Agenda 2030 and the global goals should guide the companies' work on sustainable business;
- a policy framework for international development co-operation and humanitarian aid that is based on Agenda 2030; and
- a national strategy for the work on human rights, as well as a strategy for the work on human rights, democracy and the rule of law in development cooperation and an action plan for entrepreneurship and human rights, budget work that highlights sustainable development, including in the form of wealth indicators, gender budgeting and a special climate annex.

Conclusion

Trends in National Budgeting for the SDGs within Europe

When looking at the experiences with national budgeting for the SDGs in the different European countries, one can identify several trends, which summarized below.

The first very clear trend is that governments and finance ministries are not making more funds available to line ministries for extra provisions that deal explicitly with the SDGs and their attainment. It is rather the case that **line ministries must use existing budgetary provisions and connect their expenditures to the SDGs**. This is the case in all of the countries mentioned above.

Another unifying trend that is common in almost all of the countries is the **existence of national sustainable development strategies that are directly linked to the 2030 Agenda and the SDGs**, as is the case in the Czech Republic, Estonia, Germany, Finland, Italy and Romania, as well as other government development plans that are making strong links to the SDGs, as is the case in Greece, Latvia, Poland, and Sweden.

Furthermore, another trend that can be witnessed in some European countries is the **division of responsibilities between line ministries regarding certain SDGs**, or, in some cases, such as in Hungary, only a few ministries are attempting to align some of their programs and initiatives with the SDGs. This **strategy and program alignment with the SDGs has ripple effect for line ministries, as government strategies and plans act as mandates and guides for the ministries**. If those mandates contain the SDGs, then it is conceivable that parts of their budgets will go towards initiatives that will help in achieving the SDGs. While it may not be explicitly stated in the ministry of finance's overall budget plan, efforts can still be seen to integrate the SDGs in other ways.

One trend to note is that **two countries are already doing comprehensive SDG integration within their national budgets (Finland and Iceland)**. Instead of aligning all of the 17 SDGs to the budget, both countries align government program objectives, in Finland this is, for example a carbon neutral and resource-wise Finland. In Iceland, they have over 180 goals relating to expenditures to which the SDGs could be linked. It appears that the **linking of the SDGs to government objectives** is helpful in gaining support in aligning the budget along the SDGs, as it would already have governmental support, especially if it helps the government reach said goals.

Policy coherence, as it relates to budgeting for the SDGs, was only mentioned by Greece as being a reason for aligning government programs with the SDGs, as it enhances the efficiency of government programs, and hence the spending on those programs, if the interconnectedness of the SDGs are used to meet multiple goals in one. Given Greece's recent experience with austerity and government spending, the heightened efficiency that the SDGs can bring to the budget might be the way for the SDGs to gain a foothold there. Other countries make mention of policy coherence in an indirect manner by referring to the effect on government revenues and expenditures and how some of those are made at the expense of the SDGs, such as energy subsidies in Finland. Austria also mentioned that the SDGs can be seen as a risk-management tool, especially when it comes to looking at the coherence of certain policies that are harmful to the SDGs and how to counterbalance them, such as by considering falling state revenue from taxes on diesel fuel, which might then be coupled with the phasing out of subsidies and encouraged behaviors that have a negative effect on sustainability.

It should also be noted that just because a country did not explicitly or implicitly mention budgeting for the SDGs as a policy coherence mechanism, does not necessarily mean they do not think of it in those terms.

Future Needs and Challenges of Budgeting for the SDGs

One of the main outcomes of the 4th ESDN Peer Learning Platform and Visit and subsequent Report, which brought together policymakers from the national and regional level to share, exchange, discuss, and learn from one another about the progress being made in European countries on budgeting for the SDGs since the adoption of the 2030 Agenda in September 2015, especially on budgetary provisions for the SDG implementation, were from several group discussions on the needs and challenges for budgeting for the SDGs. Participants were asked to draw on personal experiences with budgeting for the SDGs they may have had working within their ministries. The results and outcomes of these interactive groups are summarized below.

One of the main needs that was identified was the **need for civil servants to learn more about the budget process**. This type of literacy would also need to be made easier for citizens, so that they also know how budgets and finance work, as it is often very vague to them how governments spend money. Also necessary when budgeting for the SDGs is discussed, is the point that not everyone knows about the SDGs, which includes parliamentarians and wider society. Therefore, not only is budgetary and financial literacy needed, **but also SDG literacy and understanding**.

Another important need for policymakers is **finding the right moment in the budgetary process to bring up the SDGs and their integration into budgetary processes**. It might be necessary for ministries to find allies in other ministries, or in the OECD, Court of Auditors, and best practice cases from other countries, to show ministries of finance the importance and benefit of aligning budgets with the SDGs, as **it can be portrayed as risk management and foresight planning**. The SDGs can then be seen as an opportunity for **enhanced policy coherence in budget negotiations**, which ultimately means spending less money on policy goals for the ministries of finance.

A resounding need that was brought up was **the need for a different political culture and political will** at not only the EU level, but also at the national level in terms of governments setting programs and policy goals that reflect the SDGs. However, governments are used to unsustainable spending, such as on SDG-harmful subsidies, which far outstrip government spending on the SDGs or SDG-friendly policies.

Along the same vein, it is also **easier for government and politicians to concentrate on a few specific topics**, such as climate change, rather than the complex nature of the 17 SDGs and 169 sub-targets, as they lack the ability to effectively deal with so many topics. It was suggested that it might be more beneficial for politicians to start with 1-2 topics, then build a methodology that can subsequently be spread to all 17 SDGs and 169 sub-targets.

Also helpful for parliaments in dealing with the SDG budgeting challenge would be to **focus on budgeting as *ex ante*** and not on the budget's results, *ex post*, as this can lead to parliament having real discussions on the results of their programs.

In addition to commenting on the needs and challenges of policymakers and politicians regarding budgeting for the SDGs, there are also needs and challenges with respect to another budgetary process, namely the **review of government spending**. It was suggested that the Court of Auditors would need to be involved, but that it was questionable as to whether they had the necessary expertise to deal with budgets aligned with the SDGs. Additionally, the role of the budgetary control committees in parliaments would also face similar issues regarding budgetary alignment with the SDGs. It was suggested that spending reviews could also be conducted, for example by the OECD, on specific SDGs and make it then comparative across European countries and other OECD member countries.

As a last need and challenge for budgeting for the SDGs in Europe, **EU guidance on the implementation of the 2030 Agenda and the integration of the SDGs into the Multiannual Financial Framework**, would be most beneficial, as they would serve as an alignment mechanism for mid-term budget planning.

