

Chapter-III: Resource Mobilisation for the 2030 Agenda

3.1 Introduction

The 2030 Agenda lays stress on the national strategies for sustainable development supported through national financing frameworks. The UNDG Guide on mainstreaming SDGs thus, recognises effective mobilisation and better use of financial resources as areas of primary focus. The present audit exercise examines preparedness in terms of securing financial resources, and their availability and management of human and infrastructure resources. These are discussed below.

3.2 Financing and Budgeting for SDGs

For increased mobilisation of financial resources, important aspects comprise measures to strengthen domestic resource availability such as improving effectiveness of tax systems and strengthening international tax cooperation. Better use of financial resources involves improving expenditure efficiency and effectiveness through instruments such as functional and outcome budgeting; expenditure reforms and expenditure targeting.

3.2.1 Optimising Availability of Financial Resources

The Addis Ababa Action Agenda (AAAA)¹³ identifies mobilisation of domestic resources consisting of measures aimed at widening of revenue base, improving tax collection and combating tax evasion and illicit financial flows as central to the 2030 Agenda.

The VNR Report and the Three Year Action Agenda have highlighted several steps taken for optimising domestic resource mobilisation including the measures identified in the AAAA. These include implementation of a tax reform agenda based on three strategic objectives (i) eliminating the generation of black money and combating illicit fund flows, (ii) expanding the tax base and (iii) supporting investments through a predictable and stable tax policy. In addition, cesses have been introduced for mobilizing resources for specific sectors *viz.* Health and Education. The Government envisages that these measures would lead to an increase in the tax to GDP ratio and direct tax buoyancy rates over the next three years (2017-20). In the VNR Report, Government also commits to focus on establishing partnerships with private sector through Public Private Partnership (PPP) initiatives, to meet the financing requirements of SDGs and to provide the private sector access to global finance through reforms to attract Foreign Direct Investment (FDI).

¹³ Addis Ababa Action Agenda is an integral part of the 2030 Agenda.

In the Three Year Action Agenda, the Government has made projections for tax and non-tax receipts, non-debt capital receipts (proceeds from disinvestment/strategic sales) and for fiscal deficit consistent with fiscal roadmap provided in the budget responsibility legislation. However, these projections do not include estimates for availability of internal extra-budgetary resources, external aid and FDI. The Strategy document *viz.* “Strategy for New India @75” highlights the need to raise rate of investment as a percentage of GDP, the tax-GDP ratio and Government’s contribution to fixed capital formation by 2022-23. It also identifies some broad measures to increase tax-GDP ratio and attracting foreign investment. However, no projections for availability of financial resources have been made in this document. As a result, projections exist only for the three-year period covered by the Action Agenda.

As involvement of States and local bodies would be critical for implementing SDGs, the VNR Report highlights measures for States, such as increase in the fiscal devolution from 32 to 42 *per cent* of the central pool of tax proceeds; release of special purpose grants for specific programmes and supplementary finances to local bodies. However, none of the selected States had taken up any comprehensive exercise to identify financial resources for implementing SDGs.

3.2.2 Assessment of Requirement of Financial Resources

The Three Year Action Agenda provides a projection of Union Government expenditure for the period 2017-20. However, the basis on which these projections were made was not clear and no specific linkage with Goals and Targets was made. The Strategy document *viz.* “Strategy for New India @75” sets targets for expenditure as percentage of GDP in the case of some sectors¹⁴ to be achieved by 2022-23, but does not make year to year expenditure projections for implementing the strategy for various sectors.

In the SDG India Index: Baseline Report (December 2018) and the Strategy Document, NITI Aayog recognises that financial resources are a fundamental driver for achieving the SDGs in time. Audit however, noted that Ministry of Finance had not undertaken any exercise for assessment of financial resources for implementing the 2030 Agenda. It was also noted that similarly, none of the selected States had undertaken any concerted exercise for assessing resource requirements for implementing SDGs.

NITI Aayog intimated (July 2018) that it would request all the Ministries to analyse their budget allocations with respect to achieving relevant SDG targets. Subsequently, it also brought out (May 2019) that financial resources to support various Schemes/Programmes are identified each year during the budgeting process which in turn support SDGs.

¹⁴ Education Sector- 6 *per cent* of GDP by 2022, Health Sector- 2.5 *per cent* of GDP by 2025.

3.2.3 Effective use of Financing

Effective use of financial resources has been highlighted in the UNDG Reference Guide as a critical dimension in the achievement of SDGs. Audit reports on various development initiatives and on the finances of the Government both at the Central and State levels, have frequently highlighted inefficiencies in expenditure such as persistent non-spending of allocated funds, diversion and parking of funds, irregular and wasteful expenditure, misallocation of funds and delayed and escalated payments. In this context, measures to enhance effectiveness of expenditure such as introduction of Outcome Budgeting, expenditure reforms, rationalisation of subsidies, improving accountability and transparency in areas of governance become important. The transfer of funds directly to the beneficiaries would help avoiding leakages and thus enhance effective use of finances.

The VNR Report and the Three Year Action Agenda list out several measures taken by the Government for improving expenditure efficiency and effectiveness. Some of the measures and the audit observations thereon are dealt with in the following paragraphs.

3.2.3.1 Outcome Budgeting

The VNR Report has stated that the Government has restructured the framework of the expenditure budget which would help monitor results of different public expenditure initiatives in terms of their impact on SDGs. Preparation of the “Outcome Budget” mandated since 2006-07 has been modified from 2017-18 onwards. An Output-Outcome Framework for schemes was presented as part of the Budget documents in 2017-18 and 2018-19, in which the financial outlay, output and deliverables and projected medium term outcomes for each Scheme/Project was made available in a single, consolidated document. Audit noted that while the Scheme/Programmes in the modified Outcome Budgets mirrored the SDGs, these had not been reoriented to specifically reflect outlays and outcomes with respect to various Goals and Targets. Further, the Output-Outcome Framework for 2018-19 did not reflect details of achievement against planned targets and outcomes for previous financial years.

With respect to the States, audit noted that NITI Aayog had advised the States (January-February 2018) to start orienting their budgets to SDGs by linking allocations to Goals/Targets. Audit examination in the seven selected States showed that four States *viz.* **Chhattisgarh, Kerala, Uttar Pradesh** and **West Bengal** had not taken any substantive action for aligning their Budget with SDGs. **Assam** had prepared ‘Outcome Budget’ for the financial years 2017-18 to 2019-20 wherein allocations were linked to specific SDG targets. In **Haryana**, a budget document was prepared for financial year 2018-19 where some of the existing schemes were linked with 15 Goals and allocations were aggregated Goal wise. In **Maharashtra**, the software “Maharashtra Plan Schemes Information System (MP-SIMS)” has been modified to capture assignment of budget

outlays under the State and District Level Schemes with SDGs. As such, most of the States are only at the preliminary stage of orienting their budgets with SDGs.

3.2.3.2 Expenditure Reforms

Expenditure reforms implemented by the Government comprised a wide variety of measures. These include introduction of sunset clauses in all public expenditure programmes so that unproductive legacy expenditures can be brought to an end; introduction of Public Financial Management System (PFMS) for tracking expenditure flows to its objectives; reorganisation of development schemes leading to rationalisation, merger and dropping of schemes so as to ensure efficient management of public expenditure; introduction of Direct Benefit Transfer (DBT) in a large number of schemes for better targeting of subsidies and public expenditure, use of technology in tracking asset creation, introduction of e-procurement and adoption of a Government e-Marketplace (GeM) model.

3.2.3.3 Expenditure Reforms at State Level

As regards expenditure reforms undertaken in the selected States, several of the aforesaid measures such as DBT, PFMS and use of e-platforms would also be applicable to them. Specific steps taken by some of the selected States to improve expenditure efficiency are discussed in **Table 3.1**:

Assam	The Departmental Strategic and Action Plan for the State Finance Department contained a number of measures for expenditure reform including a system of online payments, augmentation of resources through systems restructuring and use of technology.
Haryana	The Vision 2030 document has identified SDG Coordination Centre as the mechanism for implementing measures such as DBT on real time basis and creation of a tool for concurrent monitoring and data collection.
Maharashtra	Departments asked to propose innovative schemes for achievement of SDGs while preparing plans for 2018-19.
Uttar Pradesh	The State Government intimated that measures for improving expenditure efficiency and effectiveness will be taken up after finalisation of the Vision 2030 document.

The impact of reforms on rationalising public expenditure would be the subject of audit examination over time as implementation strategy of PFMS continues to evolve.

3.3 Managing Human Resources and Infrastructure

The 2030 Agenda focuses on mobilising various means of implementation, which besides financial resources covers human resources and infrastructure. NITI Aayog intimated that at the Central level, capacity building was primarily focussed on

sensitisation and raising awareness on SDGs and for formulation of implementation strategies. These were accomplished through the large number of consultations organised by it. No exercise was taken to assess gaps in human resources and infrastructure to implement SDGs.

The position with regard to initiatives taken for provision of human resources and infrastructure in the selected States are discussed in **Table 3.2**:

Table 3.2: Managing human resources and infrastructure in selected States	
Assam	The Administrative Reforms and Training Department and the IT department have provided for studies, setting up of training institutes and for identification of constraints in Information and Communication Technology (ICT).
Chhattisgarh	The State Nodal Organisation for SDG (State Planning Commission) intimated (June 2019) that the process regarding human resources is underway.
Haryana	The assessment of requirement of physical resources was yet to be taken up by the SDG Coordination Centre.
Kerala	To meet the human resource requirement a SDG Cell has been constituted. Necessary ICT equipment has been procured for the use of nodal departments and nodal officers.
Uttar Pradesh	Though the draft Vision document mentions interventions in the form of infrastructure, human resources and ICT, their quantitative assessment has not been done.
West Bengal	Steps to assess requirement in terms of human and ICT resources were yet to be undertaken.

Thus, steps are yet to be taken both at the Central and State levels, to assess the requirement and gaps in availability of physical resources needed to support the implementation of SDGs.

3.4 Audit Summation

The 2030 Agenda lays stress on identifying and securing all means of implementation of the Agenda including financial resources. The Voluntary National Review Report and the Three Year Action Agenda have highlighted several steps taken by the Government for optimizing domestic resource mobilisation. However, no comprehensive exercise for assessing and identifying financial resources required for implementing SDGs had been undertaken either by the Ministry of Finance at the Centre or by the selected States. No steps had also been initiated at the Central level for integrating SDGs in national budgeting and most of the selected States were only at the preliminary stage of orienting their budgets with SDGs. The VNR and the Three Year Action Agenda have highlighted several steps for improving efficiency of expenditure, their efficacy and impact would need to be established through suitable audits.