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Evidence Brief:

Better Spending On Cross-Sector Issues

Acknowledgements

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Disclaimer

All the views provided in this report are those of the research team and cannot be attributed to CIFF.

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Further information

This Evidence Brief is based on the Evidence Review for Better Spending: Synthesis Report. The full research report includes an annex with a description and summary of findings for each of the eight case studies. The report can be downloaded at www.mokoro.co.uk/project/evidence-review-for-better-spending

Key messages

Many pressing development challenges, including climate change, child nutrition and child development, cannot be tackled by investment in a single sector. However, public administration, accountability and financial systems tend to operate in sectoral silos, an approach which embeds disincentives for governments to devise and implement cross-cutting policies effectively. This Evidence Review considers how governments have overcome common issues for cross-sector spending to drive more adequate and efficient spending on high-impact, cross-cutting priorities. The key messages are:

- **Better spending on cross-cutting issues requires a systemic approach across the entire resource management cycle** – agenda setting, implementation, and review. This ensures that priorities remain focused and are supported by clear instructions, incentives, and accountability. This was demonstrated in the case study of mainstreaming nutrition in Indonesia. Single interventions are rarely sufficient for sustained impact.
- **Sectors need detailed guidance on which cross-cutting interventions they should prioritise** (detailing, for example, what effective climate change expenditure looks like in health). Multi-sector plans are invaluable for this. Over time, these can be improved based on domestic evidence on what is needed and what works. This was demonstrated in the case of nutrition plans in Ethiopia and early childhood development (ECD) plans in Peru.
- **Coordination across government departments with the necessary authority, leadership, and capacity is key**. Usually, this comes from the centre of government. The finance ministry should be centrally engaged and where possible, existing coordination forums should be used (particularly where those link to the budget process). In Rwanda, for example, the main coordination structures for climate spending are existing budget structures (namely, ministerial clusters and sector working groups).
- **Mainstreaming cross-sector issues in public financial management (PFM) processes is a direct systemic approach that builds a strong foundation to drive better spending, but this approach demands significant capacity, strong accountability, and the right incentives to work**. At the very least, mainstreaming requires clear sector mandates for working on cross-cutting issues, instructions in planning and budgeting frameworks, and attention to the relevant sectoral issues in budget prioritisation and fiscal reporting. Budget tagging can build on and complement mainstreaming reforms as it does in Ethiopia and Indonesia for nutrition, and Rwanda for climate change. It also improves transparency and accountability for cross-sector spending, but is not sufficient to drive better spending on its own. Ex post (after the fact) studies to identify, examine, and provide feedback on implementation issues also help reinforce mainstreaming. In lower-capacity environments they can be done instead of budget tagging, collecting selective data for limited but targeted reviews.
- **Issue-specific funding streams can drive more spending on a cross-cutting issue**. However, this type of PFM approach should be used sparingly and strategically as a proliferation of conditional funding streams can create parallel accountability structures and can drive tensions and disincentivise cooperation between the finance ministry and sectors around control of the budget. This approach works best when it has the potential to attract significant external finance (including international climate finance).
- **Results-based financing is an attractive strategy for improving spending on cross-cutting matters, but requires fundamental changes in a country's PFM system**. These can prove difficult to negotiate and be costly to implement, thereby making it challenging to sustain (as is detailed in the South Africa and Colombia experiences with Social Impact Bonds). When it works as in Peru – results-based financing provides useful incentives for public institutions to coordinate their spending for results.
- **External finance and partners of government play a catalytic role, especially in lower-capacity contexts**. Countries can and should use external finance, whether through concessional loans, grants or via partnerships with the private sector, to leverage better spending on cross-cutting issues. Besides increasing spending, well-designed external financing streams can strengthen incentives and capacities across government to deliver on cross-cutting issues when the design is context appropriate. Key opportunities include the provision of technical assistance, facilitating peer learning, fostering national and international demand for progress on the issue, and commissioning studies to build the case for investment and improved transparency.
- **More can be done to learn across contexts and issues, for example, further work is needed to understand why cross-cutting reforms sometimes fail.** At the same time, what works in one context may not in another, and so cross-cutting spending systems should always be locally driven.

Introduction

Cross-cutting issues including climate change, child nutrition and early childhood development (ECD), are central to sustainable development policy.[1] Tackling them lies at the heart of global efforts to build a better future for all. At least two in three children are not fed the minimum diet required to grow, learn and achieve their full potential.[2] Up to 132 million people could be pushed into poverty by 2030 because of climate change.[3] These figures are compelling to policymakers, but addressing these cross-cutting challenges in policy is profoundly difficult because of the complexity of cross-sectoral cooperation and the need for deep and shared capacity on approaching the issues.

Government-led efforts to address these challenges rely on their ability to successfully identify, fund, implement, and coordinate an array of actions spanning multiple sectors and institutions.[4] This goes against the traditional grain of public administration and public financial management (PFM) systems which emphasise sector boundaries to facilitate vertical policy, delivery, and accountability approaches.[5] The sector approach is simple, effective, and near universal, baked into global planning and reporting standards.[6] However, its very ubiquity also serves to reinforce sector boundaries, creating siloed ways of working and disincentivising cooperation on cross-cutting issues. Obstacles to spending better on cross-sector issues can be condensed into a set of interlinked problems:

- **Incentives:** Sectors are unwilling to prioritise scarce resources for sector actions that may not be central to their sector priority objectives.
- **Coordination:** Coordinating multiple sectors to spend coherently on the right things at the right time in the right place, is difficult in sector-driven governance systems.
- **Authority:** Creating clear institutional authority to lead consensus-building on the cross-cutting issue, drive coordinated implementation, and enforce mutual accountability is challenging and requires a credible mandate.
- **Capacity:** Sector agencies individually lack the expertise and knowledge to know what actions they should prioritise for issue results. Cross-cutting issues require shared capacity and collaboration.
- **Transparency:** Funding for cross-cutting issues is hardly ever clearly identified in the budgets of contributing ministries and is therefore difficult to track.

This Evidence Review aims to identify and share effective PFM practices to drive more adequate, effective, efficient, and equitable allocation of public resources to high-impact, cross-cutting issues. It fills a key evidence gap, bridging research conducted under different cross-cutting issue communities of practice, and drawing on experience from ten countries to explore how governments have approached the challenge of funding and delivering policy effectively on cross-cutting issues. The findings provide a menu of options rather than a single pathway to drive more effective cross-cutting expenditure, and an understanding of the contexts in which these work best.

[1] These and other cross-cutting issues are embedded in the Sustainable Development Goals (SDGs) of the United Nations (UN).

[2] UNICEF 2020

[3] World Bank 2020

[4] See for example the multi-sectoral nature of guidance relating to gender budgeting (OECD, 2023), climate budgeting (Coalition of Finance Ministers for Climate Action, 2023) or nutrition budgeting (Piatti-Fünfkirchen, 2023).

[5] Sector divisions in public sector governance and finances have been formalised in the Classification of Functions of Government (COFOG) framework, developed by the OECD and IMF as a means of classifying government accounts according to the purpose for which the funds are used (IMF, 2014).

[6] See OECD 2023 as an example of a flagship report that emphasises functional sectors as defined under the COFOG framework. Despite clear emphasis on the importance of Green Budgeting and the need for better government data on climate action, the report does not mention climate in its chapter examining public spending.

Evidence

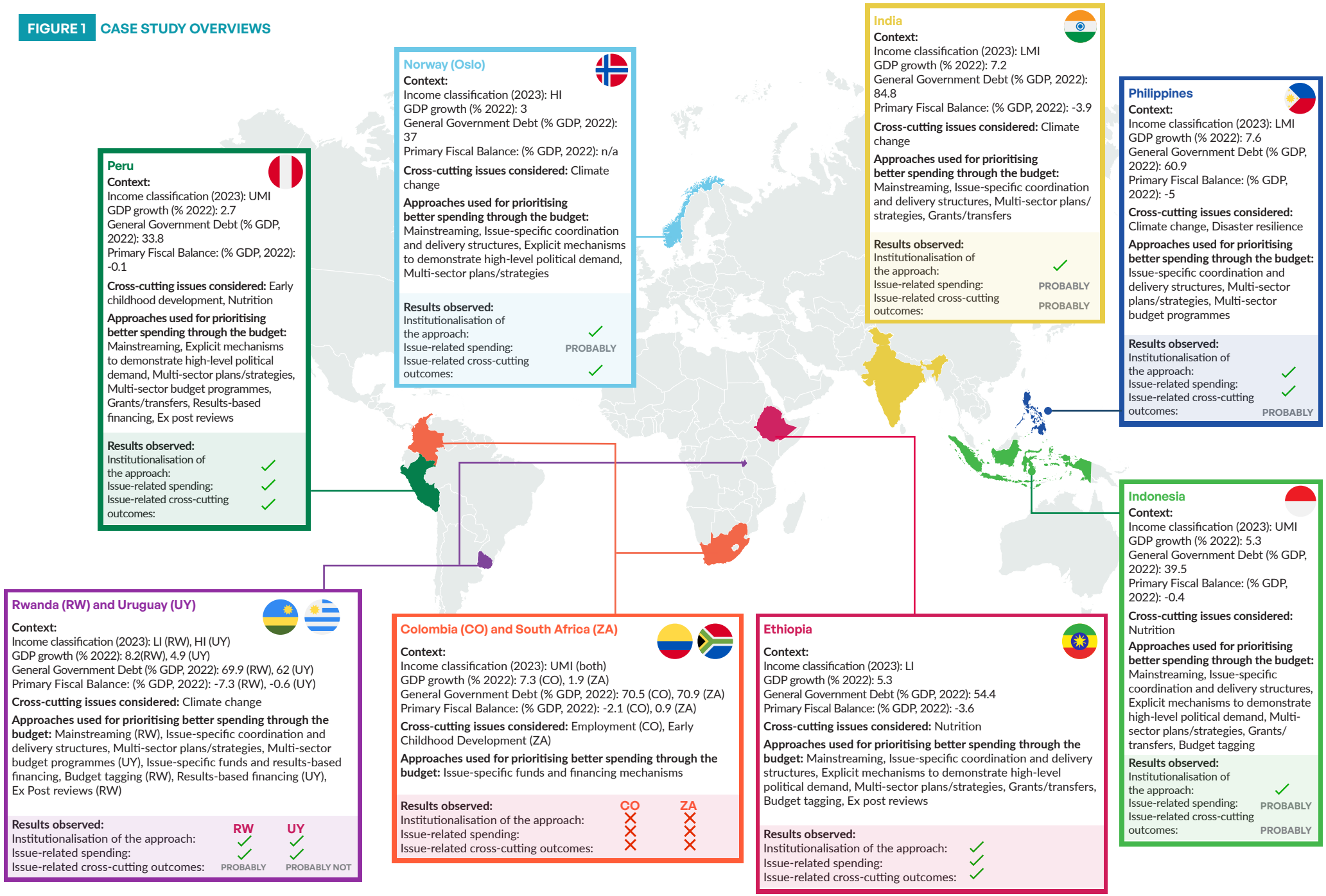
Eight case studies formed the heart of this research, covering five cross-cutting issues[7] and ten countries.[8] Three dimensions were considered to establish breadth and balance in the evidence gathered through case studies: variation in impactful cross-cutting issues; a range of different PFM interventions or approaches; and country cases that reflect a range of contexts and capabilities. Because of the study's interest in identifying good practices in terms of promoting better spending on cross-cutting issues, most of the countries in the sample have had some measure of success. The selected case studies and their areas of focus are summarised in Figure 1 overleaf.

The case studies combined primary documentation and literature review, with a purposive selection of key informant interviews. The methodology emphasised identifying and sharing evidence of demonstrated effectiveness in better spending. Some high-level findings from each case study are presented in the table in Annex 1 (with more extensive summaries in the Synthesis Report). The evidence from the cases was supplemented by a review of existing literature on how cross-cutting challenges are approached for different issues and contexts, and on the types of mechanisms used.

[7] The case studies considered better spending reforms related to climate change, nutrition, ECD, employment, and disaster resilience (gender being covered through a separate literature review).

[8] Colombia, Ethiopia, India, Indonesia, Norway (Oslo city only), Peru, Philippines, Rwanda, South Africa, Uruguay.

FIGURE 1 **CASE STUDY OVERVIEWS**



Source: Authors. Notes: Income source: World Bank. LI = low income; LMI = lower-middle income; UMI = upper middle income; HI = high income. For thresholds and underlying data sources, see World Bank country and lending groups. Growth debt and fiscal balance source: World Development Indicators https://data.worldbank.org/. Primary fiscal balance is the difference between public revenues and public expenditures (excluding interest payments). This, along with growth and debt, gives an indication of the Government's fiscal space. Results: "probably" indicates favourable results deemed likely, but concrete evidence is lacking, or changes in outputs/intermediary outcomes are registered but not outcomes.

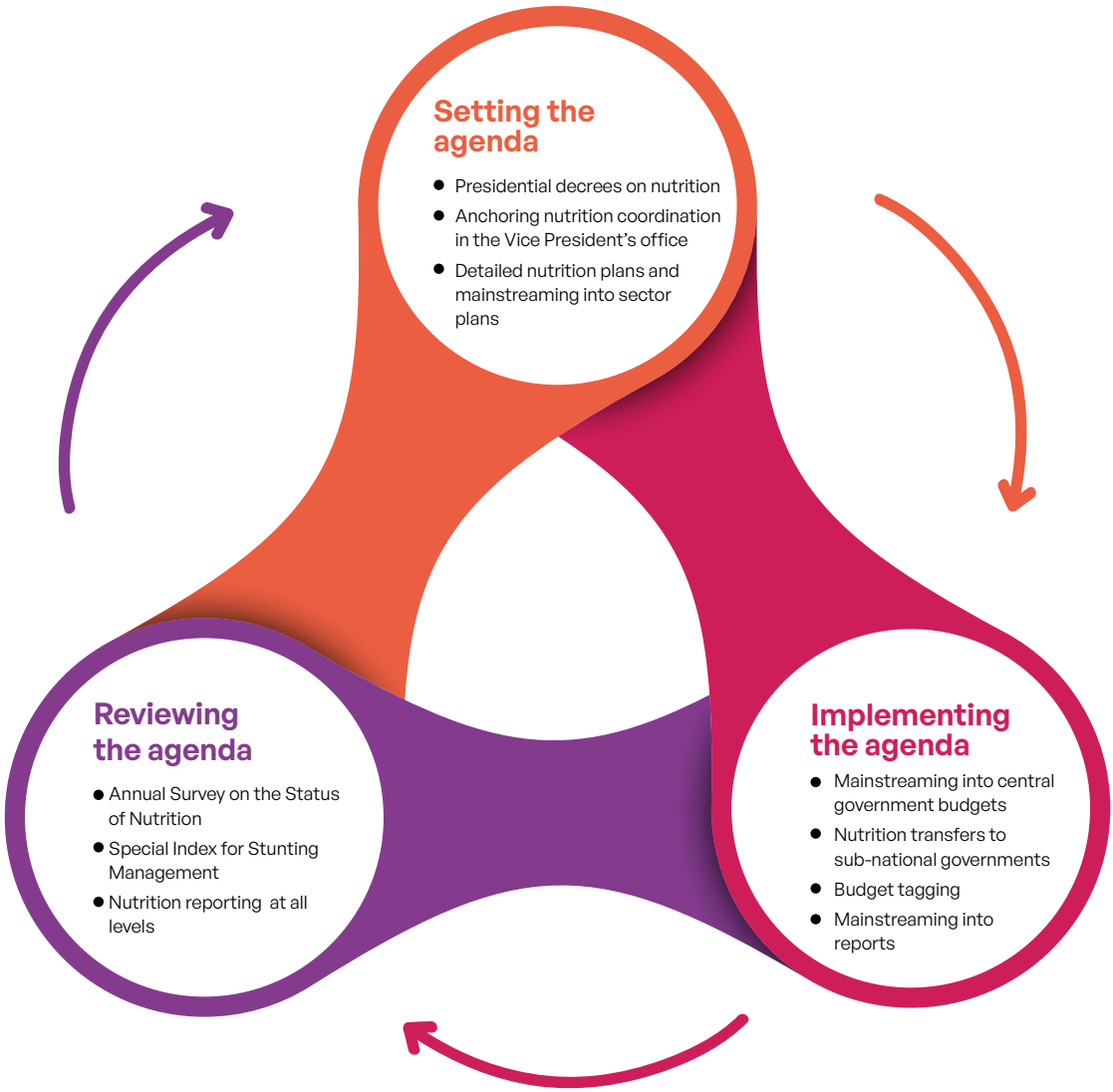
What we found

Six key findings emerge which define successful approaches to improving the quantity and quality of spending on cross-cutting issues:

1. Interventions need to be systemic – that is, anchored in all parts of the resource management cycle.

The evidence of success is more compelling in cases where governments have intervened to promote cross-cutting spending at multiple different entry points across the resource management cycle, spanning the agenda-setting, implementation, and review functions. Addressing the whole system helps create awareness and consistent focus on the issue, embeds the issue within PFM institutions more robustly, and enables policymakers to ensure policy choices can be backed up with the means, incentives, and appropriate accountability structures to deliver. *The case study of nutrition spending in Indonesia demonstrates this well; there, the Government managed accelerated improvements in nutrition outcomes through a multifaceted strategy that included presidential-level priority setting, mainstreaming nutrition into plans and budgets, tagging relevant expenditures, and undertaking diverse monitoring and evaluation exercises (see Figure 2).* The evidence suggests that relying on a single intervention to promote better spending is less likely to be effective. For example, gender and climate budget tagging initiatives have shown that in isolation budget tagging often fails to impact resource allocation or programme design despite being a useful transparency tool.[9]

FIGURE 2 PRIORITISING NUTRITION ACROSS THE RESOURCE MANAGEMENT CYCLE IN INDONESIA



[9] World Bank 2021, IMF 2021a

2. With the requisite authority and links to the budget, coordination is key.

Effective multi-sectoral coordination structures require authority and capacity to function. This means that the agency leading coordination must have a deep understanding and appreciation of the importance of the issue, as well as the respect of other agencies. Wherever possible, coordination should make use of existing clustering structures, as these are likely to already have authority and will not incur additional transaction costs. Where existing coordination structures are weak or absent, newly established ones should be authorised at the highest level (i.e. presidents, prime ministers or the cabinet). *In Rwanda, for example, the main coordination structures for climate spending are found in existing budget structures (namely, ministerial clusters and sector working groups). By contrast, in the Ethiopia case study, coordinating stunting reduction is supported by dedicated Program Delivery Units (PDUs) and officers at federal and regional levels respectfully, with the backing of the Deputy Prime Minister.*

Finance ministries must be central to the reform effort and active in the coordination forums. Success is far more likely when the finance ministry takes an active interest in the issue, has some technical capacity related to it, and takes a central role in coordination structures. At the very least, its role in maintaining fiscal and budgetary discipline is necessary, alongside its capacity to support budget reforms and recognise cross-cutting issues as a funding priority. In a few of the case studies, the finance ministry went even further by building specific capacity in its units, or by setting up new procedures or systems to address the issue being studied. Some of the key functions of finance ministries in the case studies are noted in the table below.

TABLE 1 ROLE OF FINANCE MINISTRIES IN SELECTED CASE STUDIES

CASE	ROLE OF FINANCE MINISTRIES/BUREAUS (SUBNATIONAL)
Ethiopia	• Ring-fencing funding for nutrition • Leading programme-based budgeting reforms which enabled the nutrition programme at federal level • Channelling transfers from the finance bureaux and making co-funding available at regional and woreda (district) level
Indonesia	• Including nutrition considerations in subnational conditional block grant rules • Leading programme performance budgeting reforms which enabled proactive management of nutrition spending performance • Enabling nutrition budget tagging in financial management system
Peru	• Reforming the PFM system to incorporate results-based payments to subnational governments and institutions • Instituting a conditional results-based transfer for ECD to municipalities
Rwanda	• Creating a Climate Change Unit in the Ministry of Economy and Finance to coordinate domestic and international finance • Permitting the creation of a climate fund, and financing its operational costs • Incorporating climate issues into fiscal risk policy processes and the public investment management system, and enabling climate budget tagging in the financial management system

3. Mainstreaming is the key foundational approach for embedding an issue across the PFM cycle.

Mainstreaming represents the most comprehensive approach to driving spending on cross-cutting issues. It involves integrating the cross-cutting issue into analysis and decisions at each step of the resource management cycle by, for example, setting it as a priority in sector plans, budget instructions, and budget hearings/appraisals, as well as reporting on issue-related spending and subjecting it to audit. In general, issue-specific PFM does not require a novel approach to PFM, but rather an adaptation of existing PFM processes and tools[10] – and mainstreaming is the key instrument to achieving this. Since it was first used in relation to gender in the 1980s, mainstreaming has become the most prevalent means of dealing with non-sector specific government priorities in sector-based systems. *Amongst the case studies, Indonesia is an example of effective mainstreaming of nutrition, while the Oslo, India and Rwanda cases demonstrate mainstreaming of climate change.*

But in order to work, mainstreaming demands significant capacity, strong accountability, and the right incentives. It is inherently systemic, and most effective when applied across all phases of the budget cycle (i.e. upstream processes concerning budget preparation, through to downstream functions of execution, reporting, and oversight). As a result, mainstreaming encounters less friction in countries with relatively orderly budgeting processes and decision-making. Mainstreaming is best applied in a phased approach, and must create the right incentives for sectors to invest their scarce resources and human capacity in the integration of cross-cutting issue priorities. *In Rwanda, the promise of attracting external climate finance was a driving force behind climate mainstreaming reforms, while elsewhere it is linked to the prospect of higher budget allocations*. Sector capacities to mainstream must be built purposefully and continually, with detailed guidance and sector-level issue-specific expertise and accountability underpinned by systems to target and track results.

Budget tagging can be a useful complement to a mainstreaming agenda. Budget tagging involves marking expenditure in the budget system to show the extent to which an expenditure flow contributes to cross-cutting issues. Its primary benefit lies in making cross-cutting issue expenditure more transparent. Therefore, it is used most in systems that rely on mainstreaming and where spending for the issue is not easily identifiable in routine budget reports. *Budget tagging served to clarify nutrition spending in Indonesia, and climate spending in Rwanda*. Issue-washing – overstating the relevance of the spending, falsely inflating the numbers presented – is a common challenge. It can be addressed with validation/quality assurance functions and the adoption of evidence-based weighting methodologies.

Ex post (after the fact) studies have proven effective in fostering consensus and building a clear narrative towards motivating and directing a coordinated cross-cutting issue approach. These include Public Expenditure Reviews (PERs) and spending evaluations, typically done outside of (and less frequently than) the annual budget process. Besides providing technical and policy analysis, they are key tools for building consensus across government institutions and catalysing reforms to improve cross-cutting expenditure. *For example, used together, a study on the economics of climate change[11] and an environment PER[12] helped forge the consensus for government action on climate mainstreaming in Rwanda.* Such analyses can also help evaluate and course-correct spending reforms that are ongoing *(Peru, for example, uses evaluation of evidence on past programmes in the finalisation of results-based programmes for a next five-year period).*

4. But mainstreaming is not the only option; issue-specific funding streams and innovative market-based instruments can also generate more spending on a cross-cutting issue, albeit with specific drawbacks.

Issue-specific funding streams can take a number of forms. These include:

- Multi-sectoral budget programmes are where an interagency budget line for cross-cutting expenditure is created within the budget structure, to operate alongside a coordination structure and appropriate incentives for collaboration (for example, in the form of additional budget funding). Multi-sector budget programmes can, and ideally should, co-exist with mainstreaming. *In the Philippines for example, a convergence programme for disaster and climate risk brings together various spending agencies to jointly prepare a budget proposal for projects focused on disaster resilience. It complements climate mainstreaming efforts in the country that address a broader cross-section of budgetary institutions, making them more sensitive to climate.*
- Issue-specific fiscal transfers are the primary levers by which central governments can promote more cross-cutting issue spending by subnational governments. They can be conditional with strict criteria defining the eligibility of expenditures *(as was the case with grants for ECD services in Peru)*. Broadly specified grants give recipients greater flexibility in implementation and can meet policy objectives using distribution criteria that identify and favour local governments that are more vulnerable to the cross-cutting issue challenges *(as was the case for nutrition-linked transfers in Ethiopia)*. Some grants also have matching criteria related to the allocation of local

[10] IMF 2021b

[11] Stockholm Environment Institute 2009

[12] Rwanda Environment Management Authority 2010

governments' own resources, which helps ensure that the transfer is additional rather than simply displacing local spending on the issue. *The India case study looks at a centrally sponsored transfer for climate-related health spending, which requires co-financing from the states receiving it.*

- Specific-purpose funds are where resources are held and managed by the state, outside of the regular budgetary process, to finance specific objectives, including cross-cutting ones. These bring additional benefits in terms of transparency and accountability, and can therefore be used to pool domestic and external financing where investors have concerns about risks in core government PFM systems. Indeed, a growing number of countries have set up funds to finance climate action, in which there is a sizeable pool of external financing available to be tapped. *Rwanda's climate fund (FONERWA) was established with this purpose in mind, pooling domestic and international resources in a single hub to attract and allocate climate finance.*

While they can augment spending on cross-cutting issues, earmarked funding streams should be employed sparingly and strategically. Finance ministries tend to resist excessive earmarking as it fragments budgets and creates risks for the broader budget as well as the cross-cutting issue. Moreover, when multi-sector budget programmes, issue-specific transfers, or specific purpose funds proliferate, they lock spending agency resources into funding pockets, undermining flexibility to respond to changes. This approach also makes coherent spending difficult, especially when transfers and funds budget and disburse on different schedules. *This concern over fragmentation is highlighted in the India case, where there are 56 active issue-specific transfers, each with separate coordination structures and processes*. The research therefore recommends using them strategically; for example, specific purpose funds should be reserved for instances where there is significant external financing to be tapped or where PFM systems are generally weaker and/or more informal; multi-sector budget programmes meanwhile should only be used for a limited number of interventions for which the cross-cutting issue is the primary objective.

Innovative market-based financing instruments, including sovereign bonds,[13] are emerging as a means to broaden governments' access to private finance and to incentivise cross-sectoral goals, but they are not available to all. The number of sovereign bonds linked to cross-cutting objectives is growing, most pointedly in relation to mitigation (green bond issuances grew three-fold between 2020 and 2023)[14], although there are a few examples of bonds financing resilience, adaptation, and gender as well. Sustainability-linked bonds are emerging, where countries have the freedom to utilise bond proceeds as they wish, tracking the environmental, social and economic targets rather than the projects and programmes that produce them, meaning bonds do not cause fragmentation of the budget. However, bonds are not accessible to all developing countries (particularly those with higher debt burdens).

5. Results-based financing is an attractive strategy for improving spending on cross-cutting concerns but it can be costly and challenging to set up.

Results-based financing mechanisms work by providing funding for an issue only when results are achieved. They can be an attractive strategy for better spending because they incentivise delivery institutions to modify their programmes and activities in order to produce the desired results. *The case study from Peru details how multi-sectoral plans for nutrition and ECD, accompanied by incentive payments for performance to ministries, regions and local governments, helped drive increased public expenditure on these issues and likely contributed a 15 percentage point drop in child stunting rates between 2008 and 2016.*[15]

However, results-based financing mechanisms require fundamental changes in the PFM system which can prove difficult to negotiate, be costly to implement, and are therefore challenging to sustain. Budgeting systems are usually designed to release funds in advance, and in accordance with pre-agreed spending plans. Disbursing funds on the basis of achievement of results instead, requires central finance agencies to surrender some ex ante control of resource use and gives more discretion to line ministries and service delivery providers. It also demands much more robust systems for reporting and verifying results. Such changes take time to implement, *as was the case in Peru, where the system was in the making for over a decade*. They are also costly to set up (often relying on donor financing), which can undermine sustainability. *For example, using Social Impact Bonds (SIBs)[16] to finance NGO-delivered ECD services in South Africa cost more than if the same services had been delivered through regular government means. The multiplicity of actors caused delays in set-up, and increased intermediary and advisory costs.*

[13] A sovereign bond is a debt security issued by a national government to raise money, in this instance for spending related to a particular cross-cutting issue.

[14] Climate Bonds Initiative https://www.climatebonds.net/market/data

[15] Huicho et al. 2020

[16] SIBs are a form of results-based financing. In a SIB, government agencies, sometimes in partnership with other actors, undertake to repay investors who provide upfront payments that allow service providers to implement a social intervention. The repayment is conditional on achievement of predefined outcomes or results.

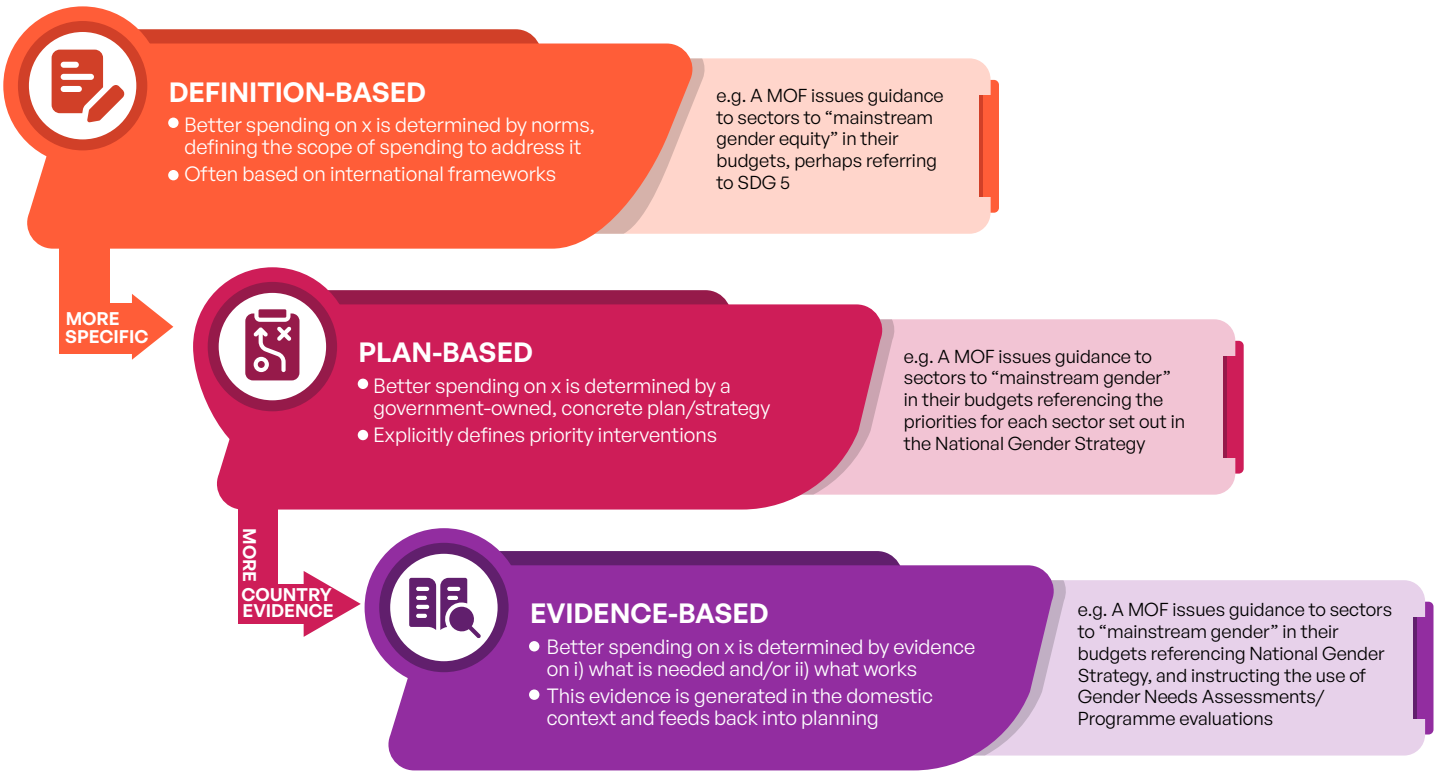
6. Be clear in what it is sectors are being asked to prioritise; the more explicit, detailed and evidence-informed the guidance, the better.

Multi-sectoral plans serve as a common foundation or reference point, from which governments can direct spending on cross-cutting issues. Multi-sector plans are the conduits through which cross-sector objectives and commitments are translated into the combination of sector interventions expected to achieve the objectives. In the absence of such plans, sectors will either ignore obligations because they are not sure how to proceed or choose existing low- or non-relevant interventions as their issue-sensitive actions to comply with requirements. Broad plans should be supplemented by sector-specific guidance. *In Rwanda for example, mainstreaming budget instructions come with sector guidance linked to climate plans.*

The quality of these plans can vary greatly between countries, and even over time, within one country. The variations are most notable in terms of the approach employed in identifying priority interventions related to a particular cross-cutting issue. A taxonomy for the different approaches to determining what activities represent better spending emerged from the research and is presented in Figure 4 below. This is best understood as a progression, where a country moves down the taxonomy as it becomes more specific in defining what constitutes better spending, and/or when more country-relevant evidence is used in the prioritisation process. *The Philippines for example, initially directed agencies towards specific disaster resilience priorities through a multi-sectoral road map (i.e. it adopted a plan-based approach to judging better spending). Over time the Government strengthened this guidance by making it more evidence-based by complementing the road map with a series of resilience investment strategies for individual local governments, informed by vulnerability mapping and climate science.*

In general, the stronger the evidence used in plans – both in terms of the robustness of the methods, and the transferability from where it was generated to where it is applied – the more likely it is to contribute to improved outcomes. Evidence-based plans require upstream mechanisms to determine what is needed in different locations, and downstream mechanisms for evaluation and review that assesses the extent to which different interventions addressed the needs; this allows strategies and priority actions put forward in plans to be adjusted accordingly. *This feedback loop plays out well in the Ethiopia and Indonesia nutrition case studies, where programme evaluations, nutrition surveys and service delivery score cards informed subsequent phases of nutrition intervention.* This implies a need to continuously improve the understanding of what works, for which strong statistical administrative surveillance systems are necessary (often benefiting from donor support – as was the case in Ethiopia).

FIGURE 3 TAXONOMY OF APPROACHES TO JUDGING WHAT CONSTITUTES BETTER SPENDING



Notes: where x is a cross-cutting issue

Practical steps for Governments and Development Partners

Governments and development partners need to find systemic solutions for better spending on cross-cutting issues.

To do so, the research findings suggest governments could:

1. **Establish clear mandates and institutionalise demand for issue spending and results at the centre of government.** Better spending is much more likely when the centre of government drives the issue executive-wide. This requires the agenda-setting institutions of central government, like offices of the president, the finance ministry and planning ministries, to coordinate on formally mandating roles and responsibilities, and backing the technical lead ministry in demanding better issue spending and results. Where such top-down engagement is lacking, issue advocates could focus early efforts on providing evidence for the need for better spending and the issue's impact on growth and development.
2. **Set and review the agenda effectively.** Well-developed multi-sector plans and guidance are a necessity for better spending on cross-cutting issues. Key agenda-setting elements are concrete plans that can translate into mandated sector actions for funding and implementation, and evaluation and review processes to strengthen understanding and hold sectors accountable.
    - *Minimum reforms in capacity-constrained environments*: Utilise centralised capacity, such as a delivery unit, to develop detailed sector reference instruments (or menus of options) and undertake well-targeted ex post reviews for evidence-building and accountability purposes, using intermittent data collection on spending and result.
    - *Advanced options for better capacitated environments*: Set sector-level outcome targets leaving it to sectors to unpack the issue, supported if needed by sector-based cross-cutting issue desks, and monitor and review progress in core performance management and evaluation systems.
3. **Decide on which device(s) to embed the agenda in budgets.** Once sectors are clear on their responsibilities, they must integrate these into their budgets. For this, countries can layer three main strategies: (i) mainstream the issue into budget (almost always needed), (ii) create issue-specific funding streams, and (iii) use additional external financing to leverage better spending. Each of these strategies can be operationalised through multiple mechanisms, some of which, in combination, can form a base for budget integration in low-capacity environments. Others are suitable for more advanced environments.
4. **Decide on the most cost-effective way to coordinate sectors.** Cross-sector issue governance in many countries is characterised by complicated multi-sector structures, which do not always function well because of the demand they place on scarce capacity. The study has highlighted that these must be led by capacitated institutions that believe in the importance of the issue and which other agencies respect; and that the central finance agency must be involved. Wherever possible, existing coordination structures should be used.

These four steps are summarised in Figure 5 overleaf, which differentiates between minimal requirements (in teal) and more advanced options which can be added (in pink).

Meanwhile, development partners, including philanthropic organisations like CIFF, can play a supportive and catalytic role in assisting governments to establishing robust systems for better spending on priority cross-cutting issues. For example, they can directly co-finance spending on public services and infrastructure for the issue, *as the European Commission did by financing an early phase of nutrition-related budget incentives paid to national ministries and to regions in Peru*.

Development partners can also support or finance the technical reforms to mainstream the issue and bring together peer countries to facilitate sharing of good practices. *The IMF and World Bank, for example, provide technical assistance for climate budgeting (as they did in the Rwanda case study), and host the Coalition of Finance Ministers for Climate Action, which brings together fiscal and economic policymakers from over 90 countries*.

Development partners should also continue to foster demand for results in relation to cross-cutting issues that could include supporting global issue-specific platforms (like the Scaling Up Nutrition movement), or funding national NGOs engaged in advocacy (*the likes of which helped sustain political support on ECD in the Peru case study*).

Finally, development partners can commission studies to build the case for investment in cross-cutting issues and improve transparency around government responses, which can be useful in fostering consensus and catalysing reform.

FIGURE 4 **STEPS TO ACHIEVING BETTER SPENDING ON CROSS-SECTOR ISSUES**

Minimum required mechanisms | Mechanisms for advanced systems

STEP 1 Institutionalise clear mandates, high-level demand and capacity for issue

STEP 2 Set and review the agenda effectively for sectors

STEP 3 Decide the device(s) to embed the agenda in budgets

STEP 4 Decide cost-effective ways to coordinate sectors

Requirements for a functional better spending system

Offices of presidents / prime ministers, finance ministries and planning ministries must be engaged on the issue, coordinate their roles and responsibilities and back the lead technical institution

Finance ministry commitment, capacity and engagement is especially important

Issue advocates can catalyse centre of government interest by evidencing why better spending on issue is critical for overall growth and development

Institutional mandates must be clear and formally established

Demand for issue results must be driven from the centre of government

Capacity for the issue must be available and owned by government

Required minimum mechanisms for low-capacity environments

Set up a unit to assist sectors with mainstreaming (Ethiopia)

Have detailed guidance on options by sector (Rwanda)

Undertake regular ex-post expenditure reviews to generate evidence on spending and results (Rwanda, Ethiopia)

Mechanisms to strengthen better spending in advanced systems

Outcome-based sector spending mandates (Peru, Philippines)

Sector issue-desks to translate mandates within sectors (Ethiopia)

Budget tagging to quantify commitments (Rwanda)

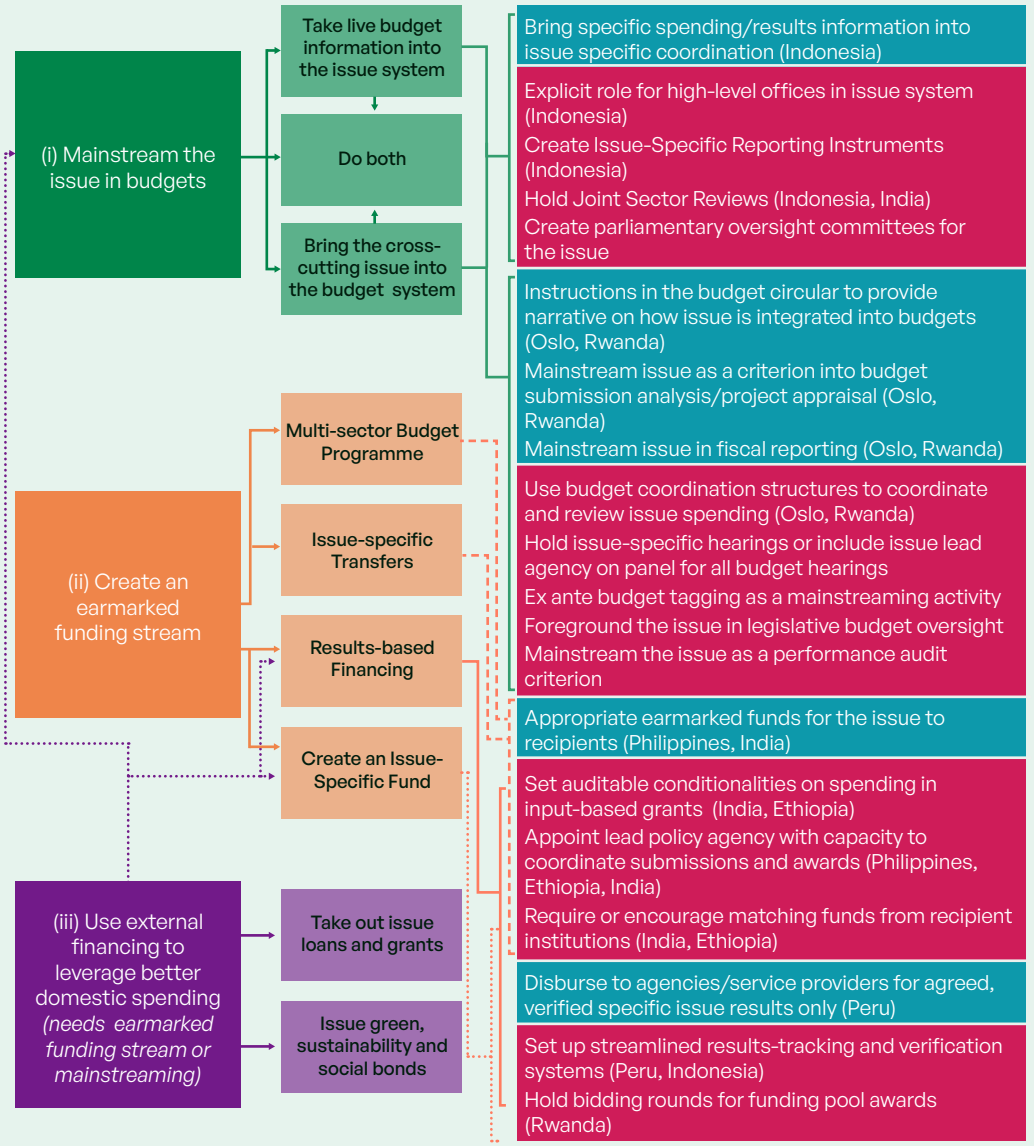
Quantified, results-oriented reporting integrated into performance management systems (Peru)

STRATEGIC DESIGN OPTIONS

To translate the multi-sector plan into budgets, countries can

ASSOCIATED BUDGET INTEGRATION MECHANISM OPTIONS

Minimum mechanisms in red for each strategic design option



Requirements for a functional better spending system

Coordination structures require authority, leadership, good governance, capacity, and conducive incentives for sectors to participate.

This means:

When creating issue-specific coordination structures, ensure they are authorised at the highest level, backed by delivery structures, and funded by the state

Alternatively, consider using existing clustering systems (cabinet, portfolio groups) to ease capacity burden and leverage existing clout and capacity

Ensure strong links between the finance ministry and budget system, and issue coordination structures

Conclusion

As the world passes the midpoint of the implementation period for the Sustainable Development Goals, the United Nations (UN) has warned that progress is off track for 85% of the targets, including those related to several goals that are highly cross-sectoral (namely poverty, hunger, gender, inequality, climate and justice). Meaningful progress on these fronts will require substantial efforts to direct all available resources towards the most effective interventions, not least (domestic) public finances. Doing so, however, poses a systemic challenge because public administration, finance, and accountability systems operate in sectoral silos, promoting intersectoral competition rather than collaboration. The research and case studies underpinning this evidence brief however show that countries can successfully channel resources for effective spending on cross-cutting issues when they:

- **institutionalise the demand, capacity and accountability for better spending**, through high-level political engagement, technical understanding and clear guidance, and clearly set expectations and incentives for performance
- **continuously improve their understanding of what is needed and what works** for better issue results, through commissioned research and strengthened public sector monitoring and surveillance systems
- **work across the resource management cycle**, ensuring the cross-cutting issues are well rooted in the core budget system, as well as in agenda setting and review processes, and are prioritised by the finance ministry.

This is a significant ask of public finance systems, and of the government actors which regulate or adhere to them. Indeed, substantial capacity investments are needed to improve spending on cross-cutting issues, which means that governments and their development partners should be selective about which issues they prioritise. While the broad set of case studies confirms that success is possible in a wide range of contexts, it is, nevertheless, more likely where the following necessary conditions are satisfied:

I. **Political support:** Prioritisation of the cross-cutting issue in countries' political agendas is a necessary condition for better spending on the issue as it establishes the status of the issue as a national priority, backs the authority of the lead agency and coordination structures, encourages sectors compliancy, and creates accountability between officials and political leaders. **Where political support is fragile, advocacy from civil society can help broaden and sustain it.**

II. **Basic good governance and levels of PFM capacity:** Success is more likely in bureaucracies where rules-based implementation is relatively strong, as this ensures that new procedures and directives are likely to be followed. In contexts where the foundations are weaker, e.g. where budgets are less credible and processes more informal, issue-specific funds alongside enhanced performance measurement systems can still deliver. **Introducing reforms incrementally, allows experimentation of what works in context, and in most study cases better spending systems were built gradually by layering mechanisms across the resource management cycle.**

III. **Clear institutional mandates and finance ministry engagement:** Better cross-sectoral spending is more likely when the roles and responsibilities of different institutions, as well as coordination structures, are formally mandated through such means as cabinet decisions, gazetted regulations, or presidential decrees, and detailed in multi-sector plans. Finance ministries played important roles in all the successful cases reviewed. **Where their engagement is lacking, spending reviews and other issue-specific diagnostic studies can help foster consensus and build support.**

When these foundations are in place, governments and their partners have an opportunity, perhaps also an obligation, to introduce reforms to drive more effective cross-cutting expenditure. This Evidence Brief provides a menu of options rather than a single pathway, couched in an understanding of the contexts where these work best. In many cases, budget mainstreaming will prove the best course of action, and there is an array of mechanisms which can be considered under this (the key being to select interventions spanning the full resource management cycle). In some instances, earmarked funding streams may be warranted for a particular purpose or for a limited period of time. Regardless, this review shows that much is to be gained from looking across cross-cutting issues, drawing from the vast experience and rich learnings within issue-focused communities of practice and bodies of evidence.

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Annex: Case study summaries

Climate change in Oslo, Norway

Summary of approach reviewed

To meet its ambitious emissions reduction target, the city of Oslo utilised an existing governance system – the budget – and placed climate at the heart of it. Climate has been mainstreamed across the budget cycle, with all agencies and departments playing their role in developing policy measures to reduce emissions. The budget circular provides guiding instructions each year, directing agencies and departments to where new policy measures are required. The budget conferences discuss these climate measures, ensuring climate is central in fiscal decision-making. The Climate Budget is presented as a chapter within the financial budget and is presented to parliament by the Deputy Mayor of Finance. All climate measures are tracked and reported on in parallel to budget execution rates. Better spending is defined in this case as spending or policy measures that most effectively reduce emissions in lagging sectors, with results tracked closely through the monitoring and reporting system.

Findings

The Climate Budget in Oslo has made the conscious decision not to publish the annual spending allocation for climate, meaning it is not possible to confirm impact on budgets. However, between 2009 and 2021, direct emissions fell by 30% in Oslo, indicating there probably was greater fiscal priority towards climate action. Moreover, the Climate Budget is institutionalised within the city government, with climate now fully mainstreamed across the budget cycle. This year represents the eighth Climate Budget, and the first Climate Budget under the new administration.

Climate Budgeting has been an effective tool to mainstream Climate across the budget cycle in Oslo, with the impact demonstrated through continuous improvements in the emissions trajectory. Other cities across the globe are starting to adopt their own version of Climate Budgeting, demonstrating that it is a flexible tool that could be successful elsewhere. For developing countries to apply this model, additional finance and technical assistance may be warranted.

Climate Change in Rwanda and Uruguay (including the role of external finance)

Summary of approach reviewed

This case study examines the role of PFM in creating a conducive environment for accessing climate finance and delivering climate action. Both countries rely on multi-sector coordination structures, issue-specific funds and results-based finance, and implicit political commitment. Rwanda also has a number of multi-sectoral climate plans and undertakes climate budget tagging.

Rwanda demonstrates a systemic approach driven from a historically strong planning-budgeting foundation with multi-sector strategy and mainstreaming mechanisms sequenced, mutually supporting and aligned to budget and issue-specific funds. This has provided a clear link between policy and feasible projects and helped unlock significant external climate finance. Meanwhile, in Uruguay, energy sector reforms and demonstrated decarbonisation of the sector drove national reputation and capacity in climate action, which has led to a strong multi-sector climate policy coordination structure. Relatively advanced capital markets allowed the Ministry of Finance to pioneer a sustainability linked bond, directly tied to climate performance.

Findings

Uruguay has achieved the near-total decarbonization of the power grid, driven by wind and solar investment leveraged mostly from private sector investors. The Ministry of Finance has successfully designed instruments to access external and private finance to support the climate change agenda, however, core planning and budget processes have not driven or played a significant role and there is no evidence linking prioritisation and spending approaches to climate outcomes.

In Rwanda, where the focus is more on adaptation, reducing climate risk, and accessing climate finance, the country has made impressive progress in the institutionalisation of climate policy in PFM processes. Upstream PFM functions have been more comprehensively mainstreamed, with reform progress in areas such as climate fiscal risk monitoring, as well as climate-informed investment selection and appraisal. Rwanda has specifically chosen to utilise existing institutional structures such as the sector working groups and has avoided creating parallel processes unless strictly necessary. The measurement of climate-related public spending has improved over time with the introduction and refinement of budget tagging. Budget allocations to climate have risen over the period to reach nearly 5% of GDP.

The case demonstrates how the source of funds influences which mechanisms are more effective: attracting funds from international finance institutions and bilateral donors requires transparent budget processes; attracting private finance requires robust capital markets and innovative instruments to reduce risk; while attracting climate fund finance requires specific compliance and project management competencies.

Disaster resilience and Climate Change in the Philippines

Summary of approach reviewed

This case considers the Philippines' experience of Program Convergence Budgeting (PCB) – an example of multi-sector budget programming. PCB aims to focus government resources on key programmes that are coordinated in a holistic approach across agencies, working towards the same goals. Agencies come together under cross-cutting clusters to prepare joint spending proposals, while a Lead Agency oversees coordination. Once allocated, PCB funds sit under agencies' individual budgets, and responsibilities for execution are individualised. This case looked at the application of PCB under the Risk Resiliency Program (RRP), the Government's flagship programme for climate change and Disaster Risk Reduction (DRR). Priority spending is guided by a multi-sector plan (namely, the five-year roadmap for the risk resiliency cluster), which is further refined through evidence-informed provincial investment strategies.

Findings

PCB has been institutionalised and embedded within PFM systems; it is not a parallel system, but it does add additional steps to the existing budget preparation process. Moreover, it has led to a discernible increase in budget allocations to resilience, with the RRP budget growing from PhP 109bn in FY2017 to PhP 425bn in FY2024, making it equivalent to 7% of the entire General Appropriations Act. While measuring progress on resilience and adaptation brings challenges, the RRP has financed evidence-based investments, which likely contributed to improved outcomes, including investments in early warning systems and flood risk management infrastructure. It has been sustained for over a decade, through multiple election cycles, and is replicable to other contexts and cross-cutting issues.

Early childhood development and nutrition in Peru

Summary of approach reviewed

Both an earlier nutrition and a later ECD strategy, which had strong civil society backing, were implemented through a number of planning and budgeting mechanisms that constituted a shift in resource management from focusing on inputs in sectors to a focus on outcomes for children. Results-based budgeting encompassed three elements: programme-based budgets for priority outcomes, enhanced monitoring and evaluation of expenditure and delivery, and incentive payments to implementing agents (ministries, regions and local governments). Moreover, the country extensively uses delivery and performance data, along with national and international evidence, to design key programmes, especially in nutrition and ECD.

Findings

The multi-sector plans and results-based budgeting approaches that accompanied them have been well institutionalised and embedded in legislation. This has meant that nutrition and ECD have remained a priority over a period of two decades and through difficult political transitions. While comprehensive analyses of child and nutrition budgets are limited, the Ministry of Economy and Finance, with UNICEF, estimated that in 2013, PEN 23.6 billion (20.3% of the national budget) were spent on children, rising to PEN 35.2 billion by 2019. The results-based programme has been a core component of this, and its funding has grown substantially over its lifetime.

Between 2008 and 2016 Peru reduced child stunting by more than half, from 28% to 13%. This was partly driven by sound macroeconomic and fiscal management, and strong economic growth, but the multi-sectoral strategy to address child malnutrition and a social inclusion strategy is also likely to have contributed. While the Peruvian experience contains many specificities, many techniques are of relevance to other countries.

Employment and Early Childhood Development in Colombia and South Africa

Summary of approach reviewed

Social Impact Bonds (SIBs) are a form of results-based finance where governments undertake to repay investors who provide upfront payments that allow service providers to implement a social intervention. Repayment is conditional on achievement of predefined outcomes or results. In this way, funding is channelled towards the implementation of evidence-based, high impact interventions.

This case study explores a SIB that funded an early childhood development home-visiting service in the Western Cape province of South Africa from 2018 to 2020, and four SIBs that funded employment-related services for vulnerable populations in Colombia over the period 2017 to 2023. In these cases, the outcome funders were government departments, but the implementing agencies providing the services were a combination of non-government/ private organisations.

Findings

The main lasting achievement of the SIBs experience in both countries was that the practice of measuring results improved, and in the case of Colombia, this led to a commitment to wider adoption of payment by results modalities (albeit not in the form of SIBs). The SIBs did not result in any permanent reforms to spending mechanisms, as the bonds are no longer operational. Furthermore, payments to the SIB service providers and to and from investors, were not channelled through the usual government financial systems and so the initiatives did not bring about any systemic changes in budget and expenditure systems. Indeed, the case demonstrates how results-based financing mechanisms require changes to PFM systems which can be difficult to implement within existing legislation and procedures (for example with regards to multi-year expenditure commitments).

The SIBs did not result in a lasting increase in public expenditure on the cross-cutting issues (government funding for the service in South Africa actually decreased after the SIB ended). Moreover, because the SIBs were more costly than standard delivery of the same services, the economy of spending may have been compromised. In South Africa, in particular, the multiplicity of actors caused delays in set-up, higher transaction costs, increased intermediary and advisory costs, and reduced transparency.

Nutrition in Ethiopia

Summary of approach reviewed

Nutrition in Ethiopia has been coordinated through multi-sector plans, structures, and mainstreaming for more than a decade. In this approach, which had weak links to the budget cycle, sectors often failed to commit enough resources. In 2015, the Prime Minister launched the Seqota Declaration and Roadmap, focusing on stunting within nutrition multi-sector plans. The Declaration Programme makes an intergovernmental transfer to woredas (districts) for interventions that suit local needs and priorities, from a federal option menu. Existing nutrition structures, supported by a federal delivery unit and regional and woreda focal points, develop costed plans for the funding in annual woreda budget processes. Regions and woredas provide co-funding voluntarily. The 'innovation phase', which first tested the options, was evaluated in 2021 and the options were refined. Periodic impact assessments are done to further refine options locally and at federal level.

Findings

The Seqota declaration has been institutionalised in that its costed planning, budgeting, resource allocation, and monitoring and evaluation are linked to the core systems of the Government of Ethiopia at federal, regional and woreda levels, and it has a standing budget line.

Moreover, the initiative has contributed to increased and sustained allocations, for example Ministry of Health treasury allocations (which include woreda transfers) have grown from USD 7.4 million to USD 12 million in FY2020-2023, despite the overall resource availability shrinking. The approach has contributed to better nutrition outcomes, with an evaluation in 2023 showing improving stunting outcomes in Seqota woredas, against deteriorating outcomes in non-Seqota woredas.

The approach appears replicable for other cross-cutting issues within Ethiopia; however, questions remain as to how many issues can be managed in this way before capacity demands are overwhelming, and sector budgets become fragmented between many cross-cutting issues, thereby undermining sector efficiencies that would lead to diminishing returns for all.

Nutrition in India

Summary of approach reviewed

The National Programme on Climate Change and Human Health (NPCCHH) outlines what are considered to be the important climate and human health objectives and actions. The NPCCHH is funded through the National Health Mission (NHM). It is an example of the use of union-level missions and centrally sponsored schemes (CSSs), which are matched conditional transfers linked to multi-sector programmes to encourage state spending on national cross-cutting policy priorities. The NHM, like other missions and CSSs, however, fund sector to sector, although the NPCCHH requires action in other sectors such as water and sanitation, and agriculture. Contributions are agreed in coordination structures at union, state and district levels. Plans are developed jointly, mainstreamed into sectors, implemented with support from delivery units and nodal officers, and reviewed jointly.

Findings

It is not possible to track the extent to which the NPCCHH has been mainstreamed into the budgets of contributing sectors other than health. However, in terms of the NHM, the review found that allocations through the project implementation plans of the two states considered – Odisha and Tamil Nadu – are rising (Odisha's grew by 38% in real terms between 2022/23 and 2024/25), despite the overall NHM declining. From publicly available data it is not possible to say how these translated into expenditures, outputs, or outcomes. The effectiveness and long-term impact of these efforts could be enhanced through investments in coordination mechanisms and health data systems.

Nutrition in Indonesia

Summary of approach reviewed

For nearly a decade, Indonesia has been implementing the National Strategy to Accelerate the Reduction of Stunting (2018–2024) to combat child malnutrition, and has been lauded for its ability to bend the curve on stunting reduction. The strategy incorporated sectoral planning, focusing on nutrition-specific and nutrition-sensitive interventions across sectors. Its implementation is supported by strong leadership from the President and Vice-President's offices, a robust regulatory framework, intergovernmental fiscal transfers, budget tagging mechanisms, and a comprehensive monitoring system. This framework allowed for the progressive measurement of nutrition outcomes, tracking of implementation across government levels, and adjustment of plans based on evidence.

Findings

The approach to addressing stunting has been institutionalised: the National Strategy has been given a strong legal foundation, budget tagging has been formalised, and significant advocacy has guided the programme's integration across different government levels. National spending on nutrition grew by 9% in real terms between 2019 and 2022, and limited data on subnational spending also shows significant growth. Meanwhile, between 2018 and 2022, stunting rates among children under five fell from 30.8% to 21.6%. The Indonesian case highlights how multi-sectoral coordination can be done well in a decentralised context, and demonstrates how a systemic, mainstreaming approach with multiple entry points across the delivery cycle, can drive strategy implementation further, in this case leading to significant improvements in child nutrition and overall development.

This Evidence Brief is based on the full research report, Evidence Review for Better Spending: Synthesis Report, and is available at www.mokoro.co.uk/project/evidence-review-for-better-spending/. The report includes an annex with a description and summary of findings for each of the eight case studies.