INFF | Facility

Integrated National Financing Frameworks

A Short and Practical Introduction / May 2022

Acknowledgements

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Contents

The Basics

Background

The road to Integrated National Financing Frameworks (INFFs)

There is a missing link between national development plans and the financial resources needed to achieve them.

Financing is often the weakest component of national development plans. Financing strategies and plans often focus solely on items that can be budgeted, without incorporating the broader financing landscape.

This limited scope often impedes the ability of financing strategies and plans to effectively guide policy.

Unless policy objectives are costed and budgeted within development strategies, the national development plan risks remaining a vision, rather than becoming a vehicle for change.

In 2015, world leaders adopted the Addis Ababa Action Agenda (Addis Agenda) at the United Nations' Third International Conference on Financing for Development.

The Addis Agenda created a holistic framework for financing sustainable development and achieving the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs).

Countries agreed to use INFFs to support national implementation of the Addis Agenda.

INFFs help countries strengthen planning processes. They facilitate coordination between different financing policies and provide a space to consider trade-offs and synergies across economic, social, and environmental aspects of sustainable development.

A RECENT STUDY FOUND THAT MORE THAN

70%

of 107 national development plans are not costed[1]

[1] Chimhowu, A. O., Hulme, D., & Munro, L. T. (2019). The 'New' national development planning and global development goals: Processes and partnerships. In World Development (Vol. 120, pp. 76–89). Elsevier BV.

“Cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks (INNFs), will be at the heart of all our efforts.”

Addis Ababa Action Agenda

2015

What is an INFF?

INFFs provide a framework for financing sustainable development and the SDGs at the country level.

While most countries have financing policies and strategic approaches in place, they are typically not brought together in a coherent strategy, nor fully aligned with national sustainable development priorities and the SDGs.

An INFF helps countries bridge this gap and enhance alignment of all financing policies with long-term priorities.

INFFs bring together the full range of financing sources -domestic and international sources of public and private finance - and the policies that govern them. They provide a framework through which governments develop a strategy to increase investment, manage risks, and achieve sustainable development priorities, as identified in their national sustainable development plan.

INFFs are not a one-size-fits-all approach. As a voluntary, country-led approach, INFFs are tailored to national contexts and priorities. They can focus on issues including gender equality, youth empowerment, social protection, green growth, Nationally Determined Contributions (NDCs), education, health and territorial development.

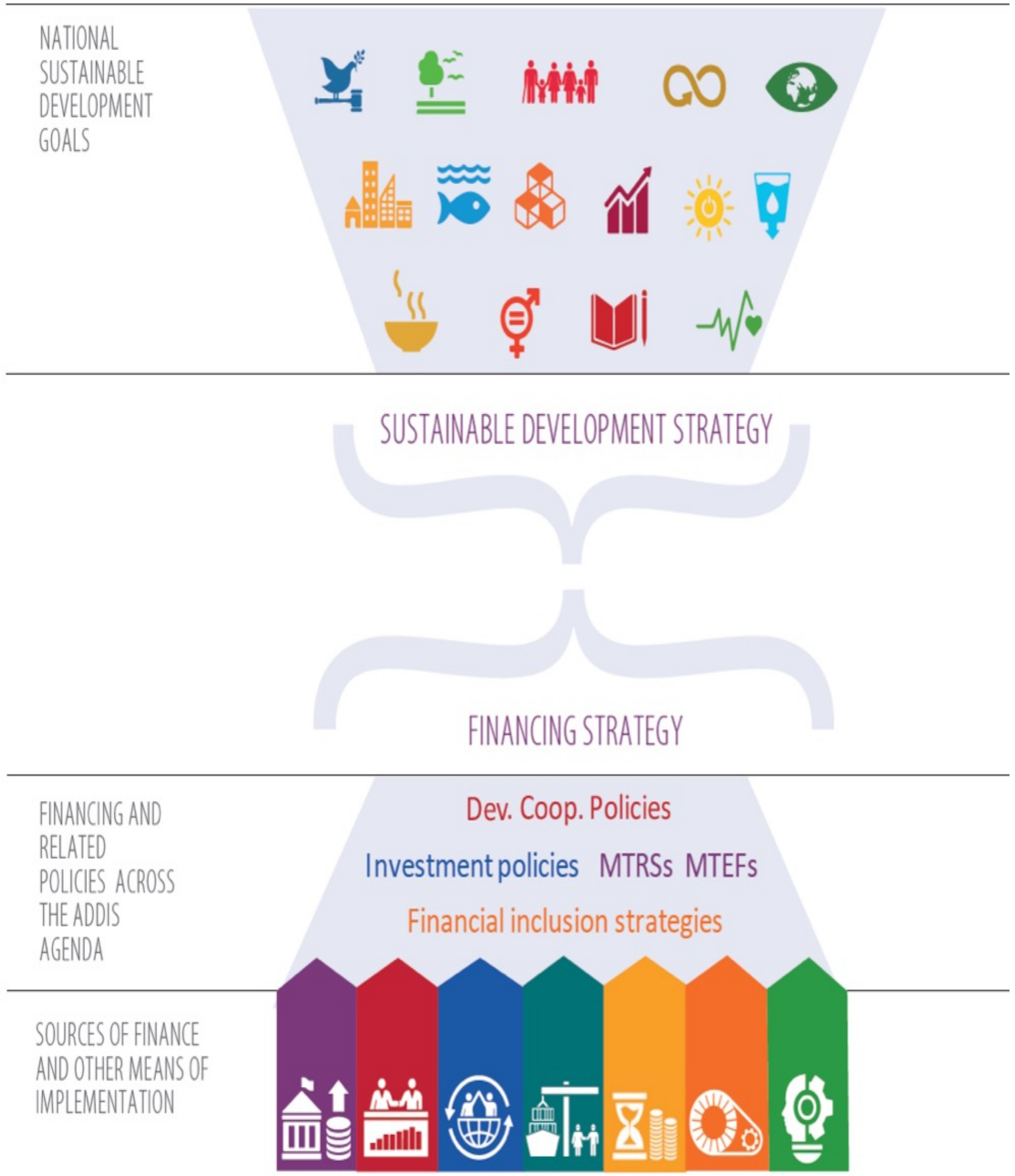
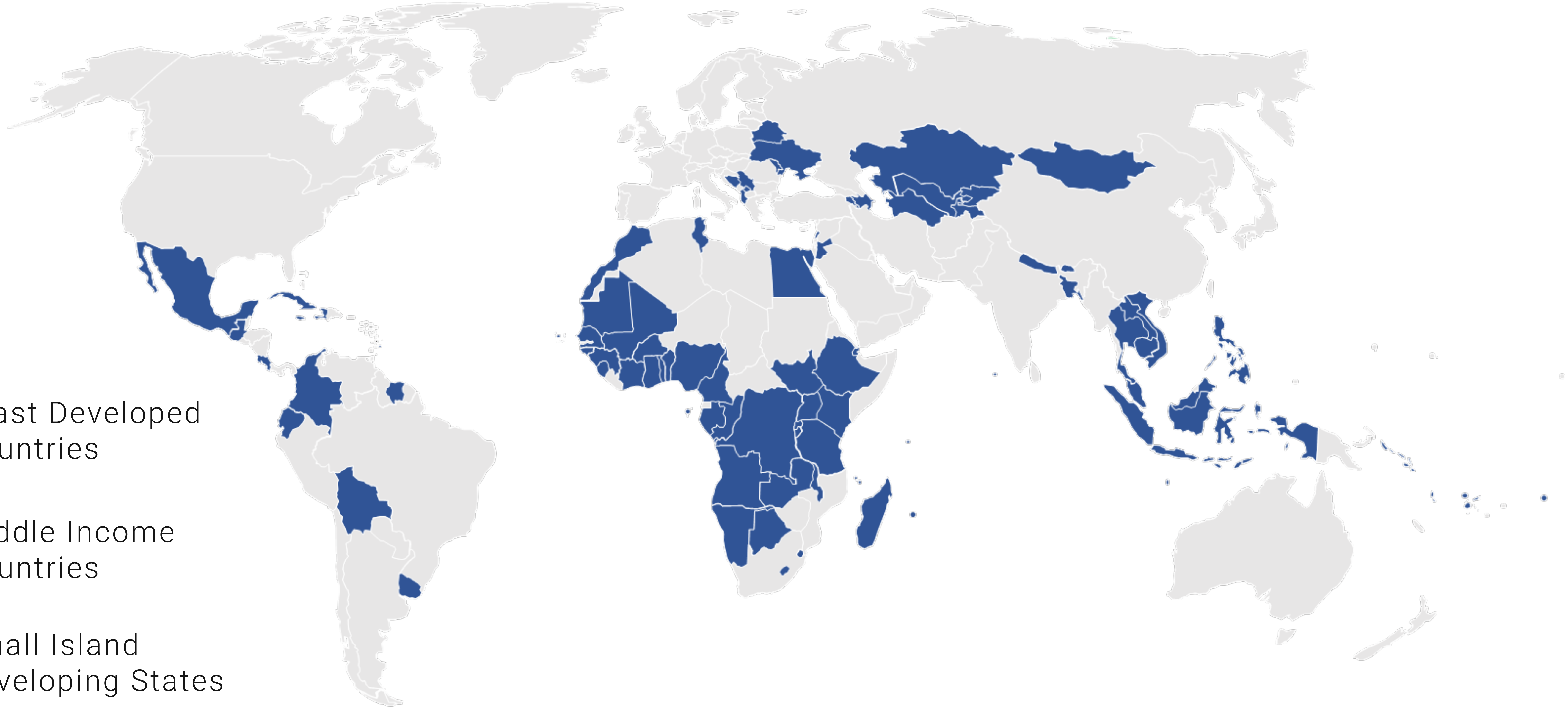


FIGURE 1: SCHEMATIC OF AN INTEGRATED NATIONAL FINANCING FRAMEWORK

More than 80 countries worldwide are in the process of designing and implementing INFFs, with support from 21 UN organisations and the wider international community.



33 Least Developed Countries

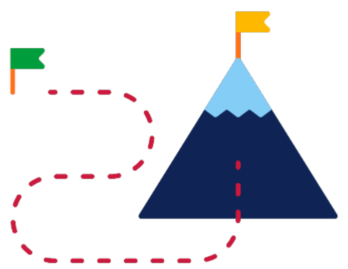
66 Middle Income Countries

18 Small Island Developing States

7 ways INFFs help countries finance sustainable development.

Mobilise additional financing to support sustainable development priorities
INFFs help countries look at the full range of financial resources available for sustainable development from public, private, domestic and international finance sources.

Improve the alignment of different types of finance with national priorities and needs
INFFs consider all types of finance – public, private, domestic, international – and provide a framework for enhancing their coherence for sustainable development.



Enhance coherence across different financing policies, aligning them to medium and long-term sustainable development priorities INFFs guide countries through considering the characteristics of different types of finance – their potential impacts and risks – and matching each type of finance with the most appropriate investment.

Providing a platform for collaboration on sustainable development financing
INFFs are informed by dialogues that bring together stakeholders from the public sector, private sector, civil society, development partners and beyond, to discuss financing priorities and ways forward, and promote deeper collaboration.

Better manage risk and an increasingly complex financing landscape
INFFs help formulate risk-informed financing strategies that can support countries' recovery from the COVID-19 pandemic and its economic fallout, as well as future crises.

Help countries better articulate their needs to the international development community
INFFs can help strengthen and facilitate coordination with development partners around nationally identified financing priorities or issues.

Streamline the wide variety of tools offered by the international community to support national action
As the global financing landscape continues to expand with the emergence of financing instruments and modalities, INFFs provide a space where different instruments can be assessed and compared for their potential impacts and risks.

A growing range of international partners is supporting INFFs

Global level:

EU, Italy, Sweden, IMF, G20

Regional level:

Asian Development Bank, IMF, Australia

Country level:

African Development Bank, Islamic Development Bank, Germany, Joint SDG Fund, World Bank and others

UN agencies:

UN ECA, FAO, ILO, IOM, OHRLLS, PAHO, UN DESA, UN ECLAC, UN ESCAP, UN ESCWA, UN WOMEN, UNCDF, UNCTAD, UNDP, UNECE, UNEP, UNESCO, UNFPA, UNICEF, UNODC, UNOPS, WFP, WHO

INFF milestones

July 2015
The 2015 Addis Ababa Action Agenda is adopted and introduces the INFF concept.

April 2016
The IATF, established to monitor progress in implementing the Addis Agenda, publishes its first report.

2017-2018
Initial exploration of the INFF approach and building blocks through development finance assessments, including regional reports for Asia-Pacific and ASEAN regions.

April 2019
The 2019 Financing for Sustainable Development Report is published, including a thematic chapter on INFFs.

September 2019
At the High-Level Dialogue on Financing for Development, 16 countries commit to pioneer INFFs.

December 2020
The first INFF guidance document for the inception phase is published.

April 2021
The full INFF Global Guidance is published on the newly created INFF Knowledge Platform.

October 2021
G20 Leaders endorse INFFs and establish the G20 Framework for Voluntary Support to INFFs.

April 2022
UNDP, UN DESA and OECD launch the INFF Facility to institutionalize and scale up support for INFFs.

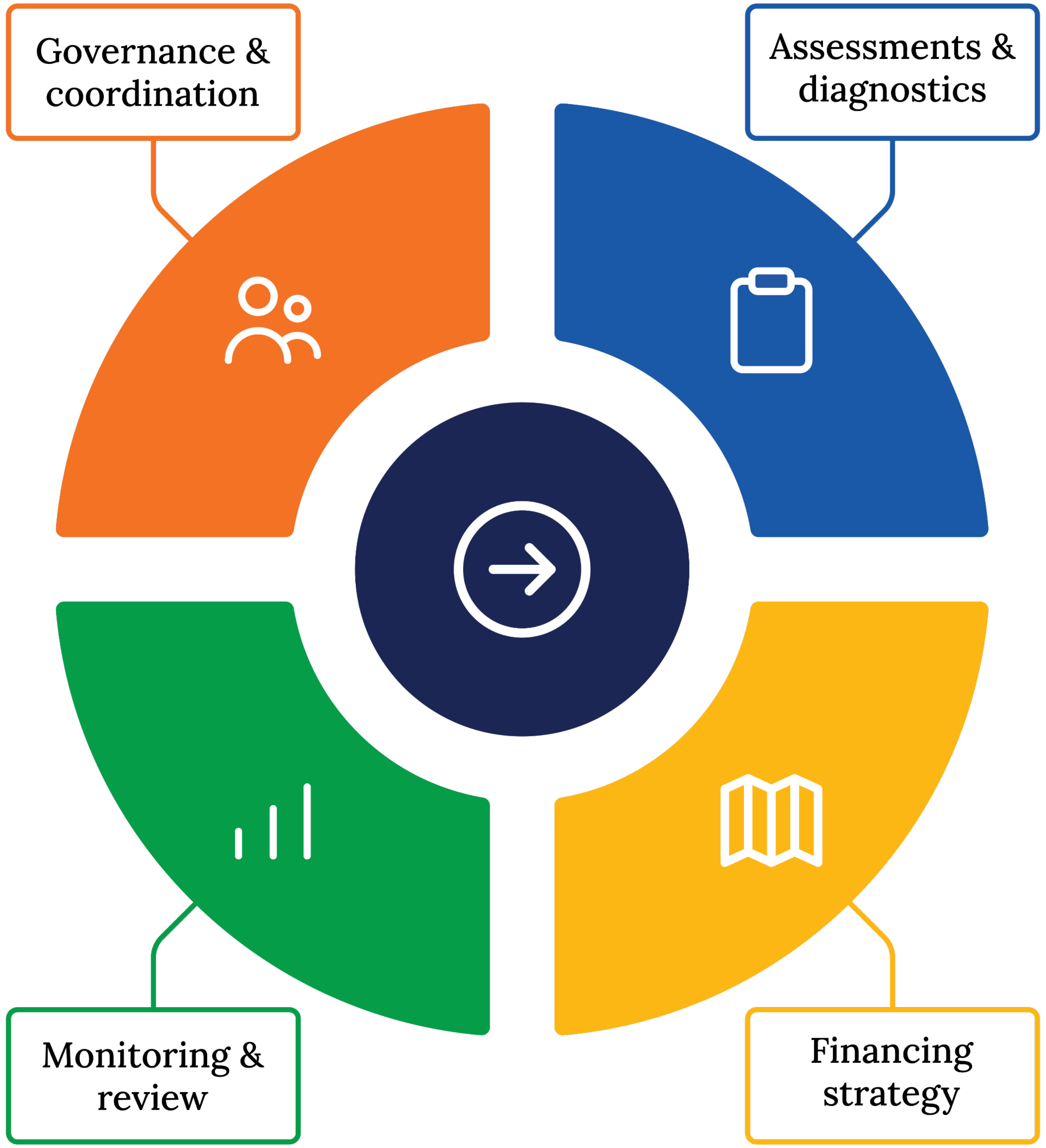
The Building Blocks

What are the INFF building blocks?

The building blocks help guide our thinking – and make sure we don't miss something important.

INFFs are comprised of four building blocks, preceded by an inception phase.

Each building block represents a critical component in building national capacity to strategically plan, mobilise and manage the financing needed for sustainable development results.



Inception Phase

How to start the INFF process and **who** should be involved

View full guidance →

Why is it important?

- Establishes the foundation for national ownership of the INFF process
- Essential for bringing all key stakeholders together and galvanising commitment to the process
- Builds consensus on a way forward.

Suggested steps

01 SCOPING

- Gather all available information and assessments related to each of the four building blocks
- Obtain a first indication of available financing and capacity and identify potential gaps and constraints associated with financing national sustainable development priorities

02 INSTITUTIONALISING THE INFF

- Identify and/or establish an institutional home for the INFF
- Establish a central oversight body or committee that will drive the INFF development and implementation process
- Identify mechanisms for advancing reforms and platforms to engage non-state actors

03 INFF ROAD MAP

- The inception phase concludes with agreement on next steps.
- A plan should be developed and agreed upon by the oversight committee. It may take different forms depending on needs and priorities.

Assessment and Diagnostics

Creating a baseline understanding of the financing gap, constraints, and risks

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Why is it important?

- Paints a picture of financing gaps and identifies key risks and bottlenecks
- Provides the starting point for formulating a country-owned, integrated financing strategy
- Sheds light on potential gaps in existing monitoring and review mechanisms.

Suggested steps

01 FINANCING NEEDS ASSESSMENT

How much is needed and what types of finance are best suited to meet the estimated costs?

- Estimates the cost of implementing national sustainable development priorities and supports identification of financing options
- Informs resource mobilisation targets, supports engagement of development partners and matching of finance types with planned investments

02 FINANCING LANDSCAPE ASSESSMENT

What types of financing exist, what are the sources and how much is available?

- Assesses financing both in terms of quality and quantity, identifies risk areas and financing gaps
- Sheds light on opportunities and challenges in mobilizing and aligning investment towards identified sustainable development priorities

03 RISK ASSESSMENT

What risks exist for the country's ability to finance sustainably and how can these be addressed?

- Strengthens government understanding of risks to sustainable development and ability to incorporate risk into planning
- Analyses impact of risks on country's financing systems and identifies policy solutions

04 BINDING CONSTRAINTS ASSESSMENT

What are the biggest impediments to the effective mobilisation and alignment of financing with development objectives?

- Identifies key problem areas (financing flows and/or sectors) and underlying binding constraints ('why' questions)
- Helps prioritise constraints to address in a financing strategy (based on the desirability and feasibility of removal)

Financing Strategy

A strategy for mobilising the public and private investments needed to realise national sustainable development objectives

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Why is it important?

- Prioritizes policies to take advantage of opportunities in the near-term, and aligns financing policy areas for the medium- and long-term
- Ensures that different financing policies, instruments, and regulatory frameworks are coherent, sustainable, and risk-informed
- Identifies areas for peer-to-peer exchanges and opportunities to access technical assistance as well as capacity building support from development partners.

Suggested steps

01 ESTABLISH SCOPE AND FINANCING POLICY OBJECTIVES

- The scope of the strategy will be context-specific
- Engage different stakeholders from the start
- Start with baseline assessment: financing gaps, opportunities, risks, binding constraints
- Based on baseline, identify financing objectives on two levels:
  - Level 1: Matching needs assessments to resources, such as public revenues, aid, and sometimes private financing
  - Level 2 Include financing policies, regulatory frameworks, and other aspects of the enabling environment aimed at aligning financing with sustainable development

02 IDENTIFY POLICY OPTIONS

- Identify policies, legal or regulatory measures, and financing instruments
  - Where? (a) current practices; (b) further opportunities (low hanging fruit, good practices, hybrid solutions)
  - How? Leverage existing national and international assessments/frameworks (e.g., MTRs)

03 POLICY PRIORITIZATION

Policy prioritization can take place in two phases:

1. Coherence checks to make trade-offs and integration explicit:
   - Have macro checks been considered? (consistency with macro-objectives, e.g., growth targets)
   - Have coherence checks been considered? (e.g., alignment with all dimensions of sustainable development)
   - Have risk checks been considered?
2. Assessment of preconditions and resource-requirements to support sequencing of interventions:
   - Have preconditions been considered? (e.g., institutional preconditions)
   - Have resource requirements been considered? (e.g., financial resource availability)

04 OPERATIONALISATION

- Brings everything together by formulating a holistic financing strategy that guides national efforts to mobilize public and private resources
- Provides direction for the systemic changes and reforms that are needed over time
- Periodic review should be undertaken

Tanzania

'Financing the future we want': Tanzania's integrated financing strategy

In 2021, Tanzania endorsed its Third National Five-Year Development Plan (FYDP III) with an aim to reach middle-income status and enable all Tanzanians to benefit from education, peace, good governance, sustainable growth and greater prosperity.

Achieving these goals will cost an estimated $49.6 billion. The government cannot cover these costs with public sources alone.

01 ESTABLISH SCOPE AND FINANCING POLICY OBJECTIVES

- To enhance and align existing domestic, international, public and private resources with national priorities
- To identify and mobilise new sources of finance for the SDGs
- To bring public and private actors behind the coordination, implementation and monitoring of the proposed reforms

02 IDENTIFY POLICY OPTIONS

Policy options were identified through:

- Development finance assessment (DFA)
- 11 studies on alternative financing options (blended financing, blue bonds, green bonds, social impact bond, crowdfunding)
- SDG investor mapping
- Financing dialogues with state and non-state actors
- South-South exchanges with Cabo Verde and Indonesia on innovative financing solutions.

03 POLICY PRIORITIZATION

1. Coherence Checks:
   - Financing dialogues led by the INFF oversight committee analysed policy options and considered risks, macroeconomic objectives linked to inclusive and sustainable growth and coherence with ongoing reforms.
2. Assessment of preconditions and resource-requirements:
   - Establishment of participatory platforms and the implementation of an integrated financing dashboard to track private and public financing flows were considered to improve monitoring and coordination systems.

04 OPERATIONALISATION

Tanzania will integrate national and sub-national (Zanzibar) financing strategies, and launch the integrated financing strategy

Reforms will be taken forward in areas including SDG-aligned tax framework, SDG-aligned budgeting and SDG-aligned investments, Public-private partnerships, the introduction of M-Akiba savings bills and bonds.

Monitoring and Review

Tracking progress and drawing lessons for policy design and implementation

View full guidance →

Why is it important?

- Lays the groundwork for greater accountability and provides a basis for transparent dialogue among governments, partners and other relevant stakeholders
- In the inception phase, it helps policymakers articulate the added value of an INFF; In the design phase, it helps strengthen and/or establish systems for collecting and using relevant data and information
- Supports effective implementation of other INFF building blocks

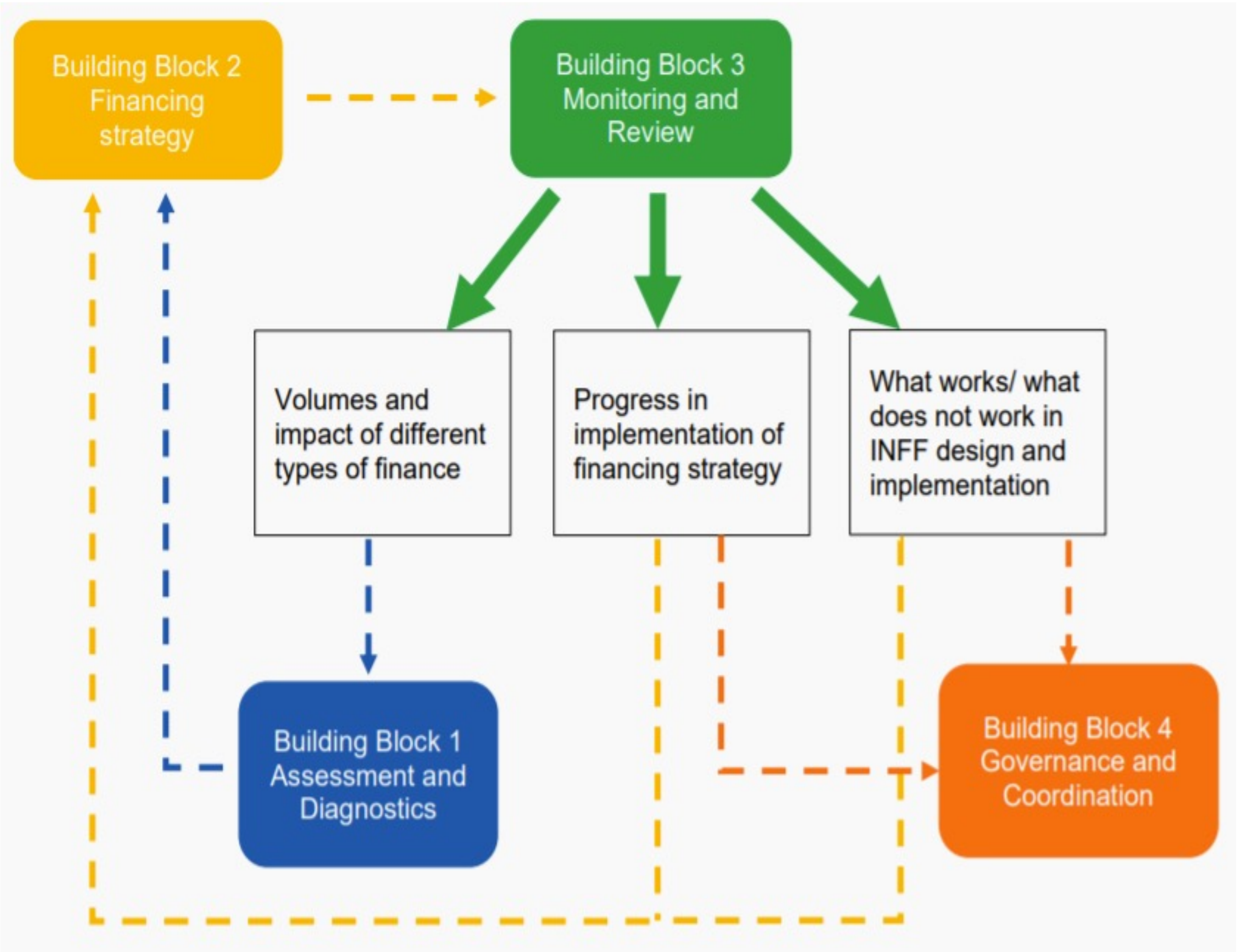

FIGURE 2: LINKAGES BETWEEN BUILDING BLOCK 3 AND OTHER BUILDING BLOCKS

Suggested steps

01 ESTABLISH THE BASELINE

- Identify all relevant systems used in the country to monitor financing flows, their impact, and the implementation of financing policies and strategies. See checklist of self-assessment questions.
- Assess underpinning aspects of identified systems (including levels of buy-in, roles and responsibilities, data systems and capacity) to establish the appropriate level of ambition for strengthening them. See Table 2 in INFF global guidance for three levels of development of monitoring and review systems.

02 STRENGTHEN EXISTING SYSTEMS, CLOSE GAPS IF NEEDED

- Action area 1: Institutionalize INFF monitoring and review. Design and manage the INFF monitoring and review system as a medium-term process, defining clear roles and responsibilities and establishing if/what support may be required from development partners.
- Action area 2: Enhance integration of existing systems. Ensure systems feed necessary information into key INFF indicators of performance. Review data and information and implement pilots where changes or new systems may be required.
- Action area 3: Link to ongoing or planned data/statistical reform processes and make use of needs-based IT solutions. Review ongoing statistical capacity development efforts and articulate a data development plan (if needed). Consider the potential role of business intelligence software to facilitate collection, processing, use and storage of data in a way that can serve country needs.
- Action area 4: Leverage insight and lessons from peers and regional/global knowledge sharing platforms. Make use of existing knowledge on what may or may not work with a focus on INFF-specific initiatives and platforms.

Governance and Coordination

INFFs need to be demand-driven with strong political backing and broad-based country ownership.

View full guidance →

Why is it important?

- Driver of overall effectiveness, guiding entire INFF process
- Strengthens intra-governmental collaboration and multi-stakeholder participation
- Enhances coordination with development partners
- Ensures country ownership and leadership.

Suggested steps

01 IDENTIFY AND ASSESS EXISTING GOVERNANCE ARRANGEMENTS RELATED TO THREE FUNCTIONS:

1. Commitment and leadership
   - Clear commitment and mandate from highest political level
   - Sustainability features
   - Institutional catalyst with required authority and convening power
   - Capacity building measures for state and non-state actors
2. Access to knowledge and perspectives
   - Commitment and rationale for INFF
   - Mechanisms for information exchanges within government/other partners
   - Transparent reporting on financing
   - Mechanisms to assess and review financing policies
3. Coordination
   - Clearly defined roles and responsibilities
   - Intra-governmental mechanisms
   - Mechanisms for coordination with development partners
   - Mechanisms for aligning private finance with national priorities
   - Use of national processes to encourage an integrated approach to financing

02 ENHANCE COHERENCE OF EXISTING GOVERNANCE ARRANGEMENTS, CLOSE GAPS IF NEEDED

Focus on institutions and processes from specific financing policy areas and encourage a more comprehensive approach over time:

1. Increase commitment and leadership
   - Sustain interest and buy-in
   - Address capacity gaps
2. Increase access to knowledge and perspectives
   - Strengthen dialogue and participation
   - Improve transparency and accountability
3. Increase coordination
   - Define clear roles and responsibilities
   - Encourage effective collaboration among stakeholders
   - Incentivize alignment of all types of finance with national priorities

Nigeria

‘A seat at the table’: Nigeria’s approach to an inclusive INFF

Nigeria has made substantial progress towards the SDGs and has incorporated the SDGs into federal- and state-level strategic plans and budgetary frameworks and established a dedicated office, with specific budget lines. Yet, financing development remains a challenge. Implementing the medium- and long-term development plans will require an estimated $100 billion over the next 10 years.

As an INFF pioneer, the Government saw the INFF as an opportunity to align national- and state-level planning processes with budgeting, mobilise a wider range of partners and fill the financing gap.

STRONG POLITICAL COMMITMENT AND LEADERSHIP AT TECHNICAL LEVEL

- A government-led high-level steering committee and a multistakeholder working group were established to kick-off the INFF process. The existing architecture for national SDG implementation is the secretariat for the governance structure.
- Strong leadership from the Minister of Finance ensured buy-in of key members across government, development partners and private sector
- Political commitment was complemented by strong technical leadership on behalf of strategic units, e.g., Central Bank of Nigeria, National Bureau of Statistics)

ACCESS TO KNOWLEDGE AND INCORPORATING THE PERSPECTIVES OF RELEVANT STAKEHOLDERS

- The DFA process was embedded within the oversight team to ensure ownership of resulting analysis and incorporation of perspectives from all stakeholders.
- 2020: The Government organized presentations to communicate its commitment, raise awareness and foster a common understanding around the INFF process.
- Government officials, development partners, private sector and civil society sat at the same table to discuss financing challenges in a holistic manner and align existing public and private sector strategies with national development priorities.

COORDINATION AMONG DIFFERENT STAKEHOLDERS

- The financing strategy was launched in 2021, along with the Medium Term Development Plan.
- State-level stakeholder workshops were held to gain a better understanding of state financing strategies, policy cycles, entry points for an SDG-aligned financing strategy, and governance mechanisms for SDG financing.
- Individual and small group engagements and larger thematic stakeholder workshops were used by Government to: (1) harvest inputs; (2) build capacity around the INFF process; and (3) ensure stakeholder ownership in the INFF process and its outcomes.

ENHANCE COHERENCE OF EXISTING INSTITUTIONS AND PROCESSES: THE MINIMAL VIABLE ECOSYSTEM

- Government has given priority to strengthening institutions and processes related to gender. Instead of creating new structures, Nigeria started with a minimal viable ecosystem.
- Existing institutions and partners were leveraged to conduct an assessment on the gender responsiveness of the fiscal stimulus plan, initiate work on gender budgeting and ensure statistical processes are gender responsive.

INFF Good Practices

5 good practices for INFF development

No two INFFs are the same. However, most INFFs have a few things in common.

01 SECURE SUPPORT AT THE HIGHEST LEVEL OF GOVERNMENT

- Ensures national ownership and sustainability of the INFF process.
- Warrants effective INFF implementation
- Facilitates broad-based buy-into INFF process

02 ITERATE AND INTEGRATE

- INFFs require a gradual, targeted and adaptive approach to prioritize policy actions and remain responsive to changing circumstances.
- INFFs are an iterative process, not a one-off exercise, where different building blocks feed into each other to ensure a dynamic process.
- An integrated approach is essential to discuss and prioritize spending and investment decisions across different sectors/finance sources.

03 BUILD ON WHAT ALREADY EXISTS AND BE LED BY COUNTRY PRIORITIES

- Find the right entry points for integrating the INFF approach within existing planning and financing policy processes and cycles
- INFFs do not aim to replace existing systems and process. Rather, they enhance integration across existing policies and institutional arrangements.
- Build, where possible, on existing coordination, dialogue and reform processes and add only where there are gaps.
- All countries have policies and institutional arrangements on financing in place. INFFs seek to identify and close gaps, overcome incoherencies, and exploit unused opportunities.

04 ADOPT A TOP-DOWN AND BOTTOM-UP APPROACH

- Consider both top-down institutional structures and other complementary mechanisms (such as specific tools, incentives, financing instruments)
- Review existing systems and processes (top-down) and elicit consultations and inclusive dialogue with diverse stakeholders (bottom-up)

05 GIVE EVERYONE A SEAT AT THE TABLE

- Engage legislature, the private sector, civil society, development partners and other relevant stakeholders to create broad-based buy-in to the INFF process.
- Overcome silos in existing approaches to estimating financing needs, identifying financing opportunities and challenges, and in designing and implementing financing policies in different areas.

The INFF Facility

INFF Facility: Bringing together partners to support INFFs

Partnerships are integral to the success and longevity of INFFs.

Jointly hosted by UNDP, UN DESA and the OECD, and supported by the EU, Italy and Sweden, the INFF Facility responds to country demand for support on INFFs.

The Facility works in three important ways:

- It brokers tailored support for technical assistance to help countries deliver INFFs;
- It provides a platform for countries to share, connect and learn from one another and facilitates access to innovative tools, knowledge and guidance; and
- It institutionalizes ongoing cooperation among implementing partners and channels additional support for INFF implementation.

INFF | Facility

SECRETARIAT

UNDP UN DESA OECD

SUPPORTING PARTNERS

Sida Italian Development Cooperation Ministry of Foreign Affairs and International Cooperation

More info

Frequently Asked Questions (FAQs)

What are the costs of operationalizing an INFF?

The resource requirements depend on country baseline and scope. The scoping during the inception phase helps define a basis for budgeting, while the assessment and diagnostics and financing strategy highlight areas where support is required from development partners.

Will the INFF replace a country's budgeting approaches, such as programme-based budgeting?

No, an INFF does not intend to replace existing systems and processes. Rather, it aims to enhance integration across them and serve as a 'docking station' for the variety of tools and methodologies already in place.

What's the difference between a DFA and an INFF?

Development Finance Assessments (DFAs) are one tool to support INFFs. For example, countries can use DFAs to get an overview of financing trends during the scoping exercise during the inception phase. It is possible to develop an INFF without undertaking a Development Finance Assessment (DFA).

Who should be involved?

The process is typically led by the Ministry of Planning, Finance, or Executive Office (e.g., Office of the President or Office of the Prime Minister). If the INFF focuses on specific sector/theme, corresponding line of ministry may take a more leading role. It is important to involve broad variety of actors to ensure representation of all dimensions of sustainability and society members.

Where can I learn about INFFs in practice?

The INFF Dashboard, INFF Knowledge Platform and INFF Quarterly newsletter.

MORE INFO

INFF Resources

INFF Knowledge Platform

A digital space for the INFF community to learn, share and connect

www.inff.org →

INFF Global Guidance

A step-by-step approach, bringing together tested methodologies and tools from various development partners

- Inception phase
- Assessment and diagnostics
- Financing strategy
- Monitoring and review
- Governance and coordination

INFF Deep Dives (Upcoming)

Targeted INFF guidance materials by country type, sector, and policy area.

INFF e-learning course (Upcoming)

A module-based learning experience on the INFF approach and implementation process.

Contact and further details

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Thank you.

For more information, visit www.inff.org