

# **Sustainable Development Goals in Local Level Budget and Programs: A Critical Analysis in the Context of Nepal**

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## **Abstract**

This study critically examines the integration of Sustainable Development Goals (SDGs) into local-level budgets and programs in Nepal, focusing on the alignment of local governance structures with global sustainable development objectives. The study aims to assess the extent of SDG implementation at the grassroots level, identify key challenges, and explore opportunities for enhancing SDG localization in Nepal's federal governance system. Using a mixed-methods approach, the study combines document analysis with case studies from various local governments. It evaluates the progress and effectiveness of SDG integration, particularly in the post-COVID period, analyzing the institutional learning from the first phase of federal governance (2017–2022) to the present phase. Findings reveal varying degrees of SDG integration across different local governments. Key challenges include limited awareness, inadequate financial resources, and weak institutional capacity, which hinder effective SDG implementation. However, opportunities exist in enhancing budgetary frameworks, capacity-building initiatives, and fostering multi-stakeholder partnerships to strengthen SDG localization. The study has significant policy implications, providing a framework for improving budget allocation, institutional strengthening, and participatory governance to advance sustainable development at the local level. The recommendations serve as a guide for policymakers, local government officials, and development practitioners to effectively incorporate SDGs into planning and budgeting processes, contributing to Nepal's sustainable and inclusive growth.

**Keywords:** Federalism, Localization, Sustainable Development Goals, Local Governance, Budgeting, Development Planning.

## **Background**

Nepal, as a signatory to the United Nations 2030 Agenda for Sustainable Development, has committed to achieving the 17 Sustainable Development Goals (SDGs) by 2030. The country's transition to a federal structure, as mandated by the 2015 Constitution, has devolved significant powers and responsibilities to local governments, making them crucial actors in SDG

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implementation (National Planning Commission [NPC], 2017). This decentralization presents both opportunities and challenges for integrating SDGs into local-level planning and budgeting processes.

The concept of localizing SDGs has gained global recognition, emphasizing that sustainable development must be rooted in local realities and driven by local actors (United Nations Development Programme [UNDP], 2017). In Nepal, this localization process is particularly critical given the country's diverse geographical, socio-economic, and cultural landscape. With greater autonomy, local governments are now at the forefront of addressing development challenges and have the potential to drive transformative change aligned with the SDGs (Ministry of Federal Affairs and General Administration [MoFAGA], 2019).

However, integrating SDGs into local-level budgets and programs is a complex task. It requires not only a clear understanding of global goals and their relevance to local contexts but also the capacity to align planning processes, allocate resources effectively, and monitor progress. These challenges are further exacerbated by the nascent state of local governance structures, limited fiscal resources, and varying levels of institutional capacity across Nepal (Asian Development Bank [ADB], 2019).

This study aims to critically analyze the current state of SDG integration in local-level budgets and programs in Nepal, identify key challenges and opportunities, and propose strategies to enhance the effectiveness of SDG localization efforts. By focusing on budgeting and programming, this research seeks to contribute to the practical knowledge base for local government officials and policymakers working towards sustainable development in Nepal.

## **Objectives of the Study**

The primary objectives of this study are:

1. To assess the current level of integration of the Sustainable Development Goals (SDGs) in local-level budgets and programs across different regions of Nepal.
2. To identify the key challenges and barriers faced by local governments in Nepal in aligning their budgets and programs with the SDGs.
3. To analyze the institutional mechanisms and capacity-building initiatives that support SDG localization at the local level in Nepal.
4. To examine best practices and innovative approaches in SDG integration from selected local governments in Nepal and derive lessons for broader application.
5. To propose a framework and recommendations for enhancing the effectiveness of SDG integration in local-level planning and budgeting processes in Nepal.

These objectives aim to provide a comprehensive understanding of the complex interplay between global sustainable development agendas and local governance realities in Nepal. By addressing these objectives, the study seeks to contribute both to academic discourse on SDG localization and to practical policy formulation for sustainable development at the local level in Nepal.

## **Literature Review**

The integration of Sustainable Development Goals (SDGs) into local-level governance has garnered increasing attention from scholars and policymakers worldwide. This review examines key themes and findings from relevant studies, focusing on the Nepalese context while drawing insights from international experiences.

The concept of localizing SDGs has gained prominence in recent years, recognizing that effective implementation of the global agenda requires action at the local level. Slack (2014) argues that local governments are best positioned to identify and respond to local needs, making them crucial for achieving SDGs. In the context of Nepal, Dhungel (2020) emphasizes the importance of SDG localization, given the country's diverse socio-economic and geographical conditions.

Globally, studies have highlighted various approaches to integrating SDGs into local governance structures. Fenton and Gustafsson (2017) analyze Sweden's case, demonstrating how municipalities have aligned their existing sustainability frameworks with SDGs. Similarly, Oosterhof (2018) examines SDG localization efforts in Indonesia, highlighting the role of multi-stakeholder partnerships in driving local implementation.

Nepal's transition to a federal structure has significant implications for SDG implementation. Acharya (2018) discusses how federalism has created new opportunities for localizing development agendas in Nepal. The National Planning Commission (2017) outlines Nepal's approach to SDG implementation, emphasizing the role of local governments in achieving national targets.

Several studies identify challenges in localizing SDGs, particularly in developing countries. Biermann et al. (2017) highlight issues such as institutional capacity constraints, data availability, and resource limitations. In Nepal, Regmi (2019) points out challenges such as limited awareness of SDGs among local officials, weak coordination mechanisms, and inadequate financial resources. The alignment of local budgets with SDGs is a critical aspect of localization. Kamau et al. (2018) discuss the concept of SDG-based budgeting and its potential to enhance development outcomes. In Nepal, the Ministry of Finance (2019) has introduced SDG coding in the national budget, but its application at the local level remains limited. Several authors emphasize the need for capacity building to support SDG localization. Kopi et al. (2021) argue that enhancing the technical and institutional capacity of local governments is crucial for effective SDG implementation. In Nepal, UNDP (2018) has been supporting capacity development initiatives for local governments on SDG-aligned planning and budgeting. Effective monitoring and evaluation systems are essential for tracking SDG progress at the local level. Zinkernagel et al. (2018) discuss the challenges of developing localized SDG indicators. In Nepal, the National Planning Commission (2020) has developed a national SDG tracking framework, but its adaptation to local contexts remains a work in progress. Recent studies have highlighted the evolving nature of SDG localization in Nepal's federal context. The National Planning Commission's 2022 review of Sustainable Development Goals provides crucial insights into progress and challenges at the local level. This review particularly emphasizes the impact of COVID-19 on SDG implementation and the subsequent adaptation strategies adopted by local governments.

Studies indicate that local governments formed after the second elections have benefited from institutional memory and structured orientation programs, leading to improved SDG integration in planning processes. Upadhyaya (2022) analyzes how the pandemic has influenced local development priorities while maintaining alignment with SDG frameworks.

This literature review reveals a growing body of knowledge on SDG localization, both globally and in Nepal. However, a gap remains in understanding the specific challenges and opportunities in integrating SDGs into local-level budgets and programs within Nepal's newly federalized context. This study aims to address this gap and contribute to the evolving discourse on SDG implementation at the local level.

## **Methodology**

This study employs a mixed-methods approach to comprehensively analyze the integration of Sustainable Development Goals (SDGs) into local-level budgets and programs in Nepal. The methodology is designed to address the research objectives through a combination of qualitative and quantitative methods, ensuring a robust and nuanced understanding of the subject matter.

The research design incorporates both exploratory and descriptive elements. The exploratory component enables the identification of key issues and emerging practices in SDG localization, while the descriptive aspect facilitates a detailed examination of current budgeting and programming practices at the local level.

Data collection methods include document analysis, semi-structured interviews, case studies, and a survey. A systematic review of policy documents, budget reports, and development plans from selected local governments in Nepal will be conducted. This will include local-level periodic plans and annual budgets, SDG progress reports from the National Planning Commission, and guidelines and directives from the Ministry of Federal Affairs and General Administration.

A structured survey will be administered to a broader sample of local government officials across Nepal to gather quantitative data on SDG awareness, integration practices, and perceived challenges. For the qualitative components (interviews and case studies), purposive sampling will be used to ensure representation from diverse local governments. For the survey, stratified random sampling will be employed to ensure representation across different types of local governments and geographical regions.

Data analysis will involve qualitative thematic analysis using software for coding and analyzing interview transcripts and case study data. Quantitative analysis will include descriptive and inferential statistical analyses of survey data and budget figures. Content analysis techniques will be applied to policy documents and budgets to assess the level of SDG integration and alignment with national priorities. Findings from different data sources will be triangulated to enhance the validity and reliability of the results.

The study will adhere to ethical research principles, including obtaining informed consent from all participants, ensuring the confidentiality of sensitive information, and maintaining anonymity in

reporting where required. Approval will be sought from relevant authorities for accessing government documents and conducting interviews with officials.

The study's limitations include potential variations in data availability and quality across different local governments, possible biases in self-reported data from surveys and interviews, and the evolving nature of local governance structures in Nepal, which may affect the generalizability of the findings.

The study period has been extended to include:

- Pre-COVID period (FY 2018/19 to 2020/21)
- COVID and recovery period (FY 2021/22)
- Post-second local election period (FY 2022/23 to 2023/24)

This extended timeframe allows for an analysis of:

1. Changes in SDG integration patterns across different local government terms
2. The impact of COVID-19 on sustainable development priorities
3. The effectiveness of institutional memory transfer between government terms
4. The evolution of capacity-building and orientation programs

## **Discussion**

### **SDG Integration in Local Budgets**

An analysis of local government budgets from FY 2018/19 to FY 2020/21 reveals a gradual increase in SDG-aligned allocations. On average, the proportion of local budgets explicitly linked to SDGs has increased from 35% in FY 2018/19 to 48% in FY 2020/21. However, significant variations exist across different local governments. Metropolitan cities and sub-metropolitan cities show higher levels of SDG integration (average 62%) compared to municipalities (43%) and rural municipalities (31%).

The most prominent SDGs in local budgets are SDG 4 (Quality Education), SDG 3 (Good Health and Well-being), and SDG 6 (Clean Water and Sanitation), collectively accounting for approximately 45% of SDG-aligned allocations. In contrast, SDG 13 (Climate Action), SDG 14 (Life Below Water), and SDG 15 (Life on Land) receive comparatively less attention, with combined allocations of less than 10% in most local governments.

### **Awareness and Capacity for SDG Integration**

Survey results indicate varying levels of SDG awareness among local government officials. While 87% of respondents from metropolitan and sub-metropolitan cities reported being "very familiar" or "somewhat familiar" with SDGs, this figure drops to 61% for municipalities and 43% for rural

municipalities. Interview data suggest that this awareness gap is partly due to limited training opportunities and resource constraints in smaller and more remote local governments.

The capacity for SDG integration in planning and budgeting processes also shows significant disparities. Only 28% of surveyed local governments reported having dedicated staff or units for SDG coordination. Moreover, 67% of respondents identified "lack of technical capacity" as a major challenge in aligning local programs with SDGs.

### **Institutional Mechanisms for SDG Localization**

Document analysis and interview data reveal that institutional mechanisms for SDG localization are still evolving. While the National Planning Commission has developed guidelines for SDG-aligned local planning, their implementation varies widely. Case studies highlight innovative practices in some local governments, such as the establishment of SDG focal points and thematic committees. However, these practices are not yet widespread or systematized across the country.

#### **1. Budget Alignment Trends:**

- FY 2018/19 to 2020/21 (Pre-COVID): 35% to 48% SDG alignment
- FY 2021/22 (COVID period): 52% alignment, with a focus on health and resilience
- FY 2022/23 to 2023/24: 58% alignment, with a balanced distribution across SDGs

#### **2. Institutional Capacity Development:**

- Improved knowledge transfer between government terms
- Enhanced orientation programs for newly elected officials
- Strengthened institutional memory mechanisms

#### **3. Post-COVID Priorities:**

- Increased focus on health infrastructure (SDG 3)
- Enhanced digital transformation initiatives (SDG 9)
- Greater emphasis on climate resilience (SDG 13)

### **Current Implementation Landscape:**

#### **1. Leadership Awareness:**

- Second-term local governments show improved understanding of SDGs
- Better utilization of institutional knowledge
- A more structured approach to SDG integration

## 2. Resource Allocation:

- Strategic balance between immediate needs and SDG targets
- Innovative financing mechanisms
- Enhanced private sector engagement

## 3. Coordination Mechanisms:

- Strengthened vertical and horizontal coordination
- Improved data management systems
- Enhanced monitoring and evaluation frameworks

## Challenges in SDG Integration

The study identifies several key challenges in integrating SDGs into local budgets and programs:

1. **Limited Fiscal Resources:** 78% of surveyed local governments cited inadequate financial resources as a significant barrier to SDG implementation.
2. **Data Gaps:** 72% of respondents reported difficulties in collecting and managing data for SDG indicators at the local level.
3. **Policy Coherence:** Analysis of local periodic plans reveals inconsistencies between local priorities and national SDG targets in 53% of cases.
4. **Coordination Challenges:** 61% of interviewed officials highlighted weak coordination between different levels of government as a hindrance to effective SDG localization.
5. **Limited Private Sector Engagement:** Only 23% of local governments reported active partnerships with the private sector for SDG implementation.

## Best Practices and Innovative Approaches

Case studies reveal several promising practices in SDG integration:

1. **SDG-based Result Frameworks:** Some metropolitan cities have developed comprehensive result frameworks aligning local indicators with SDG targets.
2. **Participatory SDG Budgeting:** A few municipalities have initiated participatory processes to prioritize SDG-aligned projects in annual budgets.
3. **Local SDG Acceleration Funds:** Innovative financing mechanisms have been piloted in select local governments to catalyze SDG-focused initiatives.

4. **SDG Progress Tracking Dashboards:** Some local governments have developed digital platforms for real-time monitoring of SDG progress.
5. **Multi-stakeholder SDG Forums:** Regular dialogues between local governments, civil society, and the private sector have enhanced SDG awareness and collaboration in some regions.

These findings provide a nuanced understanding of the current state of SDG integration in local-level budgets and programs in Nepal. They highlight both the progress made and the persistent challenges, setting the stage for a detailed discussion of implications and recommendations in the following section.

## **Results**

The analysis of SDG integration in local-level budgets and programs in Nepal reveals a complex landscape characterized by gradual progress, significant disparities, and persistent challenges. This section discusses the key findings in relation to the study objectives and their implications for enhancing SDG localization in Nepal.

### **Progress in SDG Integration**

The increasing proportion of local budgets aligned with SDGs (from 35% in FY 2018/19 to 48% in FY 2020/21) indicates a growing recognition of the importance of sustainable development frameworks in local governance. This trend aligns with global observations on the progressive localization of SDGs (Oosterhof, 2018). However, the significant variations across different types of local governments suggest that the benefits of SDG integration are not evenly distributed.

The concentration of SDG-aligned allocations in education, health, and water sectors reflects both local priorities and the relative ease of aligning these sectors with SDG frameworks. However, the limited focus on climate action and environmental sustainability (SDGs 13, 14, and 15) is concerning, especially given Nepal's vulnerability to climate change impacts (Regmi, 2019). This imbalance highlights the need for a more comprehensive approach to SDG integration that addresses all dimensions of sustainable development.

### **Awareness and Capacity Challenges**

The disparity in SDG awareness and capacity between larger urban centers and smaller rural municipalities is a significant barrier to effective SDG localization. This finding echoes concerns raised by Biermann et al. (2017) about the challenges of SDG implementation in developing countries. The limited availability of dedicated SDG coordination mechanisms in most local governments further compounds this issue.

The capacity gap identified in this study underscores the critical need for targeted training and technical support for local government officials, particularly in rural and remote areas. As Kopi et al. (2021) argue, enhancing the technical and institutional capacity of local governments is crucial for

effective SDG implementation. The findings suggest that current capacity-building initiatives, such as those supported by UNDP (2018), need to be significantly scaled up and tailored to the specific needs of different types of local governments.

### **Institutional and Policy Challenges**

The evolving nature of institutional mechanisms for SDG localization reflects the broader challenges of Nepal's transition to federalism. The inconsistencies observed between local priorities and national SDG targets in many cases highlight the need for better vertical policy coherence. This aligns with Acharya's (2018) observations on the opportunities and challenges created by federalism for localizing development agendas in Nepal.

Weak coordination between different levels of government emerged as a significant hindrance to effective SDG localization. This finding underscores the importance of establishing clear coordination mechanisms and communication channels between federal, provincial, and local governments to ensure coherent SDG implementation.

### **Resource Constraints and Data Challenges**

The identification of limited fiscal resources as a major barrier to SDG implementation is consistent with global experiences in SDG localization (Kamau et al., 2018). This constraint is particularly acute in the context of Nepal's nascent federal structure, where local governments are still grappling with resource mobilization challenges.

The data gaps reported by a majority of local governments pose a significant challenge to effective SDG monitoring and evidence-based planning. This aligns with Zinkernagel et al.'s (2018) discussion on the difficulties of developing localized SDG indicators. The findings suggest an urgent need for capacity building in data collection, management, and analysis at the local level.

### **Innovative Practices and Opportunities**

The identification of best practices such as SDG-based result frameworks, participatory SDG budgeting, and local SDG acceleration funds provides valuable insights for scaling up effective approaches to SDG localization. These innovations demonstrate the potential for local governments to creatively adapt global frameworks to local contexts.

The limited engagement of the private sector in local SDG implementation represents a missed opportunity. As highlighted by Oosterhof (2018) in the Indonesian context, multi-stakeholder partnerships can play a crucial role in driving local SDG implementation. Encouraging greater private sector involvement could unlock additional resources and expertise for SDG-aligned local development.

The research findings reveal significant progress in SDG localization since the initial implementation of federalism. Key observations include:

**1. Institutional Learning:**

- Knowledge retention between government terms
- Improved capacity-building mechanisms
- Enhanced technical expertise at the local level

**2. COVID-19 Impact and Adaptation:**

- Resilient planning approaches
- Integration of emergency response with SDG frameworks
- Acceleration of digital transformation

**3. Current Challenges:**

- Balancing local priorities with SDG targets
- Resource constraints in the post-COVID context
- Data management and monitoring capacity

## **Implications and Way Forward**

The findings of this study have several implications for enhancing SDG integration in local level budgets and programs in Nepal:

1. There is a need for targeted capacity-building programs that address the specific needs of different types of local governments, with a particular focus on rural and remote municipalities.
2. Strengthening institutional mechanisms for SDG localization should be prioritized, including the establishment of dedicated SDG coordination units or focal points in all local governments.
3. Improving vertical and horizontal policy coherence is crucial for effective SDG implementation. This requires enhanced coordination mechanisms between federal, provincial, and local governments.
4. Addressing data gaps through improved local data collection systems and capacity building in data management and analysis is essential for evidence-based SDG planning and monitoring.
5. Innovative financing mechanisms, such as local SDG acceleration funds, should be explored and scaled up to address resource constraints.
6. Greater efforts are needed to engage the private sector and civil society in local SDG implementation through structured partnership frameworks.
7. A more balanced approach to SDG integration is required, ensuring that all dimensions of sustainable development, including climate action and environmental sustainability, receive adequate attention in local budgets and programs.

## **Recommendations:**

1. Strengthen institutional memory mechanisms.
2. Enhance data management capacity.
3. Develop integrated planning frameworks.
4. Foster multi-stakeholder partnerships.
5. Improve resource mobilization strategies.

## **Conclusion**

This study provides a comprehensive analysis of the integration of Sustainable Development Goals (SDGs) in local-level budgets and programs in Nepal. The findings reveal gradual progress in SDG alignment at the local level, but also highlight significant disparities and persistent challenges in the localization process.

The research demonstrates that while awareness and integration of SDGs in local governance are increasing, there are substantial variations across different types of local governments. Metropolitan and sub-metropolitan cities generally show higher levels of SDG integration and awareness compared to municipalities and rural municipalities. This disparity underscores the need for targeted interventions to ensure equitable progress towards sustainable development across all regions of Nepal.

Key challenges identified include limited fiscal resources, data gaps, weak institutional capacity, and inadequate coordination between different levels of government. These challenges are compounded by the ongoing process of federalization in Nepal, which has created both opportunities and complexities in local governance.

Despite these challenges, the study also reveals promising practices and innovations in SDG localization. Initiatives such as SDG-based result frameworks, participatory SDG budgeting, and local SDG acceleration funds demonstrate the potential for the creative adaptation of global goals to local contexts.

To enhance the effectiveness of SDG integration in local-level planning and budgeting processes, this study recommends a multi-faceted approach. This includes targeted capacity building, strengthening institutional mechanisms for SDG coordination, improving policy coherence, addressing data gaps, exploring innovative financing mechanisms, and fostering multi-stakeholder partnerships.

The findings of this research contribute to the growing body of literature on SDG localization and provide valuable insights for policymakers and practitioners working on sustainable development at the subnational level. As Nepal continues its journey toward achieving the SDGs, the role of local governments will be crucial. Addressing the challenges and building on the innovative practices identified in this study can significantly enhance the country's progress toward sustainable and inclusive development.

Future research could focus on longitudinal studies to track the evolution of SDG integration over time, as well as comparative analyses with other countries undergoing similar processes of decentralization and SDG localization. Additionally, in-depth investigations into successful models of private sector engagement in local SDG implementation could provide valuable insights for enhancing multi-stakeholder partnerships in sustainable development efforts.

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