Directorate for Public Governance

SDG Budgeting in Romania
Linking Policy Planning and Budgeting to Support the Implementation of the Sustainable Development Goals (SDGs)
Romania: Linking Policy Planning and Budgeting to Support the Implementation of the Sustainable Development Goals (SDGs)

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Acknowledgement

The OECD would like to thank the Government of Romania for its engagement and commitment during the preparation of this report on Linking Policy Planning and Budgeting to Support the Implementation of the Sustainable Development Goals (SDGs). Particular thanks go to the Prime Minister’s Office and the Ministry of Public Finance for their support and input during the process.

The OECD conducted interviews with officials from Ministry of Public Finance, the centre of government, line ministries, the Supreme Audit Office, the Parliament, the National Institute of Statistics as well as consultations with independent experts and representatives of civil society (see Annex 1). The authors would like to express their appreciation to all of these stakeholders for their availability and insights.

This report was prepared by Scherie Nicol, Juliane Jansen and Andrew Park of the Public Management and Budgeting Division in the Directorate for Public Governance (GOV). Brenda Janeth Pequeno Vargas from the Mexican Ministry of Finance served as a peer. The report has also benefited from comments by Ernesto Soria Morales and Anna Piccinni, Division for Policy Coherence for Sustainable Development Goals (GOV).

The report includes feedback from a consultation process co-ordinated by the Prime Minister’s Office. The OECD is grateful to all the parties who prepared feedback on the report.
In today's global landscape, governments face increasingly complex economic, social and environmental challenges. To address these, Romania has been giving increasing attention to the Sustainable Development Goals (SDGs), and adopted the Sustainable Development Strategy 2030 (SDS 2030) in November 2018. The Strategy outlines the aim of each SDG for Romania adjusted to national characteristics, and sets out 2020 objectives and clear targets for 2030. Given the crosscutting nature of the SDGs, an unprecedented range of public and private actors will need to be involved in its implementation.

Well-developed and clear links between SDS 2030, policy planning and budgeting will ensure that policies and budgets help support the implementation of the SDGs and Romania’s 2030 targets. The Romanian Government has been strengthening its policy planning process in recent years. Building on this experience, the Government of Romania has asked the OECD to assist in developing its capacity to link policy planning and budgeting to support the implementation of the SDGs (referred to as “SDG budgeting”). This report is undertaken in parallel with an OECD Scan of Institutional Mechanisms to deliver on the SDGs. The concurrent approach ensures that our recommendations build on a solid understanding of the strengths and weaknesses of the institutional framework in Romania. It also helps in identifying ongoing government-wide reform efforts that could be helpful in terms of implementing SDG budgeting.

This report draws from the good practices identified within the OECD Publication “Governance as an SDG Accelerator” and the forthcoming OECD publication “SDG Budgeting Case Studies and an Emerging Framework for Implementation”; together with parallel work in areas such as gender budgeting and green budgeting. Effective implementation of SDG budgeting can be a challenge if the initiative is not well designed. As set out in the OECD’s Emerging Framework for Implementation, SDG budgeting firstly requires a whole-of-government strategic framework setting out priorities. Secondly, it benefits from a range of tools that help bring an SDG perspective during Romania’s budget process. Thirdly, to facilitate accountability, transparency and impact, it is useful for oversight institutions such as parliament to scrutinise the government’s actions in this area. Fourthly, it requires a supportive enabling environment including a modern budgeting framework, availability of data related to the SDGs, and training and capacity development.

The Emerging Framework for Implementation is used to assess the readiness of the Romanian Government to implement SDG budgeting. It sets out the key challenges and opportunities that it faces and provides recommendations for Romania to roll out an incremental approach to SDG budgeting as a key mechanism to achieving its targets for 2030.
## Acronyms and abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>CBA</td>
<td>Central Budgetary Authority</td>
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<tr>
<td>CC</td>
<td>Consultative Council</td>
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<tr>
<td>CoA</td>
<td>Court of Accounts</td>
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<tr>
<td>DCPP</td>
<td>Department for the Coordination of Policies and Programmes</td>
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<tr>
<td>DSD</td>
<td>Department for Sustainable Development</td>
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<tr>
<td>EC</td>
<td>European Commission</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>GBA+</td>
<td>Gender Based Analysis Plus</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GSG</td>
<td>General Secretariat of the Government</td>
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<tr>
<td>ICCIE</td>
<td>Inter-ministerial Committee for the Coordination of the Integration of Environmental Protection</td>
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<tr>
<td>ICSD</td>
<td>Interdepartmental Committee for Sustainable Development</td>
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<tr>
<td>IPU</td>
<td>Inter-Parliamentary Union</td>
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<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
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<tr>
<td>MoPF</td>
<td>Ministry of Public Finance</td>
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<td>NIS</td>
<td>National Institute of Statistics</td>
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<tr>
<td>PMO</td>
<td>Prime Minister’s Office</td>
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<tr>
<td>PSI</td>
<td>Institutional Strategic Plan (Planul strategic institutional)</td>
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<tr>
<td>RIA</td>
<td>Regulatory Impact Assessment</td>
</tr>
<tr>
<td>SAI</td>
<td>Supreme Audit Institution</td>
</tr>
<tr>
<td>SCSD</td>
<td>Sub-Committee for Sustainable Development</td>
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<tr>
<td>SDGs</td>
<td>United Nations Sustainable Development Goals</td>
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<td>SDS 2030</td>
<td>Sustainable Development Strategy 2030</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNDP</td>
<td>UN Development Programme</td>
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<td>VNR</td>
<td>Voluntary National Review</td>
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In September 2019, Romania announced its commitment to introduce SDG budgeting at the UN Climate Summit. This commitment builds on a comprehensive programme of public financial management reform that has taken place in Romania in recent decades. This includes the adoption of a Fiscal Responsibility Law in 2010 that introduced a medium term budget framework, a comprehensive set of fiscal rules and the establishment of the Romanian Fiscal Council to assess and provide analysis and opinions on the design and implementation of fiscal policy. There have also been efforts to modernise Romania’s budget framework towards a more performance-based approach and build links between strategic planning and budgeting processes. This Review is prepared by the OECD at the request of the Romanian Government and assesses the readiness of the Romanian Government to implement SDG budgeting.

It finds that Romania has a strong strategic framework in place to guide SDG budgeting, following concerted efforts to strengthen the strategic and institutional set up in recent years. Efforts to coordinate the work of ministries in relation to the SDGs are led by the Department for Sustainable Development that sits in the Prime Minister’s Office. The central positioning of this team reflects the political importance of the SDG agenda in Romania. Romania’s Sustainable Development Strategy 2030 (SDS 2030) was presented in 2018 and now serves as the main instrument guiding the implementation of the SDGs. The Romanian Government sees SDG budgeting as crucial to ensure that sufficient resources are allocated towards policies and programmes that will help realise the national goals set out in SDS 2030.

The first opportunity to implement an SDG perspective into the budget process comes in the context of the ongoing coronavirus (COVID-19) crisis. The Romanian government will be preparing an economic recovery plan in the near future and this provides an opportunity to review the extent to which any stimulus package could also help progress on the SDGs. The Ministry of Public Finance can take this forward by seeking information from departments on how stimulus measures that they are proposing could help the country progress towards the goals set out in SDS 2030. This information can then be used to inform decision-making and help design a stimulus package that achieves the twin objectives of revitalising the economy and helping achieve progress against the SDGs.

Implementing SDG budgeting more systematically requires the selection of appropriate entry points in the context of the annual budget cycle in Romania. In the first instance, it is recommended that Romania introduce an SDG perspective to its priority setting. This would mean introducing a requirement for sectoral ministries to explain how their budget helps support achievement of the SDGs in their policy declarations provided during the preparation of the budget. A natural next step would be for this information to be summarised in an SDG Budget Statement accompanying the draft budget. These developments would help provide a first push for line ministries to link what is contained in the budget proposal with SDS 2030, and would provide evidence and accountability for outcomes and impact.

Over time, as Romania’s efforts to modernise its budget framework progress, a more comprehensive and sophisticated approach to SDG budgeting can be developed. In particular, as programme budgeting and performance budgeting become more systematically embedded, and the links between strategic planning and budgeting become stronger, Romania can seek to integrate consideration of the SDGs into Institutional Strategic Plans and performance setting. This will also open up the opportunity to introduce tagging of budget programmes linked to the SDGs, and to develop a more detailed SDG Budget Statement. In addition, as the Romanian government improves its capacity in relation to *ex ante* and *ex post* policy impact
assessment, it may consider mainstreaming consideration of SDGs in *ex ante* policy impact assessments and conducting *ex post* evaluation of policy performance, including achievement of SDG targets. These changes will provide information on the effectiveness of budget proposals in meeting SDS 2030 goals, and will facilitate budget decision-making that supports the achievement of these goals.

The new information produced through these changes will only be impactful if it is used to inform budget decision-making. Institutions such as the Romanian Parliament and the Court of Accounts will have a key role in holding the government to account. Specifically, it is recommended that the Parliamentary Sub-Committee on Sustainable Development plays an enhanced role in scrutinising the Governments planning and implementation of the SDGs, including scrutinising information provided in any new SDG Budget Statement published alongside the Draft Budget. This Review also endorses the Court of Accounts plan to undertake an audit of Romania’s institutional capacity for SDS 2030’s implementation and recommends that over time the Court also add an SDG dimension to its performance audits.

The implementation of SDG budgeting will be most effective where there is a supportive enabling environment. In Romania’s case, the modernisation of the budget framework will be of particular importance. Further implementation of ongoing reforms to strengthen the link between strategic planning and budgeting will underpin the ability of the government to link budget decisions with the strategic objectives set out in SDS 2030. The Ministry of Public Finance will have an important leadership role in bringing in the changes required to implement SDG budgeting, and will be dependent on support from the Department for Sustainable Development. In particular, the Department for Sustainable Development can help ensure that there is adequate investment in building data and analytical capacity across the government to implement SDG budgeting. Consideration could also be given to the merits of embedding the commitment to SDG budgeting in legislation to help sustain the practice across political transitions between now and 2030.

Over time, from a position of shared commitment to action, Romania has the potential to implement an SDG budgeting practice that is ahead of OECD peers and responds to the needs of society, helping support the identification and implementation of policy measures that will best achieve the targets set out in SDS 2030.
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Policy and institutional context for budgeting

Economic and fiscal context

Romania has benefitted from strong economic growth in recent years, driven by strong consumption and investment in the construction sector. However, fiscal space is limited as a result of expansionary and procyclical fiscal policy. The OECD Economic Outlook from November 2019 highlighted that the fiscal deficit is likely to widen over the coming two years, increasing public debt. A key driver is pension reforms that will increase public spending by more than 2 percentage points of GDP by 2021. Expected improvements in tax collection and public efficiency are unlikely to materialise soon enough to compensate for increases in public spending (OECD, 2019[1]).

The long-standing build-up of fiscal imbalances, and procyclical expansionary fiscal policy in Romania since 2016, has been closely monitored by the European Commission (EC). Romania has been under consecutive Significant Deviation Procedures since spring 2017 as its budget deficit deviated from the medium-term objective. In February 2020, the EC announced that it launched the Excessive Deficit Procedure against Romania, whose budget deficit surpassed the 3% of GDP limit set by the EU Treaty. The decision was largely expected, considering that Romania’s budget deficit reached 4.3% of GDP in 2019. Public finances will be undoubtedly be further negatively impacted by the coronavirus (COVID19) crisis. In mid-March 2020, a package of measures worth almost two per cent of national economic output was approved. While this response is no doubt justified to protect the economy from the worst effects of the virus, it will lead to major increases in the budget deficit and public debt. The Government is also likely to be preparing an economic recovery plan to counter the economic disruption caused by the virus.

Budgeting system and legal framework for budgeting

The Romanian budget and treasury system closely resembles other continental systems, notably France and Italy with whom the Romanians are culturally linked (see Box 1.1).

Box 1.1. Origins of the Romanian budget and treasury system

The Romanian budget and treasury system is characterised by a three-level system of *ordinateurs* or credit holders that plan for, receive and spend funds from the budget. The main credit holder or first *ordinateur* typically is the ministry whose manager is the main credit holder. The other two levels are represented by secondary hierarchic institutions whose managers are, case by case, second-order or tertiary credit holders. For example, in the health system funding for hospitals flows from the main credit holder, the President of the “Health House”, then flows down eventually to the tertiary credit holder that is the individual hospital.

Source: (Ruffner, 2006[2])
The legal framework for budgeting and public financial management in Romania is comprehensive. Its cornerstone is the Public Finance Law (Law No. 500/2002) implemented from 2003. It contains provisions outlining the responsibilities of different actors in the budget process, as well as details relating to budget execution, internal control and auditing.

Romania joined the European Union in 2007 and in 2010 adopted a Fiscal Responsibility Law (Law No. 270/2013) which transposed EU fiscal compact requirements into national legislation. This aimed to ensure that Romania’s fiscal-budgetary policy is carried out according to fiscal rules, and anchored in a sustainable medium term budgetary framework. It also established the Romanian Fiscal Council to issue opinions and recommendations on official macroeconomic forecasts, annual budget laws and assess the implementation of the new medium-to-long-term fiscal and budgetary strategy.

In 2013, another set of national rules was implemented by Law No. 377/2013, amending and completing the 2010 Fiscal Responsibility Law. This law helped fulfil the provisions imposed by the EU Treaty on Stability, Coordination and Governance within the Economic and Monetary Union, introduced after the global financial crisis. A summary of Romania's legal framework for budgeting is set out in Box 1.2.

**Box 1.2. Legal Framework for Budgeting in Romania**

The key legal provisions for budgeting in Romania are set out below:

**Public Finance Law 500/2002 (Organic Budget Law)**

- Requires budget requests to be prepared for the upcoming year plus three years.
- Introduced the concept of programmes as a basis for the budget. Programmes are to be approved as annexes to the main budgets.
- These programmes should have corresponding performance indicators, and details on how programs will be monitored during execution, within approved funding limits.

**Government Decisions 1807/2006 and 158/2008**

- Set out the parameters of the strategic planning system, with provisions for Institutional Strategic Plans (PSIs) to be prepared every three years, with annual updates.
- Provides additional companion procedures for preparing programme budgeting requests linked to the PSIs.

**Fiscal Responsibility Law 69/2010**

- Requires budgets to be informed by a three-year fiscal and budgetary strategy that sets out the macroeconomic assumptions, medium-term budget planning and expenditure ceilings that should guide the annual budget process, and that must be approved annually.
- Introduces a medium term budget framework outlining the government’s expenditure priorities, policy and service improvement objectives, public investment programme and expenditure estimates for the top ten highest-spending institutions over a three year period.
- Establishes and provides an oversight role for the Romanian Fiscal Council.

Source: OECD

**Medium-term budget framework and fiscal rules**

Prior to 2010, fiscal policy was largely oriented on the short term. However, the Fiscal Responsibility Law introduced the concept of a medium-term budget framework that is materialised in Romania’s Fiscal and Budgetary Strategy. Presented in the first months of each year, the Fiscal and Budgetary Strategy sets out projections for budgetary aggregates for the forthcoming three years. It is through this document that
Romania, like the other EU Member States, presents its convergence program that sets its medium and long-term fiscal objectives to maintain an economic balance.

The Fiscal Responsibility Law also sets out Romania’s fiscal rules. One of these is a structural deficit rule, which requires compliance with or convergence to the medium term objective of a structural balance of -1.0% of GDP. The national framework also contains several auxiliary rules concerning budget balance and expenditure and revenue items. In addition, the government is required to adhere to expenditure ceilings set out annually in the Fiscal and Budgetary Strategy approved by Parliament in August of the preceding year. Romania must also ensure that the ratio of planned or actual government deficit to GDP does not exceed the reference value of 3% and that public debt does not exceed 60% of GDP in order to comply with European fiscal rules. However, since 2016, the government has systematically and repeatedly derogated from these fiscal rules (European Commission, 2020[3]).

There are also fiscal rules that apply at the local government level. Specifically, local government budgets, excluding loans to finance investment and debt refinancing, have to be balanced. In addition, local governments cannot contract or guarantee loans if their annual public debt service (principal payment, interest, commissions), including the loans they want to contract, is higher than 30% of their own revenue.

**Key actors in the budget process**

The **Ministry of Public Finance** (MoPF) is responsible for managing public finances in accordance with national and EU rules. As part of this, it prepares the Fiscal and Budgetary Strategy, sets expenditure limits and compiles the Draft Budget using proposals from primary spending authorities. The MoPF also cooperates with the **National Commission for Strategy and Prognosis**, which is a separate legal entity subordinated to the General Secretariat of the Government. It is formally responsible for key macroeconomic projections including GDP, sectoral demand, inflation, unemployment, wage growth, import/export and exchange rates.

The **Romanian Fiscal Council** is an independent fiscal institution, established by the Fiscal Responsibility Law in 2010. It performs a wide range of tasks, including the assessment of macroeconomic projections, monitoring compliance with fiscal rules and issuing opinions on fiscal policy. The Romanian Fiscal Council is viewed as having been effective in raising transparency and government accountability. For example, when the draft budgets presented by the government for 2016 and 2017 planned a deviation from European requirements, the Fiscal Council was forceful in its assessment of the risks involved (European Fiscal Board, 2019[4]).

The supreme audit institution of Romania is the **Romanian Court of Accounts (CoA)**. Its principal legal framework is Law No. 94/1992 on the Organisation and Operation of the Court of Accounts, which provides that it “shall conduct the control of the establishment, management and use of state and public sector financial resources”. In addition, the CoA undertakes accordance audits for operators, and performance audits. Although performance audit is still a relatively new development at the CoA, the institution has been increasing its capacity in this area.

**Key budget documentation**

Among the budget reports published during the course of each fiscal year, three reports are viewed as particularly key:

1. **The Convergence Programme Update**: Published in Spring, this report is obliged by the EU and provides macro-fiscal plans for the medium-term (t+3).
2. **The Fiscal and Budgetary Strategy**: Published by the 15th of August, this report sets out the fiscal strategy for the medium term (t+3), including the general government expenditure ceiling, a macroeconomic forecast, fiscal policy targets and forecasts and a statement of responsibility.
3. **The Draft Budget**: The Draft Budget must be submitted to Parliament by 15th October. It contains
the proposed budget for the forthcoming fiscal year (by law) and also indicates the budget for the subsequent 3 years (for orientation). It is closely followed by a Report on the Macroeconomic Situation and Forecasts, providing an updated macro-fiscal forecast for the medium term (t+3).

In addition, during election years the Government must publish a Pre-election Economic and Fiscal Situation and Outlook Report 60 days in advance of the election. This includes estimates of revenues, expenditures, and the budgetary balance for the current fiscal year, as well as a forecast of macroeconomic indicators and other economic assumptions.

**Budget timetable**

The fiscal year in Romania runs from January to December. The Public Finance Law as amended and supplemented by the Fiscal Responsibility Law sets out the key stages – and associated deadlines – for the budget process, as outlined in Table 1.1 below.

### Table 1.1. Calendar of the fiscal year

<table>
<thead>
<tr>
<th>Budget task</th>
<th>Timetable</th>
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<tbody>
<tr>
<td><strong>Setting the medium term budgetary framework</strong></td>
<td>• April: in line with EU requirements, Romania presents a Convergence Program Update that sets its medium and long-term fiscal objectives to maintain an economic balance.</td>
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<td>• By 1st June: release of official macroeconomic projections by National Prognosis Commission.</td>
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<td>• By 31st July: the MoPF prepares the Fiscal and Budgetary Strategy for the next three years, including a macroeconomic and fiscal forecast, and sets expenditure limits and submits these to the Government.</td>
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<td>• By 15th August: the Fiscal and Budgetary Strategy and Draft Ceilings Law should be submitted to Parliament for approval.</td>
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<tr>
<td><strong>Developing and approving the annual budget law</strong></td>
<td>• By 1st August: the MoPF should send primary spending authorities a Framework Letter, key macroeconomic assumptions, the methodology for drafting the budget and the expenditure ceilings that have been approved by government for the next three years.</td>
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<td></td>
<td>• By 1st September: primary spending authorities have to submit their spending proposals for the next three years to the MoPF.</td>
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<td></td>
<td>• By 30th September: budget negotiations between the MoPF and primary spending authorities take place under the mediation of the Prime Minister. The MoPF compiles a Draft Budget that is consistent with the fiscal responsibility principles, the fiscal rules and the Fiscal and Budgetary Strategy and submits it to the Government.</td>
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<td>• By 15th October: the Draft Budget should be submitted to Parliament.</td>
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<td></td>
<td>• By 15th November: the Report on the Macroeconomic Situation and Forecasts provides an updated macro-fiscal forecast for the budget year and following three years.</td>
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<td></td>
<td>• By 28th December: the State Budget Law must be approved by Parliament.</td>
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<tr>
<td><strong>Monitoring implementation of the budget</strong></td>
<td>• During the budget year, at the end of April, July and October: the Government will present a public evaluation of the quarterly budget execution and the performance against the quarterly targets.</td>
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<td>• By 31st July: the MoPF will publish on its website a half-yearly Report on the Macroeconomic Situation and Forecasts.</td>
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<td>• By 31st May after the budget year: the MoPF should publish on its website a report on the Final Budget Execution.</td>
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<td><strong>Audit of budget execution</strong></td>
<td>• Public institutions must submit their accrual-based annual financial statements to the MoPF for transmission to the CoA by the end of July of the following year.</td>
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<td></td>
<td>• The CoA publishes a report on year-end financial statements by December of the following year.</td>
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<td>• The MoPF publishes annual budget execution reports for the general government sector within six months of the year-end.</td>
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<tr>
<td></td>
<td>• The CoA audits a summary Budget Execution statement and an annual balance sheet that are presented to Parliament.</td>
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**Parliamentary budget oversight**

The Parliament of Romania has a bicameral structure and consists of the Chamber of Deputies and the Senate. The Chambers work in joint session during approval of the budget.

There is a growing trend for OECD parliaments to debate the broad direction of fiscal policy, as well as the budgetary priorities and trade-offs before the annual budget is submitted for approval (OECD, 2019[6]). Although there is technically no pre-budget debate at the Romanian Parliament, the Fiscal Strategy and Draft Ceilings Law must be submitted to Parliament by 15th August for approval.

Thereafter, the Parliament should receive the Draft Budget by 15th November prior to the start of each fiscal year and must approve the State Budget Law by 28th December. If these dates are adhered to then this means that parliamentary scrutiny is compressed into a relatively short period of around one and a half months. However, in recent years, the annual budget has often been submitted to parliament relatively late and is sometimes approved well after the start of the year to which it applies.

After the tabling of the Draft Budget, Members are given a period of between seven to ten days to study the budget documents and to develop their proposals for amendments (proposals for amendments cannot affect the budget totals and so spending increases have to indicate the source of funding). This is followed by a committee stage involving both sectoral committees and the Joint Committee on Budget, Finance and Banks. Sectoral committees have responsibility for oversight of spending by the line ministries. After budget hearings with the line ministries, the sectoral committees vote on which amendments to take forward. At this stage, each parliamentary committee draws on some expert staff to provide technical support, although there is no specialised budget office or similar attached to Parliament. The Joint Committee on Budget, Finance and Banks then considers the proposals from the sectoral committees and decides on which amendments to incorporate into the final budget proposal. Although a large number of amendments (around 1,000) may be initially proposed, a small number (around 10) tend to make it into the final budget proposal.

Next, the final budget proposal is discussed in plenary session, concluding with a final vote to approve or reject the State Budget Law. A rejection of the budget would be interpreted as a vote of no confidence and cause the fall of the government. Since democratisation, Parliament has never refused to approve the budget. If the budget is not approved before the start of the fiscal year, the Government can spend 1/12 of the previous year's budget each month until it is approved.

The Fiscal Responsibility Law allows up to two supplementary budgets in any fiscal year (usually in late July and October/November), and the parliament must give authorisation for these. However, changes to the approved budget, particularly in the case of the second supplementary budgets of the year, are authorised by Parliament only after the expenditure increases or cuts have already been implemented and sometimes in the subsequent fiscal year.

The President of the CoA reports annually to Parliament on the accounts of the national public budget administration relating to the expired budgetary year. This report is usually discussed in the parliamentary committees. The Parliament recently set up a permanent committee to scrutinise audit findings. At the request of the Chamber of Deputies or the Senate, the CoA also undertakes special reports that focus on particular areas of inquiry and are discussed in the relevant parliamentary subject committees.

**Recent and ongoing budget reform priorities**

Romania has endeavoured to implement a number of budget reforms over the past decades, with the objective of modernising the budget systems in line with international standards. Some of the main ongoing reform priorities are outlined in the following sections.
Programme and performance budgeting

A focus of budget reforms at the turn of the century was moving from line item to programme and performance budgeting, as set out in the 2002 Public Finance Law. The Law says that programme budgeting must be done as an Annex to budget proposals. However, as there are no consequences for non-compliance it is effectively the decision of the line ministries as to how much of their budget is submitted on a programme basis. In general, over 15 years later it is observed that the budget is still prepared on line item basis, and consideration of how to articulate the budget at a programme level comes after the money is agreed, as does the selection of performance indicators.

Central guidelines for programme and performance budgeting have been developed. These present a general methodology on how to present the budget by programmes and show what kind of performance indicators each programme should have. However, a key challenge in relation to this reform is that line ministries have discretion over whether or not they implement these guidelines. Line ministries also have responsibility for selecting performance indicators, and there is no process in place to centrally verify the quality of the indicators. In addition, line ministries are having some general troubles in adjusting to the idea of being held accountable if something does not go as well as planned. Therefore, it is anticipated that it will still take some time for the line ministries to become comfortable with results-based budgeting.

Linking strategic planning and budgeting

More recently, Romania has been working on reforms to strengthen the links between strategic planning and budgeting in the Government. In particular, thirteen pilot ministries have been involved with a project – supported by the World Bank - to develop Institutional Strategic Plans (PSIs) compatible with the medium term budget, and link them to the budget formulation process. This project has been running for three years now.

The PSIs aim to provide information on the activities of each line ministry, with these activities being linked to budget programmes. The documents are intended to serve as both a management and a communications tool for line ministries. The MoPF has an endorsement role in relation to the PSIs, with the idea being that this ensures that the MoPF becomes aware of the budgetary implications of each line ministry’s plans.

As part of the project, a methodology has been set out for developing PSIs, however this has not yet received final approval from the MoPF. A draft government decision has also been prepared with a view to aligning these PSIs with budgets, however discussions have stalled in this area. The reforms are unlikely to be fully implemented until there is sufficient political will for the reform. At present, neither internal nor external stakeholders, such as parliament or civil society, are pressing for it.

Spending review

In 2016, with support from the IMF, the MoPF set up a Spending Review Unit (Analysis and Efficiency of Public Expenditure) and in 2017, with support from the World Bank, the unit conducted piloted spending reviews on line ministry expenditures to identify possible savings and create increased fiscal space. In this process, the MoPF leads the effort in selecting spending review topics and initiates discussions with line ministries establishing the scope, savings targets and necessary actions required. Implementation relies on consultation of public documents, strategies, annual activity reports, reports from the CoA, as well as national and international reports from the World Bank, the OECD, UNICEF and the National Institute of Statistics and detailed data from line ministries. Additionally, the Unit further developed crosscutting spending reviews in each ministry looking at different categories of expenditure (i.e. expenditure on fleet, mobile communication, external services). The spending review conclusions are included in a Report endorsed by the ministries involved with an agenda for the implementation of the proposed measures.
Gender budgeting

Gender budgeting was introduced for the 2020 budget upon a recommendation from the Ministry of Labour\(^1\). As part of this, the MoPF is now asking line ministries to provide information on the gender impact of budget proposals on a voluntary basis. This requirement, and the associated text that is set out in the annual budget circular, was agreed between the MoPF and the Ministry of Labour. However, at the time of writing, the MoPF had yet to receive any information on the gender impact of proposals from line ministries.

Wider government reforms

In addition to these budget reform priorities, wider ongoing reform initiatives across Government can also be relevant to the quality of budget-decision-making. For example, the reforms in relation to \(ex\ ante\) policy impact assessments and \(ex\ post\) policy evaluation.

\(Ex\ ante\ and\ ex\ post\ policy\ impact\ assessments\)

Impact assessments are critical for evidence-based policy making and improving the quality of information that is used in budget-decision-making. Law 24/2000 on drafting legal acts set out an initial obligation to identify the impacts of draft regulations, and the requirements for Regulator Impact Assessment (RIA) were further refined in Government Decision no. 1361 issued in 2006. According to these provisions, all regulations are required to be accompanied by an explanatory note, describing the rationale and assessing the impacts of the draft proposal. Each RIA should include economic and environmental-impact assessments. EU directives also require that sustainability concerns be incorporated in assessment reports. The MoPF review specific sections of explanatory notes as part the endorsement procedure of regulations.

Despite these requirements, in practice the use and the quality of RIA is highly uneven, and many RIAs are superficial. Capacity remains a critical obstacle to the effective implementation of RIA procedures and requirements (Bonker, 2018\(^7\)). The Department for Coordinating Policies and Priorities (DCPP) is responsible for the development of the Romanian RIA system. The DCPP improved its guidance in 2015 and is currently developing proportionality criteria so as to better focus efforts on regulatory proposals with significant impacts (OECD, 2019\(^8\)). The Romanian Government has also worked with the World Bank on a project to strengthen the RIA framework, including through capacity building.

Despite the developments in relation to \(ex\ ante\) impact assessment, Romania lacks a systematic approach for \(ex\ post\) review. \(Ex\ post\) evaluation is largely conducted on an ad hoc basis by ministries and despite there being requirements for evaluation, the periodical review of existing regulations are not always followed-through (Government of Romania, 2009\(^9\)).

\(^1\) The Ministry of Labour stated “Dealing with programme based budgeting: It is recommended to highlight the gender perspective in the process of preparing the budget. This means establishing unitary costs of services and analysis of how public spending is distributed among women and men based on their access to public services.”
Implementing SDG budgeting

SDG budgeting involves the systematic application of analytical tools and processes, as a routine part of the budget process, in order to inform, prioritise and resource SDG-responsive policies and track results. The previous chapter has highlighted the nature of existing budgeting practices in Romania. Given the “power of the purse”, the Romanian Government recognises that integrating consideration of the SDGs in this budget process can provide considerable scope to influence government-wide policy-making so that it better targets the achievement of the SDGs. Indeed, the Romanian Government hopes that SDG budgeting will help bring about a reprioritisation of resources to help achieve the targets set out in SDS 2030.

The forthcoming OECD publication “SDG Budgeting Case Studies and an Emerging Framework for Implementation” (2020) sets out preliminary thoughts on what is important in enabling an effective and enduring SDG budgeting practice. This includes the following elements:

1. **Strategic framework**: a political commitment to prioritising the SDGs (including through the budget process), strategic documentation highlighting national priorities and goals in relation to the SDGs, and strong institutional arrangements for implementation.

2. **Budgeting tools for evidence**: the introduction of budget tools that can help apply an “SDG lens” at different stages of the budget process, and provide information to better inform decision-making.

3. **Accountability and transparency**: engagement from civil society and oversight institutions to ensure that the government is held accountable for its efforts in the area of SDG budgeting and the tax and spend decisions it takes to progress the SDGs.

4. **Enabling environment**: the supportive elements that help ensure a more effective SDG budgeting practice, including a modern budgeting framework, administrative leadership, capacity for data and analysis, and legal commitment.

This chapter assesses the extent to which these elements are already in place in Romania, and provides suggestions for how an effective framework for SDG budgeting can be built. These actions help integrate an SDG dimension across all stages of the budget cycle, including the budget planning, preparation and presentation (*ex ante*), budget implementation (concurrent), and evaluation and accountability (*ex post*).

**Strategic framework**

The strategic framework for SDG budgeting determines why it exists, and what it aims to achieve. In assessing the strategic framework for SDG budgeting in Romania, this section looks at the political commitment to SDG budgeting as well as the national strategy in relation to the SDGs, and the institutional arrangements for delivering on it.

**Political commitment to the SDGs and SDG budgeting**

Romania has placed implementation of the SDGs at the forefront of its political agenda in recent years. There is a clear consensus in the country on the relevance of the 2030 Agenda and different institutional
mechanisms have been setup for this purpose. For example, sustainable development is an essential component of the 2018-2020 Government Platform (Government of Romania, 2018[10]).

As part of this, in September 2019, Romania announced its commitment to introduce SDG budgeting at the UN Climate Summit[2]. This commitment provides the opportunity for Romania to join an emerging group of OECD countries that have introduced elements of SDG budgeting, including Finland, Iceland, Mexico, Sweden and Slovenia.

**National strategy relating to the SDGs**

The OECD approach to SDG budgeting underlines that it is not a standalone tool, but should be organically linked with a country’s broader strategic framework for delivering progress in relation to the SDGs. As highlighted in the OECD’s *Scan of Romania’s Institutional Mechanisms to Support the SDGs* (OECD, 2020[7]), Romania has significantly strengthened its strategic approach towards the achievement of the SDGs in recent years. In 2018, Romania presented “Romania’s Sustainable Development Strategy 2030” (hereafter “SDS 2030”), which serves as the main instrument guiding the implementation of the SDGs in Romania. SDS 2030 sets out Romania’s national goals for each of the 17 SDGs proposed by the UN through Romania’s Horizon 2020 objectives and 2030 targets. The document assesses for each objective the shortcomings and additional efforts and resources needed. This will serve as a useful tool for informing budget decisions in relation to the SDGs.

**Institutional arrangements for implementing the national strategy**

SDS 2030 was developed based on close cooperation and consultation across government. Starting in 2006, the Inter-ministerial Commission for the Elaboration of the Sustainable Development Strategy was established and involved representatives of all ministries. Following the restructuring of the Government in April 2007, the task of coordinating this process was transferred from the Ministry of European Integration to the Ministry of Environment and Sustainable Management. Moreover, in 2017, the Department for Sustainable Development (DSD) was created with responsibility for coordinating the activity of other ministries in relation to the revision of SDS 2030. The Interdepartmental Committee for Sustainable Development, headed by the Romanian Prime Minister, provides the platform for discussion of SDS 2030 across government.

A key institutional element to support the implementation of the SDS 2030 is the gradual introduction of Sustainable Development Hubs (hereafter “Hubs”) in every Ministry. The Hubs are composed of civil servants that receive special training to develop their SDG expertise. At the time of writing, individual meetings with line ministries had started and Hubs were established within 18 out of 24 line ministries. While the Hubs served predominantly as contact and information points in the beginning, going forward they are envisaged as central to driving implementation. This may require dedicated resources as currently the work related to the Hubs comes in addition to the regular duties for the officials.

An overview of the institutional mechanisms that aim to facilitate cooperation, consultation, capacity building and monitoring in relation to the SDGs are outlined in Box 2.1. A more detailed review of the existing legislative and institutional framework in support of the SDGs, including related policy documents that underpin sustainable development in Romania and emerging recommendations on the governance arrangements for the SDGs in Romania is provided by the tandem *OECD Scan of Romania’s Institutional Mechanisms to support the SDGs* (OECD, 2020[7]).

SDS 2030 foresees the development of an Action Plan by the end of 2019 to outline concrete actions to achieve Romania’s national goals for the 17 SDGs. At the time of writing, the Action Plan was not yet established. This Action Plan will be an important element in helping understand how the objectives and

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targets in the SDS 2030 will be achieved and funded. This work will inform the forthcoming OECD project supporting Romania in implementing the Action Plan for Romania’s SDS 2030.

| Box 2.1. Romania’s institutional mechanisms to support the implementation of the SDGs |
| Department for Sustainable Development (DSD) |
| Created in 2017 and reporting to the Prime Minister, the DSD is tasked with coordinating the implementation of SDS 2030. In particular, it is responsible for streamlining planning processes; coordination, identification and prioritisation of targets; monitoring implementation based on indicators and reporting to Government and Parliament. |
| Interdepartmental Committee for Sustainable Development (ICSD) |
| The ICSD is chaired by the Prime Minister and includes all ministers, with the Secretariat provided by the DSD. The ICSD follows the implementation, monitoring, evaluation and revision of SDS 2030, including through endorsing a national set of indicators for sustainable development to monitor progress. It furthermore seeks to ensure that sectoral policies and strategies help implement SDS 2030 and that there is coherence and collaboration across Ministries in developing these. |
| Inter-ministerial Committee for the Coordination of the Integration of Environmental Protection Principles into Sectoral Policies and Strategies at the National Level (ICCIE) |
| Created in 2001 and reviewed in 2011 (GD No. 741/2011), led by the Minister of Environment, ICCIE is composed of representatives from across different Ministries of the central public administration, at the level of State secretary/Director/Head of institution. The Committee is in charge of coordinating environmental protection and ensuring that sectoral policies are coherent with environmental goals. It provides inter-ministerial support and consultation relating to environmental transition, and updates and approves the National Action Plan for Environmental Protection. |
| Sub-Committee for Sustainable Development (SCSD) |
| Established within the Chamber of Deputies at the Romanian Parliament, the SCSD has oversight responsibilities in relation to the inclusion of SDG considerations in legislative projects. |
| Sustainable Development Network Hubs (“Hubs”) |
| The Hubs are a development to enhance communication between public institutions and the DSD. The Hubs aim to establish ‘teams’ of sustainable development experts at all state levels. The Hubs are connected with the DSD and National Institute of Statistics and aim to ensure that public institutions are true to the principles of Sustainable Development. |
| Consultative Council (CC) |
| Established by Government Decision no.114/2020 at the initiative of the DSD, the CC facilitates inputs from academics and researchers on the implementation of the SDGs, as part of the institutional framework envisaged in SDS 2030. |
| Coalition for Sustainable Development |
| This is under development, but it is planned that it will act as an NGO that advocates for the SDGs and provides a space for external dialogue with the government. |
| National Institute of Statistics (NIS) |
| The NIS has been given two years to update the national indicators set out in the Strategy in 2018 according to the 2030 Agenda. It will also have a duty to monitor progress in relation to these indicators. |

Source: (OECD, 2020[7])

SDG budgeting has the potential to play a pivotal role in relation to the effective implementation of Romania’s SDS 2030 and the associated Action Plan. The use of SDS 2030 as a decision-making,
implementation and monitoring framework for the annual and multi-annual budget can provide Romania with a powerful rubric to help direct resources towards identified priority activities, highlight missing funds for the achievement of the goals and ensure that tax measures also support these objectives.

**Budgeting tools for evidence**

The implementation of SDG budgeting requires the identification and utilisation of budgeting tools to systematically embed consideration of the SDGs within the overall context of the planning and budget process. In considering what additional tools Romania could use to implement SDG budgeting, it is worth noting that SDG budgeting initiatives are being pursued in various forms across OECD countries and there is no “standard approach”. Countries should select an approach that builds on existing elements of their budgeting model and helps ensure application of gender budgeting across the different stages of the budget cycle.

This section presents proposals for tools that can build an approach to SDG budgeting in Romania, building on the budgeting framework presented in Chapter 1. Given the direction of ongoing reforms, proposals are presented for tools to introduce an SDG lens to the budget process under three scenarios:

- **Scenario 1**: in the existing budgeting framework.
- **Scenario 2**: in a budgeting framework where planning and budgeting are more systematically linked.
- **Scenario 3**: in the context of a stronger culture of ex ante and ex post impact assessment of policies.

Romania’s strong strategic framework supporting SDS 2030 will provide a useful guiding framework for the proposed actions under Scenario 1. Reforms associated with Scenarios 2 and 3 are likely to support Romania in developing a more sophisticated and impactful approach to SDG budgeting and provide Romania with the opportunity to implement a practice that is advanced among peer and OECD countries.

**Scenario 1: Implementing SDG budgeting in the existing budget framework**

Immediate tools that Romania can put in place to bring SDG considerations to the existing budget framework are:

- **The application of an SDG perspective to economic recovery**: This involves any economic recovery plan post COVID-19 having the twin objectives of revitalising the economy and helping progress the SDGs.
- **The application of an SDG perspective to priority setting**: This can be achieved through introducing a requirement for sectoral ministries to explain how their budget helps support the achievement of the SDGs in their policy declarations provided as part of the Draft Budget.
- **The introduction of an SDG Budget Statement**: This Statement can summarise new information from the policy declarations in a standalone document presented to Parliament alongside the draft budget.

These tools should be seen as a first stage of implementation that provide foundations for the further development of Romania’s approach to SDG budgeting under scenarios 2 and 3. More detail on each of these actions is provided in the following paragraphs.

**Applying an SDG perspective to economic recovery**

As the full economic effects of coronavirus (COVID-19) become clear, governments are expected to be seeking to revive economies through fiscal stimulus packages. In Romania, this provides an immediate opportunity to bring an SDG perspective to the budget process and direct large-scale public finances towards policies and programmes that both revitalise the economy and help meet the government’s SDGs.
The benefit of a stimulus package that recognises the country’s needs in relation to the SDGs is that the stimulus has the potential to bring not just economic rewards, but social and environmental rewards too. For example, in Finland, the Government has stated that measures to strengthen the sustainability of public finances post COVID-19 will be designed and chosen so that they will support the Government’s carbon neutrality target, the move away from fossil fuels and the transition to a carbon-free circular economy in accordance with the Government Programme.

In Romania, the MoPF can apply an SDG perspective to any stimulus package through asking line ministries to provide information on how proposed measures would also help meet the goals within SDS 2030. The MoPF can then use this information to assess the bids and design a fiscal stimulus package that has a material impact on the government’s ability to meet its economic objectives and well as the SDGs. The MoPF could also take the step of preparing provisional analysis of the impact of the fiscal stimulus package on the SDS 2030 objectives.

Applying an SDG perspective to priority setting

Budget preparation should be a central phase for the consideration of strategic budget objectives, such as the SDGs. In Romania, each chapter of the Draft Budget outlines sectoral budget objectives in the form of a “policy declaration” at the beginning. These declarations highlight the strategic policy objectives to be achieved and the main policies in their support. In some cases, the section contains the description of key (qualitative and quantitative) indicators. Where applicable, the policy objectives also reflect the relevant sectoral strategy.

Going forward, linking these policy declarations to the SDGs can provide a first platform to encourage line ministries to think about the strategic direction of the budget proposal and how it can help to progress SDS 2030. The inclusion of an SDG perspective to policy declarations would require sectoral ministries to define and outline their own strategy towards reaching SDS 2030. In Iceland, for example, the Organic Budget Law requires ministries to submit five-year policy statements listing a set of SDG related targets with explanations of how each will be achieved. This has provided the institutional framework to ensure that ministries identify how each of their areas of expenditure align to SDG targets and for the Government to understand, and eventually map out, how much of the existing budget is addressing its identified objectives (see Box 2.2 for further details).
Box 2.2. Strategic planning and the SDGs in Iceland

The Icelandic Government, in working towards increased sustainability, uses the SDGs in their strategic planning.

A key document in relation to strategic planning is Iceland’s Fiscal Strategy Plan. The Fiscal Strategy Plan shows the budget appropriations across the 35 areas of expenditure for the next five years. Each area covers specific tasks, such as the activities of the universities or hospitals. It also sets out the objectives of financial policy and provides information on how these objectives are to be achieved from one year to the next.

In drafting the government’s five-year Fiscal Strategic Plan, strong emphasis has been placed on linking the SDG targets to all of the objectives set for Iceland’s 35 expenditure areas. Thus:

Every objective in the Fiscal Strategic Plan needs to be clearly linked to at least one SDG target. Each expenditure area also contains a brief description of how related objectives support these SDG targets.

Output and outcome indicators for each expenditure area are defined by the ministries, for example, considering the global indicator framework for the SDGs.

Linking the objectives relating to each expenditure area to SDG targets offers an opportunity to map how the budget is being directed and to estimate how much funding is allocated to the implementation of different SDGs at any given time. Doing so also provides the opportunity to map more precisely the connections between the SDGs in Iceland and thus anticipate the policy developments which may be needed going forward.

Source: Icelandic Government Offices, the Ministry of Finance and Economic and the Office of the Prime Minister, consulted February 2020.

Introducing an SDG Budget Statement

An SDG Budget Statement serves as a reporting tool that provides transparency on government actions. Transparency enables more effective oversight of budget decisions, which in turn promotes the integrity, quality and credibility of national budgeting, in line with Principle 10 of the OECD Recommendation on Budgetary Governance (see Box 2.12). This should also be the case for SDG budgeting.

To allow oversight institutions and civil society stakeholders to understand the extent to which the budget proposal is supporting the achievement of the SDGs, the MoPF can introduce an SDG Budget Statement. Such a statement may be tabled alongside the Draft Budget, consolidating and summarising the information provided in individual policy declarations relating to the implementation of SDS 2030. Any SDG Budget Statement should be available to the public and may be used by civil society to hold the Government accountable for its commitments. Finland provides an example of an OECD country that provides a statement such as this as part of the Draft Budget (Box 2.3).
A Romanian SDG Budget Statement would respond well to the growing demand from Romania’s Parliament to become a key actor in driving the implementation of the SDGs. Romania was one of the first Inter-Parliamentary Union (IPU) members to issue a declaration of support calling upon the need for the SDGs to be integrated into the parliamentary process in 2016. In this context, the Parliament may consider empowering the Sub-Committee for Sustainable Development to be a Secondary Parliamentary Committee so that it can provide the necessary stable institutional framework for oversight of SDG implementation. This is further discussed later in the section on Transparency and Accountability.

Scenario 2: Implementing SDG budgeting in a budgeting framework where planning and budgeting are more systematically linked

In the medium term, Romania will hopefully be able to take advantage of ongoing reforms to further develop its SDG budgeting practice. In particular, the restructuring of the budget towards budget programmes, streamlining of strategic plans, and the development of systematic linkages between budget programmes and performance targets will provide a foundation for a more sophisticated approach to SDG budgeting. Proposed actions that the Romanian Government can take to strengthen SDG budgeting in the context of more systematic linkages between planning and budgeting include:

- Integrating SDGs into Institutional Strategic Plans and performance setting
- Tagging budget programmes linked to the SDGs and present this additional information in a more comprehensive SDG Budget Statement

More detail on each of these actions is provided in the following paragraphs.

Integrating SDGs into Institutional Strategic Plans and performance setting

Once there are more systematic linkages between strategic planning and budgeting, Romania may consider a top-down approach to linking the SDS 2030 to the budget proposal. As outlined in Chapter 1, several line ministries have started to streamline and improve the links between strategic planning and budgeting.
budgeting. In partnership with World Bank experts, Romania has streamlined sectoral plans and drafted Institution Strategic Plans (Planul Strategic Institutional, PSI) that are aligned with budget programmes for 16 pilot ministries. The PSIs should oversee the activity at each line ministry and should be linked to the budget, supporting a move towards outcome based budgeting.

Where ministries have a PSI, these can provide a concrete entry point for consideration of the SDGs. Integrating an SDG perspective into the PSIs will serve as useful tool for SDG responsive policymaking. On the one hand, it encourages policy makers to think about what they are trying to achieve in relation to the SDGs (objectives and targets) and what programmes and funding is needed in order to achieve it. On the other hand, it ensures that information is collected on the performance of policies and programmes against targets set out in SDS 2030. Such a top down approach is also, for example, employed in the approach to SDG budgeting in Mexico (see Box 2.4 for more information).

**Box 2.4. The SDG Framework in Mexico**

Mexico has worked to implement the SDGs by quantifying how existing programmes work to address 2030 Agenda goals. Primarily, Mexico has aligned the 17 SDG goals with its existing National Development Plan (2019-2024) using its performance budgeting and evaluation systems. The work was done in close coordination between the Office of the President and the National Institute of Statistics and Geography through its Specialised Technical Committee on the Sustainable Development Goals. Understanding that individual SDG goals are cross-cutting, each encompassing a variety of different elements, Mexico has worked with the UN Development Programme (UNDP) to identify sub-goals that help create clearer linkages between objectives and programmes under their National Development Plan.

Under Mexico’s framework for SDG budgeting, the SDGs are linked through **National Planning** (comprised of the National Development Plan and its Sectoral Development Plans) down to its **programmatic structure** and the **budget** (its budgetary programmes).

**Mexico’s framework for SDG budgeting**

![Diagram showing the link between Sustainable Development Goals, National Planning, Programmatic Structure, and Budget](image)

Source: (Government of Mexico, n.d.)

Within a performance or outcome base budget system, performance indicators are central to improving performance orientation (OECD, 2019). The identification of key SDG performance indicators in the formulation of new spending programmes should be used to strengthen programme design and to facilitate a processes of monitoring and performance towards the SDGs. Lessons can be drawn from Slovenia’s approach to SDG budgeting, for example, which mirrors efforts taken across a number of OECD countries.
to embed SDGs into the strategic planning process. Most notably, the Slovenian Government has been able to update Key Performance Indicators (KPIs) which link SDGs to the country context – allowing opportunities for Slovenian Development Strategy goals to be subject to evaluation and review by key stakeholders (see Box 2.5 for more information).

Box 2.5. SDG budgeting and KPIs in Slovenia

Slovenia’s implementation of the SDGs is supported by its structured programme-based budgeting system. Most notably, the country has developed 12 goals and 30 KPIs in the Slovenian Development Strategy that are suited to the national context and guide progress towards Agenda 2030. These performance indicators, ranging from PISA scores in Mathematics, Reading and Science to increasing the share of Renewable Energy in Gross Final Energy Consumption, are tied to each of the 12 goals and 5 strategic objectives under the Slovenian Development Plan, which in turn, address all 17 SDGs. Plans are in place to gradually integrate SDG-relevant KPIs to the state budget, ensuring SDG considerations are built in to the country’s performance framework. This will build the capacity for evaluation and provides greater opportunity for accountability and oversight of SDG implementation by the government. The efforts have already been integrated in the Voluntary National Review (VNR) of 2019, and are published at [https://slovenia2030.si/implementation/?lang=en](https://slovenia2030.si/implementation/?lang=en).

Source: Ministry of Finance of Slovenia (2020)

Tagging budget programmes linked to the SDGs and present this additional information in a more comprehensive SDG Budget Statement

More systematic implementation of programme and performance based budgeting would enable Romania to introduce tagging of budget programmes. This approach allows calculation of expenditures allocated to budget programmes linked to each SDG. Tagging can also help identify SDG-relevant outcome objectives, targets and indicators. Mexico, for example, tags budgetary programmes related to each of the 17 SDGs based on its systematic framework for performance-based budgeting (see Box 2.6 for more details).

The Policies and Priorities Coordination Directorate within the GSG has already started to develop a dashboard as a monitoring tool for the activities in each Ministry’s PSIs. The dashboard provides an overview of the programmes, objectives, and targets, including the allocated budget. The system could be further developed to include a requirement for information on whether or not each activity is linked to an SDG. The introduction of such a feature in the system should be piloted to ensure a user-friendly design and to minimise any additional workload. Well-designed IT systems can be a central tool to ensuring compliance with tagging requirements. For example, the introduction of SDG budgeting in Iceland was facilitated by a tailor-made IT system that requires Ministries to appropriately link programmes to Government objectives (see Box 2.7 for more information).

Budget tagging is not an end in itself. Information gained from budget tagging should be used for the exercise to have value. For example, information from budget tagging related to the SDGs can be used by the MoPF to inform decision-making based on a greater understanding of the extent to which the budget is aligned, or not, with the strategic priorities set out in SDS 2030. It can also be used to further expand on the information presented in the SDG Budget Statement. For example, the statement could provide information on:

- Key measures introduced in the annual budget in support of the SDGs.
- The level of expenditures in the annual budget contributing to the achievement of each of the SDGs.
- Performance targets set in relation to budget programmes that are relevant to the SDGs.
Similarly, this would allow Parliament and civil society to assess whether the level of resources allocated to each SDG is proportional to the priority of this policy area and whether Romania is broadly on the right track to meeting the objectives and targets outlined in SDS 2030. In addition, they can assess whether the budgetary policies are consistent with one another, and if not, which are pulling in different directions and where Romania needs to do more to achieve its SDS 2030 objectives.

**Box 2.6. SDG tagging in Mexico**

The SDG framework in Mexico allows the government to tag each area of its expenditure to an existent performance and budgeting structure and classify its contributions by having a *direct* or *indirect* impact towards SDG targets. This enables the government to identify how much of its existent budget is working to address the 17 SDGs. Underpinning all of this, over the long-run, is the *National Strategy for the Implementation of the 2030 Agenda* which lays out the country’s implementation goals in the medium to long-run. The government hopes the implementation strategy will serve as a guiding framework for subsequent National Development Plans.

**Figure Number of SDG programmes linked to each SDG**

Note: Data was extracted from the linkage of SDG’s with Federal Programmes for the 2018 Executives Budget Proposal and whose results are detailed in the Explanatory Memorandum.

In implementing this tool, the government hopes that it can provide greater understanding of how its programmes come in line with SDGs and facilitate opportunities to inform programme decisions to reorient public spending. In light of emerging technologies and the use of ‘big data’, the government hopes this information, along with other sources, can help to further the decision-making processes in the future. Furthermore, Mexico believes having a long-term set of objectives aligned to international standards can help to sustain objectives over time, particularly over political transitions.

Source: *(Federal Government of Mexico, 2018)*
Box 2.7. Iceland’s IT system to support budget tagging

Iceland, in recent years, has supported revisions to its budgeting process by developing a tailor-made IT system. The Ministry of Finance and Economic Affairs designed the IT system to systematically link government targets to expenditures. Ministries, as part of the budget process, are required to identify how each area of expenditure is linked to a government priority target (e.g. SDGs or gender equality goals) with the IT system prohibiting completion of the process until all areas of expenditures are appropriately tagged. This IT system also allows the provision of aggregate information in relation to expenditures targeted to these goals – facilitating accountability and oversight by other institutional bodies and stakeholders.

Source: (Government of Canada, 2019[12])

Scenario 3: Implementing SDG budgeting in the context of a stronger culture of ex ante and ex post impact assessment of policies

While there is not yet a strong culture of ex ante and ex post impact assessment in Romania, in coming years Romania will hopefully be able to build improved analytical capacity in this regard. Building adequate capacity in these areas is an essential part of providing for an enabling framework for more advanced SDG budgeting. Proposed actions that the Romanian Government can take to strengthen SDG budgeting in the context of these developments include:

- Mainstreaming consideration of the SDGs in ex ante policy impact assessment
- Conducting ex post evaluation of policy performance, including achievement of SDG targets

Mainstreaming consideration of SDGs in ex ante policy impact assessment

Evidence is key to informing decision makers on the extent to which specific measures contribute to set objectives and targets. Ex ante impact assessments of policies and other measures are required to ensure that relevant economic, social and environmental implications are taken into account before decisions are made. In particular, when tabled alongside budget proposals, ex ante impact assessments can provide decision makers with the information they need to put together a Draft Budget that helps meet the government’s overall strategic objectives. Given this, ex ante assessment offers itself as a central tool for mainstreaming SDG considerations during the budget process.

Ex ante impact assessments are legally required for all public documents in Romania, including strategies, plans, public policy, and legislation. According to these provisions, all regulations are required to be accompanied by an explanatory note (“expunere de motive” – laws or “notă de fundamentare” – Government ordinances/decisions), describing the rationale and assessing the impacts of the draft proposal. Similar to most OECD countries, impact assessments consider economic, social and environmental factors, but do not consider impacts on the achievement of the SDGs. In addition, the quality of impact assessments varies significantly across ministries. According to the OECD Report of Regulatory Practices Across the EU (OECD, 2019[16]), Romania ranks among the middle of the assessed countries. While Romania has good legislative, methodological and institutional frameworks in place, implementation is poor and results are not reflected in the decision making and legislation process.

In the longer-term, as capacity to undertake impact assessments improves, Romania should consider the introduction of an explicit SDG component to its impact assessment process. The DSD could play a crucial role in leading this development. Some OECD countries have started to use impact assessments to
mainstream cross-sectoral objectives into the decision making process and an increasing number of countries use SDGs as an opportunity to better assess the impacts of policies. For example, Spain plans to incorporate the external and global impacts on SDGs into RIAs (see Box 2.8 for more information).

**Box 2.8. SDGs and impact assessments – emerging practices in Europe**

Several EU countries have started to submit all their legislative proposals to impact studies on the various dimensions of sustainable development. However, these studies only rarely feed into public and parliamentary debate or inter-ministerial work, and therefore have little impact on policy coherence. The SDGs provide an opportunity to relaunch this project and improve not only the quality but also the political use of this tool by the different actors. Germany for example developed a new online sustainability check tool for new laws that based on the 17 SDGs as part of the RIA system. Greece has developed guidelines on SDGs to inform the RIA process. Latvia uses the SDGs in mid-term assessment of sectoral policies.

At the same time, plans to work on new methods to improve impact assessments and reinforce evidence-based policy making and policy coherence are underway. Spain, for example, is undergoing a significant transformation in the way that their government is approaching sustainable development, invigorated by a central role of the SDGs. As part of this process, an SDG impact analysis will be incorporated into legislative initiatives, so that the analysis of external and global impact on the SDGs will be a required part of the compulsory impact analysis reports. The impact of Spanish foreign policy on the SDGs, on a global scale and in third countries, will be stepped up in the mechanism for preparing, designing, and monitoring Spanish Cooperation’s Country Partnership Frameworks. The analysis of policy coherence (impact of national policies on third countries and on global public goods) will be incorporated into the Spanish parliament’s accountability mechanism, and the annual progress report on the 2030 Agenda.

Source: (Niestroy et al., 2019[17])

As the quality of *ex ante* impact assessment improves, the MoPF can require impact assessments with an SDG dimension to accompany all new budget proposals. For example, in Sweden and Canada, departments are required to provide gender impact assessments alongside new budget proposals as part of their gender budgeting initiatives. This information is used by the Ministries of Finance in these countries to help prioritise budget proposals that can deliver results in relation to gender equality goals.

*Conducting ex post evaluation of programme performance, including achievement of SDG targets*

Assessing measures and policies after their introduction and implementation is an important step to improve the quality of assessments, and increase accountability and scrutiny. To effectively integrate SDGs into the budget, *ex post* evaluation can provide independent scrutiny of performance by evaluating the extent to which the individual SDGs are in fact attained through the policies. To ensure the intended impact of *ex post* evaluation, however, Romania will need to ensure that evaluation results are used by the MoPF to inform future budget decisions.

At present, Romania lacks a systematic approach for reviewing existing policies and regulations. *Ex post* evaluation is largely conducted on an ad hoc basis by ministries and, despite there being requirements for evaluation, periodical review of existing regulations are not always followed through (Government of Romania, 2009[9]).

Going forward, Romania would benefit from ensuring that there is systematic performance evaluation of budget programmes. According to the OECD Good Practices for Performance Budgeting (OECD, 2019[10]),
*ex post* evaluations of major spending programmes should be carried out on a rolling basis. When developing regular *ex post* evaluation of programme performance, Romania could use the opportunity to include a systematic assessment of the achievement of SDGs. Such assessment would evaluate the effectiveness of programmes in achieving performance targets related to the SDS 2030 and help to adjust programmes where necessary, including the cancellation of inefficient policies. Austria, for example, provides a good practice example of how performance evaluation in the budget process can be systematically linked to strategic policy goals and be used for their monitoring and transparency of their achievement (see Box 2.9 for further information).
Box 2.9. Performance evaluation in Austria

The performance budgeting system in Austria requires that the outcome objectives of the budget chapters align with international strategies (e.g. EU 2020), the Federal Government’s Programme and sectoral strategies (e.g. Strategy for Research, Technology and Innovation). A key pillar of Austria’s outcome orientation approach, the performance budgeting system is complemented with a system of mandatory impact assessments that applies to all new regulatory or spending proposals.

Impact assessments in Austria show expected impacts in various policy dimensions (e.g. environment, implementation costs, bureaucratic burden, business, economic, social issues) and include an explicit performance-orientated part, showing outcome objectives, outputs and corresponding indicators, which in turn are reflected in the performance parts of the budgetary documentation. The assessment of impacts on the equality of men and women is mandatory.

Each measure adopted in this way - whether in the expenditure or regulatory policy area - is also subject to a mandatory ex post evaluation after five years at the latest in order to feedback experience and results into the policy making process. The formal requirements that entered into force in 2013 for conducting ex post evaluations are quite extensive, asking inter alia for an assessment of the achievement of underlying policy goals, a comparison of actual and predicted impacts, and the identification and quantification of costs and benefits and unintended consequences. A summary report of these ex post evaluations is compiled by the Federal Chancellery and submitted to the parliament in May of each year and is also published online. In addition, an Annual Federal Performance Report is presented in parallel with the budget documentation in October which provides a comprehensive narrative account of the performance information in each Budget Chapter, including an account of the achievement of the previous performance objectives and an explanation of any changes or refinements to these objectives.

In the Performance Reports, particular attention has been paid to how the performance achievements are presented. This information is colour-coded, to identify quickly whether specified targets have been met, partially met or not met. As a further aid, all of this information on performance monitoring is available in digital form on an interactive website maintained by the Federal Chancellery (www.wirkungsmonitoring.gv.at). An interactive tool on the website provides an overview of the linkages between all budgetary bodies and their corresponding chapters, outcome objectives, outputs and specific projects.

Source: (Downes, Von Trapp and Jansen, 2018[14])

Accountability and transparency

Transparent and trusted information is essential to enable effective and credible oversight and accountability. Parliament, the supreme audit institution and civil society all have an important oversight role to play in externally reviewing and assessing the performance of public finances in helping implement the SDGs, and specifically the SDS 2030. As noted in Box 2.12, this is an integral part to OECD’s Recommendation on Budgetary Governance. This section looks at the role that the Romanian Parliament, supreme audit institution and civil society play in overseeing how money is allocated to support the implementation of the SDGs, and where it could be strengthened.
The role of parliament in SDG budgeting

Active engagement from parliament is one component to ensuring government policies and their implementation are publicly held to account. Across the OECD, a number of parliaments have a role in relation to the SDGs. For example, in some countries parliament has been closely engaged with the development of strategic plans for the SDGs and in others, there are designated specialised committees to ensure governments are accountable in relation to their SDG implementation plans. In Romania, the Parliamentary Sub-Committee on Sustainable Development (SCSD) has provided recommendations to the Government on adjustments towards its SDG strategy since 2015.

Until now, the Committee has had no formal mandate and has largely been organised via ad-hoc gatherings to discuss relevant topics. Going forward, the SCSD could play an enhanced role in scrutinising the Governments planning and implementation of the SDGs, including scrutinising information provided in a SDG Budget Statement published alongside the Draft Budget. Empowering the SCSD to be a Secondary Parliamentary Committee would also help ensure that a stable institutional framework is in place for parliamentary oversight in relation to SDG implementation, as is the case in OECD countries such as Mexico and Finland (see Box 2.10 for more information).

Box 2.10. Parliamentary oversight of SDGs in select OECD countries

In Mexico, the Senate Working Group for Monitoring the Legislative Implementation of the Sustainable Development Goals plays a leading role in raising awareness and understanding of the SDGs amongst legislative staff to help ensure members of the legislature are well equipped to provide adequate oversight over the government’s efforts on the 2030 Agenda.

In Finland, the Parliament’s Committee for the Future is tasked with monitoring the Government’s implementation of the SDGs on an annual basis.

Source: Authors

The role of the supreme audit institution in SDG budgeting

In addition to Parliaments, supreme audit institutions (SAIs) have an important oversight role to externally review and assess the performance of public finances. Regular audits can contribute to concrete evaluation of the extent to which the SDGs are being effectively promoted and attained through the government's policies; highlight remaining gaps and challenges; and flagging deficiencies in the process. To be most impactful, audit results need to feed back into the budget process to allow for adjustments (including the cancelation of inefficient policies) in subsequent budget cycles.

As highlighted in Chapter 1, the Romanian SAI, the Court of Accounts (CoA), has three main functions, namely; financial audits of all public budgets, accordance audits for operators, and performance audits. In particular, the latter can serve as a useful instrument to assess the implementation of policy objectives. For example, as part of the review of the previous 2020 Strategy, the CoA conducted 17 reports on its implementation. Similar efforts should be envisaged for the evaluation of the implementation of SDS 2030.

As a first step in the short term, the CoA should implement its plan to undertake an audit of Romania’s institutional capacity for SDS 2030’s implementation. According to the CoA, this will include an assessment of the financing of the SDGs, a stocktake of what has been done under the previous 2020 Strategy and what is newly implemented in the new strategy.

Building on this, the CoA could thereafter consider to introduced a systematic SDG lens during the ex post phase of the budget cycle. As the CoA increases its capacity in relation to performance audits, it would be
helpful if it were to mainstream assessments of whether programmes meet their SDG goals, too. Using programme targets and indicators to inform performance audits will help to inform Parliament and the public in keeping ministers and institutions accountable. In undertaking this work, the CoA may look to the example of the Austrian Court of Audit which has introduced a gender equality lens to its performance audits (Downes and Nicol, 2019). By allowing performance audits to encompass a wider purview of government performance, implementation of the SDGs can be better monitored and evaluated.

Once SDG budgeting has been implemented for a number of years, the CoA may also wish to undertake a systems audit of the SDG budgeting process to assess how effectively it is functioning and whether it is delivering the intended results. For example, this may include an assessment of the SDG Budget Statement and whether or not the information set out by the government in the Statement as part of the budget process was fair and true.

**Engagement with civil society on SDG budgeting**

Building a viable strategy often requires societal validity. The engagement of expert groups helps to generate trust in government policies whilst also providing opportunities to draw in critical viewpoints that help to ensure policies being designed meet the needs of the citizens. Across the OECD, countries have made stronger efforts to engage citizens with the budget process (OECD, 2019). An example is provided by Finland in Box 2.11, where civil society engagement was one of the catalysts for the country’s adoption of SDG budgeting. By including the voices within the policy-development and budget cycles, the quality of policy-making can be improved. As members of academia, non-governmental organisations and the business community often have given considerable thought to matters around the SDGs, governments can ensure these considered views are fed into the policy process.

**Box 2.11. Civil Society’s role in pushing for SDG budgeting in Finland**

Civil society has been critical to developing a framework for SDG budgeting in Finland. From the start, civil society has participated in the deliberation process with the government, in linking the SDGs to the national budget through stakeholder workshops with the Ministry of Finance. Most notably, in November 2017, the Ministry of Finance organised a multi-stakeholder workshop with civil society organisations to help identify opportunities to better-integrate the SDGs to the budget process. Particularly, ideas were gathered on how the issues relevant to sustainable development can become more visible through the budget process. These recommendations then helped to shape Finland’s 2019 budget – its first attempt to incorporate SDG alignment to all ministry budget proposals.

Source: (Hege and Brimont, 2018)

Romania’s DSD has made laudable efforts to engage civil society on the SDGs, holding events with stakeholders from academia, the private sector, and those in the government. Continued engagement with civil society by the MoPF as it develops its approach to SDG budgeting will ensure that it benefits from critical perspectives that help improve it over time. For example, as a first step, the MoPF might hold a consultation on the development of an SDG Budget Statement and the information that the public would like to see in this document. This sort of consultative approach was adopted by the Canadian Department of Finance in the context of developing its Gender Budget Statement (OECD, 2018).
Enabling environment

Countries integrating consideration of the SDGs in the budget process can make it more impactful and sustainable where there is a supportive enabling environment. This includes necessary supports such as a modern budgeting framework, strong administrative leadership, legal underpinnings where necessary, and capacity building in relation to data collection and analysis. This section looks at the enabling environment that the Romanian Government may wish to consider putting in place to support the practice of SDG budgeting outlined in previous sections.

Modern budgeting framework

While the OECD’s *Recommendation on Budgetary Governance*, outlined in Box 2.12, provides a concise overview of good practice across the full spectrum of budget activity, some are particularly relevant for the effective implementation of SDG budgeting, including those relating to strategic planning, transparency and citizen engagement, and evaluation.

Box 2.12. OECD Recommendation on Budgetary Governance

The Recommendation on Budgetary Governance sets out ten principles of good practices for designing, implementing and improving the budget system to impact people’s lives. These principles were put together using lessons from over a decade of work by the OECD Working Party of Senior Budget Officials (SBO) and its associated networks, as well as from the OECD and international budgeting community more broadly. This underpins critical components of good public governance, accountability, and transparency.

These principles include components of ensuring citizens, civil society, and parliament are engaged through the budget process (*Principle 5, Principle 8*) and ensuring quality, accountability and oversight in the budget process (*Principle 4, Principle 7, Principle 10*).

The Principles are:

1. Manage budgets within clear, credible and predictable limits for fiscal policy
2. Closely align budgets with the medium-term strategic priorities of government
3. Design the capital budgeting framework in order to meet national development needs in a cost-effective and coherent manner
4. Ensure that budget documents and data are open, transparent and accessible
5. Provide for an inclusive, participative and realistic debate on budgetary choices
6. Present a comprehensive, accurate and reliable account of the public finances
7. Actively plan, manage and monitor budget execution
8. Ensure that performance, evaluation & value for money are integral to the budget process
9. Identify, assess and manage prudently longer-term sustainability and other fiscal risks
10. Promote the integrity and quality of budgetary forecasts, fiscal plans and budgetary implementation through rigorous quality assurance including independent audit

Source: (OECD, 2015[18])
Having in place a modern budgeting framework helps build the foundations for a more impactful SDG budgeting practice. This can involve Ministries of Finance having to make a cultural shift away from traditional approaches to budgeting towards an approach where budget decisions are guided by the strategic objectives of government. In this evolution, over the past few decades, almost all member countries have found line item budgeting as inadequate for allocating resources and controlling expenditures (OECD, 2019[6]). Furthermore, it becomes important for ministries to have the appropriate training and development to collect, use and monitor data to inform decisions. In moving to a more performance-based approach to budgeting, complex analytical tasks will be required – expanding beyond the typical financial and economic skills needed within traditional budget departments. As such, good practice seen across the OECD is to ensure there is adequate capacity within the CBA and line ministries to establish this practice (OECD, 2019[10]). Successful implementation of ongoing budget reforms in Romania that were outlined in Chapter 1 – including moving Romania’s budget framework fully to programme and performance budgeting and linking strategic planning to the budget process in a more systematic way – will be critical in supporting the implementation of SDG budgeting in Romania.

**Strong administrative leadership**

Given that the SDGs have been a high political priority of successive governments in Romania, the MoPF should have the confidence to invest in these reforms, with the support of the DSD in the Prime Minister’s Office. Strong leadership from the MoPF and commitment to the reform can help clearly communicate the changes and ensure that there are incentives for stakeholders to engage through providing costs and/or rewards for ministry adherence to new approaches. This helps new approaches become embedded in the normal budget process from the start. Over time, use of the information that line ministries provide by the MoPF to make budget decisions will further encourage line ministries to take the reforms seriously. A good example is provided by Canada’s Department of Finance as it worked to integrate gender considerations in the budget process, as illustrated in Box 2.13.

**Box 2.13. Strong leadership of gender budgeting reforms Canada**

Canada introduced gender budgeting in 2016. A central tool of Canada’s approach to gender budgeting are *ex ante* gender impact assessments of policies (GBA+).

The Department of Finance has showed strong leadership from the start in relation to these reforms. At the beginning, to ensure that the line ministries were clear on new requirements, the Minister of Finance stipulated in the budget circular that all new budget proposals must be accompanied by a GBA+.

The Department of Finance then set about trying to improve the quality of information that it was receiving as part of the gender budgeting reforms. For example, in Budget 2018, the Department of Finance highlighted that there was inconsistency in the quality and application of GBA+ analysis accompanying budget proposals. Furthermore, the Department highlighted examples of GBA+ analysis where there was room for improvement and made a commitment to publish GBA+ accompanying all budget proposals starting in Budget 2019. This public “naming and shaming” and commitment to transparency on the information accompanying budget proposals helped ensure that spending departments took the new requirements seriously and gender budgeting is now becoming an exercise which brings high-quality information to inform budget decisions supporting Canada’s gender goals.

Source: (Government of Canada, 2019[12]; OECD, 2018[19])
**Capacity for data collection and analysis**

Building strong data and analytical capacity across the public administration can serve as a critical component for the success of any budgeting reform such as SDG budgeting. Similarly, in gender budgeting reforms, systematic collection of gender disaggregated data has shown to be an important component to enable governments to develop effective gender-sensitive and evidence-based policies (Downes and Nicol, 2019[16]). Part of this involves ensuring there is sufficient training and capacity building across line ministries to be able to identify and collect relevant information. In Iceland, the Ministry of Finance conducted training workshops to ensure line ministry staff were able to identify, collect and analyse relevant data to incorporate it into their gender impact analyses. Strong data and analytical capacities have also been critical to the development of Mexico’s SDG budgeting process, as noted in Box 2.14.

**Box 2.14. Monitoring and evaluation in Mexico’s SDG budgeting framework**

Mexico, since the 1970s, has had a longstanding practice of tying budgets to programme structures, giving it a strong framework to tag existing budgetary programmes towards the SDGs. Since 1983, the National Planning law mandated National Development Plans (every 6 years) which has set the conditions for ensuring a strong monitoring and evaluation system across the government. Indicators were develop in accordance to sector objectives, each with a robust set of information to feed information on programme performance. When the government made its commitment to the SDGs, Mexico was able to use its existing framework to tag its budget, programmes (and their corresponding indicators) to all 17 SDGs. With leadership from the Secretary of Finance and the National Institute of Statics, the government was able to standardize indicators and the reporting system and instil capacity by facilitating trainings to develop civil society capacity on data and evaluation – ensuring each ministry has sufficient evaluative capacity to monitor and manage its performance and indicators.

**Source:** Government of Mexico, 2019

In the context of Romania, the National Institute of Statistics (NIS), in close cooperation with the Inter-ministerial Committee for the Coordination of the Integration of Environmental Protection, has worked to develop a set of national indicators to monitor the country’s implementation of the previous SDS 2030 (from 2008). In this effort, data collection has been a key challenge as few Memoranda of Understanding between ministries existed to support data exchanges. In addition, there has been limited interest by ministries to collect data – particularly as there is no requirement to use them in evaluations or other forms of reporting. Against this backdrop, greater investment in building data and analytical capacity across the government becomes important to build the foundations for more evidence-based policymaking that can support the implementation of SDS 2030.

SDG budgeting will also require greater usage of this data for budget decision-making, and so having a systems-wide infrastructure for data and analysis becomes crucial. The DSD can play a role in developing central guidance in this area. In support for these efforts, the Sustainable Development “Hubs” can help to disseminate this guidance, as well as share best practices and coordinate training across the ministries.

Also crucial, is the ability to analyse data for policy development, monitoring and evaluation purposes. In managing EU funds, the Ministry of European Funds has demonstrated strong capacity in this regard, employing staff specifically trained to adhere to EU standards for monitoring and evaluation, accountability and transparency. These good practices can be shared to help embed them across other government ministries. One potential approach can be to do this through “seconding” staff to or from the Ministry of European Funds for a period of time. By signalling this as a career opportunity, a cadre of qualified civil service with strong skills can be developed. Over the long run, this can help to shape norms on monitoring
and evaluation as well as demonstrate expectations on the efficient use of public funds across the government.

**Legal underpinning for SDG budgeting**

It is clear that there is political commitment for SDG budgeting in Romania. This can be built upon through consideration of how SDG budgeting might also gain from legal underpinning. Strong legal underpinnings, with sufficient enforcement, can help new approaches become instituted and sustain them across future political transitions. Enforcement often depends on administrative leadership within the public sector to help drive the adaptation of new approaches across the public administration. An example of legal underpinning for SDG budgeting is provided by Mexico (see Box 2.14).

**Box 2.15. Legal foundations for SDG budgeting in Mexico**

In Mexico, a robust legal framework built around instituting performance elements to the budgeting process has helped give foundation to integrate SDGs into the budgeting process. The National Planning Law, passed in 1983, required the development of a National Development Plan every six years. Building upon this, reforms to the law in subsequent years have helped to standardise the organisation of programmes tied to a budget, each with a set of indicators to inform performance against its targets. Furthermore, the 2007 Integral Fiscal Reform helped to establish a detailed framework for performance budgeting and management. Additional legal provisions, such as the Budget and Responsibility Federal Law (2003) helped to require quarterly and annual reports on budgetary programmes across the government, providing a legal framework for accountability and oversight. Much of this set the foundations for the 2018 Planning law, which introduced elements of sustainability to its national planning process – creating an overarching framework for the inclusion of SDGs to its budgets and strategies. As such, Mexico was able to institutionalise a systematic framework for performance-based budgeting, allowing it to “tag” budgetary programmes along all 17 SDGs.

Source: Government of Mexico, 2019
This Review provides a wide-range of considerations to help build the foundations for Romania to embed consideration of the SDGs into the budget process. These inter-connected and mutually supporting actions are complementary to the ones highlighted in the *OECD Scan of Romania’s Institutional Mechanisms to support the SDGs*. This combined analysis recommend actions across the whole policy cycle that can have the potential for the Government to implement reforms that will help it achieve its commitments under the 2030 Agenda.

Putting such a package of measures into effect will require leadership, and the MoPF and the DSD will both be crucial actors and partners in this regard. However, line ministries and oversight institutions such as the Parliament and the CoA are also important implementation partners. In the short-term, efforts towards clarifying roles and responsibilities and developing capacity across implementation partners will help to build a strong foundation for embedding SDG considerations within the budget process.

Implementation will undoubtedly need to take place over a number of years. There are a range of scenarios for Romania’s approach to SDG budgeting depending on how ongoing budget reforms progress, particularly those relating to programme budgeting, performance budgeting and the linkage between strategic planning and budgeting progress. A more advanced budgeting framework will support a more comprehensive approach to SDG budgeting, which in turn can be more impactful.

However, impact is not driven by implementation. Impact will be driven by use of the new evidence that is created through SDG budgeting tools such as policy statements, tagging, and impact assessment. This information can be used to better-target policies and budgets towards the strategic objectives set out in SDS 2030.

Over time, from a position of shared commitment to action, Romania has the potential to implement an SDG budgeting practice that is ahead of OECD peers and responds to the needs of society, helping support the identification and implementation of policy measures aimed at meeting the targets set out in SDS 2030.
Annex: Stakeholder consultations

The review team would like to thank all those who have contributed evidence and insights to this review, in particular individuals from the following institutions and groups who met with the review team during its mission to Bucharest in October 2019:

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- Bucharest University
- The Department of Sustainable Development in the Prime Minister’s Office
- FDSC (Civil Society Development Foundation)
- FOND Romania (Federation of Non-Governmental Organizations for Development in Romania)
- FONSS (Federation of Non-Governmental Organizations for Social Services)
- Funky Citizens
- Ministry of Economy
- Ministry of Energy
- Ministry of Environment
- Ministry of European Funds
- Ministry of Health
- Ministry of Labour and Social Justice
- Ministry of National Education
- Ministry of Public Finance
- Ministry of Regional Development
- Ministry of Transport
- National Authority for Quality Management in Health
- National Institute of Statistics
- Parliamentary Budget Committee
- Parliamentary Sub-Committee for Sustainable Development
- Prime Minister’s Chancellery, including:
  - State Counsellor (László Borbély)
  - Directorate for Coordinating Policies and Priorities
  - Directorate of Open Government and relations with civil society
- Romanian-American University
- Romanian Court of Accounts
- Sustainability Embassy in Romania
- World Bank (Romania Office)
- World Vision Romania
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