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Resilient nations.*



# DEVELOPMENT FINANCE ASSESSMENT GUIDEBOOK

A tool for countries to finance  
the Sustainable Development Goals







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# **D**EVELOPMENT **F**INANCE **A**SSESSMENT GUIDEBOOK

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# I Contents

Acknowledgements	iv
Acronyms	v
Introduction	1
Module: the DFA analytical framework	5
Overview of analytical framework	5
What is the analytical added value of a DFA?	8
Finance flows and data sources overview	9
1. Assessing financing trends	11
2. Integrated planning and financing	17
3. Public–private collaboration	20
4. Monitoring and review	25
5. Transparency and accountability	28
Module: the DFA Process	30
Principles of the DFA process	30
The DFA process	31
Research and initial consultation	34
Module: DFA roadmap	38
Steps for developing a roadmap	38
Structure of a roadmap and follow-up	38
Types and examples of recommendations	38
Annexes	46
Annex A: Key terms	46
Annex B: The analytical offering of the DFA in relation to complementary finance-related assessments	48
Annex C: Building scenarios	50
Annex D: Describing and comparing implied financing needs with current financing trends	53
Annex E: Outline of a typical DFA report	55
Annex F: Relevant service offerings	56
Annex G: Generic concept note for a Development Finance Assessment	58
Annex H: Generic outline for an oversight team terms of reference	60
Annex I: Generic outline for a technical team terms of reference	62



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# I Acronyms

<b>AAAA</b>	Addis Ababa Action Agenda
<b>ADB</b>	Asian Development Bank
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>BdB</b>	Banco do Brasil
<b>CAP</b>	Consolidated Action Plans (Cambodia)
<b>CCP</b>	Council for Clean Production (Chile)
<b>CPA</b>	Clean Production Agreement (Chile)
<b>CRISA</b>	Code for Responsible Investing in South Africa
<b>CSMI</b>	Cottage, Small and Medium Industry (Bhutan)
<b>CSR</b>	Corporate Social Responsibility
<b>DFA</b>	Development Finance Assessment
<b>ECX</b>	Ethiopian Commodity Exchange
<b>ESG</b>	Environmental, Social and Governance
<b>FDI</b>	Foreign Direct Investment
<b>GRI</b>	Global Reporting Initiative
<b>IFC</b>	International Finance Corporation
<b>IMF</b>	International Monetary Fund
<b>MTEF</b>	Medium-Term Expenditure Framework
<b>NAMA</b>	Nationally Appropriate Mitigation Action
<b>NGO</b>	Non-Governmental Organization
<b>OECD</b>	Organisation For Economic Co-operation and Development
<b>PDP</b>	Philippine Development Plan
<b>PFM</b>	Public Finance Management
<b>PPP</b>	Public–Private Partnership
<b>PREXC</b>	Programme Expenditure Classification tool (Philippines)
<b>SDG</b>	Sustainable Development Goals
<b>SET</b>	Stock Exchange Of Thailand
<b>SME</b>	Small and Medium Enterprises
<b>SOE</b>	State-Owned Enterprise
<b>UNDP</b>	United Nations Development Programme





# Introduction

The 2030 Agenda for Sustainable Development (2030 Agenda) presents an ambitious, complex and interconnected vision that countries around the world have committed to working towards. Realizing this vision will require mobilizing a diverse range of public and private resources to contribute to sustainable development outcomes. The Addis Ababa Action Agenda, which outlines a framework for financing the 2030 Agenda, calls for integrated approaches to finance that are driven at the national level.<sup>1</sup>

Countries face a number of challenges in developing an integrated approach to financing the SDGs. Mobilizing the scale of public and private resources required while maximizing their impact on the social, environmental and economic dimensions of the 2030 Agenda presents a range of challenges, from managing complex financing instruments to designing and implementing effective policies, and collaborating with a diverse range of actors.

These challenges are often rooted in, or made more difficult by, misalignment between the planning and finance policy functions of government, as well as the participation of only a narrow group of stakeholders in dialogue and decisions on financing.

In many contexts, there are opportunities to strengthen the connections between the tools of national planning, which set out a development vision to aspire to, and the financing policies a government uses to manage its own resources and influence those invested by others. National development plans may have developed without a clear sense of their financial viability. Policies towards different types of finance may have developed without a clear sense of how they come together or how the outcomes they target collectively contribute towards the SDGs.

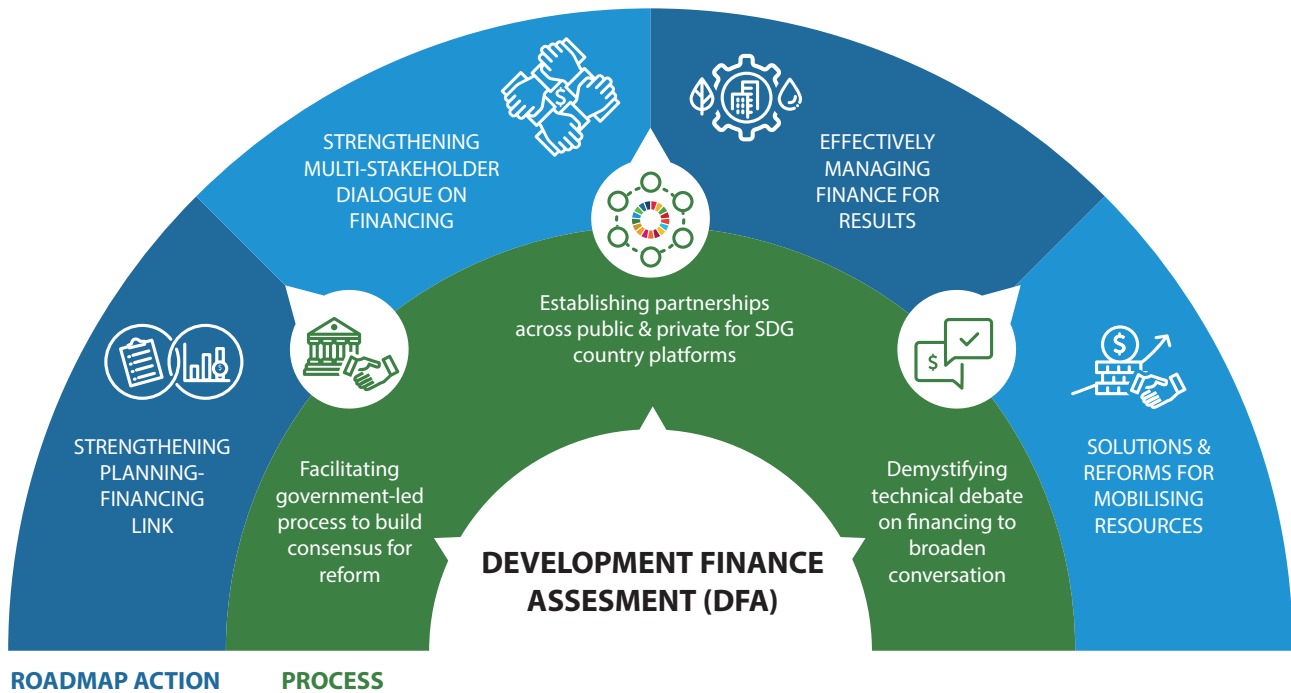
At the same time, dialogue about the contributions that different forms of public and private finance can make to the SDGs is often limited to a narrow group of policymakers specialized in financing. With limited

participation from wider actors across government, the private sector, non-governmental organizations (NGOs) and other actors, opportunities to build a broad-based reform agenda may be missed and innovative solutions overlooked.

**In response to these challenges, UNDP has developed the Development Finance Assessment (DFA) as a tool to identify opportunities to mobilize additional sources of finance and use existing financial resources more efficiently to achieve the SDGs.** The DFA offers support for governments and their partners in identifying and building consensus around solutions to address financing challenges. It makes finance issues accessible to policy and decision makers beyond the technical specialists in ministries of finance. It follows a process of multi-stakeholder consultation informed by accessible analysis on finance policy issues and what they mean for a wide range of actors and builds an agreed roadmap that can support progress across a range of areas (Figure 1), including:

- **Strengthening the link between planning and finance policy functions**, *for example by:* strengthening the governance mechanisms that align policies and annual budgets to the national development plan; estimating the cost of national development plans; and developing holistic strategies for mobilizing the public and private resources that will be needed to realize the objectives of a national plan.
- **Strengthening multi-stakeholder dialogue on financing**, *for example by:* supporting multi-stakeholder SDG platforms at the country level; incorporating public and private finance into regular progress reporting; and enhancing multi-stakeholder participation in policy processes.
- **Solutions and reforms for mobilizing resources**, *for example by:* strengthening policy and capacity to attract sustainable, inclusive private investment; and accessing untapped sources of international finance.
- **Effectively managing finance for results**, *for example by:* achieving better development outcomes with public finance, developing outcome-based incentives for private investment; broadening the mandate of revenue authorities; more effectively targeting

<sup>1</sup> It notes that “cohesive, nationally owned sustainable development strategies, supported by integrated national financing frameworks, will be at the heart of our efforts”. Addis Ababa Action Agenda, paragraph 9. Available at: [http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA\\_Outcome.pdf](http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf)

**Figure 1. The DFA process and roadmap**

vulnerable or excluded populations; strengthening parliamentary scrutiny over finance; and enhancing data collection systems.

The DFA is structured as a government-led process, with an oversight team led by a key ministry to guide the DFA process. The DFA builds consensus for reform in the areas above under the leadership of the oversight team and through consultations that engender participation in, and ownership of, reforms from a wide spectrum of actors at the national level. It aims to demystify technical debate on public and private finance and brings together decision makers from across government, the private sector, International Financial Institutions (IFIs), NGOs, development partners and other actors. By engaging this wide group of actors and making financing dialogue more accessible, the DFA aims both to build a broader base of support for reform agendas and to identify innovative solutions to the challenges of financing the SDGs.

By bringing together and building a constituency of actors working together on financing the SDGs, the DFA makes an important contribution to the establishment of SDG platforms at the country level. These platforms can stimulate innovative solutions to the challenges of realizing the SDGs and be a catalyst for more widespread and effective partnership between actors.

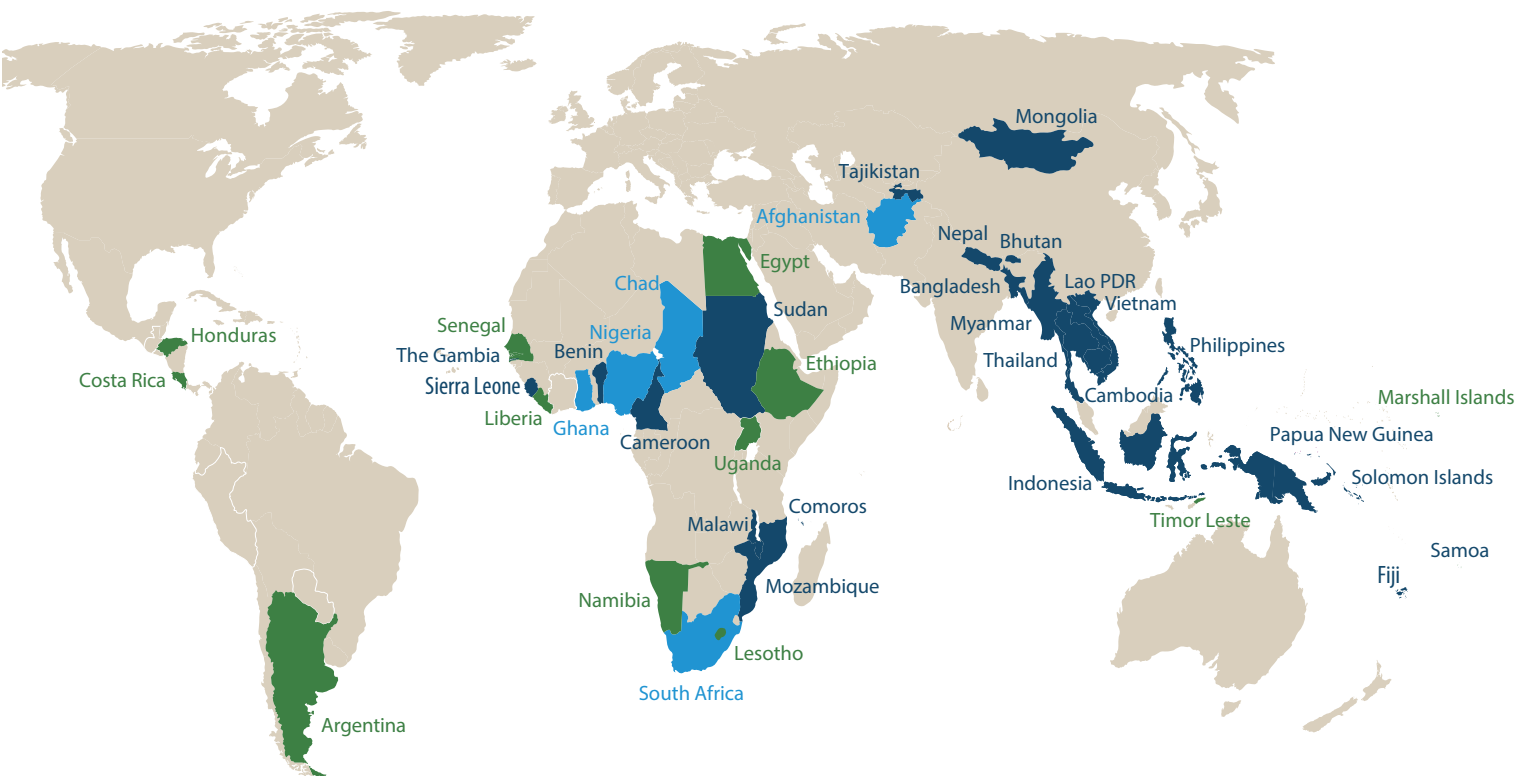
The DFA is centred around an analytical framework that informs discussions throughout the DFA process.

It is a multidisciplinary framework which assesses the elements a government needs to have in place to instigate an integrated approach to financing the SDGs. It includes five dimensions that encompass a wide spectrum of policy and institutional factors. It undertakes a comprehensive analysis of finance trends and assesses integrated planning and financing functions, public-private collaboration, monitoring and review frameworks, and transparency and accountability.<sup>2</sup> Within each of these areas, it identifies ways to enhance an integrated approach to public and private finance. It aggregates information from a wide range of sources and uses case studies from other countries to help inspire practitioners about potential policy solutions. The framework is designed to be adapted to the context and priorities of the country in question, and can be applied at the macro, sectoral and/or thematic level.

In this way, the DFA can support governments and their partners to develop a more integrated approach to financing the SDGs. It can help to draw together and complement reforms that may be ongoing or planned in a range of areas such as mobilizing particular resources, enhancing the impact of finance on SDG outcomes, costings exercises and capacity development.

<sup>2</sup> This builds on prior work on integrated national financing frameworks, for example, in UNDP (2016). *Achieving the SDGs in the era of the Addis Ababa Action Agenda*. Available at: [http://www.asia-pacific.undp.org/content/rbap/en/home/library/democratic\\_governance/achieving-the-sustainable-development-goals.html](http://www.asia-pacific.undp.org/content/rbap/en/home/library/democratic_governance/achieving-the-sustainable-development-goals.html)

**Figure 2. Where are DFAs taking place?**



**COMPLETED**

- Bangladesh
- Benin
- Bhutan
- Cambodia
- Cameroon
- Comoros
- Fiji
- Indonesia
- Lao PDR
- Malawi
- Mongolia
- Mozambique
- Myanmar
- Nepal
- Papua New Guinea
- Philippines
- Tajikistan
- Thailand
- The Gambia
- Samoa
- Sierra Leone
- Sudan
- Solomon Islands
- Vietnam

**ONGOING**

- Argentina
- Costa Rica
- Egypt
- Ethiopia
- Honduras
- Lesotho
- Liberia
- Marshall Islands
- Namibia
- Senegal
- Timor-Leste
- Uganda

**PIPELINE**

- Afghanistan
- Chad
- Ghana
- Nigeria
- South Africa

Note: This map is correct at the time of publication, March 2019.

UNDP is uniquely placed to support countries in the DFA assessment. The organization’s multidisciplinary strengths and ability to convene dialogue, bringing together stakeholders from diverse public and private communities to work together, responds directly to countries’ needs in developing wider participation in financing. UNDP has a long history of supporting countries in both the areas of planning and finance policy and its central focus on sustainable development means it can often offer a fresh perspective in these areas. Through its network of country offices, UNDP also has access to a wide range of knowledge across countries and academic disciplines that allows them to advise on the financing opportunities and approaches that a country may benefit from.

The DFA is one component of a wider portfolio of finance-related services that UNDP offers countries, including the *Financing Solutions for Sustainable Development* platform,<sup>3</sup> and others which are outlined in the UNDP guidebook on financing the 2030 Agenda.<sup>4</sup> In addition, UNDP, as the support platform of the UN development system providing an integrator function in support of countries in their efforts to realize the 2030 Agenda, facilitates a joined-up support of UN Funds, Programmes and Agencies at the country level in Financing for

3 Accessible at: <http://www.undp.org/content/sdfinance/en/home.html>

4 UNDP (2018). *Financing the 2030 Agenda – An Introductory Guidebook for UNDP Country Offices*. Available at: <http://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/2030-agenda/financing-the-2030-agenda.html>



Development. UNDP has supported or is supporting DFAs in 25 countries at the time of publication (Figure 2).

This guidebook outlines the objectives, process, analysis and outcomes of a DFA. It is designed for government officials as well as UNDP country offices and UN country teams (UNCT) and other stakeholders such as development partners, civil society organizations (CSOs) and private sector organizations that are interested in participating in the DFA process. It aims to inform these stakeholders about the relevance of a DFA to their context and policy priorities. It can also be used by the teams undertaking a DFA as a basis for guiding the process, analysis and design of a roadmap. This version of the guidebook, version 2.0, has been revised based on the experiences of DFAs over 2014–2018 and consultations undertaken over late 2017 and 2018. It will continue to be developed, including the addition of forthcoming modules on DFAs in conflict-affected situations, at the subnational level and focusing on thematic priorities such as “leaving no one behind”.

The DFA guidebook is complemented by a sister document, *Country innovations for integrated SDG financing*, which presents practical examples of country experiences in reforms designed to enhance the integration of planning and finance policy functions and the integration of public and private financing for the SDGs. *Country innovations for integrated SDG financing* may be a key source of examples

of policy reform that countries undertaking a DFA can refer to and many of the case studies it highlights are referenced in the examples in the recommendations section and throughout the DFA guidebook.

The DFA guidebook is divided into three modules covering different aspects of the process:

- **The first module details the analytical framework.** It presents an overview of the framework as a whole alongside guidance on each of the five dimensions. The concept, guiding questions and sources for each dimension are detailed. The guiding questions are divided between contextual questions that are important for understanding the current financing context at the country level, and core questions, that are at the heart of the DFA’s added value, which help to identify and develop recommendations for the roadmap.
- **The second module outlines the process of undertaking a DFA,** from the initial scoping, determination of roles and responsibilities and set-up to the implementation of the process and follow-up.
- **The final module provides guidance on developing a roadmap,** outlining the steps that can be taken, providing a number of examples of common recommendations and listing a number of relevant service offerings that can provide support in specific areas of financing.

# Module: the DFA analytical framework

*“The DFA process is informed by an analytical framework that looks at the elements a government may use to implement and instigate an integrated approach to financing the SDGs”*

At its core, the DFA process is informed by an analytical framework that looks at the elements a government may use to implement and instigate an integrated approach to financing the SDGs. It aggregates information from a range of sources to paint a uniquely holistic picture of public and private finance flows. And it assesses the policies and institutions used by government to mobilize and maximize the impact of public and private finance on the SDGs.

This module is structured as follows. The first section presents an overview of the analytical framework and its added value in relation to other financing assessments. The second section presents an overview of the finance flows that are covered by the DFA analysis and summarizes common sources of information. The third section details the core analytical framework. The guiding questions for each dimension are divided into contextual questions that build a rigorous understanding of the country context and core questions which frame the analytical added value of the DFA. Optional questions that some oversight teams may wish to explore are also included. This section of the module also describes how to undertake the quantitative analysis that the DFA offers.

## Overview of analytical framework

The analytical framework includes five interlinked dimensions which are analysed in the DFA (Figure 3, also summarized in Box 1).

The five dimensions are designed to provide an integrated approach to financing the SDGs.<sup>5</sup> They are built on the following logic:

- Understanding the landscape of public and private finance is critical for an effective integrated approach to financing the SDGs. The first dimension of the DFA **assesses financing trends** – the context, trajectories and availability of all resources in relation to the scale of investments and services required to achieve the SDGs. It looks at available information on the costs or implied financing needs of the SDGs or national plan, though the DFA itself does not undertake a costing exercise.
- It then looks at the foundations of governments’ systems for financing. **Integrated planning and financing** connects development aspirations with the policies used to realize them. An integrated approach implies complex decision-making processes underpinned by strong leadership and an institutional architecture that breaks down intra-governmental silos and promotes policy alignment and coordination among themselves and with non-state partners.

<sup>5</sup> The structure of the analytical framework builds on lessons learnt from past DFAs which were summarized for the Asia-Pacific region in the 2016 UNDP report *Achieving the SDGs in the era of the Addis Ababa Action Agenda* and for the ASEAN region in the 2017 ASEAN–China–UNDP report *Financing the SDGs in ASEAN*. These reports developed and used an earlier version of the analytical framework and can be accessed at: [http://www.asia-pacific.undp.org/content/rbap/en/home/library/democratic\\_governance/achieving-the-sustainable-development-goals.html](http://www.asia-pacific.undp.org/content/rbap/en/home/library/democratic_governance/achieving-the-sustainable-development-goals.html) and [http://www.asia-pacific.undp.org/content/rbap/en/home/library/democratic\\_governance/Financing-SDGs-in-ASEAN.html](http://www.asia-pacific.undp.org/content/rbap/en/home/library/democratic_governance/Financing-SDGs-in-ASEAN.html) respectively. It has also been informed by the DFA lessons learned survey undertaken with 14 UNDP country offices which have supported the DFAs since 2014 as well as internal consultations with UNDP across practices and with UN Development System Agencies.



Figure 3. The DFA analytical framework



### Box 1. The dimensions of the DFA analytical framework

The DFA analyses the factors that link planning and finance and brings together actors for a more integrated approach to financing the SDGs. It looks at the strengths of existing systems and identifies opportunities where policy change or reform could further enhance financing for the SDGs. The analysis is underpinned by five dimensions which constitute an integrated approach to financing the SDGs and which can be applied at the macro, sectoral or thematic level:

1. **Assessing financing trends.** What opportunities and challenges does the financing landscape present for realizing national sustainable development plans?
2. **Integrated planning and financing.** How are planning and finance policy functions aligned to mobilize the resources needed to realize sustainable development plans?
3. **Public–private collaboration.** How does government create an environment that promotes inclusive and sustainable contributions to development from private and public actors?
4. **Monitoring and review.** What systems exist to track finance and monitor SDG outcomes, and how are these used to inform policies that aim to deliver SDG outcomes?
5. **Transparency and accountability.** How do governments and other actors hold each other accountable and engage in policy dialogue that supports greater effectiveness?

- In order to operationalize such an integrated approach to financing, a number of interlinked dimensions are needed. **Public–private collaboration**, including a policy environment that promotes not just growth in investment by private sector and other actors but also sustainable, inclusive growth, is important.
- Strong systems for **monitoring and review** that track financing and monitor progress towards SDG outcomes are needed to inform ongoing finance policymaking.

- Finally, **transparency and accountability** between actors, through mechanisms such as parliamentary oversight, participatory policymaking and development effectiveness and coordination mechanisms, are important for the purposes of scrutiny and to help ensure efficiency in resource use.

These are all integral components of an integrated financing approach. They are all interconnected. Weaknesses in one dimension can limit the effectiveness of financing overall. If the planning and finance policy functions of government are misaligned, for example, then it will be difficult to know whether current financing trends and planned reforms will be sufficient to realize national objectives. If businesses are not transparent about their impacts, then government's ability to support growth in positive areas and mitigate risks in harmful ones can be limited. If monitoring systems are weak or monitoring is untimely, it will be challenging to identify the most and least effective areas of policy. If the policy environment is not enabling for civil society then its role in holding others to account is reduced and effectiveness may be diminished.

The DFA analyses these dimensions, considering key aspects of each and using them to build a picture about a government's approach towards integrated financing for sustainable development. It highlights the strengths of current systems and identifies opportunities to further enhance the ability for government and its partners to finance sustainable development. These form the basis of the DFA roadmap.

The following sections outline the approach to be followed in the DFA analysis. The assessment draws on information and expert analysis from a range of sources to build a unique holistic analysis of public and private finance for sustainable development. It aggregates information from a range of analytical sources, undertakes a rigorous data analysis, builds on consultations with key stakeholders and identifies relevant case studies of successful reforms other countries. Key terms used in the analytical framework are defined in Annex A.



## What is the analytical added value of a DFA?

**The DFA builds as comprehensive a picture as possible of public and private financing in the country context.** It maps trends in public and private finance and assesses opportunities to mobilize financing for the SDGs or to meet specific financing needs. This holistic perspective is the basis for an inclusive dialogue among decision makers from across government, the private sector, NGOs, development partners and other actors.

**The DFA focuses on strengthening the interconnection between the planning and finance policy functions of the state for a more holistic, integrated approach to financing.** It looks at how to strengthen the financing element of planning processes and how to enhance the policies used to mobilize public and private finance in practice, in line with national plans.

**The DFA identifies opportunities and ways to overcome challenges in mobilizing and enhancing the impact of public and private finance for sustainable development outcomes.** It analyses the policies, processes and institutional structures by which the government manages its resources and influences those invested by others. It considers the scope and design of key policies, the partnerships with other actors, the systems for monitoring and the mechanisms for accountability. It identifies where potential exists to strengthen them or develop new areas of finance policy.

**The DFA makes financing issues more accessible to a wider group of stakeholders that will play important roles in sustainable development progress.** The DFA demystifies dialogue and analysis on financing

### Box 2. The DFA and other UNDP analysis on financing the SDGs

The analytical framework links to other analyses supported by UNDP, given the organization's role in fostering evidence-based dialogue and supporting governments in policy development, as well as strengthening institutions and systems needed to mobilize resources and use them effectively. It draws on Rapid Integrated Assessments (RIA),<sup>6</sup> institutional reviews, governance and capacity assessments and the mainstreaming, acceleration, policy support (MAPS) approach.<sup>7</sup> The DFA analytical framework is also a core component of the financing solutions approach introduced in the UNDP Financing Guidebook<sup>8</sup> and links to the *Financing Solutions for Sustainable Development* platform.<sup>9</sup> It also draws upon sector-specific financing work such as public expenditure reviews in areas such as climate finance,<sup>10</sup> analysis on biodiversity finance (BIOFIN)<sup>11</sup> that looks at institutional and expenditure reviews, the costing of biodiversity interventions, and resource mobilization strategies.

challenges, opportunities and policy choices. It supports more inclusive, accessible dialogue with a view to building support for reform, forging partnerships and stimulating innovation.

**The DFA analytical framework can be applied at the macro, sectoral and/or thematic levels.** The intention of the analysis is to support policy change and reform for stronger and more integrated financing of the SDGs. The analytical framework is designed to be tailored to the areas where there is potential to move forward on financing. This could be at the macro, sectoral or thematic level, in relation to SDG prioritization or acceleration, or in support of the development or review of a key national plan or policy.

Box 2 summarizes the connection between the DFA and other UNDP services; Annex B provides more detail about the focus and added value of the DFA vis-à-vis other financing assessments.

6 For more on the Rapid Integrated Assessment Tool, see <http://www.undp.org/content/undp/en/home/librarypage/sustainable-development-goals/rapid-integrated-assessment---mainstreaming-sdgs-into-national-a.html>

7 For more on the mainstreaming, acceleration, policy support (MAPS) approach, see <http://www.undp.org/content/2030agenda/en/home/more/MAPS.html>

8 Available at: <http://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/2030-agenda/financing-the-2030-agenda.html>

9 See: <http://www.undp.org/content/sdfinance/en/home.html>

10 For more on climate public expenditure and institutional reviews, see <https://www.climatefinance-developmenteffectiveness.org/about/what-cpeir>

11 For more on Biofin, the biodiversity finance initiative see <http://www.biodiversityfinance.net/>



## Finance flows and data sources overview

The DFA undertakes a uniquely holistic analysis of public and private finance. It collates this picture by bringing together data and analysis from a range of sources that each look at individual financing flows. These sources are used to compile a comprehensive picture of financing at the country level and to identify gaps and opportunities.

Figure 4 presents a headline summary of the types of finance analysed by the DFA (this is expanded in more detail in the following sections). It groups flows into broad categories according to whether they are public or private in nature and sourced domestically or internationally. This categorization is used to identify and analyse the broad types of financing available.<sup>12</sup>

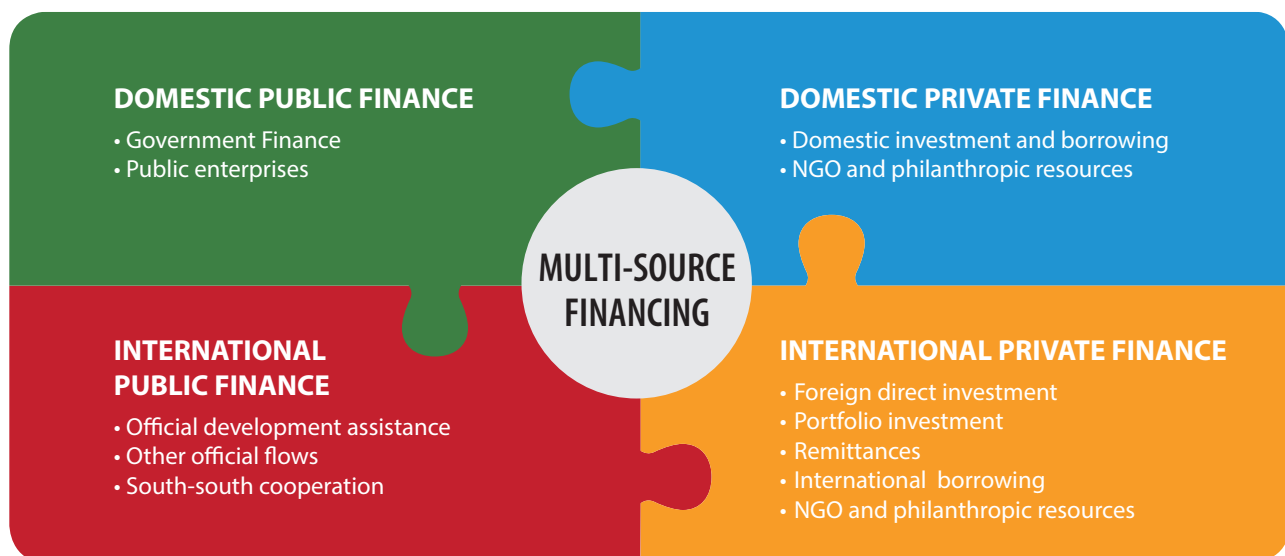
The DFA draws together information from analytical products, official policy documents, data sources and dialogue with key policymakers and stakeholders. Common sources of information are summarized in

### Box 3. The DFA in response to UN Development System support to countries in financing the SDGs

The analytical framework links to efforts undertaken by the UN Development System to provide quality integrated technical support for the implementation and financing of the SDGs, responding to the UN Secretary-General's vision on strategic financing in the UN development reform agenda. Its analysis and process can provide useful inputs to the Common Country Assessment (CCA) and UN Development Assistance Framework (UNDAF) processes, while ensuring the main objective of the DFA is to support a country's efforts for financing the SDGs. The DFA can also be initiated as an entry point to explore opportunities with the two domains of changes for the Joint SDG Fund, in particular supporting unlocking SDG financing.

Figure 5 below. The way in which these sources are used is detailed under the 'source' headings for the description of each dimension.

**Figure 4. Summary of the flows covered by the DFA**



*Note: This diagram presents an overview of the wide range of financing types that can be covered when mapping the financing landscape. Multi-source financing captures flows that do not fit neatly within one of the other boxes, for example instruments such as public-private partnerships (see Figure 6 below). It is also important to note the overlaps between many flows listed here – see below on avoiding double counting.*

<sup>12</sup> It is important to note that many flows do not fit neatly within the categories presented in Figure 4 as they combine flows from different sources. Public-private partnerships (PPPs) or blended finance instruments, for example, can potentially include funds from all four sources in a single mechanism. The full financing trends analysis undertaken by a DFA aims to disaggregate financing flows and instruments (see below).



Figure 5. Common sources of information for the analysis

ANALYTICAL PRODUCTS	DATA SOURCES
<p><b>National assessments</b></p> <ul style="list-style-type: none"> <li>• SDG progress reports</li> <li>• Voluntary national reviews to the UN High-Level Political Forum</li> <li>• Analysis by relevant think tanks and civil society organizations</li> <li>• Annual reports of key institutions, e.g. chambers of commerce, relevant state-owned enterprises</li> </ul> <p><b>International assessments</b></p> <ul style="list-style-type: none"> <li>• Article IV assessments; Fiscal Report on the Observance of Standards and Codes; Financial Sector Assessment Programme, International Monetary Fund (IMF)</li> <li>• Debt sustainability assessments (IMF and World Bank), Joint External Debt Hub (Bank for International Settlements (BIS), IMF, World Bank and the Organisation for Economic Co-operation and Development (OECD))</li> <li>• Systematic Country Diagnostics; public expenditure reviews; public expenditure and financial accountability assessments; country policy and institutional assessments (World Bank)</li> <li>• Doing Business reports; Enterprise Surveys (World Bank)</li> <li>• Global Competitiveness Report (WEF)</li> <li>• Private Sector Development Assessments (World Bank and regional development banks)</li> <li>• Open Budget Survey (International Budget Partnership)</li> <li>• The Biodiversity Finance Initiative (BIOFIN), Rapid Integrated Assessments (RIA), public expenditure reviews including sector-specific analysis like climate, institutional reviews, governance and capacity assessments (UNDP)</li> <li>• Investment Policy Reviews, Trade Policy Framework Reviews, United Nations Conference on Trade and Development (UNCTAD)</li> <li>• Other relevant sector assessments</li> </ul>	<p><b>Government sources</b></p> <ul style="list-style-type: none"> <li>• National statistics offices</li> <li>• Central banks</li> <li>• Ministries of finance, planning, foreign affairs and revenue authorities</li> <li>• Relevant line ministries, e.g. commerce, trade and industry, health, education, agriculture and local governments</li> <li>• Official monitoring frameworks</li> <li>• Open data portals</li> </ul> <p><b>Other sources</b></p> <ul style="list-style-type: none"> <li>• World Bank, IMF, UNCTAD, OECD Development Assistance Committee (DAC)</li> <li>• Regional development banks' data platforms</li> <li>• Stock exchanges</li> <li>• Voluntary private-sector-led reporting initiatives</li> <li>• Securities and exchange commissions</li> <li>• Private participation in infrastructure database (World Bank)</li> <li>• Business intelligence databases</li> <li>• The Global Compact</li> <li>• Climate Funds Update, Climate Bonds Initiative</li> <li>• Government Spending Watch</li> <li>• SME Finance Forum</li> <li>• International Aid Transparency Initiative (IATI)</li> <li>• Global Partnership for Effective Development Co-operation (GPEDC) monitoring reports and country profiles</li> <li>• Statistical capacity indicator dashboard (World Bank)</li> <li>• Resource governance index (Extractive Industries Transparency Initiative (EITI))</li> <li>• Civil society enabling environment index (CIVICUS)</li> <li>• Global Impact Investing Network</li> <li>• Worldwide governance indicators</li> <li>• Sustainability reports of largest companies</li> </ul>
<p><b>POLICY DOCUMENTS</b></p> <p><b>Government policies</b></p> <ul style="list-style-type: none"> <li>• National development plan</li> <li>• Medium-term development plan or expenditure frameworks</li> <li>• Annual budget</li> <li>• SDG implementation strategy or roadmap</li> <li>• Sector strategies, industrial development plans</li> <li>• Thematic strategies (e.g. gender, environment/climate, poverty, private sector)</li> <li>• Policies for specific types of finance, e.g. tax policies, investment incentives, development cooperation and partnership strategies</li> </ul> <p><b>Other policy documents</b></p> <ul style="list-style-type: none"> <li>• Strategic plans for chambers of commerce or similar organizations</li> <li>• Development partner country strategies</li> </ul>	<p><b>OTHER ACTORS</b></p> <ul style="list-style-type: none"> <li>• Chambers of commerce and other private sector representatives</li> <li>• NGOs, faith-based organizations and civil society organizations active on finance issues</li> <li>• Think tanks active on finance issues</li> <li>• Development partners</li> <li>• International financial institutions</li> <li>• Stock exchanges</li> </ul> <p><i>This table summarizes common sources of information for the DFA. The following sections describe the types of information that they can provide and aspects of the DFA analysis for which they may be useful.</i></p>

## 1. Assessing financing trends



**“The DFA builds a uniquely holistic picture of public and private finance”**

The first dimension of the analytical framework analyses financing trends within the country. It builds as comprehensive a picture as possible of public and private resources, flows and financial instruments. This is analysed to identify challenges and opportunities that the country faces in mobilizing financing for sustainable development. DFAs may also choose to include forward-looking scenarios that explore potential future trends in more depth.

This dimension of the analytical framework looks at the key trends in financing and at the challenges and opportunities for mobilizing new or greater volumes of finance as well as the potential to enhance the impact that different flows have on SDG outcomes.

### Guiding questions

#### Contextual questions

- What are current trends in the finance landscape? What is the current mix of resources being invested and spent?
- What reforms are planned or underway to mobilize new sources of finance, increase efficiency or enhance the impact of particular types of finance on SDG outcomes?

#### Core questions

- What opportunities exist to mobilize new finance? What opportunities exist to realign flows, increase efficiency or reduce costs?
- What are the key characteristics of potential new or expanded sources of finance? What kinds of investments and services could they support?
- Looking ahead, what risks or trends could significantly affect the availability or need for finance?

- Looking ahead at future challenges and the types of finance that will be needed, what new capacity may be needed to access and manage these flows?<sup>13</sup>
- How have other countries in similar contexts successfully mobilized new finance flows? What examples are there of policy changes in other countries that have improved the impact of public or private finance on SDG outcomes?

### Optional questions

*Scenarios.* How may current finance priorities change in the future? How may they change if current finance trends continue, and under various assumptions about the success of ongoing policy reforms or wider economic, social, demographic or environmental trends? See Annex C for methodological notes on forward-looking scenarios within the DFA.<sup>14</sup>

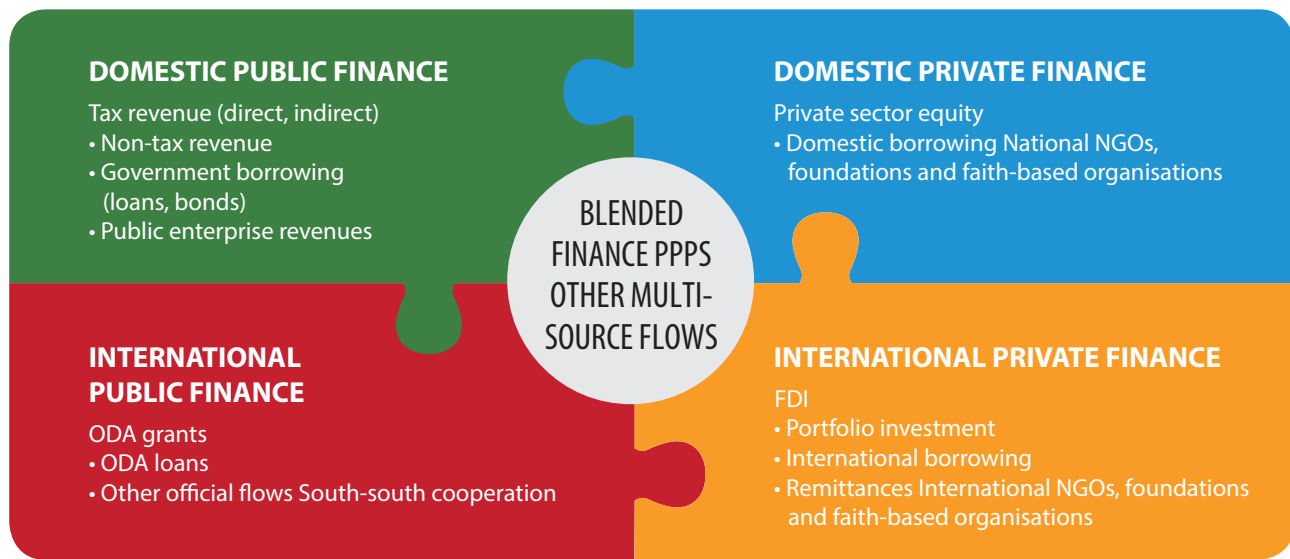
In answering these questions the DFA aims to identify key trends in the finance landscape, identify opportunities to mobilize new or greater volumes of finance and assess the potential to enhance the impact of finance on SDG outcomes.

### Mapping and analysing the finance landscape

The DFA builds a uniquely holistic picture of public and private finance. One of the first steps in the analysis is to construct a dataset describing the finance landscape as comprehensively as possible before disaggregating and analysing trends within it (see Box 4 for a note on choosing data sources). Finance flows can be captured

<sup>13</sup> For example, if private investment in infrastructure is a key future priority then capacity-building in the design and management of instruments such as PPPs and various forms of blended finance may be needed. If there are opportunities to access international climate finance there may be a need to build technical skills for the implementation of mitigation or adaptation projects. It can take a number of years to develop courses and train a body of experts in a new field, so planning ahead can pay off.

<sup>14</sup> Note that the aim is to analyse and explore the implications of scenarios about potential future trends in financing, in order to guide dialogue about the kinds of changes that can be made in the short-term to prepare for, exploit or mitigate those future trends. The DFA does not produce forecasts about what it thinks *will* happen in the future.

**Figure 6. Flows to be included in aggregate analysis of finance trends**

*Note: This diagram presents an overview of the wide range of financing types that can be covered when mapping the financing landscape. Not all flows fit neatly into one of these boxes – some flows, for example, are a mixture of public and private sources of finance; others mix domestic and international resources. It is also important to note the overlaps between many flows listed here – see below on avoiding double counting.*

at a number of points in the process: at both source and investment points. The most comprehensive data are generally available at the source stage, and as such the aggregate picture of the scale and overall trends in the financing landscape as a whole should be articulated based on data that capture finance at the source point rather than at the expenditure or investment point. The flows that can be captured in this aggregate analysis are outlined in Figure 6.

Once data have been compiled, it can help to build as comprehensive a picture of the finance landscape as possible. Given the variety of sources and varying definitions, certain steps will need to be followed before they can be brought together.

In the first instance, they must be brought into a common format, expressed in a common currency and price basis or with a common denominator (such as proportion of GDP or per person). In most instances the oversight team is likely to want figures expressed in the local currency, though datasets should be set up in a way that allows easy conversion to US dollars (USD) to aid international comparisons. This should be discussed with the oversight team, particularly if the context is one in which there have been significant exchange rate fluctuations that could affect the analysis of historic trends. Figures should be expressed in a common, constant price basis. In most instances, this should be as recent as the data allow, though there may be instances when an older price

basis is used, for example to maintain consistency with the format used in government publications. Data should be compiled covering a number of years in order to assess trends and to avoid misleading conclusions based on analysis of a single year in which there may be anomalies. Steps should be taken to avoid, as far as possible, the risk of double counting overlaps between flows (see Box 4 above). Excel templates can be made available to the technical team compiling the financing trends analysis.

An example of financing trends from the Thailand DFA is presented in Figure 7.

Beyond the aggregate mapping of the finance landscape as a whole, the DFA will analyse trends within this landscape in order to identify key challenges and opportunities. The context and trends in financing can be analysed according to the following dimensions:

- **Resources, flows and instruments.** Aggregate resources such as international private finance can be broken down into individual flows such as foreign direct investment and remittances. These can in many instances be further broken down into specific instruments. For example, international impact investing is a subset of international private finance and itself comprises a variety of debt, equity and other modalities. Bond issuances and concessional and non-concessional debt are instruments for

15 See <https://www.iatiregistry.org/>

#### Box 4: A methodological note on choosing data sources

A range of quantitative data sources will be used in the DFA, though the exact choice of sources will depend on what data are available in the country in question. In all cases, a mixture of national and international sources will be used. The primary audience for the DFA – government officials – are more likely in many circumstances to recognize and feel ownership over national data than those from international sources. National sources of data often offer a greater degree of detail and granularity, and are usually more up to date. However international sources can often fill in gaps in national data that allow the development of a more comprehensive and in-depth analysis of the financing landscape. International data are also important for facilitating comparisons between countries.

When undertaking the data analysis, it is important for the technical team to pay particular attention to data quality. Potential data challenges fall into two broad categories. Firstly, information on specific flows may be partial, based on incomplete information (such as surveys with limited coverage), or unavailable. Where comprehensive data are unavailable, the technical team should look for alternatives that can help to gauge the scale and nature of these flows. For example, activities by domestic philanthropists or NGOs are rarely captured systematically, though in many instances there will be academic studies, surveys or reporting by some NGOs to initiatives such as IATI.<sup>15</sup> Secondly, the data used to map the financing landscape will be compiled from different sources, each with their own

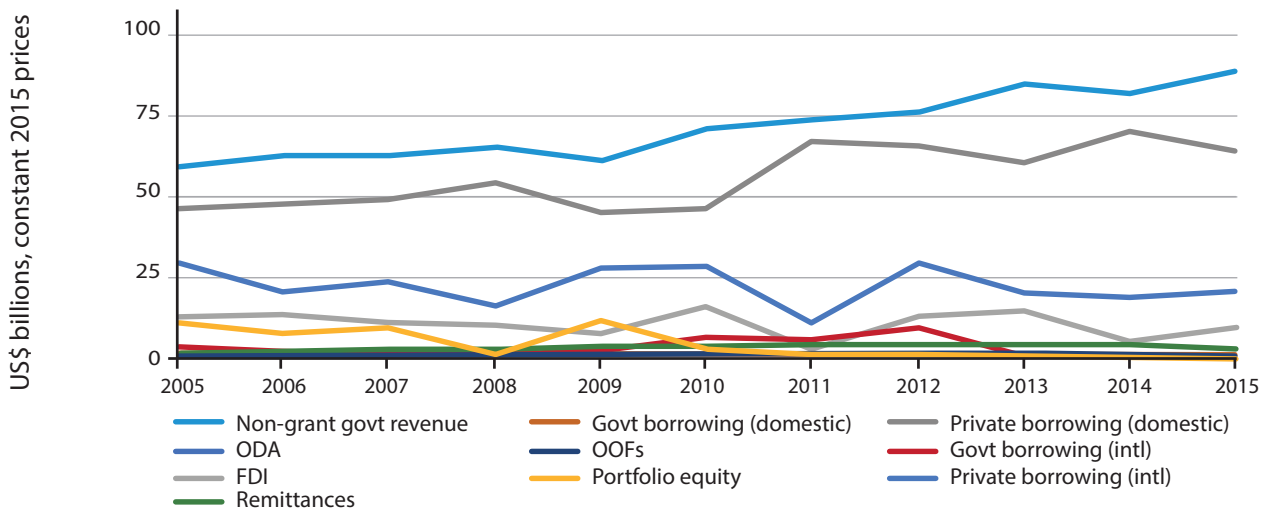
distinct methodologies, calculations and definitions. This creates challenges for aggregating data, as there may be overlaps between data from different sources. Loans from development partners to the government, for example, may be reported as a financing stream in the budget, as ODA in OECD data and as borrowing in the World Bank's international debt statistics. Foreign direct investment (FDI) can be funded by equity, reinvested earnings or debt. Where it is funded by debt, it may be captured in both FDI and international debt statistics. The technical team should take every step to account for such overlaps; depending on the level of detail included in the data sources available, it may be possible to disaggregate the data and wholly or partially account for the duplication. The technical team should be aware of and clear about these potential challenges. The primary purpose of mapping the financing landscape is to highlight the key trends in order to analyse the most important financing challenges and opportunities. The technical team must therefore weigh up the trade-offs between excluding data that describes an important part of the financing landscape because of imperfect data, and including data when there is a known risk of double counting. The strength of conclusions drawn based on uncertain data should be weighted accordingly and the DFA report should discuss the coverage, quality and reliability of the data that were available for the analysis as well as further steps that could be taken to mitigate the risks of drawing conclusions based on poor data.

public sector borrowing and can be disaggregated and analysed according to other key characteristics such as the degree of concessionality and term length. The varying characteristics of individual flows and instruments mean that they can contribute in different ways to sustainable development outcomes. Disaggregating by flow and instrument therefore allows the DFA to identify opportunities to scale up specific instruments or increase the efficiency of financing for SDG outcomes.

- **Source and point of use.** As noted above, finance can be mapped from its source (where it is raised or mobilized) to the point of use (the expenditure or investment it finances). The most comprehensive data tend to be available at the source, which is why this information is used to construct the picture of the financing landscape as a whole. However, the analysis within the DFA should disaggregate the data and look at financing mechanisms at both the source and point

of use. This is because the mechanisms through which financing are mobilized and invested can both have important impacts on SDG outcomes: for example, the progressiveness of the budget as well as the tax system have important effects on income distribution.

- **Disaggregation by sector and economic classification.** The DFA should analyse financing by sector as well as capital/recurrent breakdowns where possible. Analysing the type and mix of finance at the sector or capital/recurrent level helps to connect particular types of finance with particular SDG outcomes. It can give insight into the use of operational resources as well as the investments that are being made for the future. It can help to identify priority areas for investment, for example related to capital investment in a specific sector, and prompt a search for instruments that can meet specific financing needs. This analysis is relevant both for spending and investment as well as the

**Figure 7. Recent finance trends in Thailand**

Note: OOFs: Other Official Flows

Source: Thailand development finance assessment, 2017.

source of financing in some instances (e.g. sector-specific financing mechanisms such as vertical funds, or the divide between government and development partner sources of capital expenditure).

- **Subnational disaggregation.** Where possible the DFA can analyse the distribution and trends in financing within the country; this is particularly relevant in large countries or contexts in which authority over public finance or public-private engagement has been largely decentralized. There may, however, be challenges accessing the necessary data for such analysis and in many contexts it may be limited to analysis of a subset of flows.

Figure 8 highlights some of the key breakdowns within these dimensions by which financing can be analysed within the DFA. It identifies common sources of data that will be available for most countries. This list is not

exhaustive; for example data are often published at the regional or subregional level or by additional country-specific initiatives.

It is also important to note that in many contexts the data available and the degree of disaggregation possible will vary between different types of financing. In many instances, information on domestic and international public finance will allow deeper analysis at both the source and point of use than is possible for private finance, for example. Alongside the analysis of the financing landscape itself, the DFA can also highlight what is known and unknown based on the available data. This can support the case for improved data collection and monitoring systems (see monitoring and review systems dimension below).

**Figure 8. Finance sources, uses and instruments that can be analysed and disaggregated**

Resource	Flows, instruments and disaggregations	Common data sources
<b>Domestic public finance</b>	<b>Sources:</b>	
	Tax revenue: direct and indirect	Ministry of Finance, Central Bank, National Statistics Office; IMF Article IV reports; IMF/World Bank Debt Sustainability Analysis
	Non-tax revenue: e.g. fees, user charges, licences	Ministry of Finance, Central Bank, National Statistics Office; IMF Article IV reports
	Government borrowing: debt, bonds	Ministry of Finance, Central Bank, government open data portal; IMF Article IV or Financial Sector Assessment Program (FSAP) reports, World Bank International Debt Statistics
	Specific instruments: Climate, green, blue bonds	Ministry of Finance, Central Bank, National Statistics Office; Climate Bonds Initiative, Climate Funds Update
	Public enterprises	Ministry of Finance, annual reports of public or state-owned enterprises
	<b>Uses:</b>	
Spending by economic classification	Ministry of Finance, Central Bank, National Statistics Office; IMF Article IV reports	
Spending by sector classification	Ministry of Finance, Central Bank, government open data portal Government Spending Watch	
<b>Domestic private finance</b>	<b>Sources:</b>	
	Private sector investment*	Central Bank, Ministry of Commerce, Chamber of Commerce; stock exchange; IMF Article IV reports, private sector assessments
	Domestic debt	Central Bank, Ministry of Commerce; IMF FSAP reports
	National NGOs, foundations and faith-based organizations or finance (such as Islamic finance)*	Open data platforms where present (e.g. SDG Funders); annual reports for key organizations or umbrella networks; academic studies or surveys
	<b>Uses:</b>	
	Debt/equity: Industry breakdowns	Central Bank, Ministry of Commerce; IMF FSAP
Specific instruments: Social impact investing	Ministry of Finance or Commerce, Chamber of Commerce; ad hoc studies or surveys	
Corporate social responsibility*	Annual reports; ad hoc studies or surveys	
<b>International public finance</b>	<b>Sources:</b>	
	ODA grants and loans, Other official flows	Ministry of Finance, National Statistics Office; OECD DAC, International Aid Transparency Initiative (IATI)
	South–South cooperation	Ministry of Finance, Ministry Of Foreign Affairs; IATI
	Specific instruments: Vertical funds Climate finance	Ministry of Finance; OECD DAC, IATI Ministry of Finance; OECD DAC, IATI, Climate Bonds Initiative, Climate Funds Update
	<b>Uses:</b>	
ODA: sector or channel breakdown	Ministry of Finance, National Statistics Office; OECD DAC, IATI	
South–South cooperation: sector breakdown	Ministry of Finance, Ministry Of Foreign Affairs; IATI	



Resource	Flows, instruments and disaggregations	Common data sources
<b>International private finance</b>	<b>Sources:</b>	
	Foreign direct investment	Central Bank, National Statistics Office, Ministry of Finance, Ministry of Commerce; UNCTADstat, World Bank, IMF Article IV reports
	Portfolio investment	Central Bank, National Statistics Office, Ministry of Finance, Ministry of Commerce; World Bank
	Remittances	Central Bank, National Statistics Office, Ministry of Finance; World Bank
	International borrowing	Central Bank, National Statistics Office; IMF Article IV or FSAP reports; World Bank International Debt Statistics
	International NGOs, foundations and philanthropy*	Central Bank, Ministry of Finance; IATI
	<b>Uses:</b>	
FDI: by industry	Central Bank, Ministry of Finance or Ministry of Commerce	
Specific instruments: Social impact investing <sup>16*</sup>	Ministry of Finance or Ministry of Commerce, Chamber of Commerce, Global Impact Investment Network (GIIN); ad hoc studies or surveys	
<b>Multi-source finance</b>	Specific instruments: Blended finance Public–private Partnerships (PPPs)	Ministry of Finance; OECD DAC, IATI Ministry of Finance (PPP unit), World Bank PPP Knowledge Lab, World Bank Private Participation in Infrastructure Database

Notes: A number of flows and instruments, such as PPPs and blended financing, do not fit neatly within the four resource categories as defined here. Flows denoted with an asterisk (\*) are those for which data may not commonly be published.

In mapping the flows which are or which could be available, this analysis should be used to support discussion about potential financing solutions throughout the DFA process, considering the characteristics of different flows and their potential to meet identified financing needs. It will be important for the DFA to consider the opportunities that exist for new flows and financing instruments to be accessed or scaled up and the potential this could offer in terms of meeting financing needs or supporting investment in key priorities. This should connect with the analysis described in the following dimensions,

considering the changes that would be needed, including any necessary regulatory changes, capacity-building or partnership development, as well as the risks associated with particular financing flows. This can build from the analysis of the current financing landscape and link into the questions examined on public finance in the integrated planning and financing dimension and on private finance in the public–private collaboration dimension.

<sup>16</sup> Note that the term ‘social impact investment’ is used here to capture a range of investment types that place varying weights on the balance between financial and social or environmental returns on investment. It includes responsible, sustainable and income investing. For more, see UNDP (2018). Country innovations for integrated SDG financing.



## 2. Integrated planning and financing



***“At the foundation of an integrated approach to financing sustainable development is the need for the planning and finance policy functions of government to be closely aligned”***

At the foundation of an integrated approach to financing sustainable development is the need for the planning and finance policy functions of government to be closely aligned. This is key to setting out development aspirations that are in step with the policies designed to realize them, and to effectively addressing the challenges and opportunities that finance trends present.

In recent years, many countries have increased the capabilities of the systems they use for national planning while also expanding and enhancing their financing policies. Yet in some contexts, the instruments utilized within each system have been developed independently from one another and without an overarching strategic orientation (see Figure 9). Even where progress has been made in strengthening the alignment between planning and financing, the strongest connections are often centred around public finance, development cooperation and PPPs. There may be opportunities in many contexts to deepen these connections and to broaden them to align policy towards a wider range of public and private finance to national planning objectives.

This dimension of the analytical framework looks at how governments can take a more holistic approach to integrated planning and financing. It analyses the challenges and opportunities for alignment between national plans and policies related to the budget, private sector development, development cooperation and other types of finance. A key aspect of this is assessing the types of investments that would be needed to realize a national plan and understanding the costs and types of

finance needed to pay for them. With a particular focus on public finance, this dimension of the DFA also looks at opportunities for strengthening the connection between the annual and/or medium-term budget process with long-term plans.

This analysis links closely to the other dimensions of the framework. It builds on the analysis of financing trends, which are compared against the potential costs of national development plans articulated in this dimension. Integrated planning and financing functions within government are further seen as a foundation on which operational policies and structures regarding public–private collaboration, monitoring and review, and transparency and accountability are based.

### Guiding questions

#### Contextual questions

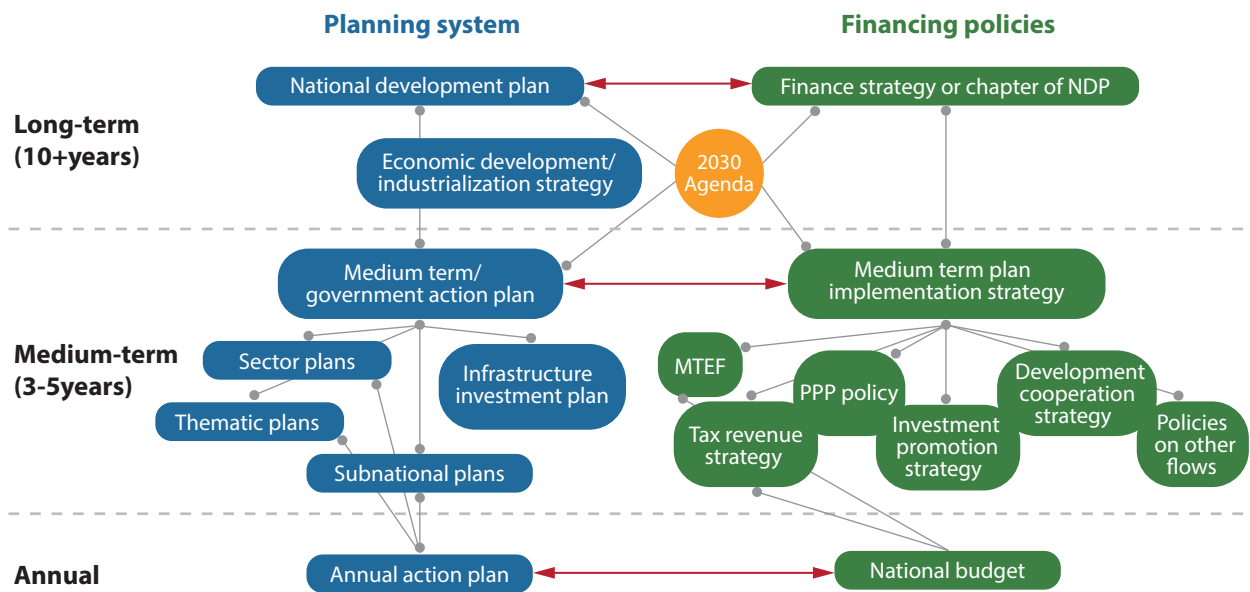
- What are the government’s key policies and strategies towards public and private finance?
- What mechanisms are used to align the budget to national plans? How does senior leadership ensure the coherency of the planning and budgeting functions?<sup>17</sup>
- What mechanisms exist to align policies regarding finance controlled by other actors with national development objectives?
- What mechanisms are in place to build coherency and avoid contradictions between policies that focus on different types of finance?
- To what extent is there an understanding of the scale and types of financing that will be needed to deliver the investments and services required by the national development plan?<sup>18</sup> Have the national development plan, or sector or thematic plans, been costed?

17 For example, the Government of the Philippines has introduced a series of reforms designed to enhance the results focus of the budget and strengthen the links between the outcomes targeted in budgetary programmes with the targets of the development plan. For more see UNDP (2018). *Country innovations for integrated SDG financing*.

18 For example, Bangladesh has estimated the cost of achieving its national plans and in 2017 undertook an exercise to estimate the additional cost of financing the SDGs.



**Figure 9. Common elements of national planning and financing systems**



Note: The red arrows highlight key points at which the planning and financing systems should be closely connected. Source: UNDP (2018). Country innovations for integrated SDG financing.

- Is there evidence of capacity constraints limiting efficiency in public financial management or access to particular types of finance?

**Core questions**

- How do the estimated or implied (see Annex D) costs of the national plan compare to current finance trends? How are estimates of costs used in policies towards public and private financing?
- Which finance types are targeted by government policies to finance investments in key priorities? Is there potential to mobilize other sources or instruments for financing in these areas?
- Is there a single point of focus that governs the overall approach to public and private finance?<sup>19</sup> How does this guide strategy towards public and private financing over the short and medium term?

- What design features are built into key finance policies in order to manage synergies, trade-offs and competing priorities?<sup>20</sup>
- What steps have other countries taken to strengthen the link between planning and finance policy functions? What sources of finance have other countries mobilized to address key priorities?

In answering these questions, the DFA aims to identify ways to (i) develop a more holistic approach to planning and financing, (ii) strengthen alignment between the budget and the national plan, and (iii) develop a clearer understanding of the scale and type of investments needed to achieve the SDGs.

**Sources**

National plans and finance policies will be key sources of information for this foundational element of the DFA

<sup>19</sup> Such as a published strategy, chapter in a national plan or a committee with a mandate for holistic financing.

<sup>20</sup> For example, between objectives to develop new industries (often articulated in an industrial development plan) and sustainably manage the environment (often articulated in a climate or environmental plan). Where these types of policies are developed in isolation from one another, there may be contradictions in their targets and strategic approaches. However, if they are developed and implemented in a more integrated way, design features such as the creation of specific incentives for environmentally friendly business models can be built in to ensure compatibility.

analysis. The DFA should review long-term and medium-term national plans and any corresponding financing strategies. To assess the linkages between policy towards different types of finance and which types of finance are targeted to finance specific policy priorities, the DFA can review the overarching financing strategy, if one exists, as well as sector and thematic plans, and policies related to specific types of finance. This includes annual and medium-term budgets, budget strategy documents and revenue mobilization strategies, as well as policies related to private sector development or industrialization, the development of small and medium-sized enterprises (SMEs), access to finance, development cooperation and others. Costings exercises associated with these policies can also be reviewed, alongside any that have been undertaken by specialist international agencies such as UNESCO, UNICEF and others. Strategic plans for relevant specialist agencies such as the revenue authority or trade and investment promotion agency may also provide valuable information.

Consultations with relevant officials will be an important source of information. The core ministries responsible for overseeing planning and finance policy functions are Ministries of Planning and Ministries of Finance, though in a number of countries the planning function has been subsumed as a division within the Ministry of Finance. It will also be important to meet with the Office of the Prime Minister or President as well as line ministries and specialist agencies that hold responsibility for key sector plans or for mobilizing particular types of finance. Many countries have established mechanisms for reviewing the budget or other key policies to ensure their alignment with longer-term plans. Representatives of such committees or mechanisms will be able to provide valuable insight into the alignment between planning and finance policies. A number of countries have also established cross-ministerial committees and/or parliamentary committees to focus on SDG implementation, as well as committees or platforms to focus on specific finance issues (such as domestic revenue mobilization or development effectiveness) or

sectoral issues (such as sector-specific technical working groups) and these committees may be relevant sources of information about finance strategies.

Beyond official policies and consultations with government ministries, development partners and literature from a wide range of sources can be useful for analysing this dimension of the DFA. In many contexts, IFIs and development partners work closely with the central ministries responsible for the planning and finance policy functions and can offer insights into the challenges, opportunities and ongoing reforms related to planning and financing policy. National publications such as voluntary national reviews or progress reports on the national development plan, as well as SDG progress reports, will be key sources to draw from, and national think tanks and civil society organizations that are active on financing will in many cases have published relevant analysis on planning and financing as well as long-term financing trends. A number of international financing initiatives may have analysis that can inform this component of the analytical framework. These include: IMF Article IV reports, Public Expenditure and Financial Accountability (PEFA), Public Expenditure Review (PER), Systematic Country Diagnostics, Fiscal Report on the Observance of Standards and Codes (IMF), Budget briefs and Fiscal space studies (UNICEF), the Commonwealth PFM Self-Assessment Tool (CPFM-SAT), the Open Budget Index (OBI) (International Budget Partnership) – Chartered Institute of Public Finance and Accountancy (CIFPA) and the Country Policy and Institutional Assessment (CPIA), and Rapid Integrated Assessments (RIA) as well as sector-specific initiatives including the Biodiversity Finance Initiative (BIOFIN) and Climate Public Expenditure Institutional Review (CPEIR).

Ideas about flows or instruments that could be mobilized to provide additional sources of finance can be collated through the consultations and literature review, as well as in discussion with the focal point from UNDP/UNCT, and the UNDP regional hub who may be able to provide relevant examples from other countries.



### 3. Public–private collaboration



***“Effective public-private collaboration entails going beyond stimulating growth in private investment, to creating incentives that promote positive contributions to environmental sustainability and social progress”***

Achieving the SDGs will require investments and actions from a range of public and private actors. Mobilizing finance from actors beyond government will require a policy and enabling environment that is conducive to sustainable, inclusive development of the private sector and promotes the strategic investment of private finance. Non-governmental organizations and actors from across civil society can make valuable contributions to government-led development processes and play an important role in many contexts in service delivery and other aspects of sustainable development. It will require effective collaboration between government and private stakeholders including dialogue on policy issues and active partnerships on specific projects. It entails going beyond just stimulating growth in private investment, for example, to creating incentives that promote positive contributions to environmental sustainability and social progress.

This dimension of the DFA looks at how public and private actors collaborate around the 2030 Agenda and how they act to promote not just economic gains, but also sustainable, inclusive private finance. It identifies opportunities to enhance the policy environment, strengthen incentives and deepen public–private collaboration in pursuit of this objective.

This dimension links closely to the others. It asks how public–private collaboration draws from the strategies developed through integrated planning and financing functions and considers how monitoring frameworks, as well as transparency and collective accountability, can strengthen the role of private finance in realizing sustainable development objectives.

The following section outlines guiding questions applicable to public–private collaboration overall as well as questions specific to individual types of private finance. These questions focus on private finance at different levels, in some instances focusing on resource flows at a more aggregate level (e.g. private sector investment) and focusing on particular instruments (e.g. social impact investment) in others (see also Figure 8 above). This reflects the potential for changes at any of these different levels to have a positive impact on finance for the SDGs in different contexts. Depending on the country context, DFAs will not necessarily cover every type of private finance.

#### **Guiding questions**

##### **General**

##### **Contextual questions**

- What institutional mechanisms exist for dialogue between public and private actors<sup>21</sup> and for the participation of private actors<sup>22</sup> in the design, implementation and review of policies that aim to influence private finance?
- What institutional mechanisms does government use to coordinate its policies towards different types of private finance? What role do agencies responsible for environmental protection and social development issues play within these mechanisms?
- Is there evidence of capacity constraints in government agencies or among private actors that are limiting sustainable, inclusive growth in private finance?

21 For example, public–private dialogue platforms or multi-stakeholder private sector advisory committees.

22 From both the private sector and civil society. In some circumstances, the undue influence of certain actors over policy design may be a consideration.

## Core questions

- What do private finance actors identify as the most significant opportunities and challenges for enhanced collaboration?
- What sources of finance or financing instruments have the potential to meet key financing needs for the country?
- What degree of influence does government policy have over the scale and nature of investment in relation to each type of financing?
- What relevant examples of promoting sustainable, inclusive growth in private finance can be identified from other countries?

## Private sector investment (domestic and foreign direct investment)

### Contextual questions

- How conducive is the business climate and policy environment to private sector investment? How do key business policies and regulations promote sustainable, inclusive private sector investment? Are there barriers which are preventing private sector investment? Is government undertaking reforms to alter the business environment?
- Does government actively encourage certain kinds of investment?<sup>23</sup> How are these linked to national plans?
- To what extent does private sector investment represent a mix of investment that is purely commercial and which takes social and environmental considerations into account?<sup>24</sup> What is known about the scale and focus of these different types of investment?
- To what extent do private sector representatives and government collaborate in identifying and establishing investment opportunities, including developing project pipelines?
- What mechanisms – such as investment forums or participation in international trade forums – are used to promote investment opportunities?

<sup>23</sup> For example, in priority industries, by certain types of business (e.g. foreign investors, SMEs or businesses owned by women) or in particular geographic locations.

<sup>24</sup> For example, differentiating between finance-only, responsible, sustainable and impact investment. See UNDP (2018). *Country innovations for integrated SDG financing*, for more. See also the questions on social impact investing below.

## Core questions

- How does government aim to promote investment from private sector actors<sup>25</sup> that contributes, directly or indirectly, to the desired outcomes of the national development plan? To what extent are government's policy objectives centred on economic gains or results related to the wider dimensions of sustainable development? Are incentives structured around inputs, outputs or outcomes ('sustainability-based incentives'<sup>26</sup>)?
- How are trade-offs between key policy priorities, e.g. to encourage investment and protect environmental or social progress, addressed by government and its partners?
- Is there a history of collaboration between government and private sector actors on specific projects? If so, which private sector companies/sectors have been good examples in the country? Are PPPs or similar instruments used and how cost-effective have they proven to be in advancing SDG outcomes?

## Portfolio investment<sup>27</sup>

### Contextual questions

- What role does portfolio investment play as a source of finance in financial markets?
- To what extent are ESG or sustainability principles factored into portfolio investment practices?<sup>28</sup>

### Core questions

- What potential is there to deepen and broaden practices that promote socially and environmentally sustainable portfolio investment?

<sup>25</sup> Considering important distinctions between different types of actors such as SMEs and multinational enterprises (MNEs).

<sup>26</sup> Incentives that reward contributions to sustainable development outcomes, as opposed to output or location-based incentives that reward investment in particular priority sectors or geographic locations. For more see UNCTAD (2015). *Investment policy framework for sustainable development*.

<sup>27</sup> Portfolio investments are cross-border transfers involving debt or equity that are not counted as FDI (or reserve assets), i.e. they fall below the threshold of owning the right to 10 percent or more of the voting rights of the entity in which an investment is made. Portfolio investments are more liquid and often pass through financial markets or specialized service providers. Source: IMF Balance of Payments Manual, 6th edition.

<sup>28</sup> For example, does the stock exchange promote sustainability reporting as a means for attracting ESG-conscious investment?



## Social impact investment (domestic and international)<sup>29</sup>

### Contextual questions

- Is there an active social impact investment<sup>30</sup> sector in the country? What is known about the scale and focus of private sector investments that are not purely commercial in nature?
- To what extent is the regulatory and policy context conducive to, or actively promoting, social impact investment?<sup>31</sup>

### Core questions

- What potential is there to encourage the development of social impact investing practices and to facilitate the transfer of principles, practices and techniques to the wider private sector?

## Credit (domestic and international borrowing, including access to finance issues)

### Contextual questions

- How developed are domestic credit and bond markets? To what extent does access to credit vary between small and large firms? To what extent do domestic firms have access to international credit and bond markets?
- To what extent are supply factors such as limited access to credit, or demand factors such as the lack of capacity to develop bankable proposals, a constraint to growth for private sector firms, particularly those in the sectors or areas most relevant to national objectives?

### Core questions

- How does government promote increased access to credit, particularly for segments of the private sector that are key to SDG progress?

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29 Note that social impact investment is a subset of the private commercial investment for which guiding questions are listed above. For notes regarding the definition of social impact investment, see Figure 8 above.

30 Responsible, sustainable or impact investing.

31 For example, considering factors such as the legal basis for social impact enterprises, regarding fiduciary rules for pension funds and other investors, and considering measures that can be used to promote social impact investment, such as tax incentives and enhanced access to credit. For more on this, see UNDP (2018). *Country innovations for integrated SDG financing*.

## Development partner and multilateral development bank engagement with the private sector

### Contextual questions

- To what extent are development banks and development partners active in supporting private sector development? What are the key areas of focus?<sup>32</sup>
- How do key development cooperation projects relate to the national development plan? What role do relevant government ministries play in these initiatives?

### Core questions

- What potential is there for development partners to encourage growth in sustainable, inclusive private investment from their home countries?<sup>33</sup>
- Do these actors use innovative instruments such as challenge funds or payment-for-outcome contracting that could be adopted by government?

## NGOs, faith-based organizations and foundations (domestic and international)

### Contextual questions

- How conducive is the policy environment to investments and service delivery by NGOs, faith-based organizations and foundations?
- To what extent is there a history of collaboration or coordination between government and these actors? In which sectors and at which levels of government is cooperation concentrated?

### Core questions

- What future roles can NGOs, faith-based organizations and foundations play in delivering investments and services to realize the national development plan?

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32 For example, the enabling environment, blended finance projects or direct promotion of private investment.

33 For example, by partnering with national firms or actors such as an outward investment agency.

## Remittances

### Contextual questions

- Through what institutional mechanisms does the government engage with the diaspora?<sup>34</sup>
- Have instruments designed to leverage financing from the diaspora or the flow of remittances been considered or used in the past?<sup>35</sup>

### Core questions

- What potential exists to engage the diaspora or leverage remittances to access new forms of development finance?
- In answering these questions, the DFA aims to identify ways to promote sustainable, inclusive investments by these private finance flows, by (i) enhancing the policy environment, (ii) strengthening incentives, and (iii) deepening public–private dialogue and collaboration.

## Sources

Information on how the government aims to incentivize inclusive, sustainable growth in the private sector may require in-depth, country-specific analysis. UNCTAD's Investment Policy Framework for Sustainable Development<sup>36</sup> provides a useful guide about how countries can establish sustainable-development-friendly investment policies. The information for assessing this aspect of the DFA can come from a review of policies on topics such as industrial development, investment incentives, access to finance, and sector policies that include a significant role for private sector development, and importantly through consultations with relevant ministries and private sector representatives. It can also be informed by evidence from and dialogue with civil society actors who are active in monitoring private sector development and public–private collaboration.

For information on the business environment, sources such as the World Bank's Doing Business reports and Enterprise Surveys and the World Economic Forum's Global Competitiveness Reports can be used as a starting point for gauging the status of creating an environment that encourages private investment. The Global

Competitiveness Report and Enterprise Surveys look at a wide range of business environment factors while the Doing Business reports focus specifically on regulations. Financial System Stability Assessments from the IMF offer insight into the financial sector and the role it plays within a country. The standardized nature of these assessments as well as the narrow, specific focus of some<sup>37</sup> means that they should be supplemented with context-specific information that can be sourced from country-specific private sector assessments<sup>38</sup> or similar literature as well as through consultations with relevant ministries and private sector representatives such as chambers of commerce.

Information on the environment for and collaboration with development partners and civil society can be gathered through international sources such as the GPEDC monitoring survey country profiles<sup>39</sup> and the CIVICUS enabling environment index, as well as discussions with representatives of these actors. Consultations with development cooperation units within ministries of finance or planning can build on this information, along with discussions with key actors within any coordination forums or mechanisms.

Information on dialogue and participatory policymaking can be sourced via consultations with relevant officials and stakeholders and literature. Key ministries could include ministries of commerce, trade and industry, business and enterprise, as well as line ministries relevant to key economic sectors and also parliamentarians. Representatives of the private sector (e.g. chambers of commerce, investment promotion agencies) and institutions such as the stock exchange or banking association, as well as civil society, women's, community and faith-based organizations and development partners can also be very relevant sources of information. Annual reports or other documentation from dialogue platforms such as a chamber of commerce or a development partners' forum can also be utilized. In addition, the GPEDC monitoring survey includes a section on inclusive partnerships which provides information on the participation of non-state actors in policy processes and platforms for public–private dialogue. Over 80 countries were covered in the 2016 survey. Some countries may

34 For example, is there a ministry or division responsible for diaspora engagement? What activities does it undertake?

35 For example, diaspora bonds or future flow securitization. For more on this see UNDP (2018). *Country innovations for integrated SDG financing*.

36 UNCTAD (2015). Investment policy framework for sustainable development. Available at: [http://unctad.org/en/Pages/DIAE/International%20Investment%20Agreements%20\(IIA\)/IIA-IPFSD.aspx](http://unctad.org/en/Pages/DIAE/International%20Investment%20Agreements%20(IIA)/IIA-IPFSD.aspx)

37 For example, some of these assessments may be centred around the promotion of economic growth as opposed to sustainable development progress.

38 Such as the Asian Development Bank's periodic country-level private sector assessments.

39 Available at: <http://effectivecooperation.org/monitoring-country-progress/country-and-territory-monitoring-profiles/>



also have featured in case studies or synthesis reports prepared by specialist international organizations such as PublicPrivateDialogue.org.<sup>40</sup>

Information on project-level collaboration can be sought from relevant divisions within key ministries, such as a PPP unit, infrastructure division, or division responsible for other sectors in which public–private collaboration is prominent. Some governments publish data and/or project evaluations relating to PPPs and other public–private collaboration.

Within this section of the analysis, as in others, a strong emphasis is placed on building up case studies as examples of initiatives underway to support more impactful private sector investment and collaboration across public and private sectors. These are articulated in the analysis where they have potential for scaling up or replication; other country examples are also brought to bear with this purpose.

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<sup>40</sup> PublicPrivateDialogue.org is an initiative of the Department for International Development, United Kingdom (DFID), the World Bank and the Organisation for Economic Co-operation and Development (OECD). As of 2017, case studies were available for over 40 countries, though some are more recent than others. For more information see: <http://www.publicprivatedialogue.org/>



## 4. Monitoring and review



***“The ability to monitor the impacts of different types of finance is key for understanding their potential contribution to the SDGs”***

Effective monitoring and review frameworks are a critical component of an integrated approach to financing.

There are a number of components to effective monitoring and review systems. Finance tracking systems capture information on financing, on the resources that are being invested, by whom and how. Monitoring systems capture information on development results and the progress that is made towards the SDGs. In many contexts, these will be distinct from one another and there may be multiple systems of each kind. The quality of these public and private systems and the ability to connect information between them will determine the extent to which a clear picture can be developed of the impacts that different types of investment are having on SDG outcomes, and crucially whether those investments are also cost-effective.

This dimension of the DFA looks at the quality of these systems and the ability to connect them and use this information to inform policymaking. Overall, it aims to identify steps that can be taken to strengthen finance tracking systems and monitoring systems, enhance the potential to connect the two and support more informed finance policymaking.

The ability to monitor the impacts of different types of finance is key for understanding their potential contribution to the SDGs. Monitoring systems provide valuable information for decisions about how to design and adapt policy to enhance the positive contributions and mitigate the risks associated with particular forms of finance. Such monitoring can extend to all public and private finance. Most governments have monitoring

frameworks associated with their national plans or medium-term budgetary frameworks and in an increasing number of contexts private sector bodies are developing their own monitoring systems. Many public aid flows are also monitored closely. There is potential to expand such initiatives and to strengthen the links between them to enable a more holistic understanding of all types of finance. At their foundation, such monitoring frameworks rely on strong systems for collecting, harmonizing and analysing public and private sector data.

This dimension of the analytical framework is closely related to elements of the other dimensions. The structure and coverage of finance tracking and monitoring systems play a large role in determining the depth of understanding of financing trends and inform the strategies developed within integrated planning and financing functions in response. The information collected can inform dialogue between public and private actors and is key to accountability and scrutiny.

### Guiding questions

#### Contextual questions

- What is the coverage of finance tracking systems? What systems do public actors use to track their investments? Do private actors maintain separate tracking systems?
- How accessible, timely, reliable and disaggregated is information on different forms of public and private financing? To what extent do these systems capture information on inputs, outputs and outcomes?
- To what extent do monitoring systems provide a clear, timely understanding of SDG progress? To what extent can this be disaggregated by important dimensions including subnational region, gender, age and income level?



- To what extent are common data standards used in different finance tracking and monitoring systems? Do differences in concepts or definitions constrain the ability to connect information captured by different finance tracking systems or to connect them with monitoring systems?

### Core questions

- Does government maintain a results framework that brings together information from finance tracking and monitoring systems? Does it cover public and private finance?<sup>41</sup>
- How is information gathered by finance tracking and monitoring systems used to inform the design and implementation of finance policies?<sup>42</sup> Does government use results-based planning principles in policy design? Are there variations between policies focused on different aspects of public and private finance?
- Do weaknesses in collection and monitoring frameworks affect the design, management or review of finance policies?
- Are there particular areas of financing<sup>43</sup> where improvements in monitoring could support increased efficiency?
- What opportunities exist to strengthen tracking systems with data that are currently underutilized by policymakers? What new data could be collected? What steps could be taken to better harmonize the information produced by finance tracking and monitoring systems?
- How have other countries strengthened finance tracking and monitoring systems to support more effective financing for sustainable development?

In answering these questions, the DFA aims to identify ways to (i) strengthen finance tracking systems and monitoring systems, (ii) enhance the ability to connect the two and (iii) inform finance policymaking.

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41 This is likely to be the case in only a minority of countries.

42 For example, what targets or objectives are set for policies related to different types of finance? Do these relate to finance inputs, outputs or outcomes? How are they monitored? How are policies adjusted over time in response to monitoring?

43 Such as particular government funds, incentive schemes or procurement processes.

### Sources

Information on finance tracking and monitoring systems and their use can be gathered by reviewing the outputs of these systems and by speaking with the actors that manage and use them.

There may be a number of tracking systems focused on financing maintained by a range of public and private actors. Ministries of finance will track public spending,<sup>44</sup> central banks track a range of public and private flows<sup>45</sup> and national statistics offices may also maintain systems, or undertake surveys, that track financing. Consultations with private sector representatives such as a Chamber of Commerce, private bodies such as a stock exchange, civil society organizations and development partners can give insight into monitoring systems outside government. Many stock exchanges are hubs for sustainability reporting and information on ESG frameworks among listed companies. Chambers of commerce, business associations and national chapters of the UN Global Compact may also be able to highlight any additional voluntary private-sector-led reporting initiatives. The DFA can also review the sustainability reporting practices of a selection of the largest companies in the country, or the largest companies within a particular sector of focus. Development partners often operate their own monitoring frameworks which are used to report on effectiveness within their organizations.

In many countries, monitoring systems associated with a national plan, and medium-term or annual monitoring/progress reports are maintained by a ministry of planning or finance. Line ministries commonly maintain more detailed monitoring systems focused on specific sectors or thematic areas. These can be reviewed to understand the timeliness of data and the extent to which government understands the disaggregated picture of progress beyond the national level alone.

Across these consultations and reviews, it is important to build an understanding of the degree to which actors are and could potentially share and harmonize information to inform a more comprehensive understanding of financing for the SDGs. Assessing the extent to which there is a common structure to data and understanding

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44 In some contexts, this will include state-owned enterprises and quasi-public institutions, in other contexts the investments made by these actors are only tracked by the institutions themselves.

45 Often using standardized international statistics standards, for example related to the balance of payments.

of key definitions and terminology will be key to this question.<sup>46</sup>

Consultations with officials in ministries of planning and finance, or specialist monitoring units, as well as relevant line ministries and the central bank can be used to understand how information from monitoring processes and evaluations is used practically and in policymaking.

In addition to policy documents and consultations, a number of international assessments that touch on different aspects of monitoring can be used. The World Bank publishes country profiles of statistical capacity which may offer insights into capacity constraints in statistical authorities that could hold back effective monitoring and review of finance strategies.<sup>47</sup>

*Public Expenditure and Financial Accountability* (PEFA) assessments include a number of criteria relevant to the monitoring and review dimension of the DFA. These include assessments of how the government monitors and publishes information on funding for and performance of service delivery; monitoring of public corporations, subnational government and fiscal risks such as contingent liabilities; monitoring of public investments and alignment of strategic plans and budgets. The PEFA assessments give a score on each of these dimensions. Where available, PEFA reports provide an overview of why a country has received its score against each indicator. Where PEFA reports are not published, the score data will at least provide an indication of how systems compare internationally. IMF Article IV reports may include an assessment and recommendations about ways to improve the monitoring of particular types of finance such as public and private borrowing, bond issuances and debt stocks. GPEDC monitoring profiles provide information on monitoring with a particular focus on development cooperation, covering results frameworks, harmonization of government and development partner systems and joint evaluations of results. It includes questions about how resources for gender equality and women's empowerment are tracked. Over 80 countries were covered in the 2016 survey. Some countries may have featured as case studies

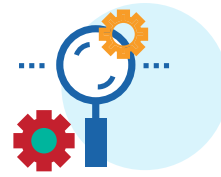
in publications by specialist international organizations such as the Parliamentarians Forum for Development Evaluation.<sup>48</sup> Finally, reports by development partners (bilateral, multilateral and vertical funds as well as non-official actors such as philanthropic foundations or civil society) may also add useful information.

Building on the analysis of existing frameworks and the information that is captured in them, the DFA can identify additional existing information which could further strengthen monitoring frameworks. In some contexts, sources such as the surveys that national statistics offices and central banks carry out in their statistical functions, and the administrative data that line ministries collect, could be mined for additional information or adapted to ask additional questions that feed into monitoring frameworks. For example, labour force surveys can provide insights into the scale and quality of jobs created by private investment in specific sectors or regions. Central bank surveys may capture information on access to finance relevant for objectives related to SME development and poverty reduction. Data in line ministries such as health and education may capture information on outcomes related to specific development cooperation projects or on outcomes associated with services delivered by non-state actors such as NGOs or faith-based organizations.

46 For more on this, see UNDP (2018). *Making Development Finance Management Information Systems Work for the Evolving Development Cooperation Landscape*. Available at: <http://www.undp.org/content/undp/en/home/librarypage/development-impact/making-development-finance-management-information-systems-work-f.html>

47 For more information see: <http://datatopics.worldbank.org/statisticalcapacity/>

48 For more information see: <http://www.pfde.net/>



## 5. Transparency and accountability

Transparency and mutual accountability between public and private actors is important for building trust that promotes collaboration and as a mechanism for boosting effectiveness. Transparency and accountability are two-way responsibilities. For government, it encompasses making information accessible on the way that finance is raised, spent and the outcomes that are generated as well as the degree of openness to scrutiny from actors including parliament, civil society, the media and others. Private actors and development partners also have a responsibility to publish information on their activities. This is a key enabler for these actors to be held to account and for the creation of an environment that enables enhanced public and private contributions to sustainable development. Mutual accountability and transparency support effective partnerships, strong monitoring and enable greater effectiveness in the impact of financing.

This dimension of the DFA looks at opportunities to enhance information sharing by government and other finance actors and to strengthen mechanisms for scrutiny and accountability.

In this way, this dimension is closely related to the others. The information shared and scrutinized through accountability mechanisms informs the understanding of finance trends and the design of plans and financing policies. It can be conducive to closer public–private collaboration. Accountability mechanisms can be informed by the information generated through monitoring frameworks within the public and private spheres.

### Guiding questions

#### Contextual questions

- How does government share information on the way it has raised and used public finances, and the outcomes generated? How do private sector actors, civil society and development partners share information on their investments and the outcomes they achieve?
- What laws and regulations are in place to specify minimum reporting standards?

***“Transparency and mutual accountability between public and private actors is important for building trust that promotes collaboration and as a mechanism for boosting effectiveness”***

#### Core questions

- What are the key challenges cited by potential users<sup>49</sup> of information on public or private finance?<sup>50</sup>
- To what extent are official accountability mechanisms<sup>51</sup> able to compel changes in public spending or private finance? What examples exist of these powers being used? What examples exist of non-state actors<sup>52</sup> influencing public or private activities?
- What forums exist for multi-stakeholder dialogue about progress in implementing national plans? What changes or outcomes have these forums facilitated in the past?
- What opportunities are there to strengthen existing mechanisms for accountability on financing?<sup>53</sup> Are there particular areas of financing<sup>54</sup> where transparency is lacking?<sup>55</sup>

49 Including actors such as parliamentary committees, supreme audit institutions, civil society, the media, think tanks or watchdog institutions.

50 For example, related to accessibility, timeliness, reliability, definitions, disaggregation or other factors.

51 Such as parliamentary committees or supreme audit institutions.

52 Such as the media, civil society, NGOs or think tanks.

53 For example, with greater availability or capacity to analyse relevant information, or adaptations to the functions that these mechanisms carry out.

54 Such as particular government funds, incentive schemes or procurement processes.

55 Improved transparency or governance over areas of financing such as government funds, incentive schemes or procurement processes can be a focus of DFAs where the government seeks to address corruption or improve efficiency.

- What are the most pertinent barriers to improving trust and open communication between government and wider stakeholders?
- How have other countries enhanced transparency and accountability mechanisms regarding different types of finance?

In answering these questions, the DFA aims to identify ways to (i) improve the way information is shared and (ii) strengthen mechanisms for scrutiny and accountability about how different types of finance are invested to advance the 2030 Agenda.

## Sources

Information on the mechanisms for transparency and accountability that exist can often be sourced through national platforms and international assessments. Information and opinion about the functioning and effectiveness of these platforms will largely be gathered through consultations with officials and wider stakeholders.

Related to government finance, open budget or open data portals have been established in a growing number of countries. The Open Budget Survey assesses the public availability of budget information, participation in the budget process and oversight over the budget by parliament and audit institutions. PEFA assessments provide information on relevant components of public finance transparency including a number of aspects of government budgeting and expenditure, procurement and auditing. The EITI Resource Governance Index covers a number of aspects of the governance of extractive industries, including transparency around finance and contracting.

In countries where the stock exchange is prominent, they may be a source of information regarding private sector transparency and sustainability reporting, particularly for members of the Sustainable Stock Exchange

Initiative. Further information can be accessed through consultations with private sector representatives such as chambers of commerce, and their counterparts in related ministries such as commerce, trade and industry or economic development.

Regarding development cooperation, the GPEDC survey and monitoring profiles<sup>56</sup> cover aspects of transparency and accountability related to development cooperation such as on-budget reporting and whether development cooperation is subject to parliamentary scrutiny as well as inclusive mutual accountability between governments and development partners.

These sources can provide contextual information about the transparency and accountability mechanisms that exist. Information, examples and opinions about their effectiveness will primarily be sourced through consultations and dialogue with a range of stakeholders. Consultations on transparency and accountability regarding different aspects of public and private financing can potentially be held with a range of actors. This can include key official mechanisms for scrutiny, such as relevant

parliamentary committees and supreme audit institutions, as well as non-state actors such as civil society, the media and think tanks. Government officials, for example from ministries of finance or commerce, as well as chambers of commerce and other private sector representatives may be able to provide information on private sector transparency and its usage and impact. Officials from ministries of finance and planning, civil society and development partners can be consulted about the effectiveness of information sharing on development cooperation. Depending on the precise focus of the DFA and context, analysis of transparency and accountability mechanisms may be narrowed to focus only on transparency and accountability around particular aspects of financing.

<sup>56</sup> See <http://effectivecooperation.org/monitoring-country-progress/country-and-territory-monitoring-profiles/>



# Module: the DFA Process

***“There are a number of unique features of the DFA process which are designed to result in tangible reforms being taken forward on conclusion of the DFA”***

One of the defining characteristics of the DFA is that it is a process, led by the government, that aims to convene and engender the participation and buy-in of key decision makers and wider constituencies in a discussion on reforms that can strengthen financing for sustainable development. The analysis and report produced by the DFA informs a dialogue, but the primary outcome of the DFA overall is an agreed roadmap of actions that can be taken forward. It is critical therefore that the process is driven by government ownership and carefully designed to ensure that the necessary consultation, dialogue and discussions about next steps are completed.

There are a number of unique features of the DFA process which are designed to result in tangible reforms being taken forward on conclusion of the DFA. The process is led by a government-led oversight team which determines how to adapt the core analytical framework of the DFA and prioritize the issues most relevant to the country context. In many instances, it will be incorporated into the workplan of an existing governance structure or platform. With the support of UNDP/UNCT, the process brings together key decision makers from across government, the private sector and other actors who will play a key role in implementing the SDGs. This includes, but goes well beyond, the ministries that ordinarily lead policymaking on finance and planning. The DFA analysis

is designed to demystify financing and engage this wide group of stakeholders in building a set of actions that can be taken forward to strengthen holistic financing of the SDGs. Finally, the DFA is designed to produce a set of tangible recommendations about how to strengthen financing for the SDGs from all sources of finance, and the process is designed in a way to maximize the participation and buy-in of key decision makers to this roadmap.

This module presents an overview of the DFA process, highlighting the core principles of the process and the steps it will entail. It is meant as a general guide as the process may differ from country to country depending on the focus of the DFA and how it supports ongoing national processes.

## Principles of the DFA process

The key principles that characterize the DFA process are as follows:

- The exercise is led by an oversight team which includes key decision makers from relevant government ministries, private sector representatives and other stakeholders.
- The DFA is anchored in existing national processes or platforms
- The exercise convenes and facilitates dialogue among a wide group of stakeholders. It demystifies financing and guides discussions about holistic public and private financing for the SDGs.
- The process is designed to maximize the participation and buy-in of relevant decision makers and their constituencies to the roadmap, and establishes clear follow-up mechanisms to implement the recommendations made.

**Figure 10. Phases of the DFA process**

## The DFA process

A typical DFA process will include five distinct phases, as outlined in Figure 10 and explained in detail below. The process presented here outlines a set of generic steps for a typical DFA process. Every DFA will adapt these steps depending on the context, specific objectives and resources for the particular exercise. DFAs also vary in length depending on these factors as well as the schedule of national policy processes that it will feed into. Past DFAs have ranged from being as short as 3 months, for a light exercise with the purpose of identifying key specific areas for more in-depth follow-up, to 9 to 12 months for a more substantial exercise with DFA technical assistance embedded in the host ministry.

### Inception phase

At the outset, a DFA will be requested by government. There are a range of reasons why governments may wish to undertake a DFA; some of the most common entry points are summarized in Box 5. The request will typically come from a Ministry of Planning or Finance, often following dialogue with a UNDP or other UN country office. The ministry which requests the DFA will often go on to chair the oversight team to provide overall guidance to the process (see Box 7 below).

Following the request, an inception phase facilitated by UNDP/UNCT, under the guidance of the requesting ministry, will be undertaken. The aim of this phase is to undertake initial scoping analysis work, including the completion of a stakeholder, institutional and political economy mapping exercise, establish the necessary structures for overseeing and undertaking the DFA, make stakeholders aware of the forthcoming process and, critically, to agree the specific focus of the DFA.

#### Box 5. Common entry points for a DFA

- DFAs are initiated for a variety of reasons, often in relation to policy cycles within the national planning process or priorities related to specific types of financing. Common rationales include:<sup>57</sup>
- The drafting of a new long-term or medium-term national development plan
- The incorporation of the SDGs and AAAAA into national planning processes
- A change in the development finance landscape, such as a decline or anticipated decline in the availability of a key resource
- The need to address resource mobilization and identify new sources of financing
- The desire to increase private sector involvement in development finance dialogue and policymaking
- The desire for reform in spending or budget effectiveness in relation to national planning
- A change in status in income group or from being a Least Developed Country
- A desire to better understand the development finance landscape and the opportunities for financing sustainable development

Scoping analysis during the inception phase will include preliminary analysis of financing trends and priorities. It will draw together initial analysis using key available data and a selection of key literature. It will also analyse the availability of data.<sup>57</sup> The aim of this scoping analysis is to facilitate dialogue with the oversight team about the

<sup>57</sup> Based on the 2018 DFA lessons learned survey of UNDP country offices in 14 countries that have undertaken or are in the process of undertaking a DFA exercise.



specific areas and priorities that the DFA will focus on. In some cases, it may be compiled in an inception report. A stakeholder, institutional and political economy mapping exercise will also be undertaken (see Box 6).

The establishment of the oversight team is a critical step and it is important to agree an appropriate structure and membership. The oversight team will not only oversee the process itself but will be key to championing the roadmap and ensuring that the recommendations are taken forward at the end of the process. Where possible, the oversight team function should be incorporated within or taken on by an existing governance structure or platform, such as an oversight committee for the national development plan, or an SDG implementation committee. Where no appropriate structures exist, a new structure may be created, bringing together appropriate representatives to oversee the DFA (see Box 7).

A key aim of the inception phase is to narrow down the focus of the DFA and agree the priority issues that it will focus on. The nature of the DFA is that it can be tailored to focus on any of a wide range of issues related to different aspects of financing. It is important that decisions on how to focus are taken during the inception phase so that there are shared expectations about the types of outcomes that the process will lead to by all involved parties. Close dialogue between the oversight team and UNCT/UNDP will be vital in agreeing the scope of the DFA in this way.

Another key priority of the inception phase is to initiate engagement with stakeholders beyond the oversight team who will play an important part in the DFA process. Actors identified through the stakeholder and institutional mapping should be made aware of the forthcoming process and asked for their participation and support as appropriate (e.g. for consultation or participation in key inception or validation workshops).

### Box 6. Stakeholder, political and institutional mapping

The aim of the stakeholder mapping exercise is to identify at the outset of the process the key stakeholders that should be engaged during the DFA, in order to inform an engagement plan for the DFA process as a whole.

The initial mapping exercise entails identifying all relevant stakeholders within the country context. This includes identifying relevant actors from across government, including ministries, agencies, state-owned enterprises and subnational entities, as well as representatives of the private sector (such as a chamber of commerce or industry federations), civil society and NGOs, development partners, think tanks and other relevant actors. It should also cover relevant institutional structures and platforms. This will include all relevant institutional mechanisms within government (e.g. national sustainable development committees), between government and other stakeholders (e.g. forums for public-private dialogue), or among other actors (e.g. a development partners working group). It should be grounded in an understanding of the political context and cognisant of sensitive issues as well as areas where there may be opportunity for reform. This will include identifying existing or planned policy processes that the DFA may be able to feed into. Some of these may be cyclical and structured (such as the annual budget process or renewal of a national development plan) while others may be linked to ongoing policy debates within government. The mapping exercise should

also identify processes among international actors. Some DFAs may be combined in parallel with other support services such as Mainstreaming, Acceleration and Policy Support (MAPS), for example.<sup>59</sup> They may also be able to feed into UNCT processes such as the United Nations Development Assistance Framework or Common Country Analyses.

Following an initial mapping of the relevant stakeholders, an engagement plan can be developed. Stakeholders can be grouped into those that should be actively involved in the DFA process, those that should be consulted at key points and those that should be kept aware of it. This will form the basis for an engagement plan which lays out who will be engaged in the process, and how they will be engaged, throughout each phase of the DFA.

The mapping and development of an engagement plan should be developed through close collaboration between the oversight team and UNDP/UNCT. While there are likely to be some changes throughout any DFA process as the analysis and findings develop, it is important that the initial engagement plan is as comprehensive as possible. The earlier and more involved that key stakeholders are in the DFA, the more opportunity there is for the analysis and recommendations to be shaped by them and the greater the sense of ownership they will feel over the process. This will increase the likelihood that recommendations are taken forward in follow-up to the assessment.



### Box 7. Typical membership of the oversight team

The oversight team plays a critical role in leading the DFA exercise, shaping the recommendations that are made and championing those recommendations among wider government, private sector and other stakeholders. Membership of the oversight team should be wide enough to include all actors that will be key to the implementation of the roadmap, but narrow enough to allow focused discussions.

Ideally, the oversight team function would be incorporated into the workplan of an existing government process, such as a cross-government national development or SDG implementation committee. This helps to ensure commitment to the process and can help with follow-up afterward. Where this is not possible, a new structure can be established.

The list below outlines ministries that are commonly engaged as members of the oversight team. It distinguishes between those that are centrally involved in most or all oversight teams and those that may be included depending on the focus of the DFA. These lists are meant to assist thinking about which actors to involve – they are not prescriptive and should be adapted to the context in question.

Core members: common to most DFAs

- Ministry of Planning, Ministry of Finance, Prime Minister or President's Office (the Chair of the oversight team would typically be from one of these three ministries).

- Ministry of Commerce, Trade and Industry, Ministry of Infrastructure
- Private sector representatives: Chamber of Commerce or Federation of Industry
- UNDP country office representative
- Other representatives that may be included, depending on the focus of the DFA:
  - Line ministries and agencies relevant to the focus of the DFA: e.g. Ministries of Health, Education, Agriculture, Environment, Local Governments; Revenue Authority, Central Bank
  - Parliamentary representatives, for example if there is a committee that plays an important role in overseeing the implementation of the national plan or SDGs
  - Development partners, including International Financial Institutions and Multilateral Development Banks, particularly in contexts where development assistance is a key part of the finance landscape
  - Representatives of civil society, NGOs or faith-based organizations, where these either play an important role as service providers within the overall landscape

Representatives from each ministry should be senior enough to be able to take decisions and shape recommendations. Often, representatives will be at the highest or second highest official level within their ministry, for example at the level of Permanent Secretary, Director-General, or equivalent.

During the inception phase, terms of references for the oversight team, technical team and the DFA exercise as a whole will be produced.

A technical team will be recruited during the inception phase. There are various models for the structure of the technical team, which will vary from country to country. It may be led by a national or international consultant, or an international consultant supported by a national consultant. Embedding a consultant in the requesting ministry has proven successful in past DFAs. Staff from the requesting ministry may also dedicate some of their

time to be part of the technical team. A technical team for a DFA will often include two or three core members though in some cases, where the DFA is a larger exercise or where staff from the requesting ministry participate in the technical team, it may be larger. In all cases, the UNDP country office or UNCT will play an important role maintaining quality assurance over the work and providing inputs to ensure that the process, analysis and recommendations will meet the needs and request of the government oversight team.

The inception phase is complete once the terms of reference for the oversight team and the DFA exercise have been finalized, the technical team has been

58 The aim of analysing data availability is to identify areas where access to data needs to be requested, further inquiries need to be made or where lack of data may constrain certain aspects of the analysis. Decisions on which currency or currencies to use in the analysis are particularly important where there have been significant exchange rate fluctuations that could affect the analysis of historic trends.

59 In Mongolia, for example, the MAPS process provided support on advancing the SDGs within the context of an economic downturn and the DFA supported the financing components of this process. In Egypt, MAPS supported the development of the National SDGs Action Plan with the DFA focusing on financing in two specific areas, climate change and women's empowerment, that were identified as a priority through the process.



recruited and an inception report or concept note for the DFA exercise has been produced. A draft engagement plan should also be in place. It is advisable to convene discussions with the oversight committee, DFA technical team and UNCT/UNDP at the completion of the set-up phase. This can facilitate any necessary handover of the scoping analysis to the newly established technical team. A workplan for the technical team should also be developed, including key milestones and timelines to be worked towards.

## Research and initial consultation

The second phase is where the majority of the research and information gathering happens. During this phase, the technical team will compile a picture of finance trends and the policy and institutional landscape, using the analytical framework outlined in the previous module. They will engage in consultations with stakeholders and facilitate a consultation workshop that aims to build consensus on the key financing challenges and discuss areas in which recommendations may be developed.

The research undertaken in this phase builds on the preliminary analysis undertaken in the inception phase. The first steps of research in this phase are desk-based, involving a review of key policies and literature as well as compilation and analysis of data on finance trends. As these come together, an emerging list of ideas for recommendations should be formed by the technical team for discussion with the oversight team and other stakeholders.

Where the technical team is led by an international consultant, a research mission is typically undertaken part way through the research phase. These are normally a one or two-week mission or two one-week missions, though the set-up and schedule of missions is flexible and can be tailored as necessary.<sup>60</sup> The typical aims for a research mission are to:

1. Validate the desk-based data analysis, policy and literature review
2. Gather outstanding data,<sup>61</sup> information, policies and literature
3. Discuss and refine emerging recommendations
4. Raise awareness of and maintain interest in the exercise with core and peripheral stakeholders
5. Gather stakeholders together at a consultation workshop

The consultation workshop is the first opportunity to gather all stakeholders together in a single dialogue. It should be used to gather feedback and perspectives on the analysis and to discuss initial ideas about the types of recommendations that will be developed. The consultation workshop is also important for continuing to build interest and momentum among stakeholders. The emphasis should be on facilitating a discussion, using the emerging analysis to guide a conversation about priorities and ideas for ways forward.

Following the research mission, a first draft DFA report is prepared. This includes a full draft analysis of the finance and policy landscape following the analytical framework outlined above as well as a first draft roadmap of recommendations.

## Dialogue on the draft findings and recommendations

Following completion of the draft report, the next phase involves substantive dialogue to refine and assign the recommendations of the roadmap as well as the finalization of the DFA report.

The first draft report is reviewed by the oversight team with UNCT/UNDP providing quality assurance support. This will identify necessary amendments in the analysis and provide a first review of the recommendations in the draft roadmap.

There is then a sequence of dialogue about the roadmap. The exact sequence will be determined by the extent of consultations needed, the nature of the recommendations and any ongoing national policy processes that the recommendations may feed into.

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<sup>60</sup> For example, in some instances a significant amount of information gathering and preliminary analysis may have been completed during the scoping mission, thereby reducing the scope of the research mission. In other instances, it may require more time and engagement to access the data and policy literature, thereby increasing the scope of the research mission(s). A schedule should be agreed as part of the workplan and defined at the end of the scoping phase.

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<sup>61</sup> In instances where data and other information are not widely available online, there may be a need to adapt the process so that more time is spent upfront sourcing data and relevant documentation.

There may be a need for a few rounds of review and dialogue with the oversight team to (i) refine the recommendations so that they are appropriate to the context and actionable and (ii) ensure there is clarity about responsibilities for taking things forward after the DFA. Some recommendations may require focused discussions with a subgroup of the oversight team and/or stakeholders outside it. Others may involve accessing specialist services provided by UNDP or other partners and will therefore require scoping and outreach to the relevant service provider to determine feasibility and timelines.

Within this sequence, two validation workshops will ordinarily be held to refine the emerging recommendations. The first is with the oversight team. It identifies and addresses any significant changes that are needed to the recommendations to make them appropriate to and actionable within the policy and political context. It also identifies responsibilities for taking forward the actions, as well as a proposed oversight structure (see the Roadmap Module for more detail). Following the workshop with the oversight team, a wider workshop is held with other stakeholders. This is used to gather final feedback for refining the recommendations, and to sensitize wider stakeholders about the actions that will be taken following the DFA. When the technical team is led by an international consultant, these workshops would ordinarily be held during a short mission (normally one week). As discussions about the recommendations come together, a series of TORs for each recommendation will be drafted to sit alongside the summary roadmap.

This phase of the DFA is complete once the roadmap and DFA report have been finalized and approved by the oversight team. TORs for each recommendation within the roadmap may be finalized before the launch or according to an agreed timeline shortly thereafter.

## Launch

The end of the DFA process itself is signalled by the formal launch of the roadmap and DFA report. This often involves an event that brings together the key stakeholders so that there is a clear public commitment to the next steps. While the technical team may be involved in the preparation for the event (e.g. in preparing presentations to support the launch), this event will be led by the oversight team with UNCT/UNDP engagement and facilitation. The report and roadmap will be published on the government's website with communications and rollout supported by UNCT/UNDP where appropriate.

## Follow-up

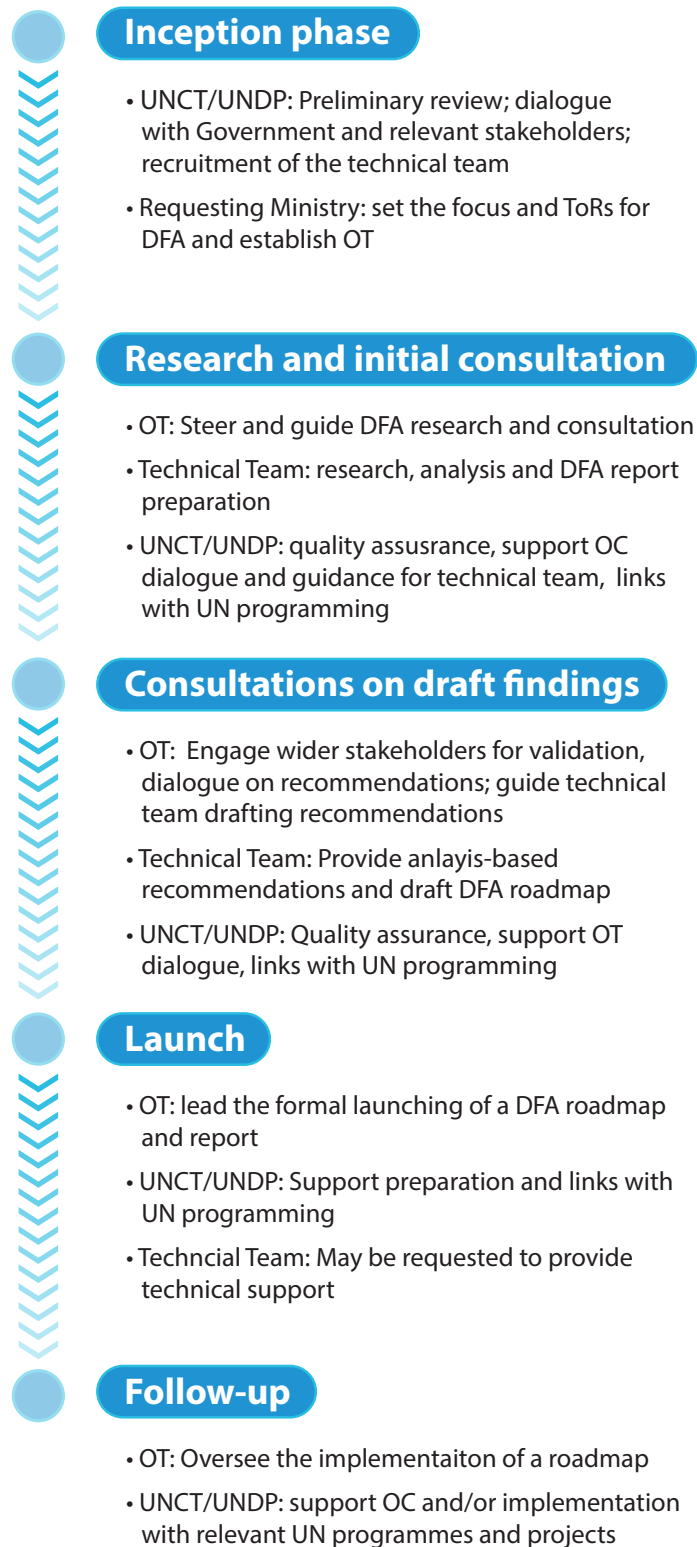
Following the publication of the DFA report, the actions agreed in the roadmap will be taken forward. The timelines and sequence of these actions will be determined with a TOR for each recommendation. The oversight team may agree to continue reconvening at regular intervals to follow up, or an alternative mechanism for overseeing implementation may be agreed (such as incorporation into an ongoing governance structure).

## Roles and responsibilities

The delivery of the DFA will involve a number of different actors. It is overseen by an oversight team comprised of government, private sector representatives and other key national actors. A technical team undertakes the research, analysis and drafting and the UNDP country office or UNCT provides support to and facilitates the process. UNDP regional teams provide backstop support and quality assurance, as well as pointers on potentially useful information from DFAs in other countries. Figure 11 outlines the key responsibilities of each actor and Figure 12 outlines the key roles at each stage in the DFA process.

**Figure 11. Typical division of labour between actors involved in the delivery of a DFA**

Actor	Role
<b>Lead ministry</b>	<ul style="list-style-type: none"><li>• The lead ministry is the member of the oversight team that leads and drives the process; typically this is the ministry that initially requested the DFA.</li><li>• The lead ministry will play an active role shaping, overseeing and championing the process, convening stakeholders and providing access to necessary information and data. They will play a key role driving forward follow-up to the DFA.</li><li>• In some instances, staff from the lead ministry will be part of the technical team</li></ul>
<b>Oversight team</b>	<ul style="list-style-type: none"><li>• Determines the scope and specific objectives of the DFA, including linkages with wider planned or ongoing reforms</li><li>• Oversees and provides input into the development of a stakeholder map and engagement strategy for the DFA process</li><li>• Provides access to policy documents and data and convenes and facilitates outreach to a broad constituency of stakeholders</li><li>• Provides oversight and feedback on the analysis as it develops</li><li>• Provides inputs and oversight to shape the recommendations in the roadmap</li><li>• Facilitate discussions at the consultation and validation workshops and launch, with the support of UNDP/UNCT</li><li>• Champions the roadmap among government actors and wider stakeholders</li><li>• Implements and oversees the implementation of recommendations in follow-up to the DFA</li></ul>
<b>UNDP country office/UNCT</b>	<ul style="list-style-type: none"><li>• Supports the oversight team throughout the process</li><li>• Leads organization of the inception phase and establishment of the oversight team</li><li>• Supports the oversight team in determining the scope and specific objectives of the DFA, including linkages with CCA and UNDAF, MAPS engagement, as well as ongoing initiatives supported by UN Development Systems in country</li><li>• Ongoing convening and facilitation of dialogue throughout the process to support the oversight team</li><li>• Ongoing quality assurance to support the oversight team</li><li>• Provides guidance about potential sources of data</li><li>• Provides guidance and support to the development of a stakeholder map and engagement strategy for the DFA process</li><li>• Provides inputs and feedback on the analysis and recommendations as they develop, including quality assurance</li><li>• Supports the oversight team to facilitate discussions at the consultation and validation workshops and launch</li><li>• Advises on linkages between the roadmap and ongoing programming</li><li>• Champions the roadmap among stakeholders, particularly development partners</li></ul>
<b>Technical team</b>	<ul style="list-style-type: none"><li>• Undertakes the analysis of the DFA, using the DFA analytical framework and reporting to the oversight team and UNDP/UNCT</li><li>• Leads research into potential recommendations for the roadmap, including the identification of case studies and policy guidance from international examples</li><li>• Leads the technical aspect of discussions at the consultation workshop</li></ul>
<b>UNDP regional hub</b>	<ul style="list-style-type: none"><li>• Supports the UNDP country office or UNCT with quality assurance</li><li>• Supports the identification of potential case studies or policy innovations from other contexts that could inform the development of the roadmap, including lessons from other DFAs in the region</li><li>• Provides guidance on the methodology</li></ul>

**Figure 12. Illustrative roles of the oversight team, UNCT/UNDP and the DFA technical team**



# Module: DFA roadmap

***“The process is carefully designed to engender the participation and buy-in of key decision makers from government and wider stakeholders from the start”***

An agreed roadmap is the key outcome of the DFA. The DFA is designed to identify, prioritize and build agreement on actions that help government and its partners move to a more integrated approach to financing. As such the process is carefully designed to engender the participation and buy-in of key decision makers from government and wider stakeholders from the start.

This module provides key points of guidance for developing, agreeing and implementing a roadmap. It details the steps within the wider process that should be taken in developing the roadmap and outlines key points regarding ongoing oversight and follow-up on the part of governments and UN agencies. It also provides examples of the kinds of recommendations that a DFA may make.

## Steps for developing a roadmap

The recommendations that are included in the roadmap can be developed from the early stages of the DFA process (see also DFA process module above). This is beneficial because it allows time for recommendations to develop through the analysis and be discussed and refined in collaboration with the oversight team and decision makers. Bringing stakeholders into discussions on the recommendations in the early stages and throughout the process can also build interest and retain momentum. Figure 13 highlights how the roadmap is developed within a typical wider DFA process (see Figure 10 above for an overview of the complete DFA process).

## Structure of a roadmap and follow-up

The roadmap will outline a clear set of tangible, prioritized recommendations. While the ideas for recommendations will be drawn from the analysis, it is vital that they are refined through the process of dialogue and consultation so that by the end of the DFA process they are fully actionable.

Critically, the process must work to identify and agree institutional responsibilities, timelines, resources and specific steps to be taken for each recommendation. This includes identifying any further information or work that is needed in order to take these next steps as well as links with ongoing UNDP and wider UN programming. These details can be specified in a terms of reference for each recommendation and summarized in the main roadmap.

As the recommendations are finalized towards the end of the DFA process, the oversight team should agree a mechanism through which implementation of the roadmap will be overseen. As noted above, the ideal structure is for the oversight team function itself to be incorporated into the workplan of an existing governance mechanism; in these instances, implementation of the recommendations can also be incorporated. Where this is not the case, the oversight team may continue to meet or may establish an alternative structure for following up on progress in implementing the recommendations. The ongoing oversight structure should be specified in the roadmap document. Where recommendations are implemented through UNDP, UN or other development partner programming, this will involve collaboration between the oversight team and other service providers.

## Types and examples of recommendations

This section outlines examples of the types of recommendations that may be made by DFAs, grouped according to the dimensions of the analytical framework. These examples are intended to help DFA teams think about the kinds of financing solutions they may be able to propose and develop within the country context.

**Figure 13. Steps to develop the roadmap within the wider DFA process**

Phase of DFA process	Status of roadmap
<b>1. Inception phase</b>	<ul style="list-style-type: none"> <li>Any priority areas where the government or oversight team knows policy solutions are needed are discussed with UNCT/UNDP and highlighted to the technical team and included in the DFA TOR</li> </ul>
<b>2. Research phase</b>	<ul style="list-style-type: none"> <li>Based on scoping analysis and preliminary data collection, early ideas about potential recommendation focus areas are discussed at the consultation workshop</li> <li>A first draft set of recommendations is included in the first draft DFA report based on analysis and consultations during the research phase and consultation workshop</li> </ul>
<b>3. Consultation phase</b>	<ul style="list-style-type: none"> <li>The recommendations in the roadmap are refined through a series of consultations and workshops with the Oversight Team, UNCT, and wider stakeholders.</li> <li>Discussions with UNCT/UNDP regarding how recommendations can be incorporated into ongoing programming and projects.</li> <li>UNCT/UNDP outreach to third parties, including providers of services relevant to the recommendations</li> <li>The roadmap is then agreed with the oversight team, including specification of roles, responsibilities, next steps and oversight.</li> <li>Terms of reference for taking forward recommendation are drafted and agreed as necessary.</li> </ul>
<b>4. Launch</b>	<ul style="list-style-type: none"> <li>The roadmap and next steps are publicly presented to stakeholders</li> </ul>
<b>5. Follow-up</b>	<ul style="list-style-type: none"> <li>The recommendations are taken forward for implementation according to their terms of reference or inclusion in ongoing programming and projects.</li> <li>Follow-up on implementation progress as agreed by the oversight team</li> </ul>

*This table highlights the steps for developing a roadmap within the wider DFA process – see Figure 10 above for an overview of the full DFA process.*

Many recommendations will draw inspiration from, or link directly to, case studies from other countries or programming offered by UNDP and other UN agencies. In many instances, follow-up to a DFA can involve feeding into ongoing policy debates or processes. This may entail tailoring a specific aspect of the DFA analysis to feed into a given process or to support reform-minded colleagues within government in their engagement with a given process.

The examples below cover potential recommendations which could be adapted and applied in a variety of different contexts. They are not exhaustive.

## Assessing the finance landscape

The level of ambition articulated by the SDGs and in many national development plans is such that it will require mobilizing greater volumes of financing to fund the investments and services that will be required. The assessment of the finance landscape helps to identify the key gaps and opportunities in mobilizing finance for national sustainable development. Many DFAs will identify opportunities to expand or access new forms of financing

that can contribute to sustainable development outcomes. Critically, this area can cover not just the mobilization of new flows but also steps to reduce costs or protect important flows that may otherwise decline. Recommendations in this part of a roadmap may cover a wide range of next steps, depending on the particular financing needs identified, but could for example include recommendations such as:

### **Identify opportunities to boost private investment.**

Though private firms are not primarily motivated by sustainable development, it is a key driver of the sustainable development paths that countries will follow in practice. The scale of private investment, whether by SMEs or MNEs, is strongly influenced by the policy and business environment, as is the nature and degree of sustainability and inclusiveness of investments made (see example recommendation below).

DFA roadmaps may identify steps that can be taken to stimulate greater volumes of finance for private sector development. These could, for example, relate to a range of areas including steps to improve the business environment, deploy new instruments to attract



private finance,<sup>62</sup> establish partnerships and capacity to develop project pipelines, improve the way investment opportunities are marketed internationally and strengthen partnerships between national investment promotion agencies and outward investment agencies in key FDI source countries. In some contexts, the DFA may make recommendations about the financial sector,<sup>63</sup> and how to stimulate greater demand for and capacity to manage credit among local MSMEs, or incentives for banks to provide credit to smaller firms. In many of these areas, there may be links to initiatives across government or programming by international development partners. The DFA may also be able to identify reforms that strengthen coordination within government and its partners for more harmonized and effective overall policy towards incentives for and partnerships with business, both in terms of stimulating private sector investment and in maximizing its impact (see more below).

#### **Establish or expand initiatives to leverage remittances.**

For many countries, remittances account for a significant proportion of international finance and play an important role at the community and family level, largely in supporting consumption. While a few countries have experimented with various ways of leveraging them, there may be untapped opportunities for countries undertaking a DFA. Mechanisms to mobilize greater volumes of finance from remittance flows and the diaspora take three main forms (see below for more on maximizing the sustainable development impact of remittances). Firstly, the cost of sending remittances can be reduced, leaving more money in the hands of those who send and receive them. Regulatory measures, the encouragement of competition, bilateral collaboration along the most significant remittance corridors and other measures can be deployed.<sup>64</sup>

There have been instances where remittance firms have reduced costs during and after a crisis, such as the 2013 Typhoon Yolanda in the Philippines. Secondly, a number

of countries have experimented with issuing diaspora bonds<sup>65</sup> and this may be a route worth exploring for countries with a large overseas diaspora that feel strong affinity with national development plans, have good governance and an investment grade credit rating. Thirdly, financial institutions in a small number of countries have been able to securitize the flow of remittances at the national level, leveraging this relatively stable flow of hard currency to gain cheaper and longer-term access to international debt.<sup>66</sup>

The DFA may be able to identify opportunities for relevant countries to establish or expand their activities in these areas, and propose recommendations about how it could be approached and the kinds of capacity and strategy that may be needed.<sup>67</sup>

#### **Access untapped sources of faith-based, innovative or climate finance.**

The DFA may identify sources of domestic and international finance such as Islamic finance instruments,<sup>68</sup> innovative financing mechanisms or climate funds that the country is eligible for. It could, for example, provide advice on the criteria that would need to be met, the capacity required to access and manage financing and the types of investments that could be funded. It can also link to service offerings that may be able to provide follow-up support in these areas (see below).

**Safeguarding future flows.** In some countries, industries such as forestry and fishing, and cash crops provide an important source of revenue yet are characterized by unsustainable practices that threaten the future of these revenues. Similarly, important industries in many contexts may be threatened by climate change or may be susceptible to natural disasters, such as tourism. In these contexts, the DFA may be able to identify ways of mobilizing finance to support changes in business practices or investment in mitigation or prevention that can protect and/or increase future revenue sources.

62 For a number of examples on this topic, see case studies including on PPPs and works for taxes in UNDP (2018). *Country innovations for integrated SDG financing*.

63 For example, Indonesia has developed a roadmap for sustainable finance.

64 For a number of examples of innovation in this area, see case studies on reducing the cost of sending remittances in UNDP (2018). *Country innovations for integrated SDG financing*.

65 For more on this, see the examples of India, Israel and Nepal in UNDP (2018). *Country innovations for integrated SDG financing*.

66 For more on this, see the examples of Banco do Brasil in Brazil and Fedecredito in El Salvador in UNDP (2018). *Country innovations for integrated SDG financing*.

67 For more on these potential financing solutions, see the remittances chapters in UNDP (2018). *Country innovations for integrated SDG financing*, as well as the remittances page in the Financing Solutions for Sustainable Development platform which is available at: <http://www.undp.org/content/sdfinance/en/home/solutions/remittances.html>.

68 Indonesia, for example, has been able to scale up investments in the SDGs by leveraging Islamic finance.



## Integrated planning and financing

The DFA can design solutions that help governments to strengthen the alignment between planning and financing; common recommendations in this area may include the following:

**Develop a holistic financing strategy for the national development plan.** Setting out an explicit strategy for how public and private financing will be mobilized can help tie planning and finance policies closely together. This may be an appropriate recommendation for some DFAs. Often these strategies will become a chapter in the national plan. They can outline the scale and contributions that different types of financing can make as well as a strategic approach to mobilizing them. They can provide guidance on how to address the synergies, trade-offs and competing priorities that exist between different aspects of financing sustainable development. In these ways, they can aim to provide clear objectives and guidance for financing policies, and stimulate and guide prioritization or adjustments within the planning system. Recommendations to develop a financing strategy have been made in a number of DFAs and in some, this has been an explicit objective from the outset.

**Estimate the cost of achieving the national development plan, sectoral strategies or flagship programmes.** Estimating the costs of a national development plan can strengthen the link between financing and planning by providing a stronger basis for designing financing policies (see also the next example recommendation) and as such may be an appropriate recommendation for some DFAs.<sup>69</sup> Costings exercises are strongest when they consider the scale of investments and services that both public and private actors can make to contribute towards the various objectives of the national development plan. Given the breadth and interlinkages between different aspects of most national development plans, costings exercises are technically complex, resource-heavy exercises and rely on detailed sources of data and information on current financing and costs.<sup>70</sup>

**Strengthening results-based planning and processes to align budgets and policies to the national development plan.** Many countries have a formal process that aims to enhance alignment between the annual budget and national development plans; some have similar processes for the development of new policies. Strengthening these processes is a common way to enhance integration between national plans and finance policies<sup>71</sup> and the DFA may be able to identify opportunities to do so. In some contexts, it may be able to propose enhancements related to one or more of the following principles: broadening participation of non-state actors in reviews at key moments in the budget or policy development process; widening the coverage of the mechanism to incorporate a broader spectrum of policy areas (notably to include policies that influence private finance); or taking steps to depoliticize reviews, for example by establishing standardized criteria against which all policies will be assessed.

**Strengthen budgeting for the SDGs.** Many countries have introduced steps to link national budgets to the 2030 Agenda and the DFA may identify areas in which innovations can be applied to the country in question. These many include shorter-term solutions such as introducing SDG monitoring frameworks, including the most directly linked and relevant SDG targets into national plans, establishing SDG committees or incorporating reviews of SDG-relevant spending and progress into budget statements. Longer-term initiatives can relate to areas such as adjusting business practices, introducing standards and adopting more sophisticated monitoring systems to track outcomes and the impact of budget expenditures. Countries including Mexico and Panama have introduced SDG budgeting processes.<sup>72</sup>

**Broaden the objectives of tax collection and revenue mobilization strategies.** In many countries, the sole mandate of the revenue authority is to maximize revenue collection. Yet there are a variety of ways in which revenues can be raised and different models of taxation can have vastly different impacts on equity and income distribution, including differentiated impacts across regions within a country. When developing revenue mobilization strategies, revenue authorities may face trade-offs between reforms that could boost

69 For an example of this, see the Bangladesh case study in UNDP (2018). *Country innovations for integrated SDG financing*.

70 For more on costings, see the BIOFIN workbook (UNDP, 2016) or the example of the Bangladesh SDGs financing strategy in UNDP (2018). *Country innovations for integrated SDG financing*.

71 For examples of this, see the case studies on aligning the budget with the national plan in UNDP (2018). *Country innovations for integrated SDG financing*.

72 For more on potential reforms related to SDG budgeting including further examples, see UNDP (2018). *Budgeting for Agenda 2030: Opting for the right model*.



revenue but negatively impact income inequality. For example, indirect taxes such as income tax can be more progressive yet more challenging to establish than direct taxes such as VAT which are often simpler to administer though more regressive.<sup>73</sup> Different types of taxation can have very different impacts on income distribution, for example, and taxes are increasingly being used to not only raise revenue but also promote behaviour change in areas such as health and the environment.<sup>74</sup> Some countries have broadened the mandates of their revenue authorities to incorporate these factors alongside revenue maximization; others have introduced smart taxes to address specific objectives. The DFA may be able to identify opportunities to adapt revenue strategies in order to target progressive, sustainable models of tax collection.

## Public–private collaboration

The analysis of public–private collaboration will highlight challenges and opportunities for enhancing the contributions that private actors make towards sustainable development. Potential recommendations may cover mobilizing greater volumes of financing (see also recommendations above) as well as boosting the direct and indirect impacts that these finance types have on development.<sup>75</sup> Recommendations in this area may include proposals such as the following:

### **Establish or scale-up instruments designed to mobilize private finance for strategic investments.**

The DFA can advise on financing instruments that could be used to mobilize private finance for strategic investments. It can offer an assessment of the instruments that could be suited to the country and governance context, based on the characteristics of those instruments and contextual factors including priority financing needs, the administrative ability of government and partners, and other issues. Instruments could be designed for different purposes, such as stimulating investment in strategic industries, or mobilizing private finance to fund key public investments. A range of instruments may be suited depending on the context, including but not limited to various types of bonds (e.g. sovereign bonds, Islamic sukuk or bonds with a narrower focus such as climate bonds or diaspora bonds), public–private

partnership mechanisms,<sup>76</sup> incentive schemes (see below) or innovative approaches such as a works for taxes scheme.<sup>77</sup> The DFA can advise on the changes that would be needed to establish or scale up these or other relevant instruments, including any necessary regulatory changes, partnerships developed or capacity established. It should also advise on the risks that may be associated with particular instruments as well as what further scoping and consultation would be needed before steps can be taken to implement such a recommendation. It can also identify areas where additional specialist support can be offered, for example in promoting investment in renewable energy<sup>78</sup> or mobilizing financing for biodiversity.<sup>79</sup>

### **Strengthen the promotion of sustainable private investment.**

The DFA may be able to propose ways to enhance the impact of private investment on sustainable development. In order to attract sustainable, inclusive private investment, it is important to not only improve the economic attractiveness of this environment, but to develop an environment that promotes sustainable, inclusive investment and responsible corporate governance.

Depending on the context, the DFA may identify recommendations related to this challenge, including regulatory reforms,<sup>80</sup> the development of norms, capacity development, supporting policies and coordination measures. Regulations may be developed or tightened on minimum standards, for example in undertaking environmental and social impact assessments. Norms may be established through collaboration with private sector partners in areas such as reporting on environmental, social and governance outcomes (see more below). There may be opportunities for government to strengthen policy measures that mitigate the risks of investment in particular industries or geographic areas and help draw out the wider benefits. These may include, for example, policies that help businesses manage their environmental impacts or improve transparency

73 This is a general example; design features can be built into direct and indirect taxes to enhance progressiveness, for example.

74 These include taxes on petrol, tobacco, sugar, alcohol and other goods or services that have damaging side effects.

75 For more, see UNDP (2017). *Mobilizing private finance for sustainable development*.

76 For more on these mechanisms, see the case studies in UNDP (2018). *Country innovations for integrated SDG financing*.

77 For more on this, see the Peruvian works-for-taxes case study in UNDP (2018). *Country innovations for integrated SDG financing*.

78 For more, see Derisking Renewable Energy Investment, [http://www.undp.org/content/undp/en/home/librarypage/environment-energy/low\\_emission\\_climateresilientdevelopment/derisking-renewable-energy-investment.html](http://www.undp.org/content/undp/en/home/librarypage/environment-energy/low_emission_climateresilientdevelopment/derisking-renewable-energy-investment.html)

79 For more, see BIOFIN, the Biodiversity Finance Initiative, <https://www.biodiversityfinance.net/>

80 See, for example, the case study on business regulation reforms in Rwanda in UNDP (2018). *Country innovations for integrated SDG financing*.

(see below), or that provide targeted support to local SMEs that have the potential to grow and deepen value chains as international investors come in, through training, enhanced access to finance or other measures. Underlying this is alignment across agencies and with private sector partners, to ensure that efforts to promote investment are effective and efficiently mitigate the risks and enhance the benefits to the environment and society. The DFA may be able to identify ways to strengthen coordination between government ministries and representatives from the private sector in the design and implementation of policy towards the private sector to this end.<sup>81</sup>

**Strengthen incentives schemes for greater efficiency and effectiveness.**<sup>82</sup> One of the key measures that governments use to attract private investment is incentive schemes that offer tax or financial support for companies whose investments meet certain criteria, often linked to investment in particular industries, regions or types of business. Such schemes can be attractive for governments as they offer a way to promote specific, strategic types of investment, and as they can also be more straightforward to establish and operate than more structural reforms to business regulation or other areas of policy. However, they can often become expensive and less focused and efficient over time. The DFA may be able to identify ways to adapt and strengthen such schemes, making them more targeted, efficient and focused on the development outcomes that they are ultimately designed to promote.

Incentives will be most effective, and generate more sustainable results, if they are deployed within the context of a strong business environment rather than as compensation for an environment in which it is difficult to do business. Incentives will also be most effective when they are effectively targeted and when they are temporary. The more incentives are targeted at promoting strategic investments that catalyse the specific outcomes a country wants to realize, the more effective they will be. There may be opportunities in some contexts to move towards outcome-based incentives, particularly with improvements in private sector reporting and monitoring (see below). The DFA may be able to advise on the types of incentives that government could offer, for example considering profit

or cost based incentives, financial or fiscal incentives, considering the potential efficacy and administrative requirements associated with different approaches. It can also identify opportunities for enhanced monitoring (see also the example recommendation on tax expenditure below) or the potential for cooperation with neighbouring countries to avoid harmful, unproductive competition on incentives.

**Promoting impact investment.** Social impact investment offers potential to both provide sustainable models for investment and services in key areas of sustainable development, and to act as a catalyst for progress among the wider business community. Depending on the pre-existing context of impact investment in the country, the DFA may identify opportunities to promote further growth in impact investing itself, or to facilitate the transfer of key principles, practices and tools to other firms. Potential policy changes to promote growth in impact investment may relate to areas such as tax incentives, access to credit, use of payment for outcome models of procurement, and clarifying fiduciary rules on asset management.<sup>83</sup> There may also be opportunities to facilitate the transfer of practices in areas such as outcome measurement or use of standards in fund allocation among the wider private and financial sector, through dialogue platforms and private sector forums.

**Policies to enhance the sustainable development benefits of remittances.** Remittances are important flows in many countries' national financing landscape and constitute an often-vital flow for the families and communities that receive them from workers overseas. The DFA may identify opportunities to enhance the sustainable development benefits generated by remittances. A number of countries have experimented with schemes to increase financial literacy for recipients of remittances as a way of encouraging their use for investment rather than consumption, or have established schemes to promote home ownership through regular saving associated with remittances.<sup>84</sup> The DFA may identify opportunities where some of these initiatives could be applied, and can highlight the lessons learnt about how to establish and administer such schemes.

81 See, for example, the case study on public-private dialogue around cleaner production in Chile in UNDP (2018). *Country innovations for integrated SDG financing*.

82 For more on investment incentives, see the case studies in UNDP (2018). *Country innovations for integrated SDG financing*.

83 For examples on these and other potential policy options, see the promoting social impact investment case studies in UNDP (2018). *Country innovations for integrated SDG financing*.

84 See, for example, the case study of remittances for mortgages in the Philippines in UNDP (2018). *Country innovations for integrated SDG financing*.



**Establish SDG platforms at the country level that include a focus on financing.** Establishing a platform that brings together representatives of all sectors can stimulate dialogue and partnerships for progress across the SDGs. UNDP is supporting the establishment of such SDG platforms in many countries. These platforms can include a dedicated focus on financing that builds from and institutionalizes the dialogue undertaken during the DFA process. While there is a need to bring non-governmental stakeholders into specific policy processes (see below), there is also value in dialogue that is not tied to specific policy questions. Creating a space for more open dialogue on potential solutions can help deepen common understanding and stimulate new ideas and innovations.

## Monitoring and review

Effective monitoring and review frameworks are critical for linking finance to results. The DFA may identify ways to establish or strengthen existing monitoring frameworks or to improve the way that the data collected is harmonized between partners and used to inform policymaking. Roadmaps may include recommendations such as:

**Strengthen capacity and norms for private sector reporting.** Improvements in reporting by private firms in many countries highlights the potential to better understand, and respond to, the positive and negative impacts that businesses have across the dimensions of sustainable development.

In many contexts, the DFA may take lessons from countries where sustainability reporting or similar initiatives are growing and adapt and apply them in the DFA country.<sup>85</sup> Recommendations in this area may involve, for example, raising awareness of the benefits of sustainability reporting, supporting initiatives to establish tailored private sector reporting mechanisms,<sup>86</sup> partnering with champions who can build norms and standards, and building technical capacity among firms, including through development advisory services. It may also relate to strengthening legislative and regulatory requirements for reporting, or establishing stronger reporting criteria for firms engaged in government

contracts. The DFA may also identify ways in which the information that is published can be used by government to inform and improve the targeting of relevant policies (see also the example recommendation on outcome-based incentives above).

**Strengthen statistical systems for collecting data on financing and outcomes.** Understanding the financing landscape and the progress being made in sustainable development is a foundation for dialogue about the roles that different types of financing can play in achieving the SDGs. In analysing this picture, the DFA itself draws on a range of national sources of data, drawn from different ministries and organizations and based on surveys, administrative data or accounting systems. As this analysis is compiled, the DFA technical team is likely to come up against limitations in the data.

In some contexts, the DFA may identify ways to strengthen national systems for collecting data on financing and outcomes. Recommendations may for example include adapting survey questions to incorporate more detail on financing or enable clearer links between financing and outcomes, developing new surveys to cover actors such as NGOs or faith-based organizations who are often not fully covered by national statistics on financing or adapting administrative systems to incorporate tracking of expenditure on cross-cutting issues such as gender equality or climate finance. The DFA may also identify priorities for capacity-building in compiling and analysing statistics.

**Incorporate analysis of trends in all financing within regular national development plan progress reporting.** A key objective of the DFA itself is to demystify financing for non-specialist audiences. Following the completion of the DFA, there will be a continued need to keep key constituencies informed not only of progress towards national development objectives but also of the investments and spending being made to realize them. DFAs may consider recommending the inclusion of updated financing trend analysis within official processes, such as the regular publication of a progress report, on an ongoing basis in order to meet this need. The DFA may also be able to support such initiatives by sharing the methodological approaches for gathering and analysing the data required to monitor trends in financing with the relevant officials, or by undertaking capacity-building during or in follow-up to the DFA.

<sup>85</sup> For examples of innovation in this area, see the case studies related to improving private sector reporting in UNDP (2018). *Country innovations for integrated SDG financing*.

<sup>86</sup> See, for example, the case study on showcasing transformational business in the Philippines in UNDP (2018). *Country innovations for integrated SDG financing*.

## Transparency and accountability

Transparency and collective accountability between stakeholders in financing is important for building trust that promotes collaboration between partners. It can also be a powerful mechanism for boosting the effectiveness of financing. DFAs may identify recommendations to improve transparency and accountability in areas such as:

**Strengthen oversight and scrutiny of the financing of the national development plan.** Parliamentary committees play an important role in many countries scrutinizing the policies and programmes of governments and other actors. This function can create powerful incentives to increase effectiveness, ensure that resources are used efficiently and that strong outcomes are achieved. The scope and power that parliamentarians have varies widely between countries, as does the capacity and information they have to fulfil the oversight function. DFAs in some contexts may identify opportunities in areas such as strengthening the mandate of relevant parliamentary committees or the role of a national audit office to scrutinize public and private financing of the national development plan. It may also identify ways in which capacity-building could support these actors in fulfilling their roles.

**Enhance multi-stakeholder participation in budget and policy processes.** Participation by the private sector, CSOs, think tanks and other actors in dialogue throughout the process of designing, implementing and reviewing policies can be a powerful mechanism for shaping policies that are more responsive, innovative and around which there is greater ownership outside government. DFAs in some contexts may identify ways in which budget and policy processes can be adapted to enhance participation as well as aspects of

capacity-building for relevant ministries to strengthen the effective management of multi-stakeholder dialogue.

**Establish or expand tax expenditure reporting.** Many governments use tax expenditure – schemes which forgo tax revenue – to promote strategic priority objectives. They can be deployed across a range of objectives, from supporting low-income families to promoting private sector development, notably through investment incentive schemes. However, while tax expenditure is widely used it is in many contexts significantly less transparent than equivalent spending in the budget. This limits the ability of the government to understand the effectiveness of its tax expenditure schemes and reduces accountability. The DFA may be able to advise on how countries can establish or expand their monitoring and reporting on tax expenditure.<sup>87</sup> It may also be able to identify other steps such as potential evaluations of the efficiency of particular incentive schemes.

## Case studies and relevant service offerings

The DFA places a strong emphasis on identifying and adapting successful innovations from other countries to the context in question. As such, case studies play an important role in the development of a roadmap. Case studies about how other countries have overcome similar challenges will be developed. These can promote new ideas and stimulate discussion about developing or adapting policies for the country context.

In a similar way, recommendations within the roadmap will often build on and link to service offerings from UNDP or other UN agencies. A wide range of specialist services exist that can support a government and its partners to develop reforms or policies in specific niche areas of financing. Annex F includes a list of potentially relevant services that could be drawn upon for the follow-up to the DFA. This list is not exhaustive.

<sup>87</sup> For an example, see the case study about how the Dominican Republic established tax expenditure reporting in UNDP (2018). *Country innovations for integrated SDG financing*.



# I Annexes

## Annex A: Key terms

A central aim of the DFA is to promote dialogue among a wide constituency of stakeholders. This will typically involve specialists in finance and economics as well as non-specialists, and representatives from the public and private sectors, civil society, development partners and other communities. These stakeholders will often use terminology or related concepts in different ways. One of the jobs of a DFA is to help clarify and bring these stakeholders together around a common understanding of trends, policy challenges and opportunities for financing the 2030 Agenda. Clarity in the way terminology is used is key to achieving this. This annex presents the definitions for key terms used throughout this guidebook. In many instances, these are drawn from technical definitions from economic and financial specialisms, though in places they are adapted to facilitate a more generalist understanding. These definitions may be used and adapted as necessary as the DFA approach is applied in particular country contexts.

**Finance.** In this guidebook, the term ‘finance’ is used as an overall term for all public and private flows.

**Finance policy function.** Following the definition of finance used in this guidebook, capturing all public and private flows, ‘finance policy function’ refers to a government’s development and implementation of policies related to these different types of finance. This is an overall term that would typically cover finance policies including, for example, the annual and/or medium-term budget (or expenditure framework), policies that aim to stimulate private sector development or mobilize investment, financial inclusion strategies, and development cooperation partnership strategies, among others.

**Finance strategy.** This refers to the strategic approach that some countries have developed to guide their policy on how the investments and services needed to realize the national plan will be funded. This will often be articulated as a finance chapter in a national plan though is in some instances a stand-alone document. Many countries, however, do not have such a strategy and among those that do there is often a focus on public finance without full consideration of the roles that private finance can play. A key aim of the DFA is to help countries develop and take a more holistic, integrated approach to mobilizing the finance for their national plan (see the integrated planning and financing dimension of the analytical framework for more).

**Contributions of finance to the SDGs.** The DFA focuses on how countries can finance sustainable development progress. Finance is an intermediate step to achieving outcomes as it pays for the investments and services that can deliver them. However, for shorthand, the DFA Guidebook refers to the contributions that different types of finance can make towards SDG outcomes rather than talking about the contributions that the investments and services that are funded by finance can make towards sustainable development.

**National plan.** This refers to the long or medium-term aspirational vision that many countries have developed as a guide for the long or medium-term progress they wish to make. The terminology varies between countries – common names include national development plans, national sustainable development plans, or vision documents. For shorthand, they are referred to as the national plan in this guidebook.

**Planning function.** This refers to the forward planning activities undertaken by national governments. Such functions are in most instances housed either in a stand-alone planning ministry or as a division within the Ministry of Finance or the Office of the Executive. The ministry or division will typically be responsible for articulating the medium to long-term aspirations of the country, often in a national plan, and may have some responsibility for development expenditure within the budget.

**Private sector.** This refers to private businesses active in a country, covering large and small, formal and informal, domestic- and foreign-owned businesses. It is distinct from economic definitions which divide the whole economy into the public and private sectors. The private sector here is a subset of the economic definition

of the private sector, which would also include other private actors such as NGOs, foundations and faith-based organizations. The DFA distinguishes between these private actors in order to analyse and consider the distinct roles they can play in advancing the 2030 Agenda.

**Social impact investment.** This term is used to capture three types of private investment that can be placed on a spectrum between philanthropy and investments that only consider the financial returns. It covers responsible investment, sustainable investment and impact investment.<sup>88</sup> There isn't a clear consensus on this terminology in the sector so this report follows the definition used by the Social Impact Investment Taskforce established by the G8 in 2013 with the slight distinction that philanthropy is treated separately in this report.

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<sup>88</sup> For more on this, see UNDP (2018). *Country innovations for integrated SDG financing*.



## Annex B: The analytical offering of the DFA in relation to complementary finance-related assessments

Assessment	Purpose	Approach	Substantive focus	Time period
<b>Development Finance Assessment (DFA), government-led and supported by UNDP</b>	To develop a roadmap of reforms to strengthen the way government mobilizes and manages policy towards public and private finance for the SDGs and/or national development plan. DFAs are requested by governments, often in line with reforms to national development plans or strategies.	Analysis of five dimensions of government's institutional arrangements for mobilizing and managing policy towards public and private finance, to support improvements in financing for the SDGs and/or the national sustainable development plan.	Focus on mobilizing and managing policy towards all public and private finance for sustainable development results. The framework can be applied at the national, sectoral or thematic level as determined by government.	Historic trends and scenarios of future trajectories in line with the 2030 Agenda and/or national development plan timeline.
<b>Article IV Reports, IMF<sup>89</sup></b>	To assess economic and financial developments, identify risks and recommend policies to promote growth and stability. Regular assessments, usually annual, are part of the IMF's country surveillance.	Analysis of economic indicators and policies following a semi-standardized format that is tailored to assess pertinent policy topics. Outputs include policy recommendations backed up by analytical evidence and projections for key indicators.	Exchange rate; monetary, fiscal and regulatory policies; macro-critical structural reforms for the purpose of promoting economic growth and financial and economic stability.	Recent trends with medium-term projections of core indicators (typically five years into the future).
<b>Country Policy and Institutional Assessments, World Bank<sup>90</sup></b>	To measure the quality of a country's policies for fostering poverty reduction, sustainable growth and the use of development assistance. Assessments are undertaken annually and support the allocation of IDA resources.	Quantified measurement of countries' policies against a standardized set of 16 criteria under 4 clusters which are aggregated into an overall country score.	Policies related to economic management, structural policies, policies for social inclusion and equity, and public sector management and institutions, for the purpose of supporting poverty reduction, sustainable growth and effective use of development assistance.	Snapshot at the time of the assessment.
<b>Development effectiveness monitoring survey, GPEDC<sup>91</sup></b>	To track and spur progress in implementing development effectiveness principles. Surveys are undertaken biennially as part of the global development effectiveness monitoring process.	Quantified measurement of policies and institutional arrangements against a standardized monitoring framework alongside a narrative on policy reforms.	Development effectiveness principles of ownership, focus on results, gender equality, inclusive partnerships and transparency and accountability.	Snapshot at the time of the assessment.

89 IMF Surveillance Factsheet, available at: <http://www.imf.org/en/About/Factsheets/IMF-Surveillance>. Accessed January 2018.

90 Information on the CPIAs is drawn from the 2017 CPIA Criteria, available at: <http://pubdocs.worldbank.org/en/203511467141304327/CPIA-Criteria-2017v1.pdf>. Accessed January 2018.

91 What is global partnership monitoring? Accessed January 2018. Available at: <http://effectivecooperation.org/monitoring-country-progress/what-is-global-partnership-monitoring/>



Assessment	Purpose	Approach	Substantive focus	Time period
<b>Doing Business Reports, World Bank<sup>92</sup></b>	To provide an objective measure of business regulations and enforcement that encourages improvements and competition between countries.	Quantified measurement of business regulations against a standardized set of criteria.	The impact of 11 aspects of government regulation on domestic small and medium-sized firms.	Snapshot at the time of the assessment.
<b>Enterprise Surveys, World Bank<sup>93</sup></b>	To provide objective data on the business environment and investment climate.	Quantified measurement of aspects of the business environment in a standardized firm-level survey.	Aspects of the business environment including access to finance, corruption, crime, competition and performance measures.	Snapshot with historic trends.
<b>Public Expenditure and Financial Accountability (PEFA) Assessments, World Bank<sup>94</sup></b>	To measure the strengths and weaknesses of public financial management (PFM).	Quantified measurement of PFM systems against a standardized set of indicators within seven pillars of PFM.	Public financial management: fiscal discipline, strategic resource allocation and efficient service delivery.	Snapshot at the time of the assessment.
<b>Public Expenditure Reviews, World Bank<sup>95</sup></b>	A diagnostic tool to evaluate and support improvements in the allocation of public finance.	Analysis of six elements <sup>96</sup> of public spending that is adapted to produce tailored recommendations.	The allocation of public finance at the government-wide level and/or within particular sectors.	
<b>Fiscal Space Analysis, UNICEF</b>	To assess fiscal space to understand how governments can increase spending on priority sectors for children (currently in Eastern and Southern Africa).	Quantified analysis that tests the feasibility of different scenarios over the medium-term as it relates to financing priority sectors for children.	Public financial management, strategic resource allocation and efficient service delivery as relating to priority sectors for children.	

92 About Doing Business 2018, available at: <http://www.doingbusiness.org/about-us>. Accessed January 2018.

93 About Enterprise Surveys, available at <http://www.enterprisesurveys.org/about-us>, and Enterprise Surveys versus Doing Business, available at: <http://www.enterprisesurveys.org/Methodology/Enterprise-surveys-versus-Doing-Business>. Both accessed January 2018.

94 The PEFA Framework, available at: <https://pefa.org/content/pefa-framework>. Accessed January 2018.

95 Public Expenditure Reviews overview, available at: <http://wbi.worldbank.org/boost/tools-resources/public-expenditure-review>. Accessed January 2018.

96 The six elements are: aggregate spending in line with the macroeconomic framework; spending to maximize social welfare, including impact on the poor; consideration of the role of government versus private sector in determining public finance and programming; analysis of the impact of programmes on the poor; analysis of the input mix considering capital and recurrent spending; and incentive structures that emphasize fiscal discipline, allocative efficiency, equity and technical efficiency in the use of resources.



## Annex C: Building scenarios

### Building scenarios

Scenarios are an optional component of the DFA but can be a powerful tool for prompting stakeholders to discuss likely future trends or potential risks that may have a significant bearing on the country's financing outlook. A DFA may include scenarios in order to explore potential future trends and identify steps that can be taken in the short-term to prepare for, exploit or mitigate these issues. The DFA does not produce forecasts of what it thinks *will* happen in the future. Scenarios can be used at the macro, sectoral or thematic level.

The scenarios that can be developed by the DFA are straightforward projections of the volumes and mix of each flow based on assumptions about their future trajectory. The aim is to create a straightforward, accessible picture about the potential future evolution of finance flows in order to facilitate dialogue on priorities and policy options. The scenarios used in the DFA do not entail complex econometric analysis and do not offer hard *predictions* about future flows – rather they aim to develop 'broad brush' scenarios about potential future trends in order to facilitate dialogue.

The scenarios build on the aggregation and disaggregation of all flows in the financing trends dimension of the analytical framework module above. They analyse potential future trajectories in the volumes of different flows and compare these volumes with the kinds of financing needs implied by a national development plan. They do not directly model the potential impact of policy changes on resource levels but allow an analysis of potential trajectories against financing needs.<sup>97</sup>

Scenarios can be presented to analyse a variety of the breakdowns described for each finance flow in the analytical framework section. In all instances, the

scenarios should be carefully situated within a policy analysis narrative that relates volumes of finance to the potential impact that they may have on different aspects of sustainable development. This can also draw, where available, from data in existing monitoring frameworks (see the monitoring and review dimension of the analytical framework).

At the outset, baseline analyses that describe the current context and likely 'business as usual' scenarios in the future can be developed for use as benchmarks against which to compare reform scenarios. The steps for building scenarios are as follows:

#### 1. Develop a business-as-usual model of future trends

Building on the analysis of the current context described in the section above on comparing financing requirements and needs, a baseline model can be established. This will project forward current trends into the future, either to 2030 or in line with the time horizon for the national or sector development plan. The baseline should be a straightforward business-as-usual scenario. It should be constructed in a way that allows data to be expressed in at least three formats: aggregate volumes, volumes per person and volumes as a proportion of national income, as well as any other formats that are used in policy targets being examined (e.g. percentage of government spending or spending per student).

The baseline model will require a number of assumptions about the future trajectory of key indicators. Where available, official projections or assumptions used in any models maintained by government (for example by a macroeconomic policy unit) should be used in the DFA for reasons of compatibility. Projections from other actors can be used where these are not available; for example, UNDESA produces country-level projections of population growth to 2050. The IMF publishes medium economic growth projections in Article IV reports. Where no projections are available, a continuation of existing trends should be assumed. Care should be taken to choose an appropriate time period on which to base estimates of existing trends. It should be long enough that one-off factors or events do not skew the average, but short enough to represent the current context (i.e. avoiding, if possible, data from years before a major policy change that significantly affected subsequent flows). Robustness

<sup>97</sup> For example, one common scenario is to look at the potential impact of policies to attract FDI. The scenarios within the DFA would not model the impact that improvements in the business environment may have on future levels of FDI. But, based on assumptions about the impact of these changes on the growth in FDI, they would analyse the effect on the overall levels and mix of finance. For example, if the policy achieves an increase in FDI growth of x percent or y percent a year then the levels of FDI in 5, 10 and 20 years would reach x, y and z levels. Putting these alongside current outcome indicators, such as jobs created or taxes paid, and alongside similar scenarios for other aspects of finance policy, this can support dialogue about prioritization.

checks should be undertaken where the configuration of the model is altered slightly to ensure that the set-up chosen does not produce radically different results.

Known future policy changes should also be built into the baseline scenario. For example, the government may be undertaking a major infrastructure project with a known end date after which capital spending will fall, or development partners may have stated that they will reduce or end support in particular sectors if a country has recently graduated from International Development Assistance eligibility or Least Developed Countries status.

This guidebook is not prescriptive about the format in which the scenario model should be set up, but a spreadsheet can be a useful format. Models can be set up in a way that allows flexibility and assumptions to be easily changed and adapted. It is also a format that is readily understood by most stakeholders (as opposed to specialist statistical or econometric software that is less accessible), which can be useful when interrogating scenarios in dialogue with the oversight team.<sup>98</sup>

## 2. Analyse the findings of the baseline model

An analysis comparing financing available under the baseline scenario in 2030 (or the end date for a national development plan) with the implied financing needs (or costs where they have been estimated) of a national development plan can be undertaken, when the latter information is available. This should be compared with the comparison described in the integrated planning and financing section above to highlight areas where differences in long-term trends alter the narrative about where the largest finance gaps exist.

## 3. Use the scenarios model to assess the potential impact of future trends

Once the baseline model has been established it can be adapted and used to assess the potential impacts of reforms. In the first instance, scenarios can be built around ongoing or already planned reforms. Further scenarios can be developed to explore the recommendations developed through the DFA.

Additional scenarios can be modelled by adapting the configuration of the scenario. There are a number of ways in which this could be done. Certain reforms may articulate specific targets that can be included in the model, either fully or partially (under assumptions about complete or partial achievement of the objectives of the reform). For example, there may be targets to raise tax revenue mobilization from x percent of GDP to y percent of GDP by a certain date. Applying this to the scenario would allow an analysis of the fiscal space it will create and the potential impact it would have on spending in key sectors (based on assumptions about maintaining or changing sector spending patterns). Combining this with demographic projections allows an analysis of the potential impact on health spending per person or education spending per pupil, for example. Targets relating to attracting certain levels or growth rates of investment in key industries could be included in the model to allow analysis of how the stock of investment would change over time. This could be compared against current data on job creation to help consider the employment outcomes that may be met if targets are achieved fully or partially. Other reforms may aim to increase efficiency or generate savings. These could be modelled by altering the trajectory of a relevant indicator, for example reducing the rate of growth in a particular aspect of government spending or increasing the rate of growth in annual tax receipts.

<sup>98</sup> At the time of publication, a generic template that can be adapted for country-specific DFAs is in development.



Beyond modelling reforms alone, scenarios can be developed to assess the impact of wider issues such as commodity price changes or the impacts of a natural disaster. Commodity price changes could be analysed, for example, by adjusting the revenues received from extractive sectors (and potentially the levels of private investment in these sectors) in extractive-exporting countries or adjusting the cost of fuel subsidies in oil-importing countries.

The specific reforms that are modelled, and assumptions about the kinds of outcomes they could achieve should be discussed and guided by the oversight team to ensure that they are realistic.

Use of scenarios to analyse potential reforms should not be done in isolation and should always be accompanied by a policy analysis that goes beyond the data to consider the feasibility, likelihood of success and wider implications of the reforms in question.

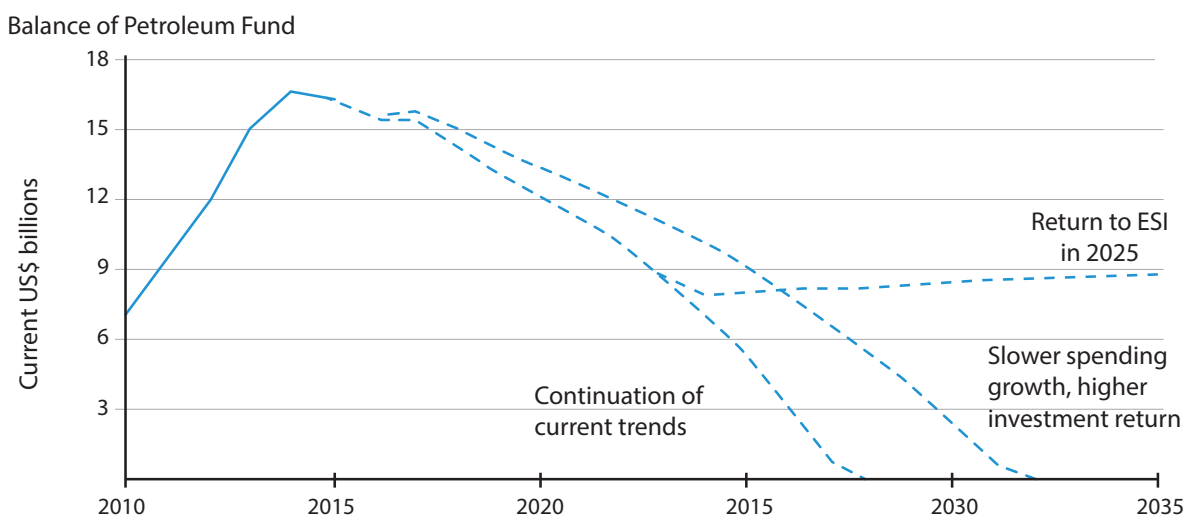
## Example

### Timor-Leste's Petroleum Fund

Timor-Leste's Petroleum Fund is a central part of the country's financing landscape. It collects the revenue earned from sales of the country's natural resources and has invested them in assets that generate a return which is used to finance much of the government's budget. An estimated sustainable income (ESI) level of 3 percent estimates the amount of the fund that could be drawn down each year sustainably, making drawdowns into perpetuity. The government however has a current policy of frontloading, whereby higher volumes are drawn down in the short-term and invested in order to generate future returns that can diversify the country's economy and government budgets.

The Timor-Leste DFA has produced scenarios to explore the future of the Petroleum Fund based on different assumptions about the frontloading policy and various economic factors (Figure 14). These scenarios are being used alongside others in the DFA, which is ongoing at the time of writing, to explore various potential policy reforms and the impact they may have on the Petroleum Fund itself, on the government budget and on wider finance flows.

**Figure 14. Scenarios for Timor-Leste's Petroleum Fund**



Source: Timor-Leste DFA inception report (2017).

## Annex D: Describing and comparing implied financing needs with current financing trends

This annex describes the methodology for describing the implied financing needs of a national development plan which is part of the integrated planning and financing dimension of the analytical framework. This is not a costing exercise but can be used in lieu of estimates of the costs of a national plan, which requires a detailed exercise that only a minority of countries have undertaken. A description of the implied financing needs can be compared against current financing trends to assess gaps and opportunities for financing the national plan. There are three steps to describing implied financing needs: an objective-by-objective review that is then collated across a plan as a whole and finally compared against corresponding trends in the financing landscape.

### Objective-by-objective review of the national development plan

The first step in describing the implied financing needs of the national development plan is to review each priority, goal or objective individually. This review will look at the outcomes that are targeted within each objective as well as any guidance on the strategic approach that will be used in order to realize them.

The DFA technical team, in close consultation with the oversight team and other relevant stakeholders, should infer the kinds of investments and services that will be required to realize these objectives and the corresponding types of finance that will be needed. The aim is not to undertake a costing exercise or produce precise estimates but to develop a description of the kind of finance trends that will be needed. It should articulate, for example, what kind of mix of public or private and domestic or foreign finance it requires, which specific actors will be involved, the nature of ongoing capital and recurrent financing required as well as other pertinent characteristics such as whether financing may incur debts that will be repaid into the future.

The description will be primarily qualitative but can benefit from any quantitative figures available. These may come, for example, from any specific targets that are articulated in the national development plan or a corresponding sector strategy. The DFA team can also

bring in figures from international benchmarks and case studies. In many sectors and thematic areas, there has been work by specialist agencies to estimate the typical, or country-specific, costs of achieving certain SDGs.<sup>99</sup> Case studies of other countries that have successfully achieved outcomes from a similar context can also be very valuable in helping develop rough proxies for the mix and scale of resources that may be needed to achieve a particular policy objective.

### Collated review of implied financing requirements

Once the descriptions of the financing requirements for each objective of the national plan have been developed, these can be brought together, compared and aggregated.

The descriptions about the kind of financing required to achieve each objectives will be collated in order to identify common financing needs and synergies between objectives, as well as any trade-offs between the financing requirements in different areas.

The result will be a primarily qualitative description of the kind of overall financing landscape that will be required to achieve the national development plan. It will not be a precise description but should aim to articulate the broad characteristics and trends of the financing landscape overall. It can take a similar form to the narrative description of the current financing landscape, in order to aid comparison between the two.

<sup>99</sup> For example, Chatham House has estimated that the cost of achieving universal health coverage is a minimum of US\$86 per person (see <https://www.chathamhouse.org/publications/papers/view/198263>). The SME Finance Forum has published estimates of the micro, small and medium enterprises (MSME) finance gap at the country level (see <https://www.smefinanceforum.org/databases/msme-finance-gap>). UNESCO has a model for estimating education costs in which national data can be incorporated (see the costing model on this page: <https://en.unesco.org/gem-report/node/819>). The Global Infrastructure Outlook project infrastructure investment needs for 50 countries is at <https://outlook.gihub.org/>. The World Bank has undertaken research on the cost of meeting targets on drinking water, sanitation and hygiene (see <http://www.worldbank.org/en/topic/water/publication/the-costs-of-meeting-the-2030-sustainable-development-goal-targets-on-drinking-water-sanitation-and-hygiene>).



## EXAMPLES

Many countries have a target to achieve universal secondary education. In the absence of estimates about how much this will cost in a particular country, the DFA can infer the types and trends in financing that will be required. For example, achieving universal secondary education will likely require a significant and predictable source of public finance which in many instances will be administered through municipal or provincial government. International benchmarks in spending per pupil or UNESCO's costing tools may be used to provide some rough quantitative benchmarks. Depending on the context, non-state providers of education, such as NGOs, donors, faith-based organizations or private providers of education, may play an important role in financing. Such a description of the resources required for education can be used as a comparison with current financing trends in education. It may provide insights into future priorities for financing nationally as well as the local or provincial level. It may also prompt and contribute to dialogue about the future role and division of labour in education between the government and the potential for financing to be raised and utilized effectively by these different actors.

Economic growth, industrialization and the development of higher-value-added industries are at the core of the majority of national plans. The DFA can analyse the targets articulated in a plan to build a description of the kinds of financing that will be required at the industry level. For example, growth in a new or expanded industry would typically require significant

and growing volumes of additional private commercial investment. For new industries, a significant proportion of this may be foreign direct investment by firms that are established in the sector internationally, while for the expansion of existing industries it may imply a mix of domestic and foreign investment. Where national plans articulate targets for value-chain development or wider job creation, for example, the expansion of local SMEs may be critical, implying scaled-up access to credit for small businesses. For most sectors, national objectives will imply ongoing volumes of investment that continue to drive industry growth into the future, though the mix of foreign and domestic, or large and small firm, investment may evolve over time. However, in some sectors, such as mining, which are characterized by finite resources and a finite lifespan, investments may occur over a shorter period. National plans rarely specify targets for the desired volumes of investment but in some cases this can be inferred from other stated policy targets. Where growth rates or a certain contribution to total GDP is specified for a certain industry, it may be possible to infer the rough volumes of investment that this implies by using an assumed or benchmark return on investment for the industry. Case studies from other countries that have successfully established or expanded a similar industry can also provide insights into the types of financing required, the potential outcomes achieved and, critically for the roadmap, inspiration about the kinds of policy changes that may be required.

## Comparing current financing trends with implied financing requirements

Once the description of the financing landscape overall has been compiled, it will be compared against the characteristics of current trends (and future trends if forward-looking scenarios are being used – see Annex B). While many aspects of this picture will be understood individually, bringing them together can prompt conversations among decision makers about the highest priorities for the short and longer-term. By bringing a wider body of stakeholders into the discussion, it can also provide new momentum for reform, either by strengthening the lobby for change or by breaking down barriers to collaboration between partners.

The comparison will identify the areas of financing that are on track as well as the areas in which there is a need for a significant change in trajectory. It is not an econometric exercise, but a descriptive comparison between current and required trends.

It is a critical step in identifying the priorities for mobilizing greater volumes of financing in relation to specific national development plan objectives. Alongside the analysis and dialogue in the other aspects of the analytical framework, it is a key part of the process to identify the most pertinent financing challenges to be addressed in the roadmap.

## Annex E: Outline of a typical DFA report

While each DFA report will be tailored to the findings of the assessment and needs of the oversight team, here is an outline of a typical DFA report:

1. Executive summary. Includes a clear presentation of all recommendations for policies and reforms to be included in the roadmap and a proposed prioritization.
2. Introduction. Includes a summary of the rationale for initiating the DFA and any specific outcomes that the government want it to deliver.
3. Chapter 1: Assessing the finance landscape
  - a Data analysis and narrative describing key trends in public and private finance as well as the challenges and opportunities to mobilize and enhance the impact of different types of finance.
4. Chapter 2: Integrated planning and financing
  - a Overview of the current policy and institutional structures used to carry out planning and finance policy functions, as well as any planned reforms.
  - b Analysis that identifies opportunities to take a more holistic approach to planning and financing and to strengthen the alignment of key finance policies to the national plan.
  - c Analysis comparing current finance trends with estimates of the cost, or a description of the implied finance needs, of the national plan.
5. Chapter 3: Public–private collaboration
  - a Overview of the current policy context regarding key types of private finance as well as the extent and nature of collaboration between public and private actors on financing.
  - b Analysis that identifies opportunities for public and private actors to enhance collaboration, as well as steps to improve the policy environment, and strengthen incentives for sustainable, inclusive private finance.
6. Chapter 4: Monitoring and review
  - a Overview of current monitoring framework alongside analysis identifying opportunities to enhance and improve the linkages between different monitoring frameworks, as well as to strengthen the focus on outcomes.
7. Chapter 5: Transparency and accountability
  - a Overview of current transparency and accountability and scrutiny mechanisms.
  - b Analysis that identifies opportunities to improve the way information is published and shared, and to deepen and improve the effectiveness of accountability and scrutiny mechanisms.
8. Roadmap
  - a Summary of prioritized recommendations as agreed by the oversight team, including next steps for each.



## Annex F: Relevant service offerings

In a number of instances, the DFA may recommend the engagement of a third party that provides specialist services or support which can meet a particular financing need that has been identified. The table below summarizes some of the most relevant service offerings from UNDP and other UN agencies.

Service	Organization	Description
<b>Cross-cutting</b>		
Financing solutions platform	UNDP	Provides information on a wide range of financing solutions, covering their potential, risks, characteristics and guidance for how to operationalize them <a href="http://www.undp.org/content/sdfinance/en/home.html">http://www.undp.org/content/sdfinance/en/home.html</a>
<b>Public finance (including sector-specific initiatives)</b>		
Tax inspectors without borders	UNDP and OECD	Provides assistance to strengthen tax-auditing functions of revenue authorities. <a href="http://www.tiwb.org">www.tiwb.org</a>
Co-financing methodology	UNDP	Support for cross-ministerial public financing of structural interventions that cut across sectors. The aim is to increase efficiency in spending. <a href="http://www.undp.org/content/undp/en/home/blog/2015/7/13/Co-financing-for-health-and-development-an-affordable-innovation.html">http://www.undp.org/content/undp/en/home/blog/2015/7/13/Co-financing-for-health-and-development-an-affordable-innovation.html</a>
CPEIR	UNDP	A systematic review of public climate expenditure designed to support planning and budgeting for climate change. <a href="http://climatefinance-developmenteffectiveness.org/about/what-cpeir">http://climatefinance-developmenteffectiveness.org/about/what-cpeir</a>
One-health tool	WHO	A tool designed to support planning in the health sector by developing estimates of costs. <a href="http://www.who.int/choice/onehealthtool/en/">http://www.who.int/choice/onehealthtool/en/</a>
Financing of systems and plans (education)	UNESCO	Tools and support for monitoring and implementing policies for financing education. <a href="http://www.iiep.unesco.org/en/our-expertise/financing-systems-plans">http://www.iiep.unesco.org/en/our-expertise/financing-systems-plans</a>
Fiscal space analysis	UNICEF	Analyses to support increased spending on priority sectors for children. <a href="https://www.unicef.org/esaro/resources_20891.html">https://www.unicef.org/esaro/resources_20891.html</a>
<b>Private finance</b>		
Investment Policy Framework for Sustainable Development	UNCTAD	Training for officials in designing policies that can make investment work for sustainable development and inclusive growth. <a href="http://unctad.org/en/Pages/DIAE/International%20Investment%20Agreements%20(IIA)/IIA-IPFSD.aspx">http://unctad.org/en/Pages/DIAE/International%20Investment%20Agreements%20(IIA)/IIA-IPFSD.aspx</a>
UNDP SDG Impact Finance Initiative (UNSIF)	UNDP	A co-investment platform that mobilizes institutional and private investors to move grant-based projects to scalable market-based financing models. <a href="http://undp.socialimpact.fund/">http://undp.socialimpact.fund/</a>
Business Call to Action	Multilateral partnership hosted by UNDP	Support for businesses to improve measurement of their social and environmental impact along with operational performance. <a href="https://www.businesscalltoaction.org/impact-practices">https://www.businesscalltoaction.org/impact-practices</a>
Development advisory services	UNDP	UNDP advisory services for companies in mapping their core businesses and value chains in relation to the SDGs, and identifying and defining how SDG impact can be measured and enhanced.
SDG Philanthropy Platform	UNDP	Support for incorporating philanthropy in national planning and implementation. <a href="https://www.sdghilanthropy.org/">https://www.sdghilanthropy.org/</a>



Service	Organization	Description
Impact Investment in Africa	UNDP	Support for impact investments. The programme is being established at the time of writing, building on recommendations of this report: <a href="http://www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20Sector/Impact%20Investment%20in%20Africa/Impact%20Investment%20in%20Africa_Trends,%20Constraints%20and%20Opportunities.pdf">http://www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20Sector/Impact%20Investment%20in%20Africa/Impact%20Investment%20in%20Africa_Trends,%20Constraints%20and%20Opportunities.pdf</a>
Alt Fin Lab	UNDP	A mechanism for exploring and tapping into new financial technologies and mechanisms to access investment for achieving the Sustainable Development Goals <a href="http://altfinlab.org/">http://altfinlab.org/</a>
<b>Public and private finance</b>		
The BioFin Initiative	UNDP	Supports countries in developing financing for biodiversity initiatives. It incorporates steps to measure current spending, assess financial needs and identify suitable financing solutions. <a href="http://www.biodiversityfinance.net/">http://www.biodiversityfinance.net/</a>
Extractive industries programme	UNDP and NRG1	Guidance on establishing or reforming technically and economically sound natural resource revenue sharing systems <a href="http://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/nrgi-undp-natural-resource-revenue-sharing.html">http://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/nrgi-undp-natural-resource-revenue-sharing.html</a>
Innovation Facility	UNDP	Support for alternative finance projects, which have included diaspora bonds, development impact bonds and crowdfunding. <a href="http://www.undp.org/content/undp/en/home/development-impact/innovation.html">http://www.undp.org/content/undp/en/home/development-impact/innovation.html</a>
Derisking Renewable Energy Investment	UNDP	Support for introducing a framework for promoting private investment in renewable energy. <a href="http://www.undp.org/DREI">http://www.undp.org/DREI</a>
Climate aggregation platform	UNDP and CPI	Support for the scale-up of replicable business and financial models which aggregate small-scale, low-carbon energy investments <a href="https://www.climateaggregation.org/">https://www.climateaggregation.org/</a>

For more detail on UNDP initiatives, see 'Financing the 2030 Agenda: An introductory guidebook for UNDP country offices.'<sup>100</sup>

<sup>100</sup> Available at: <http://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/2030-agenda/financing-the-2030-agenda.html>



## Annex G: Generic concept note for a Development Finance Assessment

The DFA concept note will be discussed and agreed during the inception phase of the DFA. It will be signed off before the research and consultation phases begin.

The Terms of Reference (TOR) of the DFA will capture agreement on a number of factors that are important for the success of the DFA overall. These include the specific focus of the DFA, the policy issues on which the DFA should provide recommendations and the policy dialogues and institutional structures that the DFA should feed into and support. It should specify the timelines that the DFA will follow and present an overview of the composition of the oversight team. While these factors may be refined during the latter phases of the DFA process, the inception phase should aim as far as possible to scope them comprehensively and agree a specific course for the full DFA. This is important for ensuring that all participants and stakeholders have a clear, common understanding about the nature of the DFA and expectations about what it will and won't achieve.

The concept note may include the following sections:

### Background

A short background to the DFA should provide a succinct overview of the sustainable development context and policy landscape and priorities of the country. It can outline the key plans and policies that are in place and summarize progress in priority aspects of the 2030 Agenda. It can include a paragraph summarizing headlines related to the financing landscape, based on the scoping analysis undertaken in the inception phase.

The background section will also specify the origins of the DFA process, including who initiated it and the rationale for doing so. It will succinctly summarize the steps undertaken during the inception phase to prepare for the full DFA process.

### Objectives and focus of the DFA

The objectives of the DFA should be outlined as specifically and tangibly as possible in the concept note. This is vital for ensuring that all stakeholders move forward with a common understanding of the aims of

the process and expectations about what it can achieve. This section of the concept note may, for example, identify specific areas in which recommendations will be developed, policy processes that the DFA should engage with and aim to inform or support, stakeholders that will be equipped to better engage with development finance dialogue, and other relevant objectives. The concept note should identify the specific topics that the DFA analysis will focus on. These may relate to certain sectoral or thematic priorities, particular types of financing or given geographic areas (e.g. if there is a subnational focus). The objectives section can also note any role that the DFA will play in relation to the government's international commitments and reporting against them. This will typically include commitments to the 2030 Agenda and Addis Ababa Action Agenda as well as other relevant commitments such as the Istanbul Programme of Action, the Samoa Pathway, or regional commitments, depending on the country context.

### Oversight team membership

A summary of the oversight team will be presented in the concept note, referencing the oversight team TOR where roles and responsibilities are articulated in more detail.

This section of the concept note will identify the existing governance structure that will oversee the DFA, and whether this is to be taken on by an existing structure or a new structure is to be created. Individual members of the oversight team should be listed, naming the institutions and the representatives who will participate on their behalf, as well as any specific roles that members of the oversight team will play. This includes specifying the lead or focal point for the DFA overall. It can also be helpful to outline the roles that other team members may play, for example facilitating access to stakeholders, information or data, or reviewing and championing certain aspects of the DFA.

This section of the concept note can also specify the role that UNDP or UNCT will play in supporting the oversight team and technical team throughout the DFA process.

## Stakeholders

The concept note should provide an overview of the key policy processes and stakeholders that will be engaged through the DFA, linking to the engagement plan where the objectives, roles and strategies for engaging them are articulated in more detail.

This section of the concept note should provide an overview of the key institutions to be engaged, listing the key government ministries, private, non-governmental and development partner representatives that will participate as well as the institutional structures and platforms that will be consulted – e.g. working groups on specialist topics relevant to the DFA, and platforms for public–private dialogue.

## Timelines

The concept note should outline an agreed timeline for the DFA process. This will specify key milestones, notably including those that relate to other processes that the DFA will support, as well as expected dates for consultation and validation workshops, any required missions, including number of working days required, and drafts of the DFA report.

A high-level overview of the workplan can also be included in the concept note. This will outline the phases that the DFA will follow (for example, using the phasing described in the process module above), with expected timelines for the completion of each phase. A more detailed workplan will be prepared separately.

## Technical team structure or membership

The concept note will provide an overview of the structure and constitution of the technical team. This will outline the areas of specialism that will be required and list any government ministries that will lend staff to the technical team where applicable. It will reference the technical team TOR where roles and responsibilities are articulated in more detail.

## Funding arrangements

The concept note should provide an overview of the budget for the DFA and funding breakdown. It can specify the estimated total cost of the activities required for the DFA and the proportionate split between the actors funding it.

## Other things that may be included depending on the nature of the DFA

The concept note may include a section listing the outputs to be produced during the DFA process. This will always include a DFA report, though if there are additional outputs to be produced these can be listed as well. These could include, for example, policy notes on specific topics within the DFA analysis or datasets that will be compiled and shared.

The concept note may also specify the data that will be made available to the DFA technical team to undertake the analysis. This will be particularly relevant if the initial scoping identifies key data gaps or a need for specific stakeholders to make their data accessible in order for the analysis to be completed.

The concept note may also identify links with other international processes where relevant. For example, some DFAs may be undertaken alongside a MAPS process, or be designed to incorporate inputs into the preparation of an UNDAF or CCA or into regional UNDG processes.

## Linked documents

The concept note should provide links to the other key documents produced during the inception phase:

- Oversight team TOR
- Technical team TOR
- Engagement plan
- Workplan



## Annex H. Generic outline for an oversight team terms of reference

The terms of reference for the oversight team outline the structure, membership and roles and responsibilities of the oversight team. The oversight team fulfils a critical function, guiding the DFA process overall to ensure its relevance and applicability to the context, and championing the recommendations during and in follow-up to the process.

The more active the oversight team and the stronger ownership they feel over the process and recommendations of the DFA, the more likely it is that the DFA will achieve its objectives. It is vital therefore that the roles and responsibilities of members of the oversight team are clear to them from the outset. As such, the inception phase is a key time for discussing, refining and agreeing how the oversight team will function. These details should all be set out in the oversight team TOR.

This generic TOR outlines the sections that would typically feature in an oversight team TOR and includes standard text for some sections that can be discussed and adapted as appropriate during the inception phase of a DFA.

### Role of the oversight team

The TOR can provide an overview of the oversight team's function overall. It can refine and adapt the following standard text.

*The oversight team listed below will be responsible for leading, guiding and shaping the DFA process. Collaboratively they will determine the scope, focus and objectives of the DFA and oversee the process of analysis and dialogue. The aim overall is to ensure that the DFA process develops a roadmap of recommendations that can be taken forward to address key challenges for financing the SDGs. The oversight team will play a leading role in facilitating and guiding the process and in developing, championing and taking forward these recommendations.*

### Context

A short context section will briefly summarize the context in which the DFA originated and identify the institution which initiated the process. It will identify any specific policy processes that the DFA is designed to feed into or support.

### Objectives

A short summary of the objectives (summarized from the full objectives detailed in the DFA TOR) can be included for reference.

### Institutional setting

In many instances, the most appropriate model for an oversight team will be to house it within an existing institutional structure. Common structures include a committee responsible for overseeing a national development plan or for coordinating SDG implementation, or a working group related to a specific thematic or sectoral priority on which the DFA will focus. Where this is the case, the oversight team TOR can specify that the DFA oversight team will be housed within the relevant structure and state how that structure has incorporated the oversight function. For example, it may state that the oversight roles and responsibilities have been incorporated within the relevant committee's workplan.

### Membership

All institutions that will participate in the oversight team should be listed in the TOR. The TOR can identify the individuals that will represent those institutions, but should specify that any individuals who are not able to take part in the process will be replaced by an alternative member of their institution, to ensure that there is full institutional participation. Membership of the oversight team should be wide enough to include all actors that will be key to the implementation of the roadmap, but narrow enough to allow focused discussions.

The TOR should specify who will take on the role of Chairperson (Chair). The Chair is the figurehead of the DFA process within government and among external stakeholders. The Chair is seen to lead the process overall and is responsible both for setting the overall objectives and direction of the process, and for supervising the work of the oversight team, ensuring it fulfils its role in collectively leading and guiding the DFA. The Chair will also take a lead in securing the buy-in and participation of high-level decision makers and stakeholders across and beyond government. The Chair will typically be someone at the highest official levels within the lead ministry and may in some contexts be someone from the political level, such as a Minister or Deputy Minister.

The list below outlines ministries that are commonly engaged as members of the oversight team. It distinguishes between those that are centrally involved in most or all oversight teams and those that may be included depending on the focus of the DFA. These lists are meant to assist thinking about which actors to involve – they are not prescriptive and should be adapted to the context in question.

Core members: common to most DFAs

- Ministry of Planning, Ministry of Finance, Prime Minister or President's Office (the Chair of the oversight team would typically be from one of these three ministries).
- Ministry of Commerce, Trade and Industry, Ministry of Infrastructure
- Private sector representatives, for example, a Chamber of Commerce or Federation of Industry
- UNDP country office or UN country team representative

Other representatives that may be included, depending on the focus of the DFA:

- Line ministries and agencies relevant to the focus of the DFA: e.g. Ministries of Health, Education, Agriculture, Environment, Local Governments; Revenue authority, Central Bank
- Parliamentary representatives, for example if there is a committee that plays an important role in overseeing the implementation of the national plan or SDGs

- Development partners, including IFIs and MDBs, particularly in contexts where development assistance is a key part of the finance landscape
- Representatives of civil society, NGOs or faith-based organizations, where these play an important role as service providers within the overall landscape

Representatives from each ministry should be senior enough to be able to take decisions and shape recommendations. Often, representatives will be at the highest or second-highest official level within their ministry, for example at the level of Permanent Secretary, Director-General, or equivalent.

## Responsibilities

The oversight team TOR can specify the main activities that the team will undertake, including specific activities to be led by individual members of the team. This may include the following:

- Determine the scope and specific objectives of the DFA, including linkages with wider planned or ongoing reforms
- Oversee and feed into the development of a stakeholder map and engagement strategy
- Provide access to policy documents and data and convene and facilitate outreach to a broad constituency of stakeholders
- Oversee the work of the technical team to provide quality assurance and ensure that it stays within the agreed parameters, with the support of UNDP/UNCT
- Provide oversight and feedback on the analysis as it develops
- Provide inputs and oversight to shape the recommendations in the roadmap
- Facilitate discussions at the consultation and validation workshops and launch, with the support of UNDP/UNCT
- Champion the roadmap among government actors and wider stakeholders
- Implement and oversee the implementation of recommendations in follow-up to the DFA



## Annex I. Generic outline for a technical team terms of reference

The terms of reference (TOR) for the technical team outline the structure, roles and members of the technical team. The technical team undertakes the analysis of the DFA, using the analytical framework and reporting to the oversight team and UNDP/UNCT.

This generic TOR outlines the sections that would typically feature in a technical team TOR and includes standard text for some sections that can be discussed and adapted as appropriate during the inception phase of a DFA. It should be supported by and link to terms of reference for individual members of the technical team.

### Objectives of the DFA

A short summary of the objectives (summarized from the full objectives detailed in the DFA TOR) can be included in the technical team TOR for reference.

### Focus of the DFA

The specific analytical focus of the DFA should be outlined in the technical team TOR. This will be aligned to the corresponding section in the DFA TOR. It will identify the specific topics that the DFA analysis will focus on, for example relating to certain sectoral or thematic priorities, particular types of financing or given geographic areas (e.g. if there is a subnational focus). It should also note any other factors that should be considered in carrying out the analysis. For example, if the DFA is to be used in relation to international commitments in areas such as the Istanbul Programme of Action or the Samoa Pathway, or to regional commitments, these should be specified.

### Skill set

The technical team TOR should outline the skill set and areas of expertise that will be required to undertake the DFA analysis. In addition to the general analytical and facilitation skills required for the analysis and dialogue at the core of every DFA, this section should specify any specialist areas of expertise that will be needed to undertake analysis in relation to the focus areas of the DFA.

### Technical team structure

The TOR will specify the organization of functions within the technical team and the profiles of individuals that will fulfil each of these functions. The technical team will typically comprise a team of consultants often including officials from the lead ministry or UNDP/UNCT experts. The technical team will be appointed by the oversight team with the guidance and support of UNDP/UNCT.

A DFA lead analyst will be appointed to take overall responsibility for the analysis undertaken within the DFA. Other members of the technical team will report to the lead who will report in turn to the oversight team and UNDP/UNCT, working closely with the focal points from the oversight team and UNDP/UNCT throughout the process. Other analytical roles will be specified as appropriate. In many instances, this will include research assistants or analysts who provide general support across the DFA analysis and/or have specialist areas of expertise aligned to the focus of specific substantive topics within the DFA. These may include specialists in public financial management, private sector development, financing in specific sectoral or thematic areas, or other areas of specialism. In some instances, particularly when the lead analyst is an international consultant, an in-country team member may take responsibility for accessing data and policy materials between missions. The TOR should specify if staff from a national ministry will participate in the technical team and the roles that they will play.

### Oversight and support for the technical team

A government focal point will oversee the day-to-day management of the DFA process, often supported by the UNDP/UNCT focal point. The government focal point reports to the Chairperson of the oversight team and provides guidance, facilitation and logistical support to the technical team, working closely with the lead analyst. The government focal point plays an active role in the inception phase, working with the oversight team and UNDP/UNCT to shape the TORs, the DFA timeline and a stakeholder map and engagement plan. The government focal point, alongside the UNDP/UNCT focal

point, oversees the work of the technical team, ensuring it remains on track and in line with the objectives and guidance set out by the oversight team overall. They are responsible for coordinating inputs from the oversight team into the DFA process and for facilitating access by the technical team to the stakeholders, information and data necessary for completing the DFA. This will include logistical support with arranging meetings and consultations. They take a lead role in quality assurance on behalf of the oversight team overall, with the support of UNDP/UNCT.

The UNDP country office or UN country team will play an active role supporting the oversight team and government focal point in implementing the DFA process, with support and oversight provided by the UNDP regional hub. This will be overseen through a nominated UN focal point, typically with strategic inputs from a Country Director or Resident Representative at a senior level. The UN focal point will support the oversight team and technical team throughout the process, alongside the government focal point. They will often lead the organization of the inception phase and play a key role supporting the establishment of the oversight team. They will work closely with the government focal point to support the oversight team in determining the scope and specific objectives of the DFA, including linkages with CCA, UNDAF and MAPS engagement as well as ongoing initiatives supported by UN Development Systems in country; as well as the creation of a stakeholder map and engagement plan. Throughout the process the UN focal point will help to convene and facilitate dialogue, including at the consultation and validation workshops, and will provide guidance on sources of information and data. With the support of the UNDP regional hub, they will provide substantive inputs, including relevant case studies from other countries, and quality assurance as the analysis and roadmap develop. The UN focal point will provide guidance on the linkages between the DFA roadmap and ongoing UN programming and will champion the analysis and roadmap among stakeholders, particularly development partners.

## Timelines

The technical team TOR should clearly specify the timelines that the DFA process will follow, noting the expected timing of the different phases in the process as well as all key milestones including research and consultation missions (where relevant), consultation and validation workshops, and the submission and review of DFA report drafts.

## Workplan overview/activities

An overview of the work to be completed during each phase in the process should be specified, with anticipated completion dates aligned to the milestones above. This may include steps such as the following:

Inception phase (note that this work may be undertaken by UNDP if the technical team is not yet in place during the inception phase)

- Completion of scoping analysis
- Support for dialogue among the oversight team on the specific focus and objectives of the DFA

Research and initial consultation phase

- Compile and analyse data and information on financing trends and the policy and institutional landscape, following the DFA analytical framework and building on initial analysis undertaken during the inception phase
- Undertake consultations with stakeholders in line with the engagement plan
- Develop ideas for recommendations
- Discuss and validate emerging analysis and initial recommendation ideas with the oversight team
- Support oversight team in raising awareness and maintaining interest among core and peripheral stakeholders in the DFA process
- Support consultation workshop, typically involving presenting the emerging analysis and ideas for recommendations
- Prepare a first draft DFA report

Consultations on draft findings phase

- Engage in dialogue with the oversight team about the draft report, analysis and recommendations
- Refine the draft report, analysis and recommendations in line with guidance provided by the oversight team



- Undertake necessary further consultation and scoping to ensure the recommendations are actionable. This may entail more in-depth dialogue with actors who would be responsible for recommended actions or scoping and outreach to relevant service providers.
- Support validation workshops, typically involving presenting the analysis and recommendations
- Draft terms of references for recommendations that are to be taken forward

- Finalize the DFA report and roadmap

#### Launch

- Support oversight team in preparation for the launch event as necessary. This may entail developing presentations and other support materials, though would typically not involve a presentation of the DFA or roadmap as this will be led by the oversight team as owners of the DFA.









