THE LATIN AMERICAN GOVERNMENTS' DISCLOSURE STRATEGY IN THE VOLUNTARY NATIONAL REVIEWS: IS THE SPEECH ALIGNED WITH THE REALITY?

We are grateful if this paper is considered for presentation in:

WORKSHOP 1 «Información no financiera. Marco normativo, práctica y tendencias»

Nicolás Gambetta

Universidad ORT Uruguay, Uruguay

Inés García Fronti

Universidad de Buenos Aires, Argentina

Valeska Geldres Weiss

Universidad de la Frontera, Chile

Mauricio Gómez

Universidad Nacional de Colombia, Colombia

Marcela Jaramillo

Universidad Autónoma del Estado de México, México

Key words: Sustainable development goals, voluntary national reviews, disclosure, SDG Index, public expenditure

Corresponding author:

Nicolás Gambetta
Universidad ORT Uruguay

THE LATIN AMERICAN GOVERNMENTS' DISCLOSURE STRATEGY IN THE VOLUNTARY NATIONAL REVIEWS: IS THE SPEECH ALIGNED WITH THE REALITY?

Abstract

This study analyzes the voluntary national reviews (VNRs) issued by seven Latin American countries in 2016 and 2017 to identify the disclosure efforts done by these countries in relation to the 17 Sustainable Development Goals (SDGs), how this effort is aligned with the achievement level in each SDG and whether these disclosure efforts are aligned with the public expenditure. Results show that a significant effort should be done by governments to incorporate the SDGs in their public programs, because the effort done so far is insufficient, as the public expenditure is not allocated in the prioritized SDGs.

1. Introduction

On 25 September 2015, 196 countries set ambitious objectives that aim to end poverty, to protect the planet and ensure that all human beings can enjoy prosperous and fulfilling lives (United Nations, 2015). The 17 Sustainable Development Goals (SDG) and the 169 targets of the 2030 Agenda for the sustainable development create the framework for the countries to make the effort to eradicate poverty, reduce inequalities and to fight against climate change.

All the countries acknowledge that these initiatives should be coupled with strategies to fuel economic growth, address social needs such as education, health and employment opportunities and protect the environment. Although the SDGs are not legally binding, governments are expected to adopt them by establishing national frameworks to achieve the 17 objectives with its respective targets.

Considering that the SDGs address a wide range of complex interrelated challenges they cannot be attained without the joint effort and collaboration of governments, organizations, the public and private sector, the community and the academia.

This paper aims to gain an understanding of the disclosure strategies of the Latin American countries that conducted voluntary national reviews (VNRs) in 2016 and 2017 and presented their reports to the High-level Political Forum (HLPF). We do this by linking the SDGs-related disclosures done by the countries in the VNRs with the countries' public expenditure classified according to the functions of government (as a percentage of GDP) and with the industry composition of the capital markets in these countries. The research questions of the study are whether the disclosure effort of the governments in the VNRs (speech) are aligned with the achievement stage of the SDGs and the resources allocation in the public sector budget (reality). We also look into the industries that dominate the capital market and whether they are related to the SDGs that concentrate the government attention in the VNRs.

We use content analysis to identify the SDGs that concentrate the disclosure effort of the governments in the VNRs that were conducted by the Latin American countries in 2016 and 2017.

The topic addressed in this paper is relevant as the Latin American countries are

predominantly emerging economies with scarce resources and significant economic challenges, so the resources need to be allocated efficiently to achieve the 2030 Agenda. To the best of our understanding this is the first study to address the disclosure efforts of the governments and how they related to the SDGs' achievement stage and public expenditure.

The private sector in Latin America should play a highly relevant role, working together with the public sector and the communities to achieve the SDGs. Latin American countries show indicators that are below the developed countries' average in regards to the SDG Index (Sustainable Development Solutions Network, 2017) and the Social Progress Index (Porter et. al, 2017). The alignment of the public and the private sector efforts is essential, so understanding the SDGs-related disclosure strategies of the governments in the VNRs is relevant for the private sector decision-making process. This study will also serve as a starting point of a disclosure technology discussion for the VNRs that link the SDGs actions taken by governments, with the public expenditure and the capital markets' industry structure. In this regards, accounts should play a significant role, as they are equipped with the know how to develop it.

Hajer et. al (2015) argue that the SDGs "have the potential to become the guiding vision for governmental, corporate and civil society action for a shared and lasting prosperity" while Bebbington and Unerman (2018) state that the SDGs represent the "state of the art" thinking of governments around the globe and also show the challenges that face the world as well as the mechanisms by which these challenges might start to be addressed. We aim to build on Bebbington and Unerman (2018) as this study links government reporting with public expenditure and capital market structure. This study will contribute to discuss a new accounting technology for governmental reporting on SDGs that should link the national strategy to achieve the goals with the public sector expenditure and the capital market industry structure. This will help the accounting profession to translate and adapt the government-level commitments related to each SDG into private sector actions and achievements.

2. Background

2.1 The governments and the SDGs' reporting

The so-called VNRs are a key element in the monitoring and review process in the 2030 Agenda. Through this mechanism, the governments inform about the progress made and the challenges faced in the process of achieving the targets related to the SDGs. The member states are encouraged to conduct voluntary national reviews at least three times in the 15-year period (2016-2030) and present them in the HLPF.

The HLPF has issued common reporting guidelines that seek to support member states in conducting VNRs (High-level Political Forum, 2018). According to the 2030 Agenda (United Nations, 2015), follow-up and review processes at all levels will be guided by the following principles:

a) they will be voluntary and country-led

b) they will track progress in implementing the universal Goals and targets

c) they will maintain a longer-term orientation, identify achievements, challenges, gaps and critical success factors and support countries in making informed policy choices

d) they will be open, inclusive, participatory and transparent for all people and will support reporting by all relevant stakeholders

e) they will be people-centered, gender-sensitive, respect human rights and have a particular focus on the poorest, most vulnerable and those furthest behind

f) they will build on existing platforms and processes, where these exist, avoid duplication and respond to national circumstances, capacities, needs and priorities

g) they will be rigorous and based on evidence

h) they will require enhanced capacity-building support for developing countries, including the strengthening of national data systems and evaluation programmes

i) they will benefit from the active support of the United Nations system and other multilateral institutions.

The HLPF reporting guidelines also outline the VNRs structure and content. The

report should mention the methodology and process followed to prepare the report, the national regulatory environment, the progress made in the goals and targets and the means of implementation of the national strategy to achieve the SDGs. The guidelines state that "the review could indicate how financial systems and resource allocations are being aligned to support the realization of the 2030 Agenda".

The first research question of this study is to identify the reporting strategy of the Latin American countries in the VNRs. More specifically, this study aims to identify how the reporting efforts are allocated among the 17 SDGs.

RQ 1: How are the Latin American countries reporting efforts allocated among the 17 SDGs in the 2016 and 2017 VNRs?

2.2 The SDG Index

The SDG Index is a global report issued by the Sustainable Development Solutions Network, a global initiative of the United Nations and the Bertelsmann Stiftung Foundation. The purpose of the SDG Index is "to assist countries to identify priorities for action, in order to achieve the 17 SDGs" (Sustainable Development Solutions Network, 2017). The indicators included in the SDG Index should help countries to identify key implementation challenges, and the overall index serves as a progress assessment towards the goals and a comparison with peer countries.

The 2017 SDG Index and Dashboards present a thoroughly analysis of countries' baselines for achieving the SDGs and includes a four-color code (red, orange, yellow and green, whereas green shows that the goal is achieved) to identify the progress made by each country in achieving each SDG. The 2017 SDG Index finds that "Poor countries face significant challenges in ending extreme poverty in all its forms, social inclusion, access to essential infrastructure, and many forms of environmental degradation".

The second research question of this study is to understand whether the SDGs that concentrate the Latin American countries' disclosure efforts in the VNRs are those that the country has achieved already (green code in the SDG Index) or on the contrary, are those in which the country is struggling and needs to work harder to achieve.

RQ 2: Are the Latin American countries' disclosure efforts in the 2016 and 2017 VNRs concentrated on the SGSs that the countries have achieved already or on the contrary, on those in which the countries are struggling and need to work harder to achieve?

2.3 The countries' public expenditure

The Classification of the functions of government, abbreviated as COFOG, was developed by the Organisation for Economic Co-operation and Development (OECD, 2015) and published by the United Nations Statistical Division as a standard classifying the purposes of government activities. First-level COFOG splits expenditure data into ten "functional" groups or sub-sectors of expenditures and second-level COFOG further splits each first-level group into up to nine sub-groups. The ten functional groups of public expenditure are listed below. Considering the characteristics of each functional group of public expenditure, we linked them with the SDGs based on their similar nature.

1) general public services (SDG 16, SDG 17)
2) defense (SDG 16)
3) public order and safety (SDG 16)
4) economic affairs (SDG 7, SDG 8, SDG 9, SDG 12)
5) environmental protection (SDG 6, SDG 12, SDG 13, SDG 14, SDG 15)
6) housing and community amenities (SDG 6, SDG 7, SDG 11)
7) health (SDG 3)
8) recreation, culture, and religion (SDG 4)
9) education (SDG 4)
10) social protection (SDG 1, SDG 2, SDG 5, SDG 10)

The third research question of this study is to identify whether the Latin American governments allocate the public expenditure considering the efforts needed to achieve the different SDGs.

RQ 3: Do the Latin American governments allocate the public expenditure considering the achievement stage of the SDGs?

2.4 The capital market structure

"Well-functioning capital markets help ensure the financial system's efficiency, stability and risk management, preventing costly crises and helping channel savings toward capital that is essential for economic development and poverty reduction" (World Bank Group, 2016).

Capital markets comprise both public sector and private corporate issuers, who issue securities instruments such as bonds, or fixed-income securities; stocks or equities which are risk-sharing. Well-functioning markets require sound market infrastructure, including aspects such as laws, regulations, and corporate governance. There are some capital markets instruments that aimed to finance the real sector, including infrastructure and the environment (World Bank Group, 2016).

Prior studies illustrate the link between financial depth and economic growth. Research shows that bank-based structures tend to dominate in the early stages of growth while with increasing economic development; countries tend to develop the capital market. Sound financial development help to benefit the incomes of the poorest. Ötker-Robe and Podpiera (2013) show that incidents of economic crisis can have severe effects on poverty.

Since 2009 the Sustainable Stock Exchanges (SSE) initiative has been working in partnership with stock exchanges to develop more sustainable capital markets. To create these markets, sustainable development must be integrated into the mainstream economy. Financial markets have an internationally framework for contributing to the creation of sustainable markets and society (Sustainable Stock Exchange Initiative, 2016).

Achieving the SDGs requires significant financing, estimated at US$5-7 trillion per year (UNCTAD, 2014). The public funding and development assistance remains important to achieve the SDGs, but these complex challenges require the flow of private capital. As the intersection between companies and investors, stock exchanges are well positioned to contribute to the SDGs (Sustainable Stock Exchange Initiative, 2016).

Considering the relevant role that capital markets play to achieve the SDGs, the fourth research question of this study is to understand whether the industries that dominate the capital markets in the Latin American countries are related to the SDGs in which the countries have a better or a worse performance.

RQ 4: Are the industries that dominate the capital markets in the Latin American countries linked to the SDGs in which the countries have a better or a worse performance?

3. Methodology and data source

To address the research questions the study uses content analysis, a common approach in sustainability reporting (Guidry and Patten 2010).

The Voluntary National Reviews of the Latin American countries that report to the HLPF in 2016 and 2017 come from the HLPF website. These countries are: Argentina (2017), Brazil (2017), Chile (2017), Colombia (2016), México (2016), Peru (2017) and Uruguay (2017). We use the content analysis software Atlat.ti to explore the disclosures done by each country regarding the 17 SDGs. The total number of words used by each country in the VNR to discuss each SDG is used as a proxy to disclosure effort and interest of the country on the specific SDG. We also look for the ten words that are more frequently mentioned in the VNRs. The coding approach was to identify in the VNRs the sections that explicitly discuss each SDG (the text below the SDG subheading), and in the generic sections, the coder identified sentences with explicit mentions to each SDGs. So, this study uses words as unit of analysis. Identifying the words relate to each SDG in the VNR is quite straightforward, as the majority of the countries organize the VNR in sections dedicated to each SDG. The coding error risk is reduced in this type of report as the word count is done in a dedicated SDG-section (Milne and Adler, 1999). In the generic sections the text is not usually directly linked to a specific SDG. The coding process consists of a coder assigned to a specific VNR and a reviewer that randomly review the coding performed by each reviewer. According to (Babbie, 1992), a summative approach to qualitative content analysis has the advantage to be an unobtrusive and nonreactive way to study the phenomenon of interest, that can provide basic insights into how words are actually used. This approach do not pretend to analyze meaning or quality, just it considers the amount of information disclosed, which is what we want to identify in this study and we call "disclosure effort".

The HLPF require the 2017 reporting countries to report at least on SDGs 1, 2, 3, 5, 9, 14. In 2016 the HLPF did not indicate the specific SDG to include in the report.

The public sector expenditure classified according to the functions of government of the Latin American countries under study come from the Economic Commission for

Latin American and the Caribbean (ECLAC) website. The latest available information available at ECLAC is for the year 2015. We consider that even though this is not the public expenditure of the VNR reporting year, 2015 is the year that the countries agreed to adopt the 2030 Agenda, so it is the starting point of the race. Also, public expenditure structure is not radically modified from one year to another, so we should expect that the 2015 structure should not differ significantly from the 2016 and 2017 structure.

We link the functions of government with the SDGs, so this allows us to use the resources allocation as a proxy of the government true intention to achieve a specific SDG. The public sector expenditure is expressed as a percentage of GDP. Using this information we identified the countries under study that allocate higher level of resources to the different functions of government linked to specific SDGs. We compare this information with each SDG disclosure effort in the VNRs. This comparison helps us to identify whether the "speech" related to each SDG, represented by the disclosures done in the VNRs, is aligned with the facts, represented by the resources allocation by SDG.

We understand that public expenditure could be driven by political decisions that are not necessarily linked to sustainability matters. But, considering that the countries that adhered to the 2030 Agenda agreed to incorporate the SDGs into their public policies and strategies, we consider appropriate to link the public expenditure allocated to the functions of governments with the SDGs.

Finally, this study explores the capital markets structure in the Latin American countries under study. The list of listed companies classified by industry sector for each country comes from the Orbis Database. The capital market industry mix is used to understand the potential contribution of each industry to development, more specifically, to achieve the SDGs more closely related to the industry activities.

4.   Results

4.1 The Latin American countries reporting efforts (RQ1 and RQ2)and the public expenditure allocation (RQ3)

The 17 SDGs are described in Table 1.

PLACE TABLE 1 HERE

Table 2 reports the results of the content analysis done in the VNRs of Argentina, Brazil, Chile, Colombia, Mexico, Peru and Uruguay.

PLACE TABLE 2 HERE

The 2017 SDG Index for these Latin American countries is greater than or equal to the world average of 64.8. Mexico and Colombia reported in 2016, and while Mexico discloses information on all SDGs, Colombia opts to report on selected SDGs. The HLPF did not indicate specific SDGs that reporting countries should include in the VNRs. In 2017, the HLPF indicated that countries should report at least on SDG 1, 2, 3, 5, 9 and 14. Brazil, Chile and Uruguay reported on the SDGs indicated by the HLPF (Brazil also reports voluntary on SDG 17 and Uruguay on SDG 16). Argentina and Peru reported on all SDGs in 2017.

A brief analysis of each country VNR is reported below.

4.1.1 Argentina

In adapting the 2030 Agenda to its national context, Argentina took into account the indivisibility, integrality and cross-cutting nature of the Agenda. Consequently, it incorporated the 17 Sustainable Development Goals and prioritized the related targets, in accordance with the aspirational goal of eliminating poverty and the Government's national priorities. The national Government states that is working to align its own priority goals and initiatives and the Sustainable Development Goals with the programmes and activities under the 2018 budget.

The Argentine government establishes its own objectives which are eight and links them to the SDGs. The goal of the Argentine government that is linked to more SDGs is the "sustainable human development" and this is reflected in the VNR since the word "development" is the most cited in the document as shown in Table 3.

PLACE TABLE 3 HERE

SDGs 8 (Decent work and economic growth), 4 (Quality education) and 3 (Good health and well-being) are in the top 3 of the most extensively explained in the document. These SDGs are in a yellow or orange situation according the SDG

Index. SDGs 1 and 6 that are in green and SDGs 16 and 10 that are in red are one of the least explained in the document.

Table 4 shows that Argentina is in the top 3 of countries under study that allocate a higher proportion of total public expenditure in the functions of social protection, health, economic affairs, public order and safety and housing and community amenities. This means that the allocation of expenditure in economic affairs and health is aligned with the disclosure efforts and SDG focus on the VNR. On the contrary, even though education ranks second on the disclosure efforts, the relative level of expenditure is not aligned. It is interesting to note that education is in yellow, so as it means that it is a goal close to achievement there is no need to allocate high level of resources relative to the other Latin American countries.

PLACE TABLE 4 HERE

4.1.2 Brazil

The Brazilian government states that it is taking the necessary steps to emerge from a recent economic crisis. The country is controlling expenditures, while maintaining constitutionally-mandated spending on education and health. The 2016-2019 multi-year plan (PPA) is the main instrument for medium-term planning, and the first step to incorporate the 2030 Agenda was to link the SDGs targets with the goals, targets and initiatives of the PPA.

SDGs 1 (No poverty), 9 (Industry, innovation and infrastructure) and 14 (Life below water) are in the top 3 of the most extensively explained in the document. These SDGs are in a red or orange situation. Brazil has achieved SDG 7, affordable and clean energy.

In the 2017 VNR, Brazil states that local governments play an essential role in the adaptation of national targets and indicators to the local reality, with actions that take into account SDGs targets in their planning and budgeting, including civil society participation and engagement.

Brazil is in the top 3 of countries under study that allocate a higher proportion of total public expenditure in the functions of social protection and general public services.

This means that the allocation of expenditure in no poverty is aligned with the disclosure efforts and SDG focus on the VNR. This SDG is in orange.

On the contrary, even though industry, innovation and infrastructure and life below water rank second and third on the disclosure efforts and are in orange and red respectively, the relative level of expenditure is not aligned.

4.1.3 Chile

As a middle-income country, a member of the Organization for Economic Cooperation and Development and one of the most open economies in the world, Chile faces significant long-term challenges: reaching sustainable and inclusive development; reducing poverty and inequality; addressing climate change; and strengthening democratic institutions.

In the axis of strengthening democratic institutions, Chile declares that access to justice and the strengthening of institutions, democracy and citizen participation are prerequisites for inclusive and sustainable development.

SDGs 14 (Life below water), 3 (Good health and well-being) and 5 (Gender equality) are in the top 3 of the most extensively explained in the document. These SDGs are in a red or orange situation. SDG 6 that is in green is one of the least explained in the document.

Chile is in the top 3 of countries under study that allocate a higher proportion of total public expenditure in the functions of education, health and defence. This means that the allocation of expenditure in health is aligned with the disclosure efforts and SDG focus on the VNR. The main challenges identified by Chile related to health are the difficulties of access to the health system and waiting lists for specialist care and interventions.

On the contrary, even though life under water and gender equality rank first and third on the disclosure efforts and are in red, the relative level of expenditure is not aligned. In relation to gender equality, the country is implementing public policies to promote corporate and social responsibility and equality between men and women. The Gender Parity Initiative is a public-private partnership aimed at reducing the

economic gender gap while the Promotion Project focuses on ensuring greater representation of women in high-level leadership roles in private businesses.

4.1.4 Colombia

This is one of the megadiverse countries in the planet, which implies its strategic importance in terms of environmental and social sustainability. However, the country has maintained an economic model on primary sectors, mainly in agricultural and extractive activities (mining), which have not achieved production processes fully aligned with sustainability. As a result, these activities have generated desertification processes with negative impacts on communities and ecosystems. Despite the efforts made by Colombia in terms of the Millennium Development Goals between 2001 and 2015 the progress was insufficient.

Likewise, in 2014-2018 government's development plan called "Todos por un nuevo país" sets specific goals for the 2030 Agenda. In this plan, objectives with a regional focus were prioritized and the national territory is divided into six regions. Thus, in the Caribbean region it is proposed the strategy of "Prosperity and alleviation of extreme poverty"; in the region of the coffee axe and Antioquia it is determined the strategy of "innovative human capital in inclusive territories"; in the Pacific region, the strategy is "Fairness, integration and sustainable use of the market"; in the Central-East region it is proposed the strategy called "Connectivity for the integration of the region"; in the region of eastern Orinoco the strategy is denominated "Protection of the environment, agro-industry and human development" and in the center-south region and the Amazon, the strategy is established under the name of "Rural development and conservation of the environment".

The content analysis carried out in the VNR of Colombia 2016 shows that the report concentrates on SDGs 3 (Good health and well-being), 8 (Decent work and economic growth) and 17 (Partnerships for the goals). The word health is among the top 10 most cited words in the document. It is striking that the VNR does not expressly mentions SDG 16, despite the report is entitled "The SDGs as an instrument to Consolidate Peace".

Colombia is in the top 3 of countries under study that allocate a higher proportion of total public expenditure in the functions of social protection, health, defence, recreation, culture and religion and environmental protection. This means that the allocation of expenditure in health is aligned with the disclosure efforts and SDG focus on the VNR.

On the contrary, even though decent work and economic growth and partnership for the goals rank second and third on the disclosure efforts and are in red and orange respectively, the relative level of expenditure is not aligned.

4.1.5 Peru

The Strategic Plan of National Development (PEDN) of Peru has validity until 2021, and the 2030 Agenda is being incorporated in the update of the Strategic Plan. Two main mechanisms for implementation have been proposed: (i) the preparation of the concerted vision of the country's future by 2030; and (ii) the updating of policies and plans, with special focus on the welfare of the people taking into account the specific conditions of the regional areas.

SDGs 16 (Peace, justice and strong institutions), 17 (Partnerships for the goals) and 11 (Sustainable cities and communities) are in the top 3 of the most extensively explained in the document. These SDGs are in a red or orange situation. Peru has no SDG in green, meaning that the country has not achieved any objective yet.

The Peruvian government states in the VNR that the national budget driven by results allows the government to measure the impact that the resources allocation has in the population.

Peru is in the top 3 of countries under study that allocate a higher proportion of total public expenditure in the functions of economic affairs, public order and safety, defence and environmental protection. This means that the allocation of expenditure in public order and safety is aligned with the disclosure efforts and SDG focus on the VNR. This SDG is in red.

On the contrary, even though partnership for the goals and sustainable cities and communities rank second and third on the disclosure efforts and are in orange, the

relative level of expenditure is not aligned.

4.1.6 Mexico

Mexico has recognized the need to make major structural changes in the government in order to respond to the integrated nature of the 2030 Agenda, so, it is necessary to establish commitments at all levels, identify national priorities as well as identifying the need of new public policies.

In the VNR, Mexico does a diagnosis of the alignment of the 17 SDGs with the five axes of the national development plan, which are; Mexico inclusive, Mexico in peace, Mexico with global responsibility, Prosperous Mexico and Mexico with quality education. It also analyzes the relationship with the national public policy.

SDGs 17 (Partnerships for the goals), 8 (Decent work and economic growth) and 2 (Zero hunger) are in the top 3 of the most extensively explained in the document. These SDGs are in a red or orange situation. Mexico has no SDG in green, meaning that the country has not achieved any objective yet.

Mexico is in the top 3 of countries under study that allocate a higher proportion of total public expenditure in the functions of general public services, economic affairs and housing and community amenities. This means that the allocation of expenditure in decent work and economic growth is aligned with the disclosure efforts and SDG focus on the VNR. This SDG is in red.

On the contrary, even though partnership for the goals and zero hunger rank first and third on the disclosure efforts and are in orange and red respectively, the relative level of expenditure is not aligned.

Mexico states that it is important to align and manage the budget in order to fully achieve the 17 SDGs. It is important to emphasize that although the objectives can be aligned with the National Development Plan and structural reforms; there is still a long way to go and a lot of work to be done in order to achieve the objectives over time.

4.1.7 Uruguay

Uruguay called to a social dialogue in order to know the ideas that the community and the public sector had that will help the country to develop considering the SDGs. Incorporating the 2030 Agenda in the national programs requires a significant effort of communication, monitoring and national goals setting processes.

SDGs 16 (Peace, justice and strong institutions), 3 (Good health and well-being) and 2 (Zero hunger) are in the top 3 of the most extensively explained in the document. These SDGs are in a red or orange situation. Uruguay has no SDG 1 and 7 in green, meaning that the country has already achieved these objectives.

Uruguay incorporated the SDGs in the national budget which is driven by results. The national budget is organized in priority areas and the SDGs are linked to them. This is a significant tool that helps the country to incorporate the SDGs in the institutional mechanisms of the public sector, because this allows estimating the expenses related to each SDG and monitor them. This will help the country to incorporate the SDGs in the strategic planning of each public sector institution.

Uruguay is in the top 3 of countries under study that allocate a higher proportion of total public expenditure in the functions of general public services and education. This means that the allocation of expenditure in general public services is aligned with the disclosure efforts and SDG focus on the VNR. This SDG is in red.

On the contrary, even though good health and well-being and zero hunger rank second and third on the disclosure efforts and are in orange, the relative level of expenditure is not aligned.

4.2 The capital markets structure and the SDGs

The structure of the Latin American countries' GDP is shown in Table 5.

PLACE TABLE 5 HERE

Argentina and Peru are the countries that show the highest participation of Agriculture in the GDP (8%), Colombia shows the highest participation of industry without manufacturing (20%), Mexico shows the highest participation of

manufacturing (19%). Services represent the highest participation in the Latin American countries, showing on average a 64.29% share.

When we look into the capital market's structure in the Latin American countries in Table 6, proxied by the number of companies, we find that manufacturing is the industry with the highest share in Uruguay (43%) and in Argentina (35%). This industry only contributes with a 14.29% in the Latin American countries GDP.

PLACE TABLE 6 HERE

Industry without manufacturing contributes with a 15.29% to the Latin American countries' GDP while these industries represent a 19% in these countries' capital markets. Agriculture contributes with a 6.14% to the Latin American countries' GDP and participates with a 4% in these countries' capital markets. Finally, services contribute with a 64.29% to the Latin American countries' GDP and participate with a 50% in these countries' capital markets.

The listed companies in these countries will play a relevant role in the achievement of the SDGs, so it is important to understand the type of contribution they will do and how this matches with the different SDGs.

Understanding the GDP structure is also important as this talks about the profile of the Latin American countries and hence, the relevance that the different SDGs have among them.

5. Concluding remarks

This paper has reported the results of a content analysis performed to identify whether the disclosure effort done by the Latin American countries in the 2016 and 2017 VNRs are aligned with the public expenditure allocated to the functions of government. The HLPF guidelines do not require countries to explicitly link the resource allocated to each SDG or its related targets. But in the Latin American countries, where resources are scarce, the efficiency of resource management is essential. Some countries state in their VNR that they are aligning their national budgets, plans or strategies to the SDGs.

Using content analysis to address the study's research questions, we identified that Latin American countries are concentrating the disclosure effort in SDGs 3 (Good health and well-being), 8 (Decent work and economic growth) and 17 (Partnership for the goals) (SDG 3 is included in the top 3 in 4 countries while SDGs 8 and 14 are included in the top 3 of 3 countries). In all the cases, these SGs are in orange code, except for SDG 8 that it is red in Mexico and Colombia. SDGs 6, 7, 10, 12, 13 and 15 are not prioritized in these countries' VNRs (they are not in the most mentioned top 3). Considering these results as a whole; we conclude that the reporting Latin American countries are focusing their disclosure efforts on the SDGs that need a significant progress to be achieved. Pérez-Cuevas et. Al (2017) argue that the most frequent barrier to access to healthcare in Latin America is lack of the primary medical home, difficulties in obtaining medical care during the weekends and financial barriers. The study suggests that focusing on tackling organizational and financial barriers and ensuring access to a primary medical home should be placed on the agenda of Latin American countries. It is also reasonable that one of the main concerns of the Latin American governments is to achieve decent work and economic grow in their economies. All these countries are emerging economies, so one of the main worries for them is to attract foreign investment to create employment opportunities. Ball et. al (2011) find that unemployment in Latin America is influenced by the size of the rural population and that the effects of government regulations are generally weak. Finally, SDG 17 is another focus of attentions for these countries. It is a challenge for Latin America to bring the public and private sector working together. An example of this is that in Latin America the success of

PPP projects is very limited.

The findings also show that the disclosure efforts are not completely aligned with the public expenditure. In the case of SDG 3 (Good health and well-being), Argentina, Chile and Colombia show a public expenditure with focus on this objective, showing a disclosure effort aligned with the reality. In the case of Uruguay, the public expenditure is not focused on SDG 3 while it is a SDG where the country shows a significant disclosure effort. SDG 8 disclosure efforts are aligned with the public expenditure in Argentina and Mexico, while in Colombia it is not the case. Finally, only Mexico aligns its public expenditure to SDG 17 disclosure efforts. Colombia and Peru disclose significant amount of information but do not align the public expenditure. Considering the top 3 SDGs in which these 7 countries focus the disclosure efforts, we find that out of these 21 SDGs, only in 9 cases the public expenditure (reality) is aligned with the speech.

A significant effort should be done by Latin American governments to incorporate the SDGs in their public agendas, programs and budget, because even though they state in the VNRs that they are working on this, this study results show it is not enough, as their public expenditure is not allocated in their priority objectives. We also shed some light on the role that the private sector could have to help the private sector achieving the SGS.

Our results contribute the debate about the efficiency of Latin American countries to address the SDGs, and the usefulness of VNRs presented to the HLPF. With the current structure of these reports, the reader is not able to draw conclusions about the degree of achievement of each SDG and the alignment of public expenditure to achieve the priority SDGs. This study could also serve as a starting point to discuss the design of a new accounting technology to prepare the VNRs. The current compilation of results done be the HLPF is currently not informative in the topics discussed in the study.

The limitations of this study are related to the methodology used to measure the disclosure effort, as we consider disclosure efforts as amount of words, that doesn't proxy for quality, just quantity. Also, the SDG Index is prepared using national statistics that could not be of the highest quality in some cases. Also, we linked the

SDGs to the functions of government, but this connection is not always straightforward.

This study is novel as it identifies the SDGs where the disclosure efforts of Latin American countries are allocated and their ability to align public expenditure with it. Accounts have an important role to play in the design of a new reporting technology to turn the VNR more informative. This study also creates avenues for future research. It will be interesting to monitor and follow up how the countries reallocate their disclosure efforts among the SDGs, how this is coupled with the change in the achievement level, and whether a reallocation of public expenditure is done considering the achievement level of the SDGs.

References

Bebbington, J., Unerman, J. (2018). "Achieving the United Nations Sustainable Development Goals: An enabling role for accounting research", *Accounting, Auditing & Accountability Journal*, 31(1), 2-24.

Guidry R., Patten D. (2010). Market reactions to the first-time issuance of corporate sustainability reports: Evidence that quality matters. *Sustainability, Accounting, Management and Policy Journal*, 1(1), 33–50

Hajer, M., Nilsson, M., Raworth, K., Bakker, P., Berkhout, F., de Boer, Y., Rockström, J., Ludwig, K. and Kok, M. (2015), "Beyond cockpit-ism: four insights to enhance the transformative potential of the Sustainable Development Goals", Sustainability, 7(2), 1651-1660.

High-level Political Forum (2018). Handbook for the preparation of national voluntary reviews. The 2018 Edition. Division for sustainable development. Department of economic and social affairs. United Nations, 2018.

Milne, M. J., & Adler, R. W. (1999). Exploring the reliability of social and environmental disclosures content analysis. Accounting, Auditing & Accountability Journal, 12(2), 237-256.

OECD (2015), "Classification of the Functions of Government (COFOG)", in *Government at a Glance 2015*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2015-68-en.

Otker-Robe, I., & Podpiera, A. M. (2013). The social impact of financial crises: evidence from the global financial crisis. Policy research paper 6703. The Worl Bank.

Pérez-Cuevas, R., Guanais, F. C., Doubova, S. V., Pinzón, L., Tejerina, L., Pinto Masis, D. & Macinko, J. (2017). Understanding public perception of the need for major change in Latin American healthcare systems. *Health policy and planning*, 32(6), 816-824.

Porter, M., Stern, S. and Green, M. (2017). Social Progress Index. Social Progress Imperative, 2017.

Sustainable Development Solutions Network (2017). SDG Index & Dashboards Report. Accedido: 15/12/17: http://www.sdgindex.org/assets/files/2017/2017-SDG-Index-and-Dashboards-Report--full.pdf

Sustainable Stock Exchange Initiative (2016). 2016 Report on Progress: A paper prepared for the sustainable stock exchanges 2016 global dialogue. Sustainable Stock Exchange.

United Nations (2015). Transforming our world: the 2030 Agenda for Sustainable Development. Resolution adopted by the General Assembly on 25 September 2015.

United Nations Conference on trade and development (UNCTAD) (2014). World Investment Report 2014. UNCTAD, United Nations.

World Bank Group, 2016. The World Bank Group's Support to Capital Market Development. Independent evaluation group. World bank Group. Washington, 2016.

Table 1. The Sustainable Development Goals (SDG)

SDG	Description
1	No poverty
2	Zero hunger
3	Good health and well-being
4	Quality education
5	Gender equality
6	Clean water and sanitation
7	Affordable and clean energy
8	Decent work and economic growth
9	Industry, innovation and infrastructure
10	Reduced inequalities
11	Sustainable cities and communities
12	Responsible consumption and production
13	Climate action
14	Life below water
15	Life on land
16	Peace, justice and strong institutions
17	Partnerships for the goals

Source: Quoted from: https://sustainabledevelopment.un.org/sdgs (accessed 7 May 2018)

Table 2. Latin American countries SDGs' disclosure efforts in the 2016 / 2017 VNRs

Argentina	2017		Brazil	2017		Chile	2017		Colombia	2016	
SDG	Words in VNR section	%VNR	SDG	Words in VNR section	% VNR	SDG	Words in VNR section	% VNR	SDG	Words in VNR section	% VNR
8	1,416	14.8%	1	1,222	7.1%	14	5,397	16.8%	3	1,894	12.9%
4	1,386	14.5%	9	977	5.7%	3	4,930	15.3%	8	1,748	11.9%
3	1,334	14.0%	14	863	5.0%	5	3,883	12.1%	17	1,344	9.1%
2	1,022	10.7%	17	805	4.7%	1	2,657	8.2%	6	738	5.0%
9	736	7.7%	3	794	4.6%	9	2,571	8.0%	1	697	4.7%
15	723	7.6%	2	550	3.2%	2	2,209	6.9%	5	693	4.7%
17	687	7.2%	5	539	3.1%	15			16	470	3.2%
11	596	6.3%	4			12			13	356	2.4%
16	449	4.7%	6			4			4	104	0.7%
5	302	3.2%	7			13			2	94	0.6%
1	253	2.7%	8			6			7		
10	159	1.7%	10			11			9		
6	120	1.3%	11			10			10		
13	107	1.1%	12			16			11		
14	100	1.1%	13			17			12		
7	96	1.0%	15			8			14		
12	55	0.6%	16			7			15		
Total words	9,541	100%		17,223	100%		32,210	100%		14,733	
SDG Index 2017	72.5			69.5			71.6			64.8	

Mexico	2016		Peru	2017		Uruguay	2017	
SDG	Word in VNR section	%VNR	SDG	Words in VNR section	% VNR	SDG	Words in VNR section	% VNR
17	2,027	5.5%	16	560	3.6%	16	20,601	15.4%
8	1,922	5.2%	17	390	2.5%	3	15,638	11.7%
2	1,613	4.4%	11	366	2.4%	2	13,153	9.9%
5	1,373	3.7%	5	353	2.3%	5	12,417	9.3%
16	1,290	3.5%	1	330	2.1%	14	9,496	7.1%
10	1,253	3.4%	3	328	2.1%	1	9,252	6.9%
11	1,145	3.1%	4	321	2.1%	9	8,401	6.3%
3	1,085	3.0%	13	267	1.7%	8		
4	1,069	2.9%	12	242	1.6%	12		
14	1,059	2.9%	8	239	1.5%	4		
1	880	2.4%	10	203	1.3%	6		
9	863	2.4%	15	186	1.2%	10		
15	842	2.3%	14	177	1.1%	13		
12	804	2.2%	6	168	1.1%	15		
6	565	1.5%	2	158	1.0%	7		
13	539	1.5%	9	132	0.9%	17		
7	389	1.1%	7	92	0.6%	11		
Total words	36,620	100%		15,512	100%		133,472	100%
SDG Index 2017	69.1			66.0			71.0	

Words in VNR section: represent the total number of words used by each country to talk about a specific SDG in the VNR

% VNR: Words in VNR section divided into the Total words in the VNR

Year: Represent the year in which the VNR was issued

SDG Index 2017: A green rating denotes SDG achievement, and is assigned to a country on a given SDG only if all the indicators under the goal are rated green. Yellow, orange and red indicate increasing distance from SDG achievement.

Table 3. Latin American countries' top ten words in the 2016 / 2017 VNRs

Argentina			Brazil			Chile			Colombia		
Word	SDG	#	Word	SDG	#	Word	SDG	#	Word	SDG	#
desarrollo		338	development		187	desarrollo		420	ods		237
energías		128	brazil		158	tier		314	desarrollo		197
indicador		183	national		152	nacional		300	nacional		141
metas		161	sustainable		138	chile		253	colombia		127
ministerio		556	agenda		112	social		236	país		100
nacional		275	sdgs		100	pobreza	1	230	salud	3	84
ods		521	goals		96	salud	3	210	sostenible		80
renovables		128	review		79	ministerio		203	agenda		78
salud		183	public		72	información		177	implementación		78
social		197	poverty		69	sostenible		164	pobreza	1	78

Mexico			Peru			Uruguay		
Word	SDG	#	Word	SDG	#	Word	SDG	#
desarrollo		525	indicadores		169	uruguay		857
países		268	desarrollo		168	nacional		822
agenda		252	nacional		132	desarrollo		622
sostenible		228	políticas		110	salud	3	621
méxico		156	sostenible		93	mujeres		448
nacional		143	seguimiento		82	ley		439
ods		141	futuro		78	indicador		396
acceso		103	país		71	país		390
particular		103	perú		70	información		341
recursos		103	agenda		68	ods		336

Table 4. Latin American countries' public expenditure classified by functions of the government

Classification of the functions of government	SDGs	Argentina	%	Brazil	%	Chile	%	Colombia	%
GDP per capita (current USD)		13467.1		8757.2		13653.2		6044.5	
Total public expenditure (as a percentage of GDP)		47.2		43.7		23.5		32.8	
No social expenditure		16.3		18.0		7.5		12.0	
General public services	16, 17	4.7	10%	11.3	26%	1.7	7%	4.6	14%
Defence	16	0.5	1%	0.7	2%	0.9	4%	1.5	4%
Public order and safety	16	4.4	9%	3.0	7%	1.7	7%	2.2	7%
Economic affairs	7, 8, 9, 12	6.7	14%	3.0	7%	3.1	13%	3.8	11%
Social expenditure		30.9		25.6		16.0		20.7	
Environmental protection	6, 12, 13, 14, 15	0.1	0%	0.5	1%	0.1	0%	0.6	2%
Housing and community amenities	6, 7, 11	2.7	6%	1.0	2%	0.4	2%	0.6	2%
Health	3	7.1	15%	5.1	12%	4.4	19%	4.9	15%
Recreation, culture and religion	4	0.3	1%	0.3	1%	0.2	1%	0.9	3%
Education	4	6.6	14%	5.6	13%	4.7	20%	4.6	14%
Social protection	1, 2, 5, 10	14.1	30%	13.2	30%	6.3	27%	9.1	28%

Classification of the functions of government	SDGs	Mexico	%	Peru	%	Uruguay	%
GDP per capita (current USD)		9152.9		6030.3		15524.8	
Total public expenditure (as a percentage of GDP)		26.8		26.3		25.7	
No social expenditure		14.4		13.3		10.8	
General public services	16, 17	6.7	25%	3.8	15%	7.0	27%
Defence	16	0.6	2%	1.2	5%	0.6	2%
Public order and safety	16	0.8	3%	2.2	8%	1.7	7%
Economic affairs	7, 8, 9, 12	6.3	23%	6.1	23%	1.4	6%
Social expenditure		12.4		13.0		14.9	
Environmental protection	6, 12, 13, 14, 15	0.2	1%	1.4	5%	0.0	0%
Housing and community amenities	6, 7, 11	1.8	7%	0.6	2%	0.5	2%
Health	3	2.7	10%	3.7	14%	3.0	12%
Recreation, culture and religion	4	0.2	1%	0.3	1%	0.2	1%
Education	4	3.7	14%	3.8	14%	4.4	17%
Social protection	1, 2, 5, 10	3.8	14%	3.1	12%	6.8	26%

Source: Economic Commission for Latin American and the Caribbean (ECLAC), United Nations, 2015.

Green: Show the countries with higher level of expenditure in a specific function of government

Table 5. Structure of Latin American countries' GDP in 2016 (% GDP)

Country	Agriculture	Industry without manufacturing	Manufacturing	Services	Total
Argentina	8	11	16	65	100
Brazil	5	9	12	74	100
Chile	4	19	12	65	100
Colombia	7	20	13	60	100
Mexico	4	14	19	63	100
Peru	8	19	14	59	100
Uruguay	7	15	14	64	100
Average	6.14	15.29	14.29	64.29	

Agriculture includes forestry, hunting, and fishing, as well as cultivation of crops and livestock production. Industry without manufacturing comprises value added in mining, construction, electricity, water, and gas. Manufacturing is reported separately. Services include value added in wholesale and retail trade (including hotels and restaurants), transport, and government, financial, professional, and personal services such as education, health care, and real estate services.

Source: The World Bank

Table 6. Latin American countries' capital market structure (number of companies)

Country	A	%	B	%	C	%	D	%	E	%	F	%	G	%	H	%	I	%	J	%	Other	%	Total
Argentina	36	35%	15	15%	19	18%	5	5%	8	8%	3	3%	1	1%	5	5%	5	5%	6	6%	0	0%	103
Brazil	110	28%	87	22%	45	11%	20	5%	17	4%	20	5%	23	6%	7	2%	17	4%	12	3%	37	9%	395
Chile	45	21%	38	18%	24	11%	14	7%	6	3%	16	8%	13	6%	15	7%	3	1%	3	1%	34	16%	211
Colombia	21	28%	20	27%	10	14%	3	4%	3	4%	0	0%	2	3%	7	9%	5	7%	0	0%	3	4%	74
Mexico	38	26%	39	27%	1	1%	14	10%	14	10%	5	3%	7	5%	0	0%	10	7%	4	3%	13	9%	145
Peru	50	26%	63	32%	20	10%	10	5%	5	3%	6	3%	3	2%	11	6%	4	2%	12	6%	12	6%	196
Uruguay	3	43%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	2	29%	0	0%	1	14%	1	14%	7
Total	303	27%	262	23%	119	11%	66	6%	53	5%	50	4%	49	4%	47	4%	44	4%	38	3%	100	9%	1131

References:

A	Manufacturing
B	Financial and insurance activities
C	Electricity, gas, steam and air conditioning supply
D	Wholesale and retail trade
E	Construction
F	Real estate
G	Transportation and storage
H	Agriculture, forestry and fishing
I	Information and communication
J	Mining and quarrying
Other	Includes: water supply, transport, health, education, entertainment

Source: Orbis Database

Green: countries where the industry participation in the GDP is above the Latin American countries' average

Table 7. Disclosure effort (speech) vs. public expenditure (reality)

Argentina		Brazil		Chile		Colombia	
SDG	Public expenditure	SDG	Public expenditure	SDG	Public expenditure	SDG	Public expenditure
8		1		14		3	
4		9		3		8	
3		14		5		17	

Mexico		Peru		Uruguay	
SDG	Public expenditure	SDG	Public expenditure	SDG	Public expenditure
17		16		16	
8		17		3	
2		11		2	

The colour in SDG column represents the SDG Index colour code. The green in public expenditure column represent public expenditure higher than the Latin American countries' average