



4th ESDN PEER LEARNING PLATFORM AND VISIT

Budgeting for the SDGs

Eric Mulholland

**Platform and
Visit Report**

**Copenhagen,
Denmark**

6 – 7 March 2019

AUTHOR: ERIC MULHOLLAND, ESDN OFFICE

CONTACT: ESDN OFFICE

Institute for Managing Sustainability

Vienna University of Economics and Business

Welthandelsplatz 1, A-1020 Vienna, Austria

esdn-office@sd-network.eu

+43-1-31336-4807

Table of Contents

Introduction	4
Peer Learning Platform.....	5
Welcome and Orientation Session	5
Space for Exchange 1: The Current Experiences and Plans	6
Regional Government of Styria: “Budgetary Impact Controlling & SDGs in the Region of Styria”	6
Q&A	7
Finland: Sustainable Development in the Finnish Budget.....	8
Q&A	10
Iceland: Budgeting for the SDGs – Experiences from Iceland	11
Q&A	12
Spaces for Exchange 2 & 3: Learning from the Cases and Outcomes from the Learning	14
Region of Styria	14
Finland	15
Iceland	16
Space for Exchange 4: The Future of Budgeting for the SDGs.....	17
OECD: Budgeting for the SDGs – How to move forward?	17
Integrating Policy Goals in a ‘Modern Budget Cycle’	17
Budgeting for the SDGs: Where do we stand?	18
Lessons from Gender Budgeting: Success factors	18
The Way Forward	19
Q&A	19
Space for Exchange 5 & 6: The Future Needs & Challenges & Outcomes of the Interactive Exchange	21
Group 1.....	21
Group 2.....	21
Group 3.....	21
Group 4.....	22
Peer Learning Visit	23
Welcome and Orientation Session	23
Work of the Danish 2030 Cross-Parliamentary Network and Panel	23
Danish 2030 Cross-Parliamentary Network	23
2030 Panel	25
Q&A	26
Closure of the 4th ESDN Peer Learning Platform and Visit	29

Introduction

The **4th ESDN Peer Learning Platform and Visit**, which took place on 6-7 March 2019, 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. The Platform was divided into six main “Spaces for Exchange” with the Visit portion of the Platform occurring in the second half of Day 2 (7 March):

- **Space for Exchange 1:** The Current Experiences and Plans
- **Space for Exchange 2:** Learning from the Cases
- **Space for Exchange 3:** Outcomes from the Learning
- **Space for Exchange 4:** The Future of Budgeting for the SDGs
- **Space for Exchange 5:** The Future Needs and Challenges
- **Space for Exchange 6:** Outcomes of the Interactive Exchange

The **Peer Learning Visit** (on 7 March in the afternoon) focused on the work of the Danish 2030 Cross-Parliamentary Network and Panel. As politicians ultimately set the course regarding the focus a country takes and the priorities it sets, having them fully understand the SDGs is important in making them into a government priority, which could see budgets quickly follow suit and also prioritize the SDGs and policies that seek to realize them. It is also important for policymakers to have the perspective of elected officials in terms of sustainable development and the difficulties elected officials face in pushing a sustainable development or SDG focused working program and budget.

The main objective of both Peer Learning Platform and Visit was to have a very informal exchange and experience share between policymakers who are responsible for the implementation of the 2030 Agenda and the SDGs at the national and regional level. The ESDN Peer Learning Platforms and Visits operate under the Chatham House Rules, which helps to ensure that all participants are able to speak freely and honestly on the topics that will be discussed without any specifically attributed information being shared outside of the Platform and Visit. Therefore, there will be no names or personal observations or opinions of specific participants included in this Report.

Peer Learning Platform

Welcome and Orientation Session

Representatives from the ESDN Steering Group opened the Platform by welcoming participants to Copenhagen and thanking the Nordic Council of Ministers for providing the ESDN the opportunity to cooperate and make this Peer Learning Platform and Visit possible.

The representatives of the ESDN continued by briefly introducing the ESDN to any new participants, and shared that the ESDN began with representatives of environmental ministries, but has evolved to include many different members from prime minister's offices to sustainability ministries.

The representatives mentioned that it was great that this Peer Learning Platform had so many representatives from finance ministries, because it is often the case that policymakers working in different line ministries do not always work together as closely as the 2030 Agenda and SDGs would require. This Platform, should then afford everyone the chance to be able to bridge this gap and provide an opportunity to exchange viewpoints and experiences.

Another important point the representatives mentioned was that all levels of government, i.e. those working at the local level, national level, and at the European Union level, were represented in this Platform, as these different viewpoints will also add perspective to the discussions.

One of the representatives of the ESDN also stated that budgeting is a political decision in terms of who gets to decide where money goes. Speaking from the European Commission level, the EC has proposed that 25% of the Multiannual Financial Framework (MFF) should be spent on the attainment of the Paris Climate Deal.

Once the representatives of the ESDN Steering Group concluded their welcoming address, a **representative from the Nordic Council of Ministers** also welcomed participants and thanked the ESDN for the opportunity to collaborate.

The representative from the Nordic Council of Ministers then provided participants with an overview of what the Nordic Council of Ministers is and what their mandate is.

The Nordic Council of Ministers (NCM) has been an intergovernmental method of cooperation between the Nordic countries since 1971. The NCM is actually made up of 12 different councils, but there are three crosscutting strategies that the NCM, as a whole, focuses on: 1) Gender equality; 2) Children and youth; and 3) Sustainable development.

Currently, the NCM is working on the Generation 2030 Project, which is a Nordic program that began in 2017 and will run until 2020. The goals of this particular program are to mainstream the SDGs into Nordic cooperation. This is done by facilitating knowledge sharing, awareness raising, and stimulating debate that centers on the SDGs. There is a thematic focus on SDG12, Sustainable Consumption and Production, as many Nordic countries are not performing well in this area. The Generation 2030 also has a strong focus on involving youth.

Space for Exchange 1: The Current Experiences and Plans

Space for Exchange 1 focused on the experiences of two European country case examples (Finland and Iceland) and one case example from a regional government (Austrian Federal State of Styria) on how they are dealing with budgeting for the SDGs. The PowerPoint presentations of each keynote speech were made available to those who attended the Platform. After each presentation, the floor was opened up to participants, so that they could ask questions. The results of the Q&A can be found at the end of each speaker.

Regional Government of Styria: “Budgetary Impact Controlling & SDGs in the Region of Styria”

A **representative from the Regional Government of Styria** began this Space for Exchange with a presentation entitled “Budgetary Impact Controlling & SDGs in the Region of Styria”.

In Styria, the regional governmental civil servants were responsible for initiating the link between the budgets and the SDGs and not representative from the regional governing political parties. Within the government departments, each department has several global budgets that each have a maximum of 5 Styrian impact goals that it can cover and has its own strategic basis, concrete measures, and indicators.

The Styrian model and process of integrating the SDGs into the departmental budgets began with an SDG interdepartmental working group. This working group met to conduct workshops and exchange information with other ministerial departments. One of the goals was to link the Styrian impact goals with the SDGs. Instead of linking the Styrian impact goals with the broader 17 SDGs, the government departments drew links to the 169 sub-goals.

An example of how a government department integrates the SDGs and their sub-targets could go as follows: The Global Budget for Water Management, Resources and Sustainability, for example could focus on 1 of Styria’s impact goals, such as Impact Goal 5: Styrian population enjoys a high quality of life due to sustainable action of civil society and business. This specific goal is then linked to different SDG sub-targets, such as SDG 4.7, SDG 11.3, SDG 12.6 and SDG 12.8.

So far, the results of aligning the government’s departmental budgets along the SDGs and the 169 sub-targets have been that the Styrian Government is making an active contribution to 16 of the 17 SDGs. Each of the 27 different departments that make up the government promotes at least one SDG and no one department is responsible for any particular SDG. Out of a total of 38 global budgets across these 27 departments, 32 of them contribute to 89 out of 120 Styrian Impact Goals and to one or more of the SDGs. There are 240 sub-goals that are now linked to the 120 Styrian Impact goals, and, of these 120 impact goals, 31 of them are not linked to the SDGs, as they are specifically formulated for Styria and Styria’s context.

Styria is undertaking the following steps with regard to dealing with the SDGs. There is a desire to improve impact orientation information and to use SDG radar as a steering instrument. Also

important is the interaction and conflicts of certain goals. The government will also provide the Annual Impact Report of the Styrian Government. One further step that will be taken is to attempt to make the SDGs visible in State Government strategies and programs. Information will be made available at the SDG internet platform for Styria and work with the interdepartmental SDG Working Group will continue.

Q&A

After the presentation, participants were given around 15 minutes to ask questions. One question that was asked by a participant was in regards to whether the Styrian Government links anything in the budgetary process to the SDGs.

The representative answered that the government departments link what they are doing to the SDGs, but the budget for Styria only goes until 2020. However, in 2021 there may be a better opportunity to move forward in this respect. Currently, however, it is still a process that Styria and its regional government departments are going through.

Another question that was asked was whether Styria has an assessment of how much the region should spend to reach a particular goal.

The representative answered that the government departments do not know the challenge for Styria for each goal, so it would be difficult to say how much is being spent and on which goals. The Styrian Government uses Austrian-wide indicators and some Styrian goals. However, it is still unclear what Styria should do for the goals, because a political decision on this discussion is still very far away; the political administration is only doing this internally.

One participant was interested in how the Styrian administration chose the indicators that they are using, as they seem more like political indicators.

The representative responded by sharing that the Styrian administration knows that these indicators are not the best indicators. They had the mandate, however, to link the Styrian Impact Goals to the SDGs and the administration was hard-pressed to do that, but still tried to find indicators for what they do and what they should do.

One participant asked about where the targets and indicators come from and if there is a strategy to which they are linked.

The representative answered that the indicators come from the department, as well as the Styrian Impact Goals, which is made at the administrative level.

One participant was curious as to which were the two most successful experiences that the Styrian government administration has made with this new system.

The representative answered that for the governmental departments it is the budget management and no one wants to work for it, so they connected the budget management to this one tool, which was seen as a win-win from all other departments.

Another question that was asked was in relation to whether companies were brought on board.

The representative answered that there is a department of business and that department says they have no path to the SDGs, because they have outsourced. The problem is also that businesses do not want to work for the SDGs.

One question that was asked was about the interdepartmental cooperation and whether that has improved at all.

The representative answered that interdepartmental cooperation has definitely been affected very positively.

A follow-up question was asked about whether the joint understanding between departments on the SDGs is becoming easier.

The representative answered that they have the impression that colleagues are interested in the SDGs, because it is explained for Styria and that workshops with other colleagues have been positive.

Finland: Sustainable Development in the Finnish Budget

The **Finnish representative of the Ministry of Finance** began the presentation by providing some background information into the Finnish context. They brought up the context of the 2030 Agenda for Sustainable Development and the importance it plays in establishing common goals that all UN Member States should strive to achieve. The representative also shared that Finland's Government report on the 2030 Agenda was submitted to Parliament on February 2nd 2017, which shows that Parliament is being informed about the 2030 Agenda and the SDGs. This report is a key background document in Finland's budgeting for sustainable development.

In Finland, the Government's national implementation of the 2030 Agenda is based on two focus areas: a carbon neutral and resource-wise Finland and a non-discriminating, equal and competent Finland.

The initiation and process of incorporating sustainable development into the Finnish budget was initiated by the Finance Minister and took the form of a text on sustainable development, which was included in the 2018 budget proposal in each main expenditure.

Prior to the 2018 budget, in November 2017, the Finance Ministry arranged a seminar, to which representatives from various organisations, public officials, and other stakeholders were invited. The focus of the seminar was to search for ideas about how sustainable development could be taken into consideration in the budget. The ideas that were put forward during the seminar were analysed and work was done in the Ministry of Finance on how to further develop the sustainable development analysis in the budget.

For the 2019 budget proposal, the sustainable development examination was deepened and widened. In the justifications for the main expenditure titles, the connections between the

appropriations and sustainable development were more clearly brought out. The main title justifications cover both Finland's priority areas with respect to the 2030 Agenda.

In addition, a whole new element was included in the 2019 budget proposal: a new separate chapter in the general strategy and outlook section of the proposal, which especially focuses on the priority area of a carbon-neutral and resource-wise Finland in the budget. This chapter includes information on appropriations, taxes and environmentally harmful subsidies. Also, the [budget review](#), which is a short overview of the budget, focuses on sustainable development.

The new chapter, with respect to appropriations, contains an overview of the appropriations relevant to the priority area of a carbon-neutral and resource-wise Finland. The identified appropriations will promote, among other things, biodiversity and the well-being of the environment and nature, reduce emissions, advance bio-economy solutions, and help Finland develop to a low-carbon society. The appropriations are allocated, in particular, to the administrative branches of the Ministry of Economic Affairs and Employment, the Ministry of Agriculture and Forestry, the Ministry of Transport and Communications, the Ministry of the Environment, and the Ministry for Foreign Affairs. The identification of the appropriations was done in cooperation with the Ministries, including both the Financial Directors of the ministries and the sustainable development coordinators.

Chapter 6 in the budget proposal examines taxes, which are significant in terms of the goal of a carbon-neutral and resource-wise Finland. These include, in particular, energy taxes, motor vehicle tax, car tax, excise duty on certain beverage packaging and waste tax. Although these may be considered to be taxes in accordance with sustainable development objectives, they may also include individual tax structures that are both in accordance with, and contrary to, the objectives.

The tax system, in particular, includes environmentally harmful subsidies. They are also present, however, among the appropriations. The harmful subsidies discussed in the budget proposal are based on previous studies. The largest tax subsidies are in the field of energy taxation, namely the lower than normal tax rate for diesel, which is adjusted by the motor vehicle motive force tax; the lower than normal tax rate for off-road work machines; the lower tax rate for peat; the lower electricity tax rate for industry and greenhouses; the tax refund for energy-intensive companies; and the energy tax refund for agriculture.

In the appropriations, compensation for indirect costs of emissions trading and certain agricultural subsidies, for example, can be classified as environmentally harmful subsidies. The environmentally harmful subsidies in the 2019 budget proposal are estimated, based on previous studies, to amount to approximately 3.5 billion Euro. Environmentally harmful subsidies are mainly directed at three sectors: energy (just over 1 billion Euro), transport (1.4 billion Euro) and agriculture (just over 1 billion Euro).

The representative of the Ministry of Finance concluded the presentation by providing learning points from Finland's experiences in budgeting for the SDGs, and mentioned that:

- Political support is vital;

- Cooperation among ministries, as well as with relevant NGOs increases awareness and enhances commitment to process;
- Finding a balance between administrative burden and added value;
- For Finland, a pragmatic approach is important, but everyone needs to find their own model;
- Finland's step-by-step approach has meant that the administrative burden is controllable, but it will take more time to see the results and actual influence on political decision-making;
- However, it can already be concluded that this process has increased awareness and transparency regarding the link between budget and sustainability issues.

Q&A

The first question that was asked about the Finnish presentation was about how much these figures represent the Finnish budget.

The representative from the Ministry of Finance answered that it represents about 3%, as the budget is 55 billion Euro.

One participant noticed that the budget was shrinking for carbon neutrality and wanted to know if Finland measures CO₂ emissions.

The representative answered that the reason why the funds declined in 2019 was due to the fact that a lot of programs ended in 2018. The representative also shared that Finnish elections are in 5 weeks, so it will be interesting to see what happens afterwards in terms of programs that will be developed. The representative also answered that Finland does not measure the CO₂ emissions from this, but that it should.

Another participant asked if the Finnish Ministry of Finance conducted a study on these harmful subsidies.

The representative answered that there have been three previous studies done on harmful subsidies and that the studies were conducted by other ministries and not by the Ministry of Finance. The representative also shared that Finland also used external agencies to write these reports.

Another question that was asked of Johanna was whether Finland intends to take more steps to address other SDGs apart from CO₂ emissions.

To this, the representative mentioned that this very point was brought up in the workshop they had in Finland and that other SDGs should be included. However, from a more practical side, it was easier for ministries to focus on particular SDGs, goals and targets, rather than see how each goal reached could affect another goal regarding appropriations. The representative posited that things might change with the next government, but that they thought that it does not seem likely that the next government would change course so dramatically.

Another question that arose was in regards to the amount of income these taxes bring in Finland.

The representative answered that the link that was provided in the Platform Discussion Paper should have those exact figures.

Iceland: Budgeting for the SDGs – Experiences from Iceland

Much like the representative from the Finnish Ministry of Finance began their presentation, the **representative from Iceland's Ministry of Finance and Economic Affairs** also began by giving some background information on Iceland's particular context with respect to the 2030 Agenda and the SDGs.

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 analyse 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 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.

Q&A

One participant asked if someone from a government ministry could say no for defining a goal.

The Icelandic representative from the Ministry of Finance and Economic Affairs answered that it would not be possible for someone to outright say no. There would have to be a very big disagreement and there would need to be a discussion regarding targets before anyone could say no.

One participant asked if the web/IT design has led to political discussions.

The representative answered that yes, it has led to political discussions, because now officials only have to look at between 34 and 100 appropriations instead of over 600, which was the way it was done before the OBL.

Another question that was asked was regarding the percentage of the government budget that is linked to the SDGs.

The representative answered that the Ministry of Finance and Economic Affairs has not done that with respect to how much percentage of the budget is represented in terms of the SDGs.

One question that was asked was in regards to linking the current budget to the SDGs and the participant wanted to know if there was more budget for the SDGs, or if there were parts of the budget that were specifically dedicated to specific SDGs, or if there has been an greater amount of spending for the SDGs overall.

The representative answered that the ministry has had this discussion, because it does very much seem like the tool is just a way for government ministries to check boxes and not necessarily plan for the SDGs or actively develop policies that adhere to them.

Another question that was posed was in regards to whether the entire budget was allocated to line ministries.

The representative confirmed that that is the case.

One participant, who referred to the opening presentation from the Nordic Council of Ministers representative, asked what was so different in Iceland with respect to SDG 12, as it was in green, while the other Nordic countries were mostly in red, which signified that Iceland was on a very good track regarding sustainable production and consumption.

The representative from the Nordic Council of Ministers answered this question and shared that Iceland is no longer green, as more sub-targets were included into the calculation.

One participant also shared a very important notion that everyone should always keep in mind that the legislature (parliaments) is ultimately responsible for the decision-making process and what the focus of a government program is, and not the government administration.

Spaces for Exchange 2 & 3: Learning from the Cases and Outcomes from the Learning

After the case presenters presented, participants formed into three groups and visited **country islands**, where each of the presenters were stationed, in order to spend 30 minutes with them and ask question and share their own experiences regarding budgeting for the SDGs. After the 30 minutes, participants were then asked to move onto the next country island. This was done for three rounds, so each participant was able to visit each country case presenter.

Moderators were stationed at each of the country islands to assist the presenters from Space for Exchange 1, and to provide brief summaries and overviews to participants about what was discussed in previous rounds. The **results of the country islands** were sent to participants via email as pictures. However, the results are also depicted below. These results were shared by the country island moderators in Space for Exchange 3.

Region of Styria

- Styria is unique in its budgeting process
- How do you take politicians on-board? Need to do more with politicians at all levels (national and subnational)
- Styrian universities are involved with the SDGs
- Pressure for budgeting for the SDGs comes from the regional government administration
- The budgeting department was involved from the beginning
- SDGs make it easier to communicate goals with other colleagues and other departments
- Styria was a first mover, because it thought it could be an example for Austria's Voluntary National Review (VNR) as Styria thought Austria would have been one of the first countries to conduct a VNR
- Other Austrian regions are waiting for the national level to have a sustainability strategy

Other Country Experiences Shared at the Styrian Island

- 60% of SDG targets should be met by the regional and local level
- There exist conflict of goals, e.g. making money vs. the environment (policy coherence issue)
- The budget should not be seen as the entry point for dealing with the SDGs
- Finding allies in ministries of finance and other ministries
- **North Rhine-Westphalia** sustainable development bond is linked to sustainable development projects in the North Rhine-Westphalia budget
- In **Finland**, the Futures Committee connected Finnish Parliament with the 2030 Agenda
- The Futures Committee has two main tasks: 1) Future Report; and 2) Developing an Agenda

- The Finnish Parliament is 'for' the SDGs, but when it comes to taking concrete actions, they are not so much in favor
- The 2030 Agenda has to be the cornerstone of the Government's program
- Motions made regarding the Government's program last through the next government
- **Regional governments in the Czech Republic** cannot influence climate change
- **In Luxembourg**, the Ministry of the Environment is working together with the Ministry of State on the 10 priorities, as there has been resistance from the Ministry of Finance
- **Romania's** Department of Sustainable Development has not yet developed the tools for collaboration with the Ministry of Finance in order to align the budgetary process with the SDGs, and is why it is an important issue to be solved by Romania in the near future, with help from the OECD.
- Romania is also setting up an interdepartmental committee that will be made up of all ministers
- Romania has started work on an action plan for the SDGs

Finland

Ideas

- How to use the SDGs to establish a common frame and link this to the budget? General text?
- Integrating the SDGs into spending programs? → Up to the ministries
- Link impact indicators to the budget texts and have SDG indicators
- A step forward would be to integrate government programs and national action plans for the SDGs into strategic chapter for the national budget
- Have knowledge sharing/inspiration on either a political level or amongst to civil servants (persuasion)

Why integrate the SDGs into budgets?

- Doing SDG budgeting to raise awareness for sustainability and accountability
- Show to the public and global community
- SDG budgeting as a management tool
- Accountability! Finland is now doing an audit on SDG implementation

Other Points

- Public spending is only partly reflected in the budget → assessment of effort rather than the gaps
- The experiences of other ministries providing the texts → not too heavy a burden
- How to not create too much extra work? → integrate it in development plans and only report on it once
- Parliament pushing theme/phenomenon budgeting

Good lessons

- Interministerial network was an advantage for the budget process
- Use HLPF for engaging political leadership
- What is the impact of SDG budget texts? → most effective communication tool to civil servants
- Highlight the importance of the 2030 Agenda

Iceland

- Performance based budgeting
- SDG check in spending programs
- Agenda 2030 funding and SDG prioritization
- Joint ownership
- Who has the overview? → ex. the digital system
- Assessment of resources spent on the SDGs? Or rather what is achieved?
- Government/Parliament
- The income side of the budget
- Political commitment
- Consensus, but different tools
- Digitalization to simplify the process
- Bills and sustainability assessments → ex. German digital tool (www.enap.bund.de)
- SDG headlines?
- Streamline SDGs into coalition treaty?
- Long-term and short-term framework
- Human and natural capital
- Proactive rather than reactive

Space for Exchange 4: The Future of Budgeting for the SDGs

During this Space for Exchange, a budget expert from the OECD gave a keynote speech regarding budgeting for the SDGs and how countries and policymakers could move forward regarding this topic. After the presentation, the floor was once again opened to participants to ask questions and share their own experiences and ideas.

OECD: Budgeting for the SDGs – How to move forward?

Integrating Policy Goals in a ‘Modern Budget Cycle’

The **OECD representative** began their presentation by discussing the modern budget cycle and what that entails. Basically, there are four steps to the modern budget cycle: 1) Fiscal strategy and mid-term planning; 2) Budget formulation and approval; 3) Budget execution; and 4) Year-end reporting and scrutiny. Fiscal rules guide and constraining budget decisions and spending envelopes are decided on a multi-year basis. The budget formulation is top-down vs. bottom-up and outputs-based vs. inputs-based. The mid-term and long-term fiscal risks and sustainability are assessed in most countries.

Also characteristic of modern budgets is the involvement of many stakeholders. There are more stakeholders with oversight responsibilities (see presentation slide 6 for a clear chart). Scrutiny focuses on fiscal strategy decisions and implementation vs. performance.

However, there remain many questions regarding the modern budget cycle and how it can actually lead, or not lead to, the integration of policy goals in the budget. For example, multi-year budget frameworks provide realistic and reliable fiscal parameters for the preparation of budgets. However, do multi-year spending envelopes provide clear and stable resources to achieve policy goals? Also, budget proposals are systematically linked to relevant development plans. However, does the budget proposal show how resource allocation relates to the national strategy? Are there also clear criteria for the ministry of finance to prioritize budget proposals that are aligned with the national development strategy?

Program structures are aligned with the administrative responsibilities and service delivery functions of ministries and agencies and “tagged” in terms of their stated policy objectives. However, are program policy objectives systematically considered and reported? Government also uses a mix of performance measures, reflecting the multidimensional nature of performance in the public sector. However, are performance indicators covering all relevant government/national policy goals?

External oversight is done not only on the fiscal strategy implementation and compliance with budget authorization, but also on performance against policy goals. Questions arise, however, regarding whether Parliament scrutinizes performance-based budgets and financial reports against policy goals and whether Parliament receives assistance in analyzing performance information against policy goals. It is also important to consider whether the supreme audit

institution carries out performance audits, including tests of the accuracy and reliability of reported performance.

Budgeting for the SDGs: Where do we stand?

Based on the results of an OECD 2018 survey (OECD Performance Budgeting Survey), the SDGs are often integrated in the national strategy, where this was the case in 73% of interviewed countries. However, this was less the case when it came to the integration of the SDGs into budget systems. There, only 57% of respondents had this in place. It was also noticed in the survey that integration is often done through 'alignment' rather than direct 'adoption'.

Part of knowing where countries stand regarding budgeting for the SDGs is knowing what the main challenges are. One of the main challenges identified by the OECD representative was fiscal sustainability does not mean sustainability as those outside of finance ministries and those involved with sustainable development understand it. Fiscal sustainability, however, remains the primary policy goal for most policymakers and for ministries of finance.

The OECD representative further outlined challenges for all policy goals, as well as challenges specific to the SDGs. With respect to the challenges that all policy goals face, one main challenge is competing policy goals, such as gender, being greener, etc. Also, the linkage between objectives, resource allocations, and results are still a grey zone for many policymakers and budgeting in general. The methodologies are used to analyze and address gaps and impacts assessments is also very difficult.

The challenges specific to SDGs come from the fact that the SDGs present a myriad of policy goals. There are also no international best practices or shared indicators, which makes it difficult for policymakers to venture into uncharted waters. Also important to keep in mind is that SDG coverage in the budget does not equal the total public sector. Another very large and important challenge that the SDGs pose is that they are based on the long-term, 10+ years, whereas budgeting tends to work on the short-term, which aligns with yearly budget cycles, or on the medium-term, which is on a scale from 3-5 years. Developing programs, therefore, is rather challenging, as governments change more frequently than that, and are, by their very nature, rather short-term to medium-term oriented.

Lessons from Gender Budgeting: Success factors

The OECD representative highlighted some of the success factors regarding gender budgeting. With gender budgeting, there was political commitment and appetite, as budget bills are government proposals that are to be endorsed by the legislature. Also important for the overall success of gender budgeting is the support and inputs from civil society. There are also clear institutional roles and administrative leadership regarding gender budgeting and these are coupled with clear and understandable policy objectives. Budgeting for gender was also present at different stages of the budget process. Finally, the OECD representative shared that the budget is a tool to deliver a political commitment laid out in a strategy, but that it cannot replace them.

The Way Forward

- Modern budget cycle provides windows of opportunity to apply a “flagship policy lens”.
- SDG’s widely adopted but SDG budgeting at early stages.
- Practices, such as gender budgeting, show how the budget process can be developed to help achieve national policy goals.
- Involves: strategy; framework; commitment of most “fiscal” stakeholders; different entry points in the budget process.

The OECD representative also shared with participants the OECD’s approach to moving forward regarding budgeting for the SDGs:

- Wealth of knowledge on budgeting for policy goals.
- Build on good practices and success factors in gender, green and PB budgeting.
- Address SDG budgeting’s own challenges.
- For each country, the starting point should be the assessment of the “building blocks” on which SDG budgeting can be grounded.

Q&A

The first question from participants was a clarification question regarding the exact meaning of fiscal sustainability.

The OECD representative answered that fiscal sustainability assessment is a forecast of the fiscal position of a country over the long-term, such as over 20 years, and is the evolution of spending over this longer period, usually measured as debt to GDP. This is then weighed against GDP growth forecasts, demographics, such as an ageing population. The representative went on to say that that which is currently analysed is only that which economists can already analyse. Fiscal sustainability has the correct timeframe for the SDGs and could serve as a very special lens through which to see the SDGs.

Another participant asked if performance budgeting could be a strategic move to convince ministries of finance to move on towards the political priorities for a country and not necessarily for the SDGs.

The OECD representative answered that without having performance based budgeting, it would be difficult to tackle the SDGs. If anyone wants to do it in a good way, then performance-based indicators would be a very strong prerequisite for budgeting.

Another question that was asked was regarding any movement by countries to divert money or provide extra funds that are specifically marked for the SDGs.

The representative responded that they were not sure, because this type of study might not have been conducted: The SDGs are not really taken into account when establishing medium-term plans.

One participant also asked about modern budgeting and whether it is beneficial for the SDGs, since it gives relative freedom to line ministries to achieve policy goals.

The representative answered that fiscal responsibility is a very strong goal, as no politician wants to have more financial crises. This characteristic, however, might make it difficult for the SDGs.

Another participant followed up that answer with the question: What is fiscal sustainability in a world full of risks? This participant thought that SDG budgeting should be about putting all SDGs into the budget.

The representative answered that if one wants something to be perfect, then it will most likely not happen, because ministries of finance also have constraints. It is always possible to do something more ambitious, but there is no one-size-fits-all solution.

One participant commented that the timeframe for budgeting is very limited and used the example of Germany, as they have only in 3 months to analyse many trade-offs in the budget and that is very hard. The budget is always under time pressure. It is not like normal reports that can get pushed back, as the budget needs to be decided by the end of the year. More in-depth analysis of these trade-offs would create a lot of work and it is unclear who would then have to do this extra work and in what timeframe they would have to be able to conduct it.

The last question that was asked was in regards to mid-term planning, where the participant asked if that might be the best place to do trade-off analysis of budgets.

The representative answered that the annual budget cycle is not the right price for really long-term and complex issues. One should not be too focused on the annual budget, because the real issue is when is the money spent? Also knowing who the powerful players are is vital in being able to influence the budget.

Space for Exchange 5 & 6: The Future Needs & Challenges & Outcomes of the Interactive Exchange

After hearing from the budgetary expert from the OECD, participants were asked to form 4 small groups and discuss the **future needs and challenges regarding 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 can be seen below.

Group 1

- Civil servants should learn more about the budget process
- Finding the right moment in the budgetary process is also important
- Medium-term budget planning, like the Multiannual Financial Framework (MFF)
- Find allies (OECD, Court of Auditors, best practices)
- Use and wait for OECD reports, then send them to finance ministries
- EU-‘guidance’ → Agenda 2030/MFF alignment
- Implementation of Agenda 2030 at EU level → Framework for Member States
- Use the EU mid-term frameworks to introduce the policy coherence between them
- Put the 2030 Agenda on the agenda of high level political bodies
- Address the budget issue as risk-management → Foresight

Group 2

- Why budgeting for the SDGs?
- Debates about mid-term budgetary strategy also with parliament
- Is a legal framework for mid-term strategy legal?
- Effects of reports on SDG-harmful subsidies?
- Spending reviews on specific SDGs, possible comparative, by OECD?
- Role of the Court of Auditors? → Do they have the necessary expertise?
- Role of Budgetary Control Committee in parliament?

Group 3

- Unsustainable spending is bigger than sustainable spending → governments are used to it
- Analytical information and awareness raising
- Need for different political culture and political will
- Storytelling approach to budget → Better understanding of budget/finance for citizens
- Income side of budget → Assessing the sustainability of it
- Easier for government/politicians to concentrate on 1-2-3 specific topics (ex. climate) → 17 SDGs and 169 sub-targets are too many for them to effectively deal with
- EU level budgeting as help to SDG budgeting align MFF with the SDGs → Agricultural policy, R&D, innovation, and climate

- Start from 1-2 topics, then build a methodology you can spread to all 17 SDGs and 169 sub-targets

Group 4

- Getting ministries of finance to understand the SDGs are an opportunity for policy coherence/strategy in budget negotiations → Spending less money for policy goals
- Focusing on “budget” (*ex ante*) and not on “results” (*ex post*) → Real discussion on results in parliament
- Get the parliament and wider society to understand the SDGs → 1. Surveys; and 2. Communication
- Being clear about what we want to achieve → Understand the current situation and reprioritize spending → STEP/Roadmap
- Sustainable finance as SDG budgeting

Peer Learning Visit

The Peer Learning Visit saw presentations from two keynote speakers. One was a **parliamentarian involved in the Danish 2030 Cross-Parliamentary Network** and the other was a **member from the 2030 Panel**.

The All-Party Parliamentary Group for the SDG's in the Danish Parliament (the 2030-Network) was established in March 2017 and consists of 66 MPs from all 9 parties in the Parliament. The purpose of the 2030-Network is to raise awareness of the SDG's both inside and outside of Parliament; to embed SDG's in the Parliamentary work; and to have an ongoing dialogue with the government ministers responsible for the Danish action plan;

The 2030-Network has established the 2030-panel, a multi-stakeholder platform with representatives from the private sector, NGO's, unions, municipalities, academia etc. The purpose of the panel is to support and inspire the network and coordinate with and inspire each other on how to intensify their own efforts towards 2030. The 2030-Panel has set out to establish a baseline for Denmark's implementation of the SDGs. The first report on SDG #11 was published in January 2019, and the ambition is to cover all 17 goals by the end of this year.

Welcome and Orientation Session

A representative from the ESDN Steering Group and the Nordic Council of Ministers gave a joint opening of the Visit and welcomed the two speakers and thanked them for coming to share their and Denmark's experiences regarding the 2030 Agenda and the SDGs.

Work of the Danish 2030 Cross-Parliamentary Network and Panel

Danish 2030 Cross-Parliamentary Network

The representative from the Network began her speech by stating the talks and presentations from Day 1 were very insightful, as Denmark has not gone through budgeting for the SDGs. Since the Network representative is also a member of the Danish Parliament, they shared that there is no greater strategy than the SDGs. The SDGs are common problems that need to be dealt with by all global actors.

The Danish Ministry of the Environment was active in the making up of the SDGs. It was a priority that the balance of sustainable development was made evident in the SDGs. However, the government that saw the SDGs negotiated lost an election and Denmark was faced with the question of how to preserve the progress made towards the SDGs. The Network comes into play there, as it seeks to ensure that politicians are aware of the 2030 agenda of how important it is.

At the beginning, the Network waited to see what the government would do. They thought it was a ministry for foreign affairs/ministry of foreign affairs committee thing. It was not really

a discussion of what Denmark's problems were. Politicians needed to be convinced that the 2030 Agenda was not a development aid thing, but that Denmark also has problems.

In setting up the Network, a few parliamentarians began to have informal meetings with other colleagues from the development committee and from all parties. At the first meeting of the Network (march 2017), there were 13 people from the government who came together. There was at least one person per party and there were 9 parties in Denmark at the time. They wanted to also provide information exchange with their parliamentary colleagues. They also worked the SDGs into their dialogues with all societal actors, which contributed to external awareness raising for the SDGs.

The 2030 Panel was then set up to share information with other stakeholders.

Another objective of the Network was to engage with government ministers in a new way. They wanted to have a more informal setting. They did not want to have meetings that attributed blame, but rather cooperated. The Network met with the Minister of Finance to see how implementation could work in Denmark, as the Ministry of Finance is in charge of implementation.

The Network has achieved quite a bit. It has formulated a letter to all the standing committees on how they can integrate the SDGs into their daily work in the different committees. This was not a political statement, but rather an approach that offered recommendations that look for commonly agreed goals or problems. It was useful for parliamentarians to see how SDG responsibility is distributed among the different line ministries.

Another achievement was the establishment of a working group under the Ministry of Finance that consists of not only people from the Ministry of Finance committee, but also from other committees. This should not, however, replace the Network.

The Network invited many stakeholders to a meeting with the finance minister to give feedback on the report on how Denmark is doing and offer comments.

There have also been events based on the SDGs to discuss the SDGs (People's Festival), as well as other societal dilemmas.

Every year Denmark has a conference in October before the opening of parliament to get feedback on how parliament has done over the year.

The Network representative then transitioned to discussing the obstacles and barriers to having such a Network in place. As previously stated, the Network began with only 13 members and has since grown to 66 parliamentarians, which makes up 1/3 of Denmark's Parliament. However, it is a challenge to get all members to participate in the meetings, because they are often busy. Maybe there are 10-15 who are always active and 5 who make up the core of the work. Therefore, engaging with all parliamentarians on a regular basis is a challenge.

The representative then shared that the Network is useful in engaging people, and to informing parliamentarians that the SDGs exist and why they are important. Moving this to

action is even harder, and Denmark is still not there yet. The SDGs are not being systemically included in anything. One of the main drawbacks of the Network is that they cannot dig down deeper into specific targets, because while all the different parliamentarians from the different parties may agree that there is a problem with, for example sustainable consumption and production, they will all have different ideas on how to get there, as they represent different political parties at the end of the day.

2030 Panel

The representative from the 2030 Panel began their speech by sharing that the 2030 Panel represents a new type of governance model. The Panel was founded, because parliament wanted a partner organization outside of the parliament to have discussions with regarding sustainable development and the SDGs, and so they developed the Panel. The panel consists of 22 independent people and exists irrespective of the political parties. However, the stakeholders present in the Panel are not independent in terms of other things, as they still have their own priorities as stakeholders, such as labor union priorities or environmental protection priorities, etc.

On the whole, the Panel is a weak institution. There is no formal authority or budget. What the Panel does have are competencies and its members represent many different expertise in different areas that have different power bases inside society, such as business, consultants, trade unions, foundations, researchers, etc. They are a little group of interesting parties and individuals. The weakness is also maybe a strength, as they are not necessarily connected to political parties.

The Panel has arranged a very successful multi-stakeholder conference in the parliament building with many different stakeholders, private companies, and policymakers. The aim was to inform, involve and motivate, and try to initiate projects and actions. Until now, the Panel has been successful in projects.

The Panel saw 3 great challenges to the SDGs at the national level and at municipality level. One challenge that Denmark faces regarding the SDGs is in establishing an adequate baseline for the SDGs and then addressing knowledge about the state of the SDGs at the national and municipal level. There is still a lot of knowledge that is needed in many areas regarding the SDGs, so that informed decisions can be made with respect to them.

The next challenge is the establishing of specific and understandable visions for a 2030 situation in Denmark. What is the country looking like in 2030 if the SDGs are implemented? The SDGs exist, but they are abstract, and they cannot be used to specifically say how Denmark will be. The SDGs must be translated, as currently no one can translate them how they are.

The Panel had a reluctance to work with a national vision, because of the fear that it would take them into political issues. The Panel will have to see how it overcomes this challenge.

Among its work, the Panel just finished establishing a baseline regarding the SDGs and have a report "Baseline for the SDGs" on SDG 11. Based off of this report, the Panel is now asking foundations to help provide 2 million Euro (15 million Krone) so that these baselines can also be done for each SDG.

More data and information is needed that goes beyond what statistics offices have in order to sway and motivate political actions.

The Panel may exist after the coming election, but maybe not. They will need to find their common roles.

Challenge 1: Knowledge is needed: what is most important when it comes to the SDGs, as there are many sub-goals, and if certain SDGs must be prioritize, what is most pressing? Where does Denmark have the most important gaps? Climate, for instance, may come up, but if we listen to our experts it would maybe be biodiversity that they would focus on.

Challenge 2: more knowledge about the international level and global scale: initiatives and plans about what all stakeholders are doing. Private, public and civil society.

Challenge 3: There is a movement from the why to the how and there is no longer a need to argue for the SDGs, as organizations know it they are important. However, there still exists a need to inform other stakeholders, such as schools, trade unions, etc.

Challenge 4: There must be more work done regarding legislation. Private companies cannot even do their part in implementing the SDGs without regulations, and regulations need to be done by the parliaments. Market mechanisms cannot solve all the problems with respect to the SDGs.

Q&A

One participant asked what the next steps would be if the Network continues and which steps would the Network take to bring issues more into the legislature?

The Network representative answered that they may compete more with the finance committee and that the Network's work has never been to take work outside of the other committees, but to bring more work and opportunities for collaboration to the different committees. The action has to be in these committees and in the parliament. We hope the 66 members of the Network will continue to push for this.

Another question that was asked was in regards to the Panel's link to the government and the public administration.

The Panel representative responded that they try to hold them at arms' length, but that they really do not have arms, because the Panel only exists because the Parliament finds it useful. However, the representative said that in maybe in 2-3 years more formal structures will take over and the Panel could then maybe exist on its own without the parliamentarians.

Another participant asked the Panel representative about the formation of the Panel and how it attracted organization to join, as well as what motivated them to join.

The Panel representative answered that there was a push from civil society to form such a panel. There was a lot of figuring out roles at the beginning from certain sectors and as time

progressed other organizations were added along the way and even more people have asked to join.

One participant asked if the Network presses for a Danish sustainable development strategy that takes into account the SDGs.

The Network representative answered that there is a strategy formulated by the government with 37 indicators and targets that the government has developed. It is merely a government document and has not been discussed in Parliament. The 37 indicators do not necessarily correspond to the SDGs. Many indicators state what Denmark is obliged to do. However, Parliament has asked the government on a progress report on these 37 indicators. Currently, such a review will be done every 4 years. However, the Parliament is wanting to do this every year.

The Panel representative also added that the baseline report that they did is very important to take the political debate to the next level. This type of report is important, because it provides yet another document that exists outside the government to reinforce the importance of the SDGs and increase the political debate.

One participant wanted to know how the Panel remains apolitical on such a political Agenda.

The Panel representative answered that the SDGs are a political issue, but the members of the Panel tend to stay out of party politics that go on between the parliamentarians and political parties.

Another question was addressed to the Network representative with respect to how they deal with constituents who have opposing goals.

The Network representative shared that having some activities at the regional and municipal level help in trying to get the parliamentarians to address their constituents. It has been difficult. We have tried to also engage with World's Greatest Lesson, which is a week in September. "World's best news" focused on solutions is another initiative. The Network has also tried to send its members to schools.

One participant asked how the Network and the parliamentarians are able to prioritize the SDGs, given that they are so interlinked.

The Network representative answered that there must be baselines for each of the 17 SDGs. In practice, one has to decide what one will do at different levels, which means prioritizing on the goals and sub-goals. Therefore, more information is needed on how initiatives affect different goals.

Another participant question was asked to the Panel representative about how the trade unions are reacting to the SDGs in Denmark and wanted to know if they will also become part of the Panel.

The Panel representative answered by sharing that trade unions are not the most important part of the Panel, but they are definitely there and the Panel has main union of unions in the

present. The trade unions are also not the main engine running the panel. If the panel is strong enough, then the trade unions will be there. This becomes especially true if big companies are also present, because the trade unions have to be there to balance them out.

Another participant asked both representatives about if a country wanted to set up a similar approach, either the Network or the Panel, what would they need and what would be the representatives' advice to that country.

The Network representative answered first and advised the participant to approach the parliamentarians and when they do so, it would be good to have members from different parts of society, such as universities, civil society, business, trade unions, etc. to push the 2030 Agenda, as having all that different stakeholder support says it is important and stresses that the parliament must be at least knowledgeable of the SDGs. In Denmark the Network convinced the parliamentarians that they would encounter the SDGs from their constituents, from universities and businesses and that also helps.

The Network representative also told all participants that they would be happy to talk to peers from other countries on setting up a similar initiative like the Parliamentary Network.

The Panel representative also suggested to start with the parliamentarians and get support from all the parties, even if it is informal support.

The last question that was asked was in regards to the Panel and the taking up of political positions and how conflicts are handled within the Panel.

The Panel representative stated that the Panel cannot have a position. The only political thing they decided on was in writing the SDG 12 baseline report and that was in choosing the indicators, but the Panel tried to remedy that by asking for feedback on the indicators. At the end of the day, the Panel does not give the Parliament any recommendations and the data provided is objective. The minute there is a decision within the Panel on a political issue, there will be problems.

Closure of the 4th ESDN Peer Learning Platform and Visit

A **representative of the ESDN Steering Group** closed the Platform and Visit by thanking the guest speakers of the Visit for taking the time to share with everyone about the Cross-Parliamentary Network and the 2030 Panel and in sharing their experiences and answering questions.

The Steering Group representative also thanked the speakers from Day 1 for sharing their experiences and answering participants' questions.

The representative thanked all participants for coming to Copenhagen to take part in this topic and bring their own insights, country examples, and ideas into discussions.

Finally, the representative thanked the ESDN Office and the Nordic Council of Ministers for running the entire Platform and Visit.

A **representative from the Nordic Council of Ministers** also said a few parting words, reiterating the ESDN Steering Group representative's words and also thanking the ESDN for the opportunity to cooperate.