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Aligning public spending to the SDGs: Are we getting there?

The Region of Sardinia developed a new mechanism to help orient public spending towards sustainability

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THE PROBLEM: Without data and metrics, local policymakers struggle to align spending decisions to environmental, economic, and social policy priorities.

WHY IT MATTERS: Policymakers must orient public spending toward programs with greater impact on sustainability and toward spaces that need resources the most.

THE SOLUTION: An innovative measurement tool to assess the type, orientation, and magnitude of the alignment of local spending to the Sustainable Development Goals (SDGs).

In 2019, the European Court of Auditors made a striking observation: "Despite the EU's commitment to sustainability and the U.N. SDGs, the European Commission does not report on or monitor how the EU budget and policies contribute to sustainable development and achieving the SDGs." Too often, budgeting decisions depend almost exclusively on their ability to meet economic growth objectives. However, in recent years, local leaders put an increasing emphasis on other factors, especially the social and environmental fallouts of investment decisions.

Monitoring and evaluating the effectiveness of investment policies in terms of their sustainability has always been a major challenge. Although different approaches have been proposed to measure the sustainability of investments, they usually do so in a purely qualitative way. To overcome this, the Government of the Sardinia Region (Italy), in partnership with the Fondazione Eni Enrico Mattei (FEEM), developed an innovative tool to assess how local investment policies and programs contribute to progress on the various SDGs targets. Drawing from the Strategic Environmental Assessment, a mandatory procedure under EU legislation, this methodology measures the expected effects of investments on environmental objectives defined at the regional level through a weighting system.

1. How we connected public spending to positive and negative impacts on sustainable development

We looked for a holistic approach that takes into account the three pillars of sustainability–ie. environmental protection, economic growth and social justice–no longer as isolated objectives but as integrated and part of the same solution for resilient and inclusive societies. The natural framework to do this was the 2030 Agenda and its Sustainable Development Goals.

Our SDGs tool consists of a series of weighted matrices that evaluate the direct and indirect contribution of each investment under the EU Cohesion Policy to the 169 SDG targets.

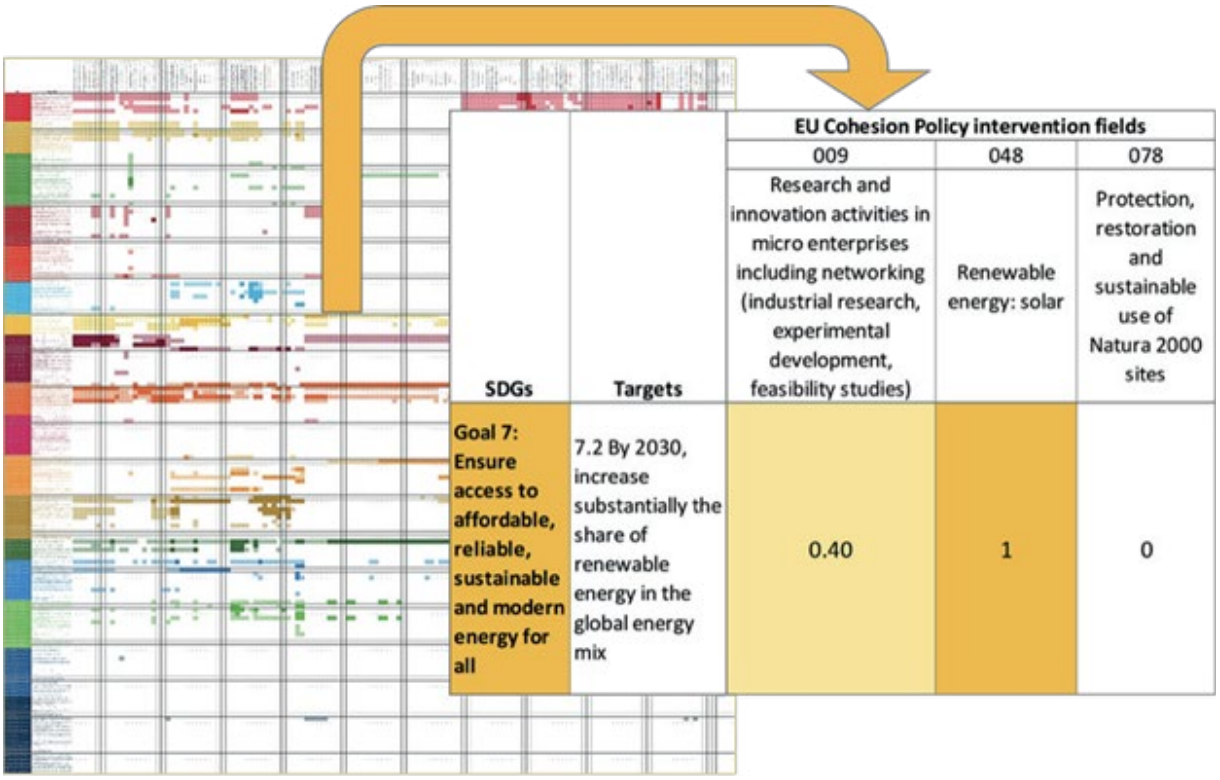
- First, we created a 169 x n matrix (where n = number of intervention fields/investments) and then assessed whether each contributes to any of the 169 SDG targets. The contribution could be classified as none, indirect, or direct for each combination. For example, investments in solar energy would contribute directly to Target 7.2, "Increase substantially the share of renewable energy in the global energy mix by 2030," whereas R&D investments would only give an indirect contribution. On the other hand, investments to protect natural sites would give no contribution on that same target (Figure 1).

- Then, we created a second matrix that took into account the magnitude (very low, low, medium, and high) and the orientation (positive or negative) of the contribution. An investment is given a positive orientation if it contributes to the attainment of a target and a negative one if it hampers progress. We believe it is exceptionally important to be rigorous and objective about measuring both the positive and negative contribution, as that is the only way we can truly understand the trade-offs implicit in the SDGs.

  Location-specific characteristics were considered in weighting the magnitude of investment contributions. For example, in Sardinia, investments in the protection of natural sites were considered to contribute with a high magnitude to Target 14.2, "sustainably manage and protect marine and coastal ecosystems," due to the insular nature of the region.

- Finally, the two matrices were multiplied together to create a final weighted matrix that captured each investment's direct/indirect effect and scale/direction of contribution to the 169 targets. To get the average contribution per goal, we took the average score across all targets comprising that goal for a given investment. We also added up the respective contribution on each goal to

Figure 1: Example of the first 169 x n matrix, showing the impact (none, indirect, or direct) of each intervention or investment on the 169 SDG targets



		EU Cohesion Policy intervention fields		
		009	048	078
		Research and innovation activities in micro enterprises including networking (industrial research, experimental development, feasibility studies)	Renewable energy: solar	Protection, restoration and sustainable use of Natura 2000 sites
SDGs	Targets			
Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix	0.40	1	0

understand how each investment impacted the SDGs writ large.

This information can be used not only in the planning phase of investments, but also further downstream in the *ex post* evaluation phase when the expenditure has already been made for monitoring achieved progress. In other words, we structured the tool in such a way that it would allow us to consider the individual contribution of each investment to individual targets.

2. Challenges and lessons for replicating the tool in other regions

Although it has been developed to specifically measure the investments of the European Cohesion Policy and tailored to the Sardinian context, the universal character of the SDGs means that the founding logic of the tool can be applied in other contexts, at both the national and sub-national levels.

A sustainability tracking tool for investments not only guarantees a representative, qualitative assessment of how spending is directed toward the SDGs, but also helps communicate to civil society the sectors in which new investments will bring benefits in terms of sustainable, inclusive, and fair growth.

For us, this tool illuminates how aligned the EU investment funds were with the SDGs and which goals were most targeted. It shows that, in Sardinia, around 65-70% of the EU investment programs went toward SDG related outcomes, with the largest contributions to Goal 9 (infrastructure), 13 (climate), 1 (poverty), and 8 (decent work and economic growth).

Replicating it requires gathering the right combination of expertise. This was at the core of our collaboration between FEEM's researchers–who have a deep knowledge of sustainability issues, data analysis techniques, and the SDGs–and the technical staff of the Sardinia Region who are trained on environmental assessment and have a rooted knowledge of the local context. Each side–equipped with their specific expertise–contributed in identifying the type (e.g. null, indirect, or direct), orientation (e.g. positive or negative), and magnitude (e.g. null, very low, low, medium, or high) of the contribution to be attributed to each pair of investment/target of the 2030 Agenda.

Ultimately, success will depend upon the availability of accurate, efficient, effective, and timely collection of data to monitor progress made on the SDGs at the activity-level, which can imply the achievement of qualitative and quantitative targets. Given its sophistication, it is desirable that future political leaders will make full use of it to better address their priorities and enable their choices.

Nevertheless, the work carried out by the Sardinia Region together with FEEM represents an instance of sui generis best practice with research and local government collaborating to find solutions to the increasingly urgent requests for sustainable development. In 2019, the European Commission invited officials from the Sardinia Region to present this methodology for the Environmental Strategic Assessment at the European Week of Regions and Cities conference in Brussels.

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