Integrated national financing frameworks

Summary

The Addis Ababa Action Agenda introduces the concept of integrated national financing frameworks (INFFs) and highlights their role in financing the 2030 Agenda for Sustainable Development. INFFs offer an integrated planning and financing framework – a delivery tool – to finance the Sustainable Development Goals (SDGs) at the country level. In other words, while sustainable development strategies lay out what needs to be financed, INFFs spell out how these strategies will be financed, implemented and monitored. Through this document the Economic and Social Commission for Western Asia (ESCWA) highlights the tools, processes and methods that have been developed to support the development of INFFs in collaboration with entities in the United Nations Sustainable Development Group (UNSDG) with the aim of overcoming barriers to financing sustainable development.

This document presents the building blocks for INFFs and highlights the efforts taken in this regard including identifying a range of financing sources and channels (public, private, domestic, international, innovative, traditional and debt-financing) that could be tapped by national authorities to finance the SDGs, thereby allowing countries to develop a home-grown strategy to mobilize investments, manage financing risks and achieve sustainable development priorities, as identified in their national sustainable development strategies.
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Introduction

1. The Addis Ababa Action Agenda introduces the concept of integrated national financing frameworks (INFFs) and highlights their role in financing the 2030 Agenda for Sustainable Development. INFFs offer an integrated planning framework and a delivery tool to finance the Sustainable Development Goals (SDGs) at the country level. In other words, while sustainable development strategies lay out what needs to be financed, INFFs spell out how these strategies will be financed, implemented and monitored.

2. This first section of this report highlights the main objectives of INFFs; the components that go into their formulation; the analysis furnished through them; and the building blocks they rely on to deliver coherent financing strategies to support financial management decisions that maximize the use of available resources as well as mobilize additional investments to achieve national sustainable development goals. The second section of the report provides a synopsis of a pioneer project that ESCWA has developed in collaboration with the Department of Economic and Social Affairs alongside other UNSDG entities to advance work on INFFs in the Arab region.

I. Integrated national financing frameworks

3. The prime aim of INFFs is to support countries in raising resources to finance national sustainable development objectives by increasing the coherence of financing policies, both across sectors and financing policy areas (horizontal synergies) and between financing and sustainable development priorities (vertical synergies). In doing so, INFFs lay out the full range of financing sources available to countries (public, private, domestic and international, debt financing and other non-financial means of implementation) and analyses them through an integrated lens that captures their impacts, risks, returns and sustainability horizons. On this premise, the frameworks offer the basis for informed financing decisions to better manage an increasingly complex financing landscape. INFFs also entail a series of coherence checks to ensure that distinct financing policies are synergized and their impacts maximized to make the best use of available resource to finance national sustainable development goals.

4. One prime component of an INFF is estimating SDG financing gaps. This is a rigorous exercise that involves estimating the cost of national targets employing different methods, tools and methodologies that have been advanced by different SDG custodian agencies and institutional stakeholders. Based on the outcome of this exercise, financing strategies are developed to ensure that resources are efficiently mobilized and channelled to their desired SDG usages and to ensure that their impact is maximized. Furthermore, the financing strategy details the means for mobilizing additional revenues and investments, leveraging trade and debt financing and managing associated risks. The financing strategy therefore offers a viable prelude in the transition to SDG-centric budgeting and can serve as an entry point to localize sustainable financing at the sub-regional levels.

II. INFF building blocks

5. The guidance for INFFs was established based on the guidance of the Inter-Agency Task Force on Financing for Development, which is comprised of more than 60 United Nations specialized agencies, programs, funds, offices and regional commissions, including ESCWA. Overall, INFFs consist of the following four building blocks (Figure 1):

A. Assessment and diagnosis of the financing landscape, needs, risks and institutional constraints

6. This phase entails mapping the financing landscape at the national level, including identification of the sources available for financing, the instruments used and the sustainability of financing flows. This exercise is complemented by rendering estimations of the cost of nationally defined sustainable development goals, targets and thresholds. This process involves analysing both financing needs (via detailed costing methods) as
well as the scale of available resources in addition to opportunities to tap new sources of financing (identified and quantified at the country level). These processes would offer a baseline upon which SDG financing gaps are estimated. Financing risks are then diagnosed in terms of (a) overall country risk factors and (b) external risks that can impose potential costs or act as factors inhibiting the mobilization of additional finance. Risk assessments are complemented by a diagnosis of institutional weaknesses that may be hampering the mobilization and delivery of financing to national sustainable development priorities.

B. Financing strategy

7. A financing strategy involves integrating national sustainable development targets into the budgeting process to ensure that financing needs/costs are matched with revenues/expenditures. This process should account for laws regulating different channels of financing: domestic or international private finance (remittances and FDI), debt leveraging rules, development assistance and non-financial means of implementation (figure 1). Through the strategy, financing policies, sources, instruments and regulatory frameworks are analysed to identify gaps and upgrade medium-term revenue strategies (MTRSs) and medium-term expenditure frameworks (MTEFs), which are incorporated into existing budgeting process to bridge SDG financing gaps.

Figure 1. Components of an integrated national financing framework

8. This process inevitably involves an element of prioritization, where financing opportunities are sequenced to match short and long-term needs. The financing strategy also identifies possible trade-offs arising from conflicting financing policies, for example by ensuring that domestic public resources raised through taxation are not undermined by investment decisions that rely on excessive tax incentives or different forms of tax leakages such as tax evasion, avoidance or arbitrage and other tax and trade-based illicit financial flows.

C. Monitoring and review

9. Monitoring refers to the systematic collection of data on indicators while review is an assessment of the performance of an intervention, and both help identify pitfalls and enhance understanding of what works and what does not work. Monitoring progress in mobilizing and spending resources alongside the regular
assessment of the impact of different financing flows and policies provides the basis for dynamic and informed policymaking. It also allows for the financing instruments and policies to be adapted, where needed, to enhance their impact and risk mitigation. Monitoring and review can also identify the needed regulatory and institutional reforms that are required to safeguard the implementation of the INFFs. The monitoring and review process can build on existing planning, budgeting and tracking systems and ongoing data and statistical capacity development efforts.

D. Governance and coordination

10. The concept of coordination refers to the systematic consideration of multiple policy goals in a manner that minimizes trade-offs and maximizes synergies. In the context of INFFs, coherent policymaking means considering policy goals across different financing policy areas (such as public finance, including development cooperation, private finance and investment and fiscal issues) and coherent financing of different sectoral priorities, addressing potential trade-offs and exploiting opportunities for win-wins. The governance aspect refers to the institutions that would be implementing and delivering the INFFs, the political support and country ownership needed to advance INFFs; the buy-in from different stakeholders and coordination with development partners.

III. Towards integrated national financing frameworks in the Arab region

11. To date, most States have begun preparing voluntary national reviews, but they seldom assign a price tag to achieving the SDGs. Sustainable development strategies rarely indicate how they would be financed and concrete plans are not provided for how to finance national sustainable development targets and macroeconomic frameworks. This critical missing link can leave many SDGs underfunded, unprioritized and erratically synergized. To support member States in advancing the concept of INFFs, ESCWA, as executing agency, alongside the United Nations Department for Economic and Social Affairs (DESA) and other United Nations entities are advancing a development accounting project designed to facilitate coordinated support for the implementation of INFFs in a number of countries that expressed interest in doing so during the first session of the regional intergovernmental committee on financing for development.

Figure 2. Mapping the Financing Landscape

The project is intended to advance INFFs for a number of pilot countries by providing a detailed anatomy and a multidisciplinary diagnosis of financing instruments, channels and non-financial means of implementation available to countries. In doing so, ESCWA will be providing, in collaboration with national stakeholders, a mapping of the financing landscape (figure 2); an analysis of the aggregate mix of official
support available to finance the SDG’s; a diagnosis and risk assessment of national financing instruments, including costing estimates for integrated financing strategies for national sustainable development, backed by projections of financing needs through 2030. The project also aims to support monitoring and review mechanisms and/or governance arrangements, increase knowledge exchange and peer learning among target countries and strengthen coordination on financing issues among United Nations partners, including cooperating entities within the Secretariat and broader United Nations system.

13. The project will place a substantive focus on several elements of the financing strategy, in line with country priorities and with a view to building back better: mobilizing financing for productive investments in the SDGs and aligning public financing policies and mechanisms with the SDGs and climate action through SDG budgeting and supporting tax reforms. An integral suite of actions, activities, tools and interventions will be placed at the disposal of national stakeholders and Resident Coordinator Offices (RCOs) for this purpose (see annex).

14. The project is structured around the following sequential steps: (a) preparation of targeted global guidance material, building on ongoing work to develop guidance for the design and implementation of INFFs, including a baseline assessment; (b) diagnostic exercises at the country level (if needed) to identify capacity gaps; (c) workshop/regional capacity-building and exchanges to share implementation experiences and facilitate peer learning; and (d) a global conference to exchange and publish outcomes and policy recommendations, to be held back-to-back with a global meeting such as the annual Economic and Social Council forum on financing for development or the High-level Political Forum to inform the drafting of a concluding knowledge product, a compendium of experiences on INFF design and implementation with a focus on concrete and actionable policy recommendations for policymakers.
Annex

FINANCING FOR DEVELOPMENT

OVERVIEW
(Tools, Techniques, Methods, Resources and Outreach)

Towards INTEGRATED NATIONAL FINANCING FRAMEWORK (INFF)
Financing the SDGs at the national level
ESCWA Financing offer to INFF Targeted Countries

SDG Costing Simulator
A dynamic tool that draws on a range of sciences employing methods advanced by SDG custodian agencies to estimate the cost of achieving national sustainable development priorities. The simulator provides estimations of future spending needs, assessments of current financing trends and their simulated trajectories to estimate financing densities in relation to the ideal “SDG path” needed to achieve the SDGs.

SDG Financing Calculator
The calculator furnishes an interactive tool that employs a set of econometric models to assess the potential changes needed to finance the SDGs (public, private, domestic, international, and debt-financing). It analyses the scale of revenues and resources available in relation to the potential to generate additional financing to meet national sustainable development goals and strategies.

SDG-Resources
A set of published resources that offers:
- An exhaustive regional manual of the different SDG costing approaches, advanced by UN SDG custodians, international financial institutions, think tanks and intergovernmental regional bodies;
- National SDG Costing Frameworks;
- SDG Interlinkages as an Input-Output System;
- Preserving the Tax base and anti-tax abuse; Pathways to enhance domestic resource mobilization capacities.

SDG Optimizing Tool
An econometric tool-box that captures the efficiency gains resulting from the optimization of SDG synergies and trade-offs. The tool aims to enhance policy interventions and support the sequencing of policies to render best SDG outcomes given financial constraints. The tool offers a novel approach to capture SDG indicator interlinkages for impact assessment.

FfD Data Analytics
The data analytics database offers the first regional digital platform to monitor progress and track national and regional FfD patterns, including prime financial and non-financial means of implementation of the 2030 Agenda. The database furnishes a comparative financing health monitor, implementation gaps, and returns on financing.

Arab FfD Gateway
The gateway serves as a unique digital platform that offers a wealth of qualitative diagnostics to analyze the state of financing Arab sustainable development. The gateway provides a set of visual evidence and an analytical compendium of all FfD channels and platforms serving as a means of delivering a channel for communicating the outcomes of the work undertaken in relation to FfD, including integrated national development finance frameworks.
**FFD Country Profiling**

The profiles provide a synthesis of the state of financing sustainable development at the national level and support the transition to SDG-centric budgeting. Through summative research and drawing on a toolbox of empirical models and dynamic simulations, the profiles provide an evidence-based policy paper that analyses, maps and explores possible pathways to finance the SDGs at the national level.

**COVID Response & Impact**

A series of policy briefs and proposed regional response strategies to mitigate the socio-economic impacts of the COVID-19 pandemic. These thematic policy briefs analyse the consequences of the pandemic on the Arab region, covering several Arab financing priorities areas, including foreign direct investments, remittances, fiscal space, financial markets, debt sustainability and the economic cost of COVID-19.

**INFFs – 13 DA Tranche**

INFFs aim to establish an integrated financing reform agenda. Through summative research and drawing on a toolbox of empirical models and dynamic simulations, these reform agendas are advanced to harness investments of all kinds and bridge the SDG financing gap. INFFs help countries strengthen planning processes and overcome existing impediments to financing sustainable development and the Sustainable Development Goals (SDGs) at the country level.

**High-Level FfD Event**

The high-level event offers an opportunity to recommit efforts to achieve the SDGs and advance concrete financing solutions across all funding sources. The event is poised to synthesize the FfD menu of options presented at the global level and anchor them to the regional context. To ensure a more resilient, inclusive and sustainable future.

**Regional Conference**

A regional conference that brings together policymakers in line ministries, the private sector and other stakeholders alongside implementing partners from the United Nations Development System to advance financing for development outcomes, share INFFs implementation experiences and knowledge among countries and stakeholders.

**National Workshops**

Incentive-training workshops to introduce INFF methodology, based on guidance developed by the ITF. The multi-stakeholder workshops will clarify country capacity needs in target countries. Delivery of dedicated technical assistance to support implementation of an INFF as outlined in the respective country project budget is foreseen along with the provision of technical and advisory services.
Integrated National Financing Framework (INFF)

Financing the SDGs at the national level

An Integrated National Financing Framework is a tool for governments and their partners to finance the SDGs at the national level. The framework analyses all financing sources and non-financial means of implementation available to a country and designs a financing strategy to mobilise resources, manage risks, and achieve sustainable development targets.

Partners:
UNDESA

Relevant Enablers:
The State of Financing Development in the Arab Region

FDI change scenario
Trade Balance change scenario
Gross Capital Formation
Remittances change scenario
Debt Finance change scenario

Economic Scenario
User Input
SDG Costing & Financing Scenarios

Efficiency and Opportunity cost
Financing resources calculator
Financing gap solver

GDP Financing estimator

Financing relative policies across the Arab region
Ancillary Supporting Tools, Facilities and Initiatives related to SDG-Financing

Stimulus Tracker
The COVID-19 Stimulus Tracker has been developed as an interactive visual platform to map the stimulus measures taken by 178 countries, including countries in the ESCWA region. The mapping covers both social protection measures and economic policy support interventions taken at the national level.
Learn more: https://tracker.unescwa.org/

Social Expenditure Monitor
ESCWA is developing a regional framework on Social Expenditure Monitor (SEM), aligned with the SDGs approach, to better monitor social expenditure priorities in different sectors and improve efficiency of public expenditure through the use of different economic modelling tools.

Debt Swap for Climate Finance
ESCWA is developing an initiative on “debt swap for climate finance”, which aims to work out practical options of reducing debt and in parallel improving climate finance in selected highly indebted Arab countries.
Learn more: https://www.unescwa.org/sites/default/files/pubs/pdf/climate-sds-debt-swap-mechanism-english_0.pdf

Guidelines on national development planning
ESCWA is developing guidelines for good planning practices in the Arab region, including the ‘Behavioural Insight and Strategic Planning Handbook’ supported by macroeconomic and CGE models to be made available through an Arab National Development Planning Portal.

Arab SDG Monitor
ESCWA is developing a data-driven, dynamic, and user-friendly SDG dashboard with country and regional visualizations. The dashboard presents SDG stories from different perspectives using heat maps, scorecards, speedometers, coscombos, and others to monitor progress towards 2030 targets.
Learn more: http://araasdgmonitor.unescwa.org/

Trade as an Engine for Financing
ESCWA is developing a prototype dynamic CGE model to link trade reforms to specific SDGs. The first version of an Arab Trade Simulation Model has been developed for the Arab region with a focus on tariffs and transport cost on goods. Subsequent versions will focus on FDI, migration and trade in services.

SDG Data Portal
ESCWA is developing an interactive database for all the SDG indicators to browse and explore under each SDG with all available dimensions and data to tabulate, visualize as per user choice and download options.
Learn more: https://data.unescwa.org/content/d5bd5e63b665-45e1-7b79-d3c3d0726e7

Facilitating policy making in the Arab region
ESCWA is developing a monitor to evaluate national performances using dynamic simulators for a series of international indices. This tool allows policymakers to simulate the potential impacts of reforms on a number of international indexes (including: Gender Gap, Doing Business; Competitiveness; Economic Integration; e-Government etc.). The tool supports the identification of preferred policy options and explores alternative strategies to help inform better decision making.
Learn more: https://spac.unescwa.org/
About: The Development Account Project

The Development Account project brings together existing UNSDG capacities and policy support for SDG financing by implementing entities in an integrated offer to target countries. The project addresses capacity gaps identified by target countries in one or more of the four building blocks spelled out in the 2019 FSDR namely, to provide support in the assessment and diagnostics phase, costing national sustainable development priorities, plans and frameworks, formulating financing strategies, monitor and review mechanisms, and/or governance arrangements.

The project places a substantive focus on two elements of a financing strategy in particular, in line with country priorities, and with a view to building back better: mobilizing financing for productive investments in recovery and the SDGs; and aligning public financing policies and mechanisms with the SDGs and climate action (such as SDG budgeting and taxation).

Two countries in the Arab region have been identified as pilot countries having expressed interest in the implementation of INFFs. The project seeks to map, analyse and risk assess the financing landscapes for the purpose of designing integrated and sustainable financing strategies to support SDG implementation and mitigate the impact of COVID-19.
About

The Economic and Social Commission for Western Asia (ESCWA) supports its 22 member States in their efforts to ensure prosperity, equality and peace. By analysing regional and national economic, social and environmental trends in the light of global United Nations agendas, ESCWA provides Arab countries with policy recommendations that build on a thorough analysis of facts and commonalities. It also underscores the benefits of integration and creates regional public goods, including knowledge, data, tools and capacity. The shared language, culture and aspirations of the people of the Arab region form a solid foundation to tackle transboundary challenges through collective action at the national, regional and global levels. ESCWA is committed to supporting member States in optimizing their common strengths as they tackle shared weaknesses and challenges to create better opportunities for current generations and broader horizons for the future.

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Resources

Development Account
Department of Economic and Social Affairs
https://www.un.org/development/desa/dea/

UNESWA Arab SDG Gateway
http://arabsdgateway.unescwa.org/

Integrated National Financing Frameworks
https://www.unescwa.org/integrated-national-financing-frameworks
https://irff.org/

“We can choose to bemoan the lack of financing for the 2030 Agenda in a world awash with so much unproductive and unrewarding finance or we can grasp the opportunity to reshape finance according to our urgent, collective needs."

Antonio Guterres

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