INFF | Integrated National Financing Frameworks

Inception phase

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Content

1. Introduction

Integrated national financing frameworks (INFFs) are a planning and delivery tool to finance sustainable development at the national level. Country led and country owned, they help policymakers map the landscape for financing sustainable development and lay out a strategy to increase and make most effective use of all types of finance for sustainable development, coordinate technical and financial cooperation they receive, manage financial and non-financial risks, and ultimately achieve priorities articulated in a national sustainable development strategy or plan. In short, INFFs are a tool for governments to operationalise the Addis Ababa Action Agenda at the national level.

INFFs can also play a two-fold role in supporting governments to deal with the Covid-19 pandemic and its fallout. First, specific elements of INFFs can support immediate crisis response efforts – such as a rapid assessment of the impact on the financing landscape and a rapid review of support options from the international community. Second, INFFs can help formulate comprehensive strategies for recovery that is aligned with the SDGs, the Paris Agreement and that is sustainably financed (see Box 1).

The Addis Ababa Action Agenda, which introduced the concept of INFFs, provides a framework for financing the 2030 Agenda for Sustainable Development. It recognises that public and private finance have important, differentiated, roles to play in advancing sustainable development. The agenda lays out both national and global actions, underlining the importance of an enabling international economic environment. Member States of the United Nations (UN) have agreed that national efforts are crucial in delivering this global agenda, with 'cohesive, nationally owned sustainable development strategies, supported by integrated national financing frameworks… at the heart of our efforts'.

The Inter-agency Task Force on Financing for Development (IATF) has been tasked with supporting countries' efforts to operationalise INFFs by developing toolkits and guidance material[1]. Additionally, the Secretary-General's Strategy for Financing the 2030 Agenda and its three-year Roadmap of actions and initiatives commit the UN development system to support countries in adopting and implementing INFFs. A number of countries have decided to pioneer the INFF concept with support from the UN and the European Union.

This inception phase guidance is the first in a series of guidance documents that will be published in support of INFF implementation. Others will cover the four INFF building blocks: (i) assessments and diagnostics; (ii) the financing strategy; (iii) monitoring and review; and (iv) governance and coordination. These all build on the 2019 Financing for Sustainable Development Report, particularly Chapter II on INFFs[2].

The focus in the next sections is on how to start the process of operationalising an INFF (technical guidance) and who should do so (the political dimension). Section 2 provides an overview of what an INFF is (and is not). Section 3 provides guidance on the preparatory work needed for the design and implementation of INFFs at the country level: section 3.1 lays out the initial scoping exercise; section 3.2 covers how to institutionalise an INFF within a national government, along with stakeholders that will need to be mobilised; section 3.3 provides guidance for developing a roadmap or plan of action to set up an INFF. Key steps are summarised in the form of a checklist (see Annex).

1 E/FFDF/2019/3, paragraph 4: https://www.un.org/ga/search/view_doc.asp?symbol=E/FFDF/2019/3

2 For more information on the 2019 report, its thematic chapter and IATF work on INFFs, see: https://developmentfinance.un.org/2019-integrated-national-financing-frameworks-sustainable-development

2. Integrated national financing framworks: an overview

2.1. What is an INFF?

An INFF is a planning and delivery tool to help countries strengthen planning processes and overcome existing impediments to financing sustainable development and the SDGs at the national level. It lays out the full range of financing sources – domestic public resources, aid and development cooperation, and domestic and international private finance – and allows countries to develop a strategy to increase investment, manage risks and achieve sustainable development priorities as identified in a country's national sustainable development strategy.

2.2. What is the value added of an INFF?

By taking an integrated approach, INFFs can help governments:

- **Mobilise additional financing** to support sustainable development priorities;
- **Better manage** an increasingly complex financing landscape;
- **Enhance coherence** across different financing policies, addressing synergies, inconsistencies and trade-offs, and aligning them to medium and long-term sustainable development priorities;
- **Support long-term investment and strengthen medium- and long-term planning** by better aligning financial market incentives with longer-term goals and helping overcome incrementalism in public budgets;
- **Streamline** the wide variety of tools and instruments offered by the international community to support national action;
- **Enhance transparency** of financing flows;
- **Match different types of financing** – domestic and international, public and private – to their most appropriate use and in achieving greater impact vis-à-vis national priorities and needs;
- **Strengthen their voice** in global policy processes by providing a bridge between national level action and more systemic, global level efforts to improve the enabling environment for sustainable development financing;
- **Better align development cooperation** with country priorities and develop policy requests of the international community on financing issues that affect countries' ability to finance national development, but over which they may have little or no control;
- **Overcome existing impediments** to financing sustainable development.

2.3. What lessons have emerged from early INFF implementation efforts?

A growing number of countries are developing more integrated approaches to better utilise existing financial resources and mobilise additional financing to achieve national sustainable development objectives. This is being done either as pioneers in developing INFFs or through deliberate processes to strengthen the financing components of their national development strategies and plans. Several lessons for good practices arise from these initial experiences:

- **Align financing policies with national sustainable development priorities** and the SDGs to leave no one behind, and promote gender equality and the empowerment of women and girls[3].
- **Establish support from the highest level of government** to provide political backing, along with leadership at a senior technical level, and ensure national ownership of all financing plans.
- National actions must be complemented with **global action to support national efforts.**
- **Ensure inclusive engagement** with the legislature, the private sector, civil society, development partners and other stakeholders to create ownership by all actors.
- **Maintain a prioritised, targeted and flexible approach** by starting from a comprehensive scan of all financing policy frameworks, with a view to identify and implement targeted, gradual and sequenced policy actions, building on existing policies, institutions, structures and capacities. This includes prioritising policy actions with the greatest impact, and a flexible and adaptive approach responsive to feedback and changing circumstances.
- **Be risk-informed** by mainstreaming risk management across financing policies; raising awareness of risks across economic, social, environmental and other dimensions; and incorporating risk management into policies.
- **Be cognizant of the transaction costs** in supporting additional policy and institutional development.

2.4. How can countries apply INFFs to better align financing with sustainable development?

Countries do not to start from scratch – almost all countries have policies and institutional arrangements on financing in place. The IATF's 2019 Financing for Sustainable Development Report identifies four INFF building blocks: (i) assessment and diagnostics, (ii) the financing strategy, (iii) monitoring and revi¬ew, and (iv) governance and coordination (Figure 1).

In practice, an INFF will often commence with an inception phase which pulls together existing information, e.g. through a Development Finance Assessment (see Box 2), and which lays the basis for developing an INFF. Addressing the subsequent building blocks is not a sequential exercise, as each informs the others: coordination mechanisms guide actions in all areas, feedback from monitoring and review informs the financing strategy, etc. The INFF can help bring together and strengthen policies and institutional arrangements in each of the building blocks to align efforts, identify gaps, strengthen coherence and enhance resources.

3 In line with national development plans and commitments in the 2030 Agenda for Sustainable Development; the Addis Ababa Action Agenda; and related international agreements, including the Paris Agreement, the Sendai Framework and the New Urban Agenda.

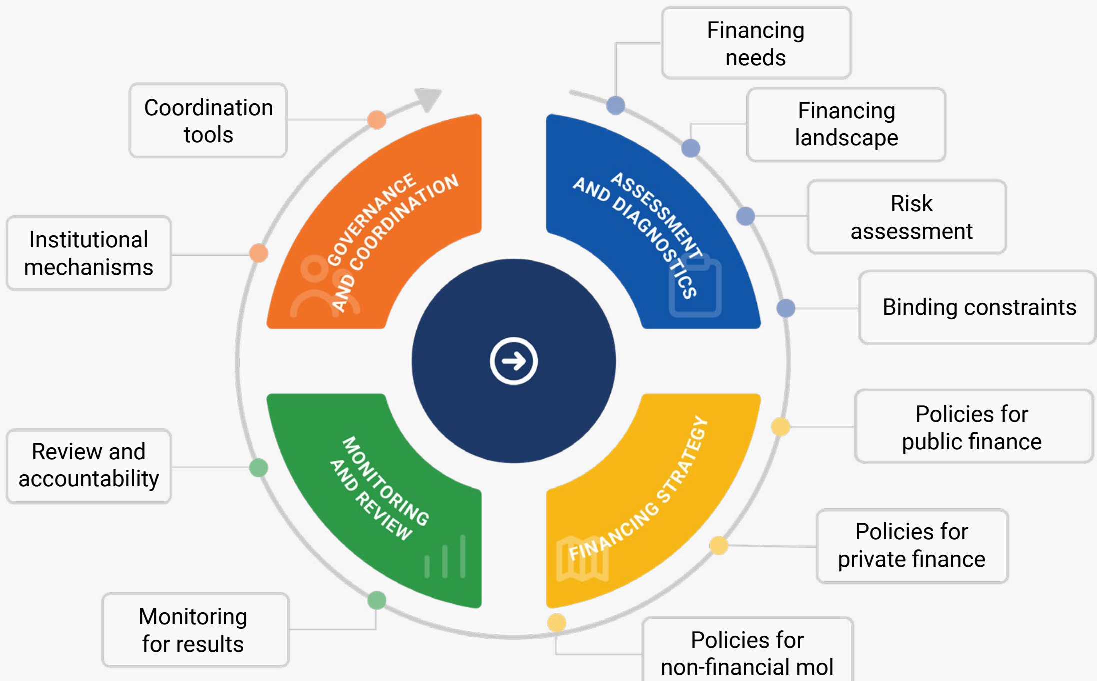
FIGURE 1. INFF BUILDING BLOCKS

Governance and coordination

Successfully implementing an integrated approach to financing requires strong political backing, broad-based ownership across government institutions and their partners, and coordination and communication across government and beyond. This lesson emerges consistently from experiences with sustainable development strategies and financing policy reform efforts. It calls for high-level government coordination and the participation of all stakeholders, building on existing institutional mechanisms.

Assessment and diagnostics

This includes analysing financing needs (e.g. via costing exercises) and the financing landscape, to create a baseline understanding of the financing gap. It also involves assessing risk and identifying policy, institutional and capacity binding constraints to shape the focus of the financing strategy.



Monitoring and review

Monitoring progress in mobilising and spending necessary financing as well as the impact of different financing flows and policies provides the basis for informed policymaking; facilitates learning, adaptation of instruments and policies to enhance their impact and risk mitigation; and lays the groundwork for greater transparency and accountability. It also enables an assessment of whether the financing strategy is succeeding in increasing overall coherence and alignment of financing and related policies.

The financing strategy

This is at the heart of the INFF. It includes better integration of national planning and public budgeting processes, alignment of policy and regulatory frameworks for private finance, and strengthened macro-prudential management. It should include capacity development and other non-financial means of implementation.

BOX 1. INFFs AND COVID-19

The COVID-19 pandemic is affecting countries around the world, with repercussions on both the sustainable development outlook and on current and future trends in financing – public and private – that will be available to drive recovery.
The pandemic has underlined the need for holistic approaches to financing that recognise and respond to heightened uncertainty, inter-connected shocks, and trade-offs between policy choices in different areas of financing. By supporting such an approach, INFFs can be a valuable tool in both the crisis and recovery phases.

In the crisis phase, elements from INFF scoping and inception efforts, including governance and coordination mechanisms, can help governments in their immediate response. For example, financing landscape scanning and analysis can support assessment of the impact of the crisis on financing flows and facilitate the identification of possible financing options. Coordination and governance mechanisms used to ensure effective design and implementation of INFFs bring together public and private actors, international and national stakeholders, and can facilitate a coordinated response to the crisis at the national level, while also strengthening country ownership and bolstering public confidence in governments' response efforts.

In the recovery phase, INFFs can be considered a tool to 'build back better', linking recovery strategies and plans to risk-informed and sustainable financing policies and reforms. Assessments and diagnostics (building block 1) highlight sources of external risks that can affect a country's ability to finance sustainable development, leading to more risk-informed planning and financing strategies, including risk-informed financing needs assessments, and better-informed policy asks and requests for support from the international community. The finance strategy (building block 2) guides the adoption of more risk-informed financing policies and reforms, such as financing mechanisms for social protection systems that can withstand future shocks or incentives for enhanced risk management and resilience. Monitoring and review processes and systems (building block 3) support a holistic view of trends and trajectories in different financing flows, which can form the basis for effective decision-making around the mobilisation of financing for recovery and building back better. Governance and coordination mechanisms (building block 4) strengthen cross-sector and cross-actor coordination and coherence, facilitating effective implementation of risk-informed policies and strategies, both within and beyond government, as well as enhanced response efforts when shocks occur.

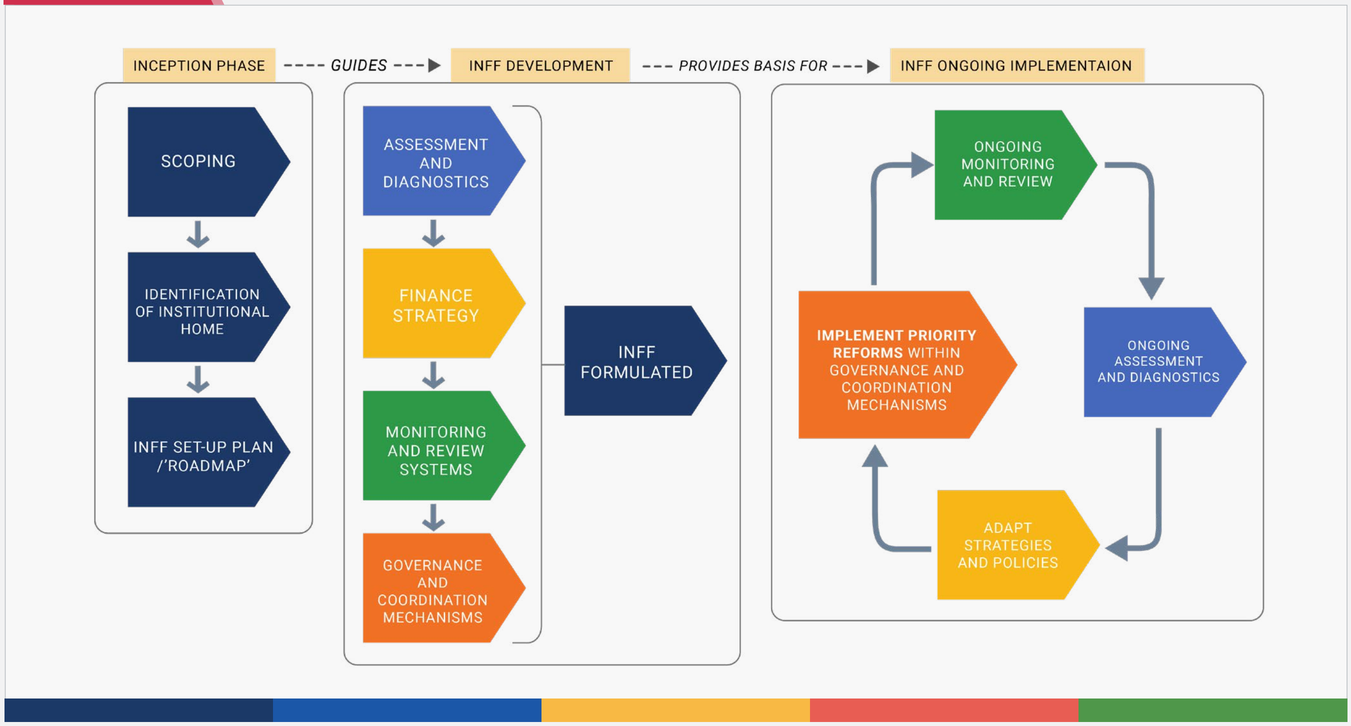
3. The inception phase: where and how to start?

Because INFFs are a tool to assess and adapt national policies and existing institutions, their application will unfold very differently depending on particular country circumstances and needs. The process will be country led and tailored to align with existing policy, planning and budgeting cycles. Nonetheless, a number of common steps will typically be involved.

Figure 2 provides an overview of this process – including the initial inception phase (the focus of this guidance), an INFF development phase, and ongoing INFF implementation. Ultimately, the INFF should contribute to and inform ongoing policy review, assessment and adaptation processes in a country.

The inception phase typically includes three steps: a scoping exercise, including stakeholder mapping; identification of an institutional home for the process; and development of a draft INFF roadmap for next steps (this last is to be updated as necessary after a full assessment and diagnostic exercise is completed). In countries that already have relevant processes in place, the inception phase may also entail more in-depth assessments and diagnostics, leading to an agreement on how to operationalise the INFF (see Box 2 on early experiences for different design options).

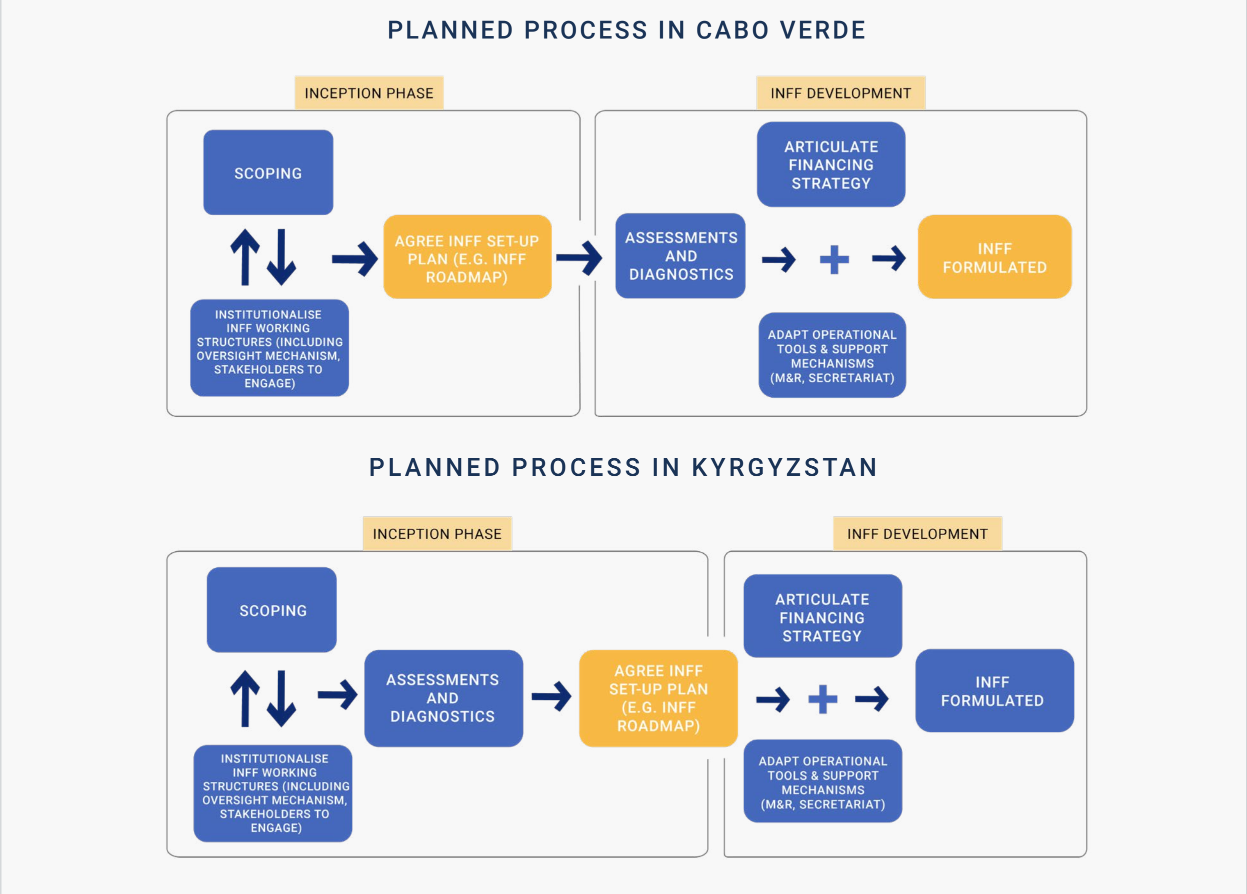
FIGURE 2. SCHEMATIC OVERVIEW OF INFF PROCESS AND MILESTONES



BOX 2. EARLY EXPERIENCES IN INFF INCEPTION

The INFF pioneer countries are taking different approaches to developing the scoping exercise and INFF roadmap. Cabo Verde initiated a short inception phase, with an initial assessment culminating in a first draft of an INFF roadmap, which lays out a more detailed diagnostic exercise to be undertaken as part of the INFF's main operational phase. In contrast, in the Kyrgyz Republic, the emerging plan (as per discussions in the initial INFF scoping mission in November 2019) is for a longer (around nine-month) inception phase, which will incorporate a full diagnostic and be supported by a Development Finance Assessment (See Figure 3).

FIGURE 3. TWO OPTIONS FOR DEVELOPING THE INFF ROADMAP



BOX 2. CONT.

Using Development Finance Assessments to guide the inception phase

Several countries have chosen to use Development Finance Assessments (DFA) to undertake the INFF inception phase, especially in cases where more in-depth exercises are desired. Kyrgyzstan, as noted above, as well as the Solomon Islands and Sierra Leone, for example, all started their processes with a DFA. More than 40 countries are currently planning DFAs as a first step toward an INFF.

The DFA was developed by UNDP following the Addis Ababa Action Agenda as a tool to support countries in analysing financing trends and assessing relevant aspects of government systems, including the integration between planning and financing, public-private collaboration, monitoring, transparency and accountability systems. DFAs are structured around a series of 'financing dialogues', which, under the guidance of a government-led national oversight team, can help in bringing together all relevant stakeholders and facilitate discussions on how to operationalise a more integrated approach to financing through an INFF.

In the case of the Solomon Islands and Sierra Leone, the DFA was used as the basis for articulating financing strategies in support of their national development plans (both countries are still in the process of fully operationalising these strategies). These processes took between six and nine months for the steps equivalent to the inception phase, including initial key assessments.

More detail on the DFA methodology as well as how it can support countries in the context of INFFs can be found at: https://sdgfinance.undp.org/sdg-tools/development-finance-assessment-dfa-guidebook.

There are both technical and political dimensions to the inception phase. At the political level, the inception phase should convert initial interest by the government to develop an INFF into sustained commitment across government and lay the groundwork for national ownership of the INFF. National governments should be in the lead throughout the process, including mobilising technical expertise from within the government to carry out the scoping exercise. The international community, including development partners, can provide technical support to this process (see Box 3 on division of labour).

BOX 3. DIVISION OF LABOUR: WHO SHOULD BE DOING WHAT IN THE INCEPTION PHASE

While the specific division of labour will differ depending on country context, INFF pioneer countries offer useful pointers as to how this could unfold.

National governments should be in the lead in all steps involved in the inception phase. Involvement of key ministries at an operational level from the early stages of the process provides the basis for institutionalisation of the INFF. The participation of other national stakeholders such as the legislature, the private sector, civil society and national research institutions in developing and implementing an INFF will help ensure a country-led process.

Development partners, including the UN, the European Union and international financial institutions, can assist governments (based on governments' demand for support and the availability of resources) both by providing technical expertise and through facilitation of relevant stakeholders. For example, in the context of 62 joint programmes that are being implemented with funding from the Joint SDG Fund, technical assistance on INFFs is being provided at the country level by a wide range of development partners both within and outside the UN system.

In the pioneer countries, UN Resident Coordinators are playing a key role in leading engagement with the highest levels of government and convening all partners, notably the UN, the European Union, the international financial institutions and others. The United Nations Development Programme frequently serves as the technical lead, engaging UN agencies (including regional economic commissions) and working closely with officials from the national government to bring together existing scoping exercises and diagnostics, and facilitating articulation of a roadmap. Other actors such as the International Monetary Fund, the United Nations Children's Fund, the United Nations Conference on Trade and Development, the United Nations Environment Programme, UN Women, the Organisation for Economic Co-operation and Development and the World Bank can support governments in their respective areas of expertise.

3.1. Scoping

In the scoping phase, countries gather relevant data, analysis and other information and provide a first identification of financing, capacity and other gaps. The technical and political mapping (of policies, instruments, institutions and actors) will inform the articulation of an INFF roadmap and lays the groundwork for many of the subsequent steps in the process.

Scoping should pull together relevant material across the four building blocks of an INFF. Because an INFF is intrinsically linked to a country's national sustainable development strategy/plan, the scoping exercise should also review this document. The guidance in this section outlines the purpose and sketches out the typical coverage of the scoping exercise in each of these areas, including information to be collated and common data sources that can be consulted[4].

Identifying and reviewing the national development strategy or plan

A good quality national development strategy or plan with a quantifiable results framework and medium-term implementation plan is the basis for and focus of an INFF. The strategy or plan will have selected and prioritised the SDGs in a way that is appropriate to the country's context and needs, is feasible in terms of implementation capacity and resources, and is reflected in supportive sectoral policies and plans. (If a national development plan is overly vague or aspirational, the INFF process may be used to prompt dialogue to strengthen and articulate a more specific and actionable national development vision and plan).

Scoping of building block 1: assessments and diagnostics

Assessments and diagnostics create a baseline for understanding gaps and constraints associated with financing national sustainable development priorities.

In the scoping phase, compiling existing assessments and previously undertaken diagnostic exercises will help to:

- create a first snapshot and identify major trends in the financing landscape;
- identify gaps in existing capacities to collect, collate, analyse and disseminate data;
- guide decisions on additional assessments or diagnostics needed to inform INFF operationalisation.

Building block 1: Assessment and diagnostics

Building block 1 lays out a country's financing needs, flows, risks and constraints as a basis for developing the financing strategy (building block 2). The IATF has identified four main types of assessments and diagnostics (i) financing needs; (ii) existing financing flows; (iii) financial and non-financial risks; and (iv) policy, institutional and capacity-binding constraints. While the assessment of financing needs and flows (i and ii) provides a baseline understanding of the financing gap, the risk and binding constraints analyses (iii and iv) help identify areas of focus and constraints that, if lifted, would have the greatest impact. They are thus tools that can be used to help prioritise policy actions in line with the national sustainable development strategy.

4 Section 2 in UNDP, Development finance assessment guidebook: supporting governments to build forward better through integrated national financing frameworks, provides a detailed overview of how DFAs can support governments with the scoping phase. See: https://sdgfinance.undp.org/sdg-tools/development-finance-assessment-dfa-guidebook

Financing needs assessments

The scoping phase should **collate all available information and assessments on the cost of achieving national sustainable development objectives.** Typical sources of information include:

- National development plans or strategies (if costed);
- Relevant sector and thematic priority strategies (if costed);
- Bottom-up national and sub-national costing exercises, for example those undertaken in support of national budget processes;
- Costing exercises undertaken by development partners, such as the IMF's SDG costing estimates, UNESCO education cost estimates and WHO's health sector costings.

Once existing assessments are compiled, the extent of coverage can be analysed. Considerations include whether available information covers all or at least key priorities in the national sustainable development strategy or plan, whether costing exercises have been embedded in national development planning and budgeting processes, whether they cover both public and private sources of finance, and whether they use detailed and up-to-date national data[5]. This analysis can inform decisions on if any additional financing needs assessments or costings should be undertaken at a later stage.

Financing landscape assessments

A comprehensive picture of the financing landscape includes understanding public and private financing trends, and their respective contributions towards different sustainable development priorities (to the extent that this information is available).

First, the scoping phase should bring together existing assessments and data. Table 1 indicates the range of financing flows that it should aim to cover. DFAs or similar country-led assessments, which are built around a comprehensive mapping of the financing landscape and governance structures, will be a key source in countries that have recently undertaken them. Transition finance diagnostics, which complement DFAs by providing the perspective of the development partner, also enable assessment of available resources and instruments within donor portfolios. In other contexts, scoping can collate information from a range of data and assessment sources that focus on various aspects of the financing landscape, including:

- national data sources such as budget publications, central bank statistics and national statistical office data;
- global data sources such as international development finance databases (e.g. on Official Development Assistance, Total Official Support for Sustainable Development, transition finance, Foreign Direct Investment, remittances) – the IATF's 2016 report provides a detailed overview of data sources for each of the action areas of the Addis Agenda, and its online annex provides an overview of global trends;
- assessments such as IMF Article IV staff reports, public expenditure reviews, public expenditure tracking surveys, fiscal space analyses, debt sustainability assessments, financial sector assessments, private sector development assessments and global assessments such as the IATF's annual Financing for Sustainable Development Report.

Second, scoping aims to understand the contributions different forms of financing make towards national priorities. This can include compiling data on investment and spending in particular sectors and on cross-cutting themes, such as gender equality or climate adaptation and mitigation (where systems to monitor this exist). It can also involve looking at spending related to particular thematic priorities, such as child development, or equity in public revenue generation and government spending.

The scoping should also identify critical data and capacity gaps. For example, some types of financing, such as by non-governmental organisation (NGO), foundations, faith-based organisations and even state-owned enterprises and quasi-state entities, are often only partially covered by existing data. Data gaps can also inform decisions about how to engage certain stakeholders within the process of operationalising an INFF.

5 For example, some cross-country assessments apply data from one country to another when there are gaps in internationally comparable data on costs. This can result in large variations in cost estimates at the national level.

TABLE 1. EXAMPLES OF TYPES OF FINANCING FLOWS WITHIN AN INFF

	PUBLIC	PRIVATE
Addis Ababa Action Agenda action areas	• A – domestic public resources • C – international development cooperation • E – debt and debt sustainability	• B – domestic and international private business and finance • F – addressing systemic issues
Types of financing	• General government public finance (tax and non-tax revenues; budgeting and execution) • Public borrowing (debt management; innovative debt instruments) • Public investment (e.g. state-owned enterprises, national development banks and quasi-public funds) • Development cooperation flows	• Domestic commercial investment • Foreign direct investment • International and domestic portfolio investment (including responsible, ESG investing) • Domestic bank lending (including issues related to financial inclusion, fintech) • Borrowing from international banks • Remittances • Spending by NGOs, philanthropists, faith-based organisations

Risk assessment

Strengthening the connection and contribution of short- to medium-term policies to longer-term sustainable development aspirations is a key objective of INFFs. Assessing risk is an important aspect in this regard – ensuring that policymakers are cognisant of, and can prepare for, risks to financing and sustainable development progress. The aim of the scoping phase is to elicit information on the potential impact of major risks on financing needs or availability. It should also identify risk assessment gaps yet to be filled.

The scoping exercise should identify and collate information on known or potential risks that could affect the need for, or availability of, financing for sustainable development. It should bring together assessments covering various types of risk, including economic risks (e.g. market shocks, debt sustainability, exchange rate volatility) and non-economic risks (e.g. disasters, climate-related risks, and political risks). It should also assess the extent to which such risk analysis is currently incorporated in national development planning and financing policies.

In addition to national government and UN sources, information sources include national think tanks, regulators and watchdog institutions. Assessments by actors such as the IMF (e.g. Article IV assessments or debt sustainability analyses), the World Bank, the Organisation for Economic Co-operation and Development, and other international financial institutions and development partners also cover major risks.

Binding constraint analysis

Binding constraints are the factors that, if lifted, would have the most significant impact on the availability of resources. A country may have many hurdles to overcome in achieving its long-term development objective – from capacity constraints to policy gaps and political economy challenges – and these cannot all be addressed at once. Identifying binding constraints can help prioritise policy action and is thus a critical input to formulating a financing strategy.

Identifying these constraints is a complex task, but is something that many policymakers do implicitly in their day-to-day work. The scoping phase can compile existing analysis to the extent that it is available.

This may include: UN Common Country Analyses, World Bank's Systematic Country Diagnostics, , Public Expenditure and Financial Accountability assessments, debt sustainability assessments, taxation reviews, development cooperation reviews, investment policy reviews, financial sector assessment programme reports and enterprise surveys. Consultation with key stakeholders (e.g. domestic and foreign businesses) is often an important component of understanding constraints.

Scoping of building block 2: financing strategy

The second building block of an INFF involves many policy areas and actors. The aim is to match financing policy actions across public and private finance to priorities in the national sustainable development strategy.

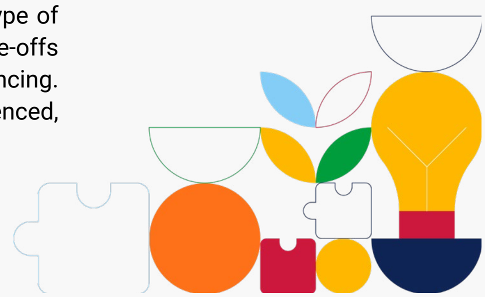
Scoping for the financing strategy building block can:

- identify and map the planning and financing policies currently in place, and identify financing instruments or policy tools the government is actively using or has prioritised for development in the short term;
- collate information on any financing targets or commitments that have been made;
- map the actors responsible for their implementation;
- collate information about policy cycles and timelines;
- provide insight on policies' contributions to sustainable development priorities, opportunities for enhanced coherence and better managing trade-offs.

Building block 2: financing strategy

The financing strategy sits at the heart of an INFF. It sets out how resources required to achieve the country's national sustainable development objectives will be mobilised and aligned. It is a tool for implementation of the SDGs and for leaving no one behind.

It acts as a bridge between these longer-term objectives, typically highlighted in a national development plan, and the policies focused on each area of financing. It articulates how policies will be integrated vertically with the national development plan, as well as how greater lateral integration and alignment will be built across the policies that govern each type of public and private financing. It identifies and addresses the trade-offs and synergies between different types of public and private financing. Overall, it brings these financing considerations together in a sequenced, prioritised set of actions and reforms.



Policy mapping

Governments have a wide range of financing policies and strategies in place, including strategies that oversee revenue mobilisation, efficient public spending and public financial management, debt management, investment, financial inclusion strategies, public-private partnerships, financial sector development and capital accounts management. This part of the scoping phase should identify and bring together all existing – and planned – financing policies to better understand their synergies and trade-offs, along with policy gaps.

Financing policies, such as those listed above, usually evolve in an ad hoc manner, are managed distinctly from one another and focus on a subset of a country's national sustainable development priorities. For example, financial sector development strategies may have a narrow focus on economic objectives, without full consideration of social and sustainability impacts. On the other hand, inclusive finance strategies can sometimes lack financial sector risk assessments. An INFF can bring these policies – and the actors responsible for them – together in support of the national sustainable development strategy or plan.

To help initiate this from the inception phase, the scoping can start by laying out the different strategies and policy frameworks in place in a country, including their aims. Table 2 lays out examples of financing policies used in some countries and highlights examples of trade-offs and synergies between policy areas. The rows highlighting links to sustainable development outcomes areas (poverty reduction, gender equality, education and decent work) would be adapted based on national priorities. In most instances, the initial scoping exercise would aim to identify policy connections in a preliminary manner, with deeper, more comprehensive mapping and identification of trade-offs and synergies to continue in subsequent phases.

Targets, instruments, stakeholders and policy cycles

Ideally, scoping would also identify the objectives and primary targets of such strategies and policies[6]. It should also identify and map the institutions that oversee different policy frameworks as well as the relevant actors within policy areas – and is thus linked to stakeholder mapping, described under building block 4. The scoping should also identify relevant policy cycles and timelines, so the INFF can be embedded in existing policy processes and does not duplicate them.

6 For example, some countries have committed to reach tax revenues equivalent to a certain level of GDP.

TABLE 2. EXAMPLES OF FINANCING POLICIES WITHIN THE SCOPE OF AN INFF

		PUBLIC	PRIVATE	MACRO AND SYSTEMIC	CROSS-CUTTING
ADDIS ABABA ACTION AGENDA ACTION AREAS		A, C, E	B, F	D, E, F	A - G
EXAMPLES OF POLICIES AND STRATEGIES		• Revenue strategy • National budget • Debt management strategy • Development cooperation strategy, including development effectiveness principles • Public investment and national development bank strategy • State-owned enterprises management policy / strategy	• Economic/industrial development strategy • Small- and Medium-Sized Enterprises development strategy • Impact investment / social enterprise policy • Financial sector development strategy (including greening the financial system) • Financial inclusion policy • Sustainability reporting guidelines • Financial market regulatory framework • Fintech strategies • Diaspora engagement policy	• Monetary policy • Exchange rate policy • Capital account management • Debt management strategy • Natural resource management policies • Trade policies	• Public-private partnership policies • Infrastructure plans • Nationally determined contribution and national adaptation plans • National gender equality strategy • Climate and disaster risk reduction policies • Data/statistics development • Sector policies (e.g. agriculture)
EXAMPLES OF HOW THEY LINK TO SPECIFIC PRIORITIES	POVERTY REDUCTION	• Provision of social security / safety nets	• Creation of job opportunities accessible to low-income communities • Access to finance for household enterprises and SMEs	• Commodity price stability (e.g. food prices)	• Resilience to climate change
	GENDER EQUALITY	• Gender- responsive budgeting across health, education, agriculture and other public services	• Creation of economic and job opportunities for women • Financial inclusion for women		• Effective non-discrimination regulations and enforcement

		PUBLIC	PRIVATE	MACRO AND SYSTEMIC	CROSS-CUTTING
	EDUCATION	• Sufficient, effective funding for education systems	• On-the-job training and skills development opportunities		
	DECENT WORK		• Creation of safe, stable and fairly paid job opportunities		• Effective labour market regulations and enforcement
EXAMPLES OF WIN-WINS AND TRADE-OFFS (LATERAL COHERENCE ACROSS AREAS OF FINANCING POLICY)	WIN-WINS	• Sin/carbon taxes: generate revenues and positively influence behaviour/ align investments, improving social / environmental outcomes	• Development of longer term lending instruments can boost financing for private sector growth and infrastructure investment	• Macro-stability is a necessary condition for much private sector investment	• Public private partnerships and blended finance models can mobilise additional funds for public investments and create returns for the private sector
	TRADE-OFFS	• Large scale public borrowing from domestic markets can affect access and type of credit available to other actors	• Investment incentives promote commercial investment but reduce revenue collection	• Building reserves strengthens buffers against volatility, but can reduce competitiveness as well as public investment	• Government can overcompensate the private sector and take private risks on the public balance sheet, with implications for debt and borrowing costs, affecting fiscal policies

Note: The action areas of the Addis Agenda are: A – domestic public resources; B - Domestic and international private business and finance, C - International development cooperation, D - International trade as an engine for development, E - Debt and debt sustainability, F - Addressing systemic issues, G - Science, technology, innovation and capacity-building.

Scoping of building block 3: monitoring and review

Binding constraint analysis

Monitoring and review systems are essential to the effectiveness and ongoing operations of an INFF. The scoping exercise will map existing data systems and monitoring frameworks, and can also identify gaps in the current architecture.

Data sources for financing flaws

Scoping should identify financing data collected through existing systems. Sources include national statistics offices, central banks, ministries of finance (national revenues/ tax agencies) and administrative data systems within line ministries, as well as any non-governmental systems (e.g. reporting systems by development partners, private sector reporting initiatives). By looking at the coverage and timeliness of compiled data, the scoping exercise can help identify gaps – for example, whether data can be disaggregated into recurrent and capital expenditures, by sector or industry or by subnational location.

Monitoring impact

The scoping phase should also look at frameworks already in place to monitor the impact of different types of financing. A common place to start will be the monitoring or results framework linked to the national development plan. Monitoring frameworks associated with the national budget – for example, outcome-based budgeting frameworks – and monitoring systems used by line ministries or public enterprises can also be reviewed. It may also be pertinent to map any existing data systems outside the public sector that may be able to provide useful information on the flow and impact of certain sources of financing. For example, sustainability reporting or ESG reporting is widespread among corporate entities in some countries and may provide a rich source of relevant data. Development partners may also maintain their own monitoring systems to understand the contribution of development cooperation towards national sustainable development priorities. Mapping these monitoring frameworks will clarify whether existing systems already allow the contribution of certain types of financing to be understood.

The scoping phase can also identify mechanisms that could be used for reporting on the effectiveness of the INFF itself. In many countries, a cross-governmental committee has responsibility for overseeing implementation of the national development plan. This body will often have a monitoring framework in place to report on progress towards the plan. This framework may be used to incorporate reporting on INFF outcomes as well.

Building block 3: monitoring and review

Effective monitoring systems enable the policymakers that oversee the financing framework to understand the contributions different types of financing are making towards sustainable development outcomes and understand the impact of government policy and partnerships. In the context of an INFF, monitoring and review could consist of (i) monitoring of progress in different financing flows and policy areas, building on existing exercises (e.g. tracking of financing flows, monitoring their impact);(ii) exploring opportunities to enhance coherence among exercises; (iii) reporting on the INFF itself; and (iv) establishing or incorporating monitoring of INFF effectiveness and added value to senior government leadership as well as to the public.

Scoping of building block 4: governance and coordination

One of the greatest challenges to integrated policymaking is the siloed nature of governance structures. The scoping phase should identify relevant governance and coordination structures, as well as the actors, institutions and platforms that will participate in the design and implementation of an INFF. It should assess and identify institutional mechanisms that have the potential to oversee the process, as well as entry points into national policy cycles.

Oversight

The scoping phase should identify existing institutional mechanisms or bodies that have the potential to play an oversight role. The mechanism/body should be able to provide political leadership and convene and drive a whole-of-government approach to strengthen and build coherence across financing policies. It should guide the process of operationalising the INFF from the outset. A cross-governmental body that has been delegated responsibility – and authority – for implementing the national development plan may be well placed to play this role (see section 3.2 on institutionalising INFF working structures).

Coordination mechanisms

Institutional oversight mechanisms of this kind provide 'top-down' coordination, which can be complemented by other coordination and coherence-building mechanisms such as safeguards, screening, coherence checks, mainstreaming and incentives. The scoping phase can identify existing mechanisms of this kind. They can be considered part of the coordination and coherence-building functions within an INFF – and may hold potential for replication in other areas.

Entry points

The scoping phase will also identify entry points in existing policy cycles, including at the aggregate level – that is, considering how the financing framework can be built into key policy cycles such as the national plan or medium-term budget frameworks. Some early adopters have started operationalising their INFFs within, or as follow-up to, the process of designing their national development plan. This phase will also map pertinent entry points in policy cycles and timelines in each area of financing policy – for example, identifying planned timelines for refreshing specific financing strategies.

Building block 4: governance and coordination

INFFs need to be demand driven, and have strong political backing and broad-based country ownership. Experience from early adopters shows that such ownership was often present because the INFF was developed jointly with a national development strategy or plan. Governance and coordination were also assigned to the body overseeing the national sustainable development strategy; this helped ensure that financing policies were closely tied to the overarching strategy. A consultative process that engages all relevant stakeholders – including parliament, civil society, the private sector, development partners and other non-state actors – can generate broad-based support, while better informing policymakers of stakeholder needs and priorities. Different mechanisms and tools (safeguards, coherence checks, etc.) are also available to incentivise cooperation and facilitate better coordination of actors and the coherence of financing policies.

Institutional and stakeholder mapping

The scoping phase will identify the institutions, and specific divisions or teams within them, responsible for each area of financing policy captured within the potential scope of the financing framework (see also scoping for building block 2). These are the actors that need to be engaged in the process going forward.

A stakeholder mapping will identify key non-government actors in each area of financing. This will include representatives from the legislature, the private sector, development partners, diaspora organisations, civil society, think tanks and others. Stakeholder mapping will also identify relevant existing platforms for (financing) policy dialogue. This may include, for example, platforms for public-private dialogue, development partner coordination platforms or platforms focused on specific priorities (such as national disaster risk reduction). This scoping can inform a stakeholder engagement plan.

3.2. Institutionalising INFF working structures

In parallel to the scoping process, the inception phase should identify and/or establish an institutional home as well as define membership of the central oversight body of the INFF. This oversight body will 'own' the financing framework and guide the process to operationalise it. Mechanisms for convening and advancing reforms across policies that govern public and private finance, and platforms for engaging with non-state actors, should be identified.

Setting up an oversight body

The functions of the oversight body (or committee) will determine where best to house it within any specific national configuration. It should:

- have delegated authority and responsibility from the highest levels of government to lead the INFF process – and ultimately to shape public and private finance policy;
- have the convening power to bring together actors from across government and engage with development partners, the private sector and other stakeholders;
- have, or be able to establish, the tools and systems to manage the INFF, and perhaps secretariat capacity.

In many countries, an appropriate institutional mechanism for the INFF is already in place, likely the body responsible for implementing the national development plan. In the Solomon Islands, for example, the National Development Strategy Implementation Oversight Committee oversaw the process of developing a financing framework. When no such mechanism exists, relevant ministries can be brought together during the inception phase to determine a way forward, including considering whether a new mechanism should be established, with leadership from the highest level of government. In Sierra Leone, an INFF is being established following the creation of a new medium-term national development plan informed by a DFA. The government is considering utilising structures that were put in place for designing the national development plan. Among the INFF pioneer countries, Kyrgyzstan is bringing together a cross-governmental oversight team to guide a DFA that will shape its INFF.

First tasks of the oversight body

The oversight body should discuss and agree on its functions and responsibilities during the inception phase. Where oversight is taken on by an existing entity, these functions may be incorporated within its guiding documents. If a new mechanism is put in place, it can consider developing terms of reference that will shape its mandate, responsibilities and functions.

If a secretariat is established to support the INFF oversight body, its scale, functions and capacity need to be determined. The secretariat also needs an institutional home, preferably at the highest level of government. Functions of this secretariat may include a technical role in monitoring, substantive coordination and convening across government.

Once the oversight body is in place, it should review the findings of any scoping that may have been carried out already, or oversee the scoping exercise. Once scoping is concluded, it can consider the path to operationalising an INFF, determining whether additional assessments and diagnostics need to be undertaken, and articulating an INFF roadmap (see section 3.3). The oversight body will then be involved throughout the process, overseeing the roll-out of the INFF roadmap, INFF implementation, and monitoring and evaluation.

3.3. Agreeing on an INFF roadmap

The inception phase concludes with agreement on next steps – a plan or roadmap for establishing and operationalising the INFF. This plan should be put together and approved by the oversight committee (see Figure 3.2). It may be a formal roadmap document, part of existing workplans or in some alternative format, depending on the needs and priorities of the oversight committee.

Whichever format is used, the aim of this INFF roadmap is to clearly lay out the steps for establishing and operationalising the INFF. It should outline timelines, milestones, responsibilities and support required from the international community. As illustrated in Box 1 countries may sequence steps differently, particularly assessments and diagnostics. The first two INFF pioneer countries have taken different approaches: Cabo Verde moved quickly to prepare a first draft INFF roadmap that may later be developed and strengthened following the assessments and diagnostics phase. In Kyrgyzstan, a DFA will shape the INFF inception phase and lead to articulation of an INFF roadmap after the full assessments and diagnostics phase is complete[7].

Key issues to be addressed in an INFF roadmap include:

- **Value added of the INFF.** The objectives and purpose for the INFF should be clearly outlined, and considerations regarding transaction costs and additional benefits weighed. This can guide assessments of the effectiveness of the INFF once it is operational.
- **Assessments and diagnostics.** Most countries will choose to undertake further assessments and diagnostics following the initial scoping exercise. These could be part of the inception phase or listed in the INFF roadmap to be undertaken in the INFF development phase. If latter, the INFF roadmap should also detail who will undertake, support and participate in each assessment; the timelines to be met; and the purpose of each assessment.
- **Financing strategy.** The INFF roadmap will set out a process for drafting and implementing the financing strategy. It can specify the responsibilities of ministries and non-state actors, and set out steps for consultations and agreement by the oversight team.
- **Monitoring and review.** The INFF roadmap can outline a process for determining the indicators to be included in a central monitoring framework and the data sources and systems for accessing the required data. It can determine the timelines and intervals for monitoring and reporting once the INFF is operational.
- **Governance and coordination.** The INFF roadmap may articulate the working practices and institutional structures of the oversight mechanism or refer to its terms of reference if these have already been stipulated.
- **Timeline and milestones.** The INFF roadmap will establish timelines for operationalising the INFF and identify key milestones.

7 Section 1 in UNDP, Development finance assessment guidebook: supporting governments to build forward better through integrated national financing frameworks, further explains how DFAs can contribute to the articulation of INFF roadmaps. See: https://sdgfinance.undp.org/sdg-tools/development-finance-assessment-dfa-guidebook

4. Inception phase checklist

Scoping

- ◯ Scope building block 1: assessments and diagnostics
  - ◯ Collate existing financing needs assessments
  - ◯ Compile analyses of public and private, domestic and external financing trends and links with sustainable development outcomes
  - ◯ Collate information on known or potential risks
  - ◯ Collate existing information and analyses on binding constraints, including through consultation with key stakeholders
  - ◯ Identify potential gaps and relevant assessments that could be undertaken
- ◯ Scope building block 2: financing strategy
  - ◯ Collate key existing and planned financing policies
  - ◯ Collate information about policy cycles and timelines
  - ◯ Identify financing objectives, targets and commitments
  - ◯ Map the actors responsible for their implementation
  - ◯ Map the most actively used financing and policy instruments
  - ◯ Map linkages between financing policies and sustainable development priorities
  - ◯ Map synergies and trade-offs between financing policies
- ◯ Scope building block 3: monitoring and review
  - ◯ Identify available data sources and map existing data systems for tracking public and private finance
  - ◯ Map existing monitoring frameworks, including any related to tracking the impact of different types of finance
  - ◯ Identify existing mechanisms that could incorporate reporting on INFF outcomes Identify gaps in the current architecture
- ◯ Scope building block 4: governance and coordination
  - ◯ Identify and assess existing mechanisms or bodies that could take on INFF oversight committee function
  - ◯ Identify other coordination mechanisms within government, including safeguards, coherence checks, mainstreaming and incentives
  - ◯ Complete institutional, stakeholder and platform mapping (state and non-state actors)

Institutionalising INFF working structures

- ◯ Agree on INFF oversight processes and how to establish or incorporate them within existing institutional structure
- ◯ Agree on terms of reference (or equivalent) for INFF oversight body, including stakeholder engagement approach
- ◯ Establish need for, and functions of, a secretariat to support the INFF oversight body
- ◯ INFF oversight body reviews findings of scoping exercise and determines sequencing of additional assessments and diagnostics

Agreeing on an INFF roadmap

- ◯ INFF oversight body agrees on added value / purpose of the INFF
- ◯ INFF oversight body agrees on further assessments and diagnostics to be undertaken
- ◯ INFF oversight body agrees on process and responsibilities to draft and implement financing strategy
- ◯ INFF oversight body agrees on process and requirements for developing monitoring framework
- ◯ Plan is formalised as needed (e.g. in roadmap document or by incorporating into existing workplans)

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