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Title: Can You Believe It? The Credibility of Government Budgets and its Implications for the SDGs

The financing and provision of basic services is arguably the most important role that governments play in delivering on many of the Sustainable Development Goals. Ensuring that public resources are raised and spent effectively therefore represents a major challenge for sustainable development. Across many developing countries, however, government budgets suffer from many flaws, which often result not only in insufficient resources being allocated to SDG-related sectors, but also in actual spending being different from originally approved amounts – the problem of “budget credibility” measured in SDG indicator 16.6.1. Past research on international development targets has not devoted much attention to the capacity of governments to effectively spend public resources in their pursuit. One of the reasons for that is the lack of detailed comparative information on government spending. Our work takes advantage of recent data on government spending produced by two initiatives hosted by the World Bank – the Public Expenditure and Financial Accountability (PEFA) and the BOOST initiatives – to analyze the extent to which government budgets can be considered credible across a broad range of developing countries, with a particular focus on variations in the composition of public expenditure. More specifically, it considers the extent to which governments deliver on their spending commitments in SDG-related sectors, and some of the reasons that may lie behind deviations from the original budget. Our preliminary analysis points to the fact that budget credibility is a major issue across developing countries, especially in the form of resources being shifted across sectors during budget execution, in some cases away from SDG-related sectors. Our analysis not only brings attention to the importance of analyzing government budgets as part of understanding sustainable development trajectories – an aspect which has often been overlooked – but points to important challenges in governments’ capacity to spend public resources effectively in pursuit of the SDGs. Making sure that more effective institutions are built to formulate and implement more credible budgets, and ensuring that these improvements are effectively monitored, might in the long run be more important than calling for additional resources to be spent on financing sustainable development.