INFF | Facility

2025 INFF Facility Partner Meeting

SESSION THREE

Fiscal policy coherence

Date and time: 22 January 2025 – 12.00pm – 1.15pm (75 minutes)
Session focal point: Nohman Ishtiaq (UNDP)

Background

Government budgets are a formidable source of development financing. Between 2025 and 2030, governments in developing countries (excluding BRICS countries[1]) are estimated to spend more than $25 trillion. This spending will predominantly be financed through domestic revenues and grants as part of overseas development assistance (ODA). Aligning both revenues and expenditures with the Sustainable Development Goals (SDGs) is therefore critical for accelerating progress toward Agenda 2030. Fiscal policy coherence ensures that fiscal instruments—revenues and expenditures—work together to achieve short- and long-term national economic, social, and environmental objectives. However, achieving coherence presents several challenges. Fragmented policy objectives, the challenges of institutional coordination, limited fiscal policy review capacities in Ministries of Finance, and insufficient data often undermine the coherence and effectiveness of fiscal policies.

The draft outcome document of the 4th international conference on Financing for Development (FfD4) emphasises a whole-of-the-government approach to tax and expenditures for gender, environmental and climate considerations. The coherence between taxes and expenditures can be an important factor to align fiscal systems with development outcomes within an Integrated National Financing Framework.

Fiscal policy coherence can include four perspectives; 1) fiscal policy contradictions – to analyse if the collective impact of integrated fiscal policies is either positive or negative, 2) the right mix of fiscal policies – to identify the right fiscal instrument (either tax, or tax exemption, or spending etc.) or a mix of fiscal instruments that work best towards achieving development outcomes, 3) trade-offs to understand how fiscal priorities are defined and alternatives evaluated, and 4) synergies to understand if fiscal policies work towards multiple development outcomes. Some areas of fiscal policy contradictions can include the coexistence of general fossil fuel subsidies alongside tax policy to reduce greenhouse gas emissions, allocating funds for combating deforestation while incentivising deforestation linked agriculture credits, high consumption taxes on basic goods and comparatively low fiscal transfers to the low-income

[1] World Economic Outlook, October 2024. More than $96 trillion including BRICS countries (2025-2030)

families resulting in continued inequality despite fiscal measures, etc. Examples of mix of fiscal instruments can include the use of income tax credits for working parents with subsidised public childcare to increase maternal employment.

Often processes such as spending reviews or expenditure reviews are undertaken to analyse spending effectiveness. Reviewing tax policies, tax exemptions, revenues other than taxes, and government spending policies jointly and while applying the lens of the SDGs can potentially help inform public policy options, identify fiscal policy effectiveness, inform the development of fiscal policy choices for addressing fiscal shocks to build fiscal resilience, and improve institutional coordination.

Objectives

- Opening the issue of alignment of revenues and expenditures with development outcomes and how integrated fiscal policies can support the SDGs acceleration. Debating what types of lessons can be drawn from the existing analytical and management related processes and systems to review and analyse fiscal policy coherence in the SDGs – such as climate action, inequalities including gender, etc.
- Discussing the issues of data, fragmented policy-making and institutional coordination required for taking coherent fiscal policies in country contexts, what types of changes will the Ministries of Finance can make to manage integrated fiscal policies, and the types of capacities required.
- Discussing possible ambitions for fiscal policy coherence through the FfD4 outcome and the role of INFFs in supporting them.

Guiding questions

- What is fiscal policy coherence and why is it important for accelerating the Sustainable Development Goals?
- What types of processes can be employed by Ministries of Finance and planning organisations to help analyse and manage coherent fiscal policies? What will be the constraints and capacity building needs?
- What can be the role of development partners in supporting fiscal policy coherence in countries?

Agenda

TIME	SESSION	SPEAKERS
5 mins	**Introduction**	Moderator: **Mr. Nohman Ishtiaq,** Senior Expert, Public Finance Management, UNDP • Outline the fiscal policy coherence issue and why is it important for the SDGs acceleration (2-3 minutes) • Define the objectives of the session (1 minute) • Introduce the panel (1 minute)
45 mins	**Panel discussions**	Panellists: 1. **Ms. Michelle Simwinga Sinda**, Principal Planner, Ministry of Finance and National Planning, Zambia 2. **Mr. Thammaloth Rasaphone**, Director-General, Ministry of Finance, Lao PDR 3. **Mr. Jairo Alonso Bautista,** Director of Budget, Colombia, Ministry of Finance and Credit, Colombia 4. **Mr. Ibrahima Fall,** President, Commission Nationale des Acteurs de la Société Civile pour le Suivi de la Politique Economique et Sociale (CASC), Senegal 5. **Mr. Carlos Acosta**, Deputy Director, Programme Group, UNICEF 6. ***Mr. Daniel Titelman**, Director, Economic Development Division, ECLAC (TBC)*
20 mins	**Question and Answer**	3-4 questions/inputs from the audience on the subject.
5 mins	**Key takeaways**	**Moderator:** Presenting key takeaways: • What is fiscal policy coherence and why is it important for inclusive and sustainable development? • Key challenges that countries can face in adopting an integrated approach to fiscal planning and execution. • Ambitions for fiscal policy coherence through the FfD4 outcome and the role of INFFs.