

METHODOLOGY OF THE SDG INTEGRATED BUDGETING FRAMEWORK IN UKRAINE



The methodology was prepared by Dmytro Lyvch, UNDP National Consultant, within the framework of the Joint Programme 'Promoting Strategic Planning and Financing for Sustainable Development at the National and Regional Levels in Ukraine'



The methodology was prepared by Dmytro Lyvch, UNDP National Consultant, within the framework of the Joint Programme 'Promoting Strategic Planning and Financing for Sustainable Development at the National and Regional Levels in Ukraine'. The opinions, conclusions or recommendations expressed herein are those of the authors or compilers of the publication and do not necessarily reflect the views of the United Nations Development Programme or other UN agencies.

CONTENTS

GENERAL APPROACH	5
Stage 1.	
DESK RESEARCH AND FIELD PREPARATION	7
Stage 1.1. LISTING BUDGET CODES	7
Stage 1.2. GATHERING TYPICAL BUDGETS	8
Stage 1.3. LISTING OF SDGS	8
Stage 2.	
FISCAL BUDGET/PROGRAM TAGGING	9
Stage 2.1. ANALYSIS OF BEST PRACTICES	9
Stage 2.2. ANALYSIS OF CURRENT STATE OF SDGS IN UKRAINE	10
Stage 2.3. BUDGET FLOWS MAPPING	11
Stage 2.4. SDG BUDGET TAGGING.....	13
Stage 2.5. SDG BUDGET TAGGING VALIDATION	14
Stage 2.6. MIDTERM EVALUATION OF THE PROJECT	15
Stage 3.	
SUPPORTING DOCUMENTS FOR THE SDGS BUDGET TAGGING	
SYSTEM INTEGRATION	16
Stage 3.1. PILOT ASSESSMENT OF THE SDG-RELATED EXPENSES ALLOCATION	17
Stage 3.2. ROADMAP AND GUIDELINES PREPARATION	19
Stage 3.3. BSDG STRATEGY PREPARATION	19
Stage 3.4. FINAL EVALUATION OF THE PROJECT	21
ANNEXES	22





GENERAL APPROACH

The methodology describes how SDG targets are to be included into the Ukraine's 3-level accounting budget for following reporting on the SDG funding at the national, regional and local levels.

Ukraine is committed to achieving the SDGs. Since 2015 a series of reforms have been launched in Ukraine, aiming to implement social and economic transformations and strengthen its democratic system. The SDGs are integrated into the state policy on 'leave no one behind' basis.¹

An inclusive process of the SDGs adaptation, which was tailored to the national development context, resulted in the national SDGs system consisting of 86 national targets with 183 monitoring indicators. The Government established the Inter-Agency Working Group on the SDGs. Responsibilities of the ministries for the SDG targets were defined, the President of Ukraine issued a Decree setting the SDGs as a benchmark for programming and forecasting documents, the SDG's monitoring system was developed, the assessment of mainstreaming the SDGs into the national and subnational planning was produced. The SDG targets have been incorporated into 162 Governmental regulatory legal acts (4,300 planned actions). In March 2020, the new Cabinet of Ministers adopted its Programme, reaffirming the commitment to the SDGs.

The process of budget tagging with SDGs can increase accountability. Forging links between budgets and SDGs, especially the indicator framework, can reveal the progress of a

country towards the SDGs and help assess the government's performance.

Ukrainian budgets provide funding for all the 17 goals with respective targets; however, the dispersion of the programs and their different levels of effectiveness cause the unavailability of assessment of the funding amounts for each SDG. The government, oblast and communities expenses are to be linked with the SDGs that are monitored by the State Statistics Service of Ukraine (SSSU).

The methodology of assignment of the SDG targets to the budget codes for following monitoring is prepared by the UNDP and consists of 3 stages, described below:

1. Desk Research and Field Preparation.
2. Fiscal budget/program tagging.
3. Supporting documents for the SDGs budget tagging system integration.

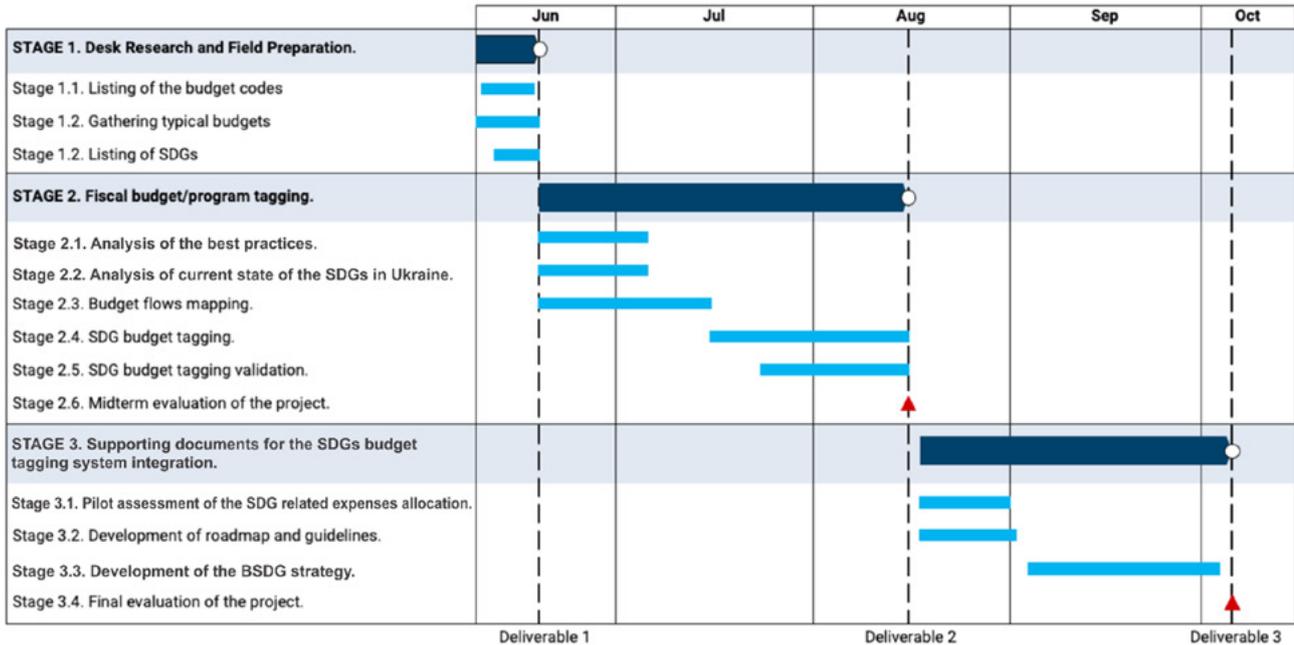
This report together with Annexes represents a first Deliverable under the UNDP project "Promoting strategic planning and financing for sustainable development on the national and subnational levels in Ukraine". The report contains a detailed methodology and techniques for the SDGs budget tagging compatible with the existing national economic, budgetary and public finance management system together with other results of the first Stage of the project: Desk Research and Field Preparation.

The timeline of stages and respective deliverables are presented in the Gantt-Chart of the project, describing the timing of the execution of stages (see Figure 1).

¹ Voluntary National Review 2020, available at: <https://sustainabledevelopment.un.org/memberstates/ukraine>



Figure 1. Gantt-Chart of the project timeline



Once the methodology is submitted and validated the second Stage begins to ensure the conduct of fiscal budget tagging by mid-August and follows with developing supporting

documents for the SDGs budget tagging system integration into the Ukrainian budgeting environment by October.



Stage 1.

DESK RESEARCH AND FIELD PREPARATION

This stage of the project is aimed to gather and structure all needed materials to execute the SDG budget tagging and support it with the guidelines and integration strategy on further

stages. The outcome of the work conducted at the first stage is this Methodology together with Annexes of gathered information.

Figure 1.1. Components of the first stage of the project



Stage 1.1. LISTING BUDGET CODES

In order to assign proper SDG and its target to each budgeting code, there was a need to **list all the codes that are present in Ukrainian budget system**.

Ukrainian budget system and the State Budget of Ukraine are established exclusively by the Budget Code and by the Law on the State

Budget of Ukraine.² The Budget Code of Ukraine regulates relations established in the process of drafting, deliberating, approving and executing budgets, reporting on budget execution and exercising control over the compliance with the budget legislation, and responsibility for violation of budget legislation, and it also sets out the legal grounds for the emergence and repayment of the state and local debts.

² The Budget Code, available at: <http://gogov.org.ua/wp-content/uploads/2016/05/THE-BUDGET-CODE-OF-UKRAINE.pdf>



Expenditures and loans of the budget are classified as follows:

- 1) according to the budget programs (program-based classification of the budget expenditures and loans);
- 2) according to the key spending unit characteristic (institutional classification of the budget expenditures and loans);
- 3) according to the functions related to the budget expenditures and loans (functional classification of the budget expenditures and loans).

There are two types of the budget formats in Ukraine:

- State budget.
- Local budgets.

Hence, oblasts and communities have the same structure of coding and description. Function type coding in the State Budget and Program type coding in the Local Budgets are to be used for budget tagging. The full list of codes and the coding methodology is presented in Annex 1.1 (List of Ukrainian Budget Codes).

Stage 1.2. GATHERING TYPICAL BUDGETS

In order to analyze the existing environment of budgeting **the “typical” budgets were gathered:**

- State budget 2021 and 2020.
- Poltava oblast budget 2020, Poltava city budget 2021³.
- Kherson oblast budget 2021⁴.
- Terebovlia ATC budget 2020 (as an example of a typical middle-size ATC with innovation and touristic potential).

The gathered budget examples are presented in Annex 1.2 (Gathered Budget Examples).

Stage 1.3. LISTING OF SDGS

In order to assign proper SDG and its target to each budgeting code, there was a need to **list all the SDG targets that are monitored and reported by the SSSU** and proposed by the Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development. The gathered list of SDGs is presented in Annex 1.3 (List of SDGs, Subgoals and Indicators).

³ Poltava oblast was chosen as it has the highest GRP per capita in Ukraine after the city of Kyiv, hence it has a typical regional budget, but with the highest complexity.

⁴ Kherson oblast has one of the lowest GRP per capita, which motivates policymakers to introduce effective management tools, among which, the SDG budget tagging is planned to be implemented.



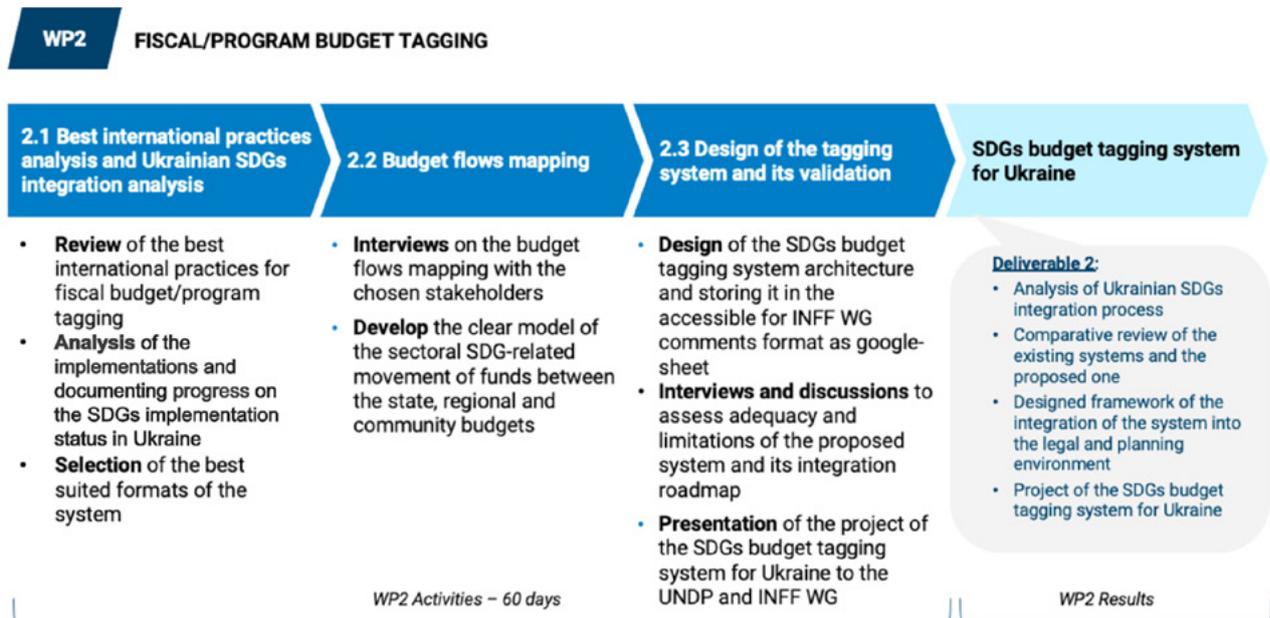
Stage 2.

FISCAL BUDGET/PROGRAM TAGGING

This stage is aimed to conduct the budget tagging activity after a set of preparational stages of the best practice analysis and mapping of the budget flows between 3 levels of governance. During the second stage of the project multiple approaches of stakeholders will be conducted to properly build up

the architecture of the tagging system. This working communication will serve as a tool to get the budgeting environment acquainted with the SDGs and their role in sustainable planning and also to present the opportunities of the SDGs financing to the approached stakeholders.

Figure 2.1. Components of the second stage of the project



The outcome of the activity will be presented by a report containing the analysis of the international experience and the google-sheet matrix with all 17 Goals and 86 Sub-Goals aligned with proper functional code for the State budget and program code for Local budgets of regional and community levels.

Stage 2.1. ANALYSIS OF BEST PRACTICES

In order to form the best possible system, the experience, issues and **the best practices** are to be analyzed. INFF started with 16 pioneer countries in 2019; today 71 countries are undertaking INFF processes, with the expansion made possible by funding from the Joint SDG Fund.



Preliminary overview of the SDG budget tagging status in countries that were recommended by the UNDP was prepared to demonstrate the

technique of further analysis of INFF best practices. The level of the SDG integration will be analyzed via following comparison matrix:

Table 2.1.1. Illustrative analysis of the best practices by the level of SDG integration

Country	SDGs are mentioned in planning documents	Responsible Ministries consider SDGs in their plans	Responsible Ministries compulsory mention SDG policies in their plans	The sectoral, national and local policies have targets aligned with the SDG	There is a possibility to assess the amount of funds contributed to each goal
Mexico	+	+	+	+	+
Indonesia	+	+	+	+	+
Ghana	+	+	+	+	+
Nepal	+	+	+	+	+
Finland	+	+	+	-	-
Mongolia	+	+	+	+	some SDGs

The outcome of the analysis of the best practices of SDG budget tagging and SDGs integration into the budgeting process will additionally be analyzed, considering following characteristics:

- Year of the implementation of the SDG budget tagging (BSDG).
- Time spent on the integration.
- Responsible bodies in charge of the SDGs integration.
- Used instruments during the integration phase.
- Form of reporting the SDG-related allocations.
- Level of the increase of financial opportunities and other benefits that followed the SDGs integration into the national budgeting system.

Materials that are useful to consider are presented in the Annex 2.1 (Literature Review).

Stage 2.2. ANALYSIS OF CURRENT STATE OF SDGS IN UKRAINE

Stocktaking exercise on where the country stands in terms of mainstreaming the SDGs into the national strategic planning, policy formulation, budgeting, monitoring and evaluation processes.

The timeline of the SDGs integration into the Ukrainian governance environment has following main stages:

- 2016: SDGs adapted for Ukraine through an open process (national and local levels).
- 2017: national SDGs targets (86) with benchmarks and national SDGs indicators (183) established.
- 2017: baseline report “SDGs: Ukraine” approved.
- 2017: SDG Strategy 2030 was presented.
- 2018: SDGs monitoring introduced.
- 2019: monitoring report on the SDGs (statistical data), thematic report “SDGs for Children” and National Report “SDG8” presented.

The SDG Context Analysis could start with an assessment of previous processes to understand how well the governance practices and business processes accommodate high-level policy goal-setting, implementation and accountability. This analysis of the Ukrainian progress on the status of the SDGs implementation will be based on the SSSU framework of monitoring of the SDGs targets.

Additionally, the Institute for Social and Economic Research with the support of the UNDP and GEF has presented a report (ISER, 2017) on the presence of SDGs in government strategies and public policy documents in 2017.



This work should be analyzed and updated with the newly passed strategic documents:

- Infrastructure strategy 2030
- State Strategy of Regional Development 2027
- National Economic Strategy 2030
- Barriers’ reduction strategy 2030
- Mid-term plan of the Government 2022-2025.

Taking into account the history of the SDG monitoring in Ukraine, a set of reports is to be evaluated in order to state the relevant status of the SDGs implementation in 2021. Recent report is presented in Annex 2.2 (SDG Status Report).

Stage 2.3. BUDGET FLOWS MAPPING

There is a need to properly map budget flows between 3 levels of governance (sectoral programs, subsidies, subventions) to identify the intervention points for further guidelines, also to code respectively. **Interviews with stakeholders** will be conducted in order to validate the ecosystem of Ukrainian accounting of expenses of 3 governance levels.

The budget system of Ukraine consists of the state budget and local budgets. Local budgets include the budget of the Autonomous Republic of Crimea, oblast and district budgets, and local self-government budgets. Local self-government

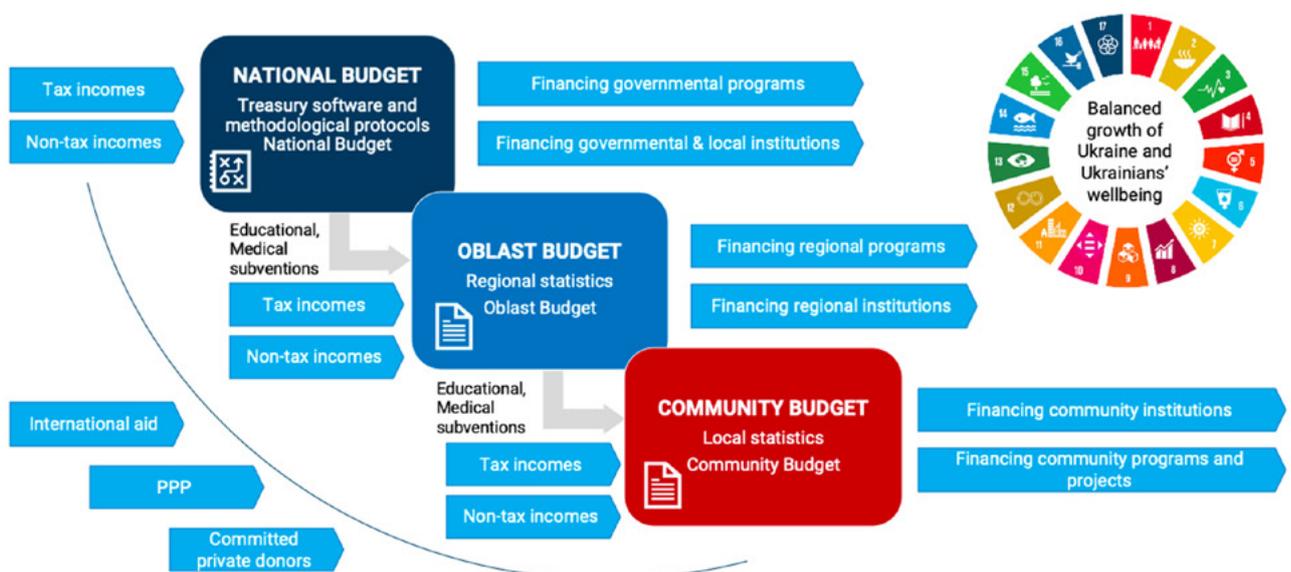
budgets are budgets of the territorial communities of villages, their associations, rural settlements and cities (including districts in cities).

Program-based budgeting in the budget process is applied at the level of the State Budget and at the level of local budgets (according to the decision of the Verkhovna Rada of the Autonomous Republic of Crimea or a corresponding local council).

Specific components of the program-based budgeting in the budget process include budget programs, persons in charge of such budget programs, budget program passports and effective indicators of such budget programs.

A person in charge of the budget programs is defined by a key spending unit by agreement with the central executive body, which ensures formulation of the State budget policy (local financial body). A person in charge of the budget programs may be represented by the key spending unit under the budget programs implemented by their respective management team, and/or by the spending unit of a lower level implementing budget programs within the system of the key spending unit. In the course of implementing budget programs, the person in charge of the budget programs ensures that the budget funds are used in an efficient manner and for the intended purpose throughout the entire term of implementation of the corresponding budget programs within the established budget allocations.

Figure 2.3.1. Preliminary overview of the budget flows ecosystem





As it is seen in Figure 2.3.1., each budget contains program and project financing and the expenses on institutions to manage the community, oblast and national resources. The coded expenses are to be linked with the proper SDG and the respective weighting coefficient.

The first wave of **interviews** will be conducted to validate and deepen the budget flows mapping prepared during the desk research. All required information that is going to be obtained during the expert interviews include expanded information regarding the structure of sectoral funds flow between 3 tiers of governance that will complement the findings of the previously conducted desk research.

In Ukraine, local governments budgets consist of state and local (community) budgets. For planning SDGs, the local government discretion over these two main groups of expenditures should be specified. If local governments below Oblast level have partial influence on their budget priorities, then only the community spending (programs) should be in the focus of the budget tagging. These local

governments themselves cannot modify the state budget expenditures, so the information on the scope and type of local expenditures will be misleading. Budget items controlled by the Oblast have to be separated, because only this intermediary tier government can set these budget appropriations and consequently only Oblast level planning can plan and manage SDGs. The mapping of the budget flows and the priority setting process will be mapped with key stakeholders during the Stage 2. As the consequence, the Oblast level budgeting will be separated and emphasized.

During this stage, a list of interviewees will include state and regional government representatives as well as responsible departments of State Accounting, responsible department of the Ministry of Finance (Table 2.3.1). The presented list of potential interviewees provides the subjects of 4 key informant interviews (based on the previous experience 3-4 KIIs is an optimal quantity to better understand the current state of play). The method of interviewing: personal meeting, using an interview guide with a list of open questions.

Table 2.3.1. Illustrative list of potential experts for key-informant interviews

#	Position	Name	Expected result
1	Head of the Department of Inter-Budgetary Policy and Local Budgets at the Ministry of Finance.	Vadym Nahorny	Understanding of where the entrance points for the SDG coding should be.
2	Head of the Department of Intergovernmental Relations and Local Budget Expenditures at the State Treasury.	Nabedryk Nataliia	Understanding of where the entrance points for the SDG coding should be.
3	Director of the Department of Economy and Investment, Poltava City Council.	Klymenko Vita	Understanding which SDG-related budget flows are subsidized from the state budget to the community level, and which SDG-related budget flows are solely present in the community and oblast levels.
4	Deputy Director of the Department of Economic Development and Trade of the Kherson Regional State Administration.	Fedosiieva Olena	Understanding which SDG-related budget flows are subsidized from the state budget to the community level, and which SDG-related budget flows are solely present in the community and oblast levels.
5	Head of the Department of Strategic Planning and Macroeconomic Forecasts of the Department of Consolidated Analysis and Strategic Development of the Department of Economy of the Donetsk Oblast State Administration.	Hryshyna Nataliia	Understanding which SDG-related budget flows are subsidized from the state budget to the community level, and which SDG-related budget flows are solely present in the community and oblast levels.



The templated interview notes are prepared to ensure full coverage of the scope of the interview (Annex 2.3.1. – Template for the Interview Notes). The monitoring of the interview process will be presented in the interview tracker that contains data on its status, links of notes and shared materials, contacts and comments (Annex 2.3.2. – Interview Tracker).

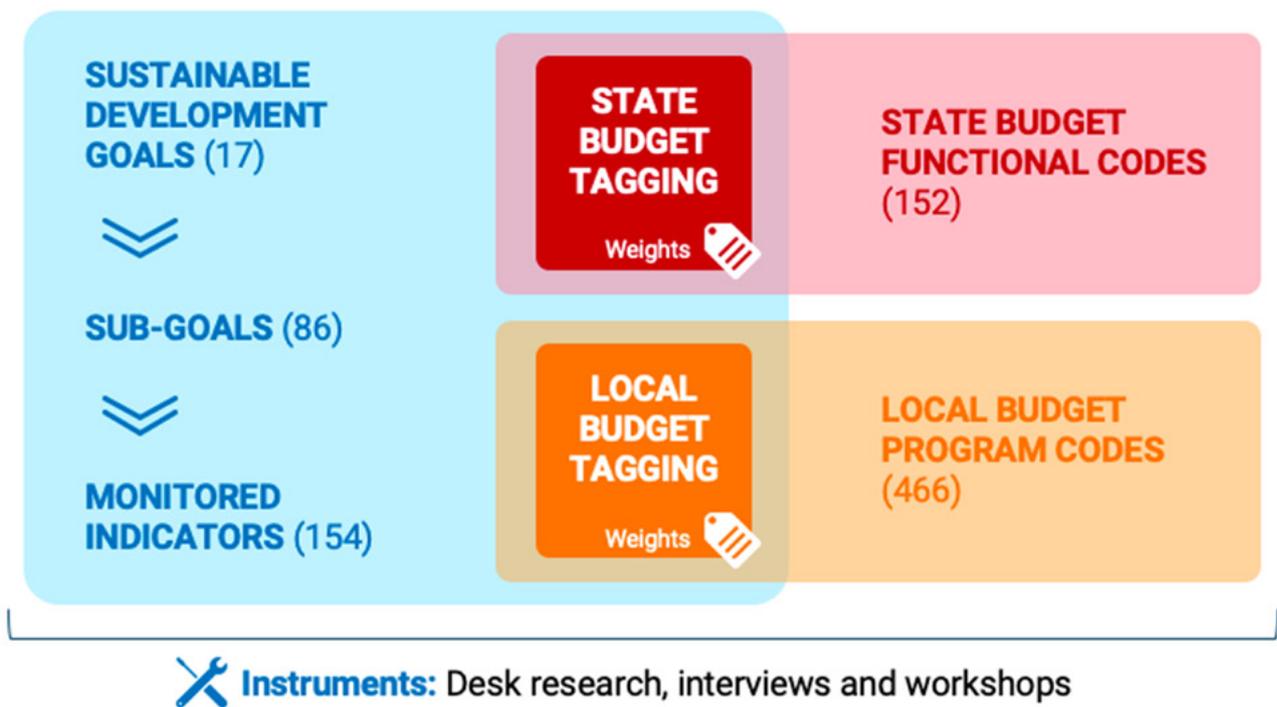
Mapping of the budget flows will provide the understanding of where the entrance points for the SDG coding should be, which SDG-related budget flows are subsidized from the state budget to the community level, and which SDG-related budget flows are solely present in the community and oblast levels.

Stage 2.4. SDG BUDGET TAGGING

The conduct of the SDGs budget tagging for the SDGs and SDG indicators at 3 government levels (National, Oblast and Amalgamated Communities). There is a need to align 17 sustainable development goals and respective 86 sub-goals with 152 state budget functional codes and 466 local budget program codes.

Local budget tagging system will cover both oblast and community levels of governance as the last ones have the same account coding system.

Figure 2.4.1. Illustrative model of the SDG budget tagging process



The budget tagging process will be conducted in the Google Sheet with the highlight of the weighting coefficients for each budget code. Each Goal with respective sub-goals will have an aligned respective Functional code of the State budget, Program code for the Local budget, indicators and weighting coefficients as it is presented in Figure 2.4.2.

can be available by following the link in Annex 2.4 (SDG Budget Tagging Matrix).

As a result of budget tagging, the matrix will be presented for navigation between SDGs and respective budget codes. The Google Sheet



Figure 2.4.2. Illustrative model of the SDG budget tagging architecture

	A	B	C	D	E	F
1	SDG goal	SDG Sub goal	Target indicator	State budget functional code	Local budget program code	Weighting coefficient
2	XX	XX.X	indicator	XXX	-	0-1
3				-	XXXX	0-1

Stage 2.5. SDG BUDGET TAGGING VALIDATION

Interviews and stakeholder workshops on preliminary findings of the existing practices adopted for the SDGs-based tagging of budgets/programs.

In order to validate the weighting coefficients of the budget lines with the respective SDGs, 11 stakeholder workshops will be conducted with directorates of strategic planning of 9 ministries and 4 local communities (Table 2.5.1.) as group meetings following the workshop agenda:

Table 2.5.1. Illustrative timeline of the stakeholder workshops

Time	Activity	Result
15 min	Presentation of the SDG budget tagging project.	The responsible participants understand the aim of the project.
10 min	Discussion of the respectively chosen SDG subgoals.	The responsible participants fully understand the responsible goal.
40 min	Discussion of the weighting coefficients for each budget line activity, considering the target indicator and the notion of the goal.	There is a validated set of weighting coefficients for each budget line activity.
15 min	Presentation of the results of the discussion and of the following steps.	The responsible participants are acquainted with further steps of the project.

The motivation behind the introduction of weighting coefficients is mostly based on the fact that the governmental and administrative initiatives vectored onto one sector usually

have different effect on the sector. Hence, the effective assessment of the SDG-related funding in the national accounting system should also be weighed by responsible policy makers.

Table 2.5.2. Illustrative list of participants for stakeholders' interviews

#	Ministry	Responsible Goal
1	Ministry of Education and Science	SDG 4
2	Ministry of Social Policy	SDG 5
3	Ministry of Health	SDG 3
4	Ministry of Economy	SDG 1, 2, 8, 12
5	Ministry of Environmental Protection and Natural Resources	SDG 7, 13, 14, 15
6	Ministry of Digital Transformation	SDG 9
7	Ministry for Communities and Territories Development	SDG 6, 10, 11
8	Ministry of Internal Affairs	SDG 16
9	Cabinet of Ministries	SDG 17
10	Poltava TC and Terebovlia TC	Overview
11	Donetsk Oblast and Kherson Oblast	Overview



The status of the validation of weighting coefficient will be accessible to monitor in the Interview Tracker. 11 stakeholders will explore the proposed weighting coefficients a week prior to the scheduled online-meeting and together with the Consultant will go through each program expenditure line in the Local and State budgets to approve/ create/ estimate proper coefficients.

During the coding validation stage, a list of interviewees will include 4 key stakeholders that represent the Ministry of Finance, responsible parliamentary body, regional and community level administrations (Table 2.5.2). They will receive the materials a week prior to the meeting and during the hour consultation they will present comments and recommendations. The method of interviewing: personal meeting, using an interview guide with a list of open questions.

Table 2.5.3. Illustrative list of potential experts for stakeholders' interviews

#	Position	Name	Expected result
1	Head of the Budget Expenditures Department at the Ministry of Finance	Yermolychev Roman	Get feedback on the state-level experience of understanding the coding logic. Validate the reasoning in the SDGs aligning process.
2	Head of the Budget Committee at the Verkhovna Rada	Aristov Yuri	Get feedback on the state-level experience of understanding the coding logic. Validate the reasoning in the SDGs aligning process.
3	Deputy Director of the Department of Economic Development and Trade of the Kherson Regional State Administration	Fedosiieva Olena	Get feedback on the region-level experience of understanding the coding logic. Validate the reasoning in the SDGs aligning process.
4	Head of Terebovlia ATC	Poperechnyi Serhii	Get feedback on the community-level experience of understanding the coding logic. Validate the reasoning in the SDGs aligning process.

After conducting the interviews, we will get a clear vision of the limitations of the SDG budget tagging and ways to mitigate them at the stage of development of supportive documents.

and management, and reinforce initiatives that demonstrate the potential for success. After consideration of the draft, the amendments are to be introduced, if needed, in order to proceed to the next Stage.

Stage 2.6. MIDTERM EVALUATION OF THE PROJECT

A mid-term evaluation is conducted for an ongoing programme or project. It serves two immediate purposes: decision-making and taking stock of initial lessons from experience. Specifically, a mid-term evaluation provides a project manager with a basis for identifying appropriate actions to address particular issues or problems in design, implementation

By the end of the 2nd part of the project, the contractor will be able to get acquainted with the following documents to evaluate the project delivery:

- Google sheet with the SDG budget tagging.
- Folder with key takeaways from the interviews.
- Report on the findings of the research on the SDG budget tagging.



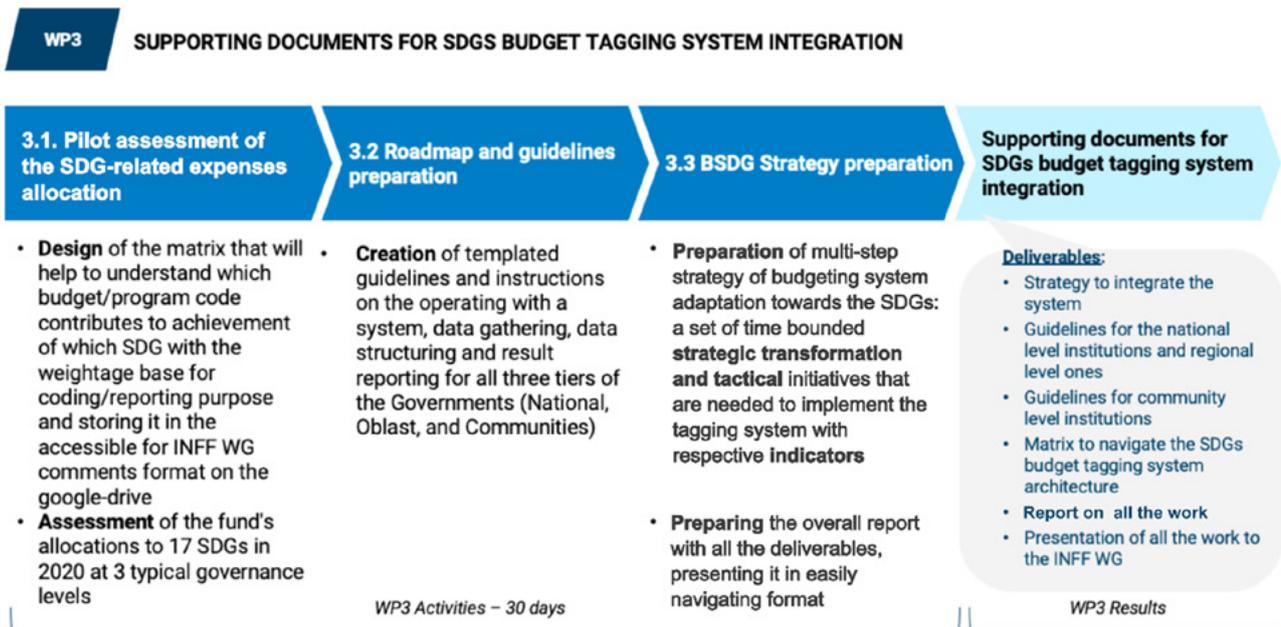
Stage 3.

SUPPORTING DOCUMENTS FOR THE SDGS BUDGET TAGGING SYSTEM INTEGRATION

This stage is aimed to develop supporting documents for the SDG budget tagging system integration into the national, regional and community accounting. The stage consists of a pilot assessment of the SDG-related expenses allocations of at least 3 budgets of different levels of governance (State budget 2020, Kherson oblast budget 2020 and Terebovlia TC budget 2020).

The pilot assessment will serve as a basis for the guidelines development that further on will lay into the development of the BSDG strategy that will provide all the stakeholders with a clear understanding of the present gaps that forbid the immediate SDG budgeting integration and of time-bounded initiatives to be taken to mitigate the present limitations.

Figure 3.1. Components of the third stage of the project



The outcome of the activity will be presented by a report containing the analysis of the current budgets, 3 sets of guidelines for national, regional and local levels of governance, google-sheet matrix to navigate through the SDG

budget tagging and the strategy of further BSDG integration in Ukraine. Additionally, the presentation will be prepared to present all the findings of the project "Promoting strategic planning and financing for sustainable



development at the national and subnational level in Ukraine”

oblast, Poltava city community and Terebovlia community in 2020, in the meantime developing the algorithm on how to conduct this exercise.

Stage 3.1. PILOT ASSESSMENT OF THE SDG-RELATED EXPENSES ALLOCATION

After validation of the SDG-Budget/Program code coding table, there is a need to assess the amount of funds dedicated to each SDG by State budget, Poltava oblast, Kherson

The data to assess the state budget amount allocation via SDGs is gathered from the official publication of the Ministry of Finance and respective territorial bodies (Annex 1.2). In order to assess the amount of funds allocated for sustainable development goals, 3 columns of the State Budget are to be considered as highlighted in Figure 3.1.1.

Figure 3.1.1. Parts of the State Budget to be considered for evaluation of funds’ allocation

ALLOCATION of expenditures of the State Budget of Ukraine for 2021

Program classification	Functional code of the program	Name of an executor	General fund					Special fund				
			Total	Consumption expenditures	from that:		Development funds	Total	Consumption expenditures	from that:		Development funds
					wages	energy and services				wages	energy and services	
		Total:	1 197 349 674,4	1 086 372 218,2	205 565 908,4	8 356 258,5	106 477 456,2	137 812 897,5	61 025 489,0	7 635 242,6	2 568 515,5	76 787 488,5
0110000		Office of the Verkhovna Rada of Ukraine	2 814 442,7	2 313 748,2	1 370 534,1	40 480,7	500 694,5	5 950,0	5 907,7	1 828,9	13,2	42,3
011000		Office of the Verkhovna Rada of Ukraine	2 814 442,7	2 313 748,2	1 370 534,1	40 480,7	500 694,5	5 950,0	5 907,7	1 828,9	13,2	42,3
011010	0111	Legislative activity of the Verkhovna Rada	1 560 418,5	1 101 360,0	537 221,7	0,0	459 050,5	0,0	0,0	0,0	0,0	0,0
	0111	Service and organizational, information and analytical, material and technical support of the Verkhovna Rada of Ukraine	1 169 239,3	1 127 615,8	833 312,4	40 480,7	41 644,0	5 950,0	5 907,7	1 828,9	13,2	42,3
011020	0111	Service and organizational, information and analytical, material and technical support of the Verkhovna Rada of Ukraine	1 169 239,3	1 127 615,8	833 312,4	40 480,7	41 644,0	5 950,0	5 907,7	1 828,9	13,2	42,3
011090	0830	Service and organizational, information and analytical, logistical support of the Verkhovna Rada	84 764,4	84 764,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
030000		State administration	2 965 309,9	2 276 567,5	1 179 892,6	104 416,2	688 742,4	264 633,5	206 057,9	46 683,9	35 134,2	58 575,6
0301000		Office of the State Administration	2 928 083,9	2 239 847,5	1 153 061,3	103 453,5	688 236,4	264 633,5	206 057,9	46 683,9	35 134,2	58 575,6

The highlighted left column represents the functional coding that is aligned with the respective SDGs, Subgoals, indicators and weights at stage 2. Two right columns represent funds that were invested per each code in the period of 2020. That information will

be structured as presented in Figure 3.1.2. in order to state how much development funds from the national budget were allocated per each goal. This exercise will allow us to test the usability of the system and will provide the basis to develop guidelines on further stages.

Figure 3.1.2. Illustrative model of the reverse matrix of the State Budget

	A	B	C	D	E	F
1	State budget functional code	Program description	Amount	SDG Goal	SDG Sub-goal	Weighting coefficient
2	XXX					0-1
3						

As mentioned earlier, the community and oblast level budgets are considered as Local Budgets in Ukrainian accounting ecosystem, therefore they have the same coding, program naming and structure. Figure 3.1.3. demonstrates highlighted parts of the typical Local Budget on

the example of the Poltava Oblast budget. The left box represents the program coding that is aligned with the respective SDGs, Subgoals, indicators and weights at stage 2, the right one provides information about the amounts spent per each program.



Figure 3.1.3. Parts of the Local Budget to be considered for evaluation of funds' allocation

Characteristic	Budget classification code	General fund				Special fund				Total					
		approved by local councils for the reporting year, subject to changes	approved by the schedule for the reporting year, subject to changes	estimated appropriations for the reporting year, subject to changes	performed for the reporting period (year)	approved by local councils for the reporting year, subject to changes	approved by the schedule for the reporting year, subject to changes	estimated appropriations for the reporting year, subject to changes	performed for the reporting period (year)	Total	including funds in accounts in institutions banks	approved by local councils for the reporting year, subject to changes	approved by the schedule for the reporting year, subject to changes	estimated appropriations for the reporting year, subject to changes	performed for the reporting period (year)
		3	4	5	6	7	8	9	10			11	12	13	14
II. Expenses															
Governance															
Organizational, information and analytical and logistical support of the regional council, district council in the city (in case of its creation), city, settlement, village councils	0101 0150	1 994 249 822,69	1 994 249 822,69	1 994 249 822,69	1 889 122 896,92	43 768 178,89	43 768 178,89	123 776 376,26	126 943 742,49		2 812 968 485,71	2 812 968 485,71	2 124 874 485,16	1 994 249 822,69	
Leadership and management in the relevant field in cities (cities), settlements, villages, united territorial communities	0101 0160	476 714 374,79	476 714 374,79	476 714 374,79	463 184 402,40	14 521 798,04	14 521 798,04	17 442 371,49	11 532 943,00		462 834 172,83	462 834 172,83	484 714 546,22	476 714 374,79	
Advanced training of deputies of local councils and officials of local self-government	0131 0170	198 342,00	198 342,00	198 342,00	40 759,40						157 582,60	157 582,60	198 342,00	198 342,00	
Other activities in the field of state administration	0133 0180	89 113 478,24	89 113 478,24	89 113 478,24	49 113 768,11	40 000 710,13	49 202 612,83	19 000 362,09	17 128 345,12		69 346 238,29	69 346 238,29	78 310 946,11	89 113 478,24	
Conducting local elections and referendums, ensuring the activities of the election commission of the Autonomous Republic of Crimea	0190 0190	87 442 968,83	87 442 968,83	87 442 968,83	87 442 968,83			4 205,00	4 205,00		87 442 968,83	87 442 968,83	87 442 968,83	87 442 968,83	
Holding local elections	0160 0191	87 442 968,83	87 442 968,83	87 442 968,83	87 442 968,83			4 205,00	4 205,00		87 442 968,83	87 442 968,83	87 442 968,83	87 442 968,83	
Education	0100 0100	4 912 919 446,77	4 912 919 446,77	4 912 919 446,77	4 588 376 761,72	324 542 685,05	324 542 685,05	507 177 756,46	488 704 811,49		7 420 917 945,47	7 420 917 945,47	7 308 486 771,23	7 187 277 172,49	
Providing preschool education	0100 0110	1 289 144 392,81	1 289 144 392,81	1 289 144 392,81	1 201 961 171,21	87 183 221,60	87 183 221,60	109 607 044,71	109 679 222,09		1 398 247 717,29	1 398 247 717,29	1 398 247 717,29	1 289 144 392,81	
Provision of general secondary education by secondary education institutions (including preschool units (departments, groups))	0121 0120	3 623 775 053,96	3 623 775 053,96	3 623 775 053,96	3 386 415 590,51	237 359 463,54	237 359 463,54	397 570 711,75	379 025 589,40		6 222 770 237,18	6 222 770 237,18	5 910 238 953,94	5 898 132 779,68	

The information obtained from the analysis of the Oblast Budget 2020 will be structured as presented in Figure 3.1.4. in order to state how much development funds from the oblast

budget were allocated per each goal. This exercise will allow us to test the experience of the oblast administration in assessing the SDGs funds' allocations.

Figure 3.1.4. Illustrative model of the reverse matrix of the Oblast Budget

	A	B	C	D	E	F
1	Oblast budget program code	Program description	Amount	SDG Goal	SDG Sub-goal	Weighting coefficient
2	XXX					0-1
3						

The information obtained from the analysis of the Community Budget 2020 will be structured as presented in Figure 3.1.5. in order to state how much development funds from the

community budget were allocated per each goal. This exercise will allow us to test the experience of the community administration in assessing the SDGs funds' allocations.

Figure 3.1.5. Illustrative model of the reverse matrix of the Community Budget

	A	B	C	D	E	F
1	Local budget program code	Program description	Amount	SDG Goal	SDG Sub-goal	Weighting coefficient
2	XXX					0-1
3						

All three matrices will be available in Annex 2.4 (SDG Budget Tagging Matrix) for commenting and monitoring the status during the stage 3. All interested stakeholders of the project will

have an opportunity to engage with the transparent work process to express concerns and recommendations, if needed.



Stage 3.2. ROADMAP AND GUIDELINES PREPARATION

Design of the roadmap and guidelines of the integration of the SDGs budget tagging system into the institutional environment and legal framework. For this activity, there is a need to define the needed level of interventions on each of 3 governance levels.

A preliminary outline of the road map is presented below:

- The checklist for assessing SDG understanding among budgeting staff.
- Trainings and possible communication programs.
- Presenting the possibilities and opportunities that BSDG offers.
- Issue a tree with all the present bottlenecks.
- Action planned to solve mentioned issues.
- 3 checklists of needed steps to be taken to ensure full integration (Guidelines).
- Cost analysis and financing opportunities from UNDP/UNCT and/or other development partners.

By getting acquainted with the prepared road map and guidelines, the accounting and planning staff of community council, oblast administration, National Treasury, Ministry of Finance, sectoral Ministries, responsible for budgeting policy makers in the parliament and other governmental bodies together with the SDGs advocates among civil society will be able to:

- Understand the need of the SDG budget tagging for sustainable and accountable governance.
- Navigate in the aligned ecosystem of budget codes and respective SDGs, Sub-goals and respective indicators.
- Understand the possibilities that BSDG offers.
- Follow an extensive checklist of needed steps to be taken to ensure full integration

of the SDG adjusted to their level of management.

- Be aware of the SDGs that are the object of the majority of funds and of those that are poorly financed at the respective level of responsibilities.

Stage 3.3. BSDG STRATEGY PREPARATION

Preparation of multi-step strategy of budgeting system adaptation towards the SDGs. The strategy will consist of a set of time-bounded strategic transformation and tactical initiatives that are needed to implement the tagging system with the indicators of the successful implementation.

The strategy will serve as a tool to:

- Assist in integrating the SDG policies and targets into the MTEF and/or annual budgeting processes and documents and help line ministries, finance ministries and parliaments with more effective and SDG-informed budget negotiations.
- Assist in developing ad hoc monitoring and expenditure effectiveness analyses on priority SDG targets to showcase the usefulness of such feedback mechanisms for both improved budget accountability and budget decision-making processes.
- Assist in implementation of functional and institutional reforms to ensure parliament committees and CSOs are well-placed and equipped with budget scrutiny and oversight toolkit before, during and after budget are approved.
- Support analysis of impact of budgets on the SDG targets to ensure the transfer of know-how and sustainability of budget impact assessment practices in relation to the SDG progress monitoring and evaluation.

The Strategy will follow the presented below preliminary outline:

- Assessment of the current state of the SDG introduction into 3-level governance.



- Definition of stakeholders with the analysis of stakeholders' perspective on the SDGs and knowledge about the SDGs.
- Desired state of governance aligned with the SDGs and BSDG.
- Gap analysis and definition of main bottlenecks.
- List of initiatives with needed resources, timing and responsible executors.
- Communication plan of the Strategy.
- Annexes: Guidelines and Road maps.
- Desired state in the TO BE format.
- Initiative that can ensure the change.
- Responsible executor.
- Estimated cost of the initiative, if applicable.
- Funding opportunities that correspond to the initiative's purpose.
- Sustainability of the funding and of the initiative.

In order to ensure the transparency, clearness and actionability of the strategic document, a list of initiatives will be presented in the format that will align the following characteristics to each proposed action (the initiatives will be gathered in Annex 3.3 – SDG Strategy Initiatives):

- Category of the existing implementation barrier.
- Problem statement in the AS IS format.

The project of Strategy will be shared with all the included stakeholders for commenting and amending, if needed. A set of comments and changes to the document will be accessible in Annex 3.3.1 (Strategy Materials Folder). During the Strategy validation stage, a list of interviewees will include key stakeholders (Table 3.3.). They will receive the materials a week prior to the meeting and during the hour consultation they will present comments and recommendations. The method of interviewing: personal meeting, using an interview guide with a list of open questions.

Table 3.3. Illustrative list of potential experts for strategy validation interviews

#	Organization	Name	Expected result
1	Department of Digital Development, Digital Transformations and Digitization of the Ministry of Finance	Oleksandr Hrubiiian	Get feedback on the SDG coding integration initiatives.
2	Poltava City Community Administration	Vita Klymenko	Get feedback on the guidelines' clearness.
3	State Treasury, Department of Inter-Budgetary Relations and Expenditures of Local Budgets	Nataliia Nabedryk	Get feedback on the SDG coding integration initiatives.
4	Open public finance, Openbudget	Oleksandr Komareus	Get feedback on the SDG coding integration into Openbudget platform.
5	SURGE RBM expert	Yaroslav Zhydyk	Get feedback on the SDG coding integration into RBM platform.
6	Head of Terebovlia TC	Serhii Poperechnyi	Get feedback on the guidelines' clearness.



Stage 3.4. FINAL EVALUATION OF THE PROJECT

By the end of the 3rd part of the project, the contractor will be able to get acquainted with:

- The final version of the Strategy with guidelines and recommendations.
- Matrix of the SDGs and budget codes.
- Matrix of the budget codes and SDGs.
- Report on key findings of the project, the finalized methodology of the SDG budget tagging process in Ukraine and all the project materials.



ANNEXES

#	Annex number with a hyperlink	Description of the content
1	Annex 1.1. List of Ukrainian Budget Codes	List of Ukrainian Budget Codes contains the coding system and extensive list of codes by different types
2	Annex 1.2. Gathered Budget Examples	A folder with gathered budget examples contains state, regional and community budgets of 2020
3	Annex 1.3. List of SDGs, Subgoals and Indicators	List of SDGs contains extensive listing of all 17 Goals, 86 Subgoals and 154 indicators together with parameters for 2015 and 2019
4	Annex 2.1. Literature Review	Literature Review contains reports on the BSDG cases and various links to the relevant literature
5	Annex 2.2. SDG Status Report	SDG Status Report is an officially published UNICEF report with target indicator parameters for Ukraine
6	Annex 2.3.1. Template for the Interview Notes	Template for the Interview Notes is an example of how the interview notes will look like
7	Annex 2.3.2. Interview Tracker	Interview Tracker contains the list of planned interviews, their status, links of notes and shared materials, contacts of the experts and comments
8	Annex 2.4. SDG Budget Tagging Matrix	SDG Budget Tagging Matrix contains 4 sheets, the first is dedicated to the SDGs aligned with corresponding budget codes, other 3 present the reverse process of 3 budgets' alignment with the SDGs
9	Annex 3.3. SDG Strategy Initiatives	File with the SDG Strategy Initiatives contains a detailed description of each initiative
10	Annex 3.3.1. Strategy Materials Folder	Strategy Materials Folder contains all materials related to the strategy development: documents, interview notes, the text of the strategy, list of initiatives.



METHODOLOGY OF THE SDG INTEGRATED BUDGETING FRAMEWORK IN UKRAINE

THE METHODOLOGY WAS PREPARED BY DMYTRO LYVCH, UNDP NATIONAL CONSULTANT, WITHIN THE FRAMEWORK OF THE JOINT PROGRAMME 'PROMOTING STRATEGIC PLANNING AND FINANCING FOR SUSTAINABLE DEVELOPMENT AT THE NATIONAL AND REGIONAL LEVELS IN UKRAINE'