The Integrated National Financing Framework (INFFs)
Second Intergovernmental Meeting of Financing for Development – ESCWA Region

UN Department of Economic and Social Affairs (UNDESA)
Ms. Natalia Aristizabal Mora
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2. INFF – An Overview + Global Guidance
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What is an Integrated National Financing Framework (INFF)?

❖ **Approach/framework** for financing sustainable development priorities and SDGs at the national level.

❖ Lays out the **full range of financing sources** (i.e., public, private, domestic, international).

❖ Seeks to identify and close **gaps**, overcome **incoherencies**, and exploit unused **opportunities**.

❖ Builds on **existing policies and institutional arrangements**.

❖ Is **country-owned** and **country-led**.
What is the value added of an INFF?

- Align financing with long-term priorities and mobilize additional financing to support sustainable development priorities
- Manage a complex financing landscape
- Overcome siloes and strengthen coherence of financing policies
- Match different types of financing to their most appropriate use
- Streamline the wide variety of tools and instruments available to support national action
INFF Global Guidance

✓ Inception phase: published in January 2020

✓ Building Block 1 Assessments and diagnostics: published in December 2020

✓ Building Block 2 Financing strategy: published in April 2021

✓ Building Block 3 Monitoring and review: published in July 2021

✓ Building Block 4 Governance and coordination: published in April 2021

https://inff.org/
Governance and coordination mechanisms guide the process of developing and strengthening an INFF and engage all stakeholders in a consultative process.

The inception phase focuses on how to start the integrated national financing framework (INFF) process and who should be involved.

By monitoring the delivery and use of financial and other resources, governments can track progress and draw lessons for policy design and implementation.

Assessments and diagnostics provide a complete picture of financing needs, available financing sources and the challenges and risks countries face when financing their sustainable development.

Financing strategies set out a set of sequenced actions to finance national development strategies and goals, and mobilise and align financing with national priorities.
Why is it important

- Paints a picture of financing gaps and identifies key risks and bottlenecks
- Provides the starting point for formulating a country-owned, integrated financing strategy
- Sheds light on potential gaps in existing monitoring and review mechanisms, especially data systems, and on governance and coordination arrangements
Guiding principles for INFF assessments and diagnostics

❖ **INFFs as a 'docking station'**, i.e., build on what is already there

❖ **Top-down and bottom-up approach**, i.e., review of existing assessments and diagnostics (*top-down*) and consultations and dialogue with diverse stakeholders (*bottom-up*)

❖ **Iterative**, i.e., not a one-off exercise

❖ **Integrated**, i.e. focus on all dimensions of sustainability, considering trade-offs and risks
BB1.1 FINANCING NEEDS
Identify investment and spending requirements (demand side)

BB1.2 FINANCING LANDSCAPE
Map resources – both volumes and alignment with national development priorities (supply side)

BB1.3 RISKS
Identify biggest risks (economic and non-economic, e.g., disaster, public health, governance) to the country’s ability to finance sustainable development

BB1.4 BINDING CONSTRAINTS
Identify major impediments (market-related, institutional, capacities) to financing sustainable development
INFF Building Block 1 elements and outputs

- Financing needs
  - Investment and spending requirements/demand side
  - Financing gaps

- Financing landscape
  - Mapping of resources/supply side

- Risks
  - Major economic and non-economic risks

- Binding constraints
  - Major impediments to financing sustainable development

- Priority financing policy areas
  - Financing opportunities

- Financing strategy
  - Policy asks of development partners and global policy processes
Why is it important

- Streamline existing approaches and tools into one framework
- Find solutions to close financing gaps, overcome constraints and make the most of financing opportunities
- Identify financing policies that are risk-informed and take equity, social and environmental concerns into account, addressing potential spill-over effects and trade-offs
Guiding principles

1. Focus on policies that are **administratively and politically possible**
2. **Comprehensive** (all types of finance)
3. **Top down & bottom up** approach (macro consistency screening / local solutions for local problems)
4. **Iterative** (linking existing processes / feedback loops)
Suggested approach

**STEP 1**
ESTABLISH FINANCING POLICY OBJECTIVES
Start with findings from Building Block 1 (financing gaps, risks, binding constraints).
Identify scope of the financing strategy, specific financing policy objectives.

**STEP 2**
IDENTIFY POLICY OPTIONS
Identify existing policies, regulatory measures, instruments.
Identify additional options based on international good practice or experience from peers.

**STEP 3**
POLICY PRIORITISATION
Shortlisting based on:
- Macro (consistency with macro-objectives), coherence (sustainability /trade-offs/win-wins), and risk checks;
- Preconditions, resource requirements.

**STEP 4**
OPERATIONALISATION
Formulate a concise strategy to:
- Bring together existing approaches;
- List of action on reforms, new instruments.
Step 1: Establish scope and objectives

- Define the required scope and approach
- Start with baseline assessment: financing gaps, opportunities, risks, binding constraints
- Based on baseline, identify your objectives

**TABLE 2. DEFINING FINANCING POLICY OBJECTIVES**

<table>
<thead>
<tr>
<th>FINANCING GAPS</th>
<th>OPPORTUNITIES</th>
<th>RISKS</th>
<th>BINDING CONSTRAINTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>List estimated financing gaps – at macro/sectoral/programmatic level (depending on level of analysis used in financing needs and financing landscape assessments)</td>
<td>List financing opportunities emerging from the financing landscape assessment</td>
<td>List risks emerging from the risk assessment</td>
<td>List specific obstacles identified in the binding constraints diagnostic</td>
</tr>
<tr>
<td>E.g., Rs1.3 trillion gap in private finance in the energy sector (Nepal example in Building Block 1.2 guidance)</td>
<td>E.g., Higher levels of FDI in peer countries compared to domestic economy (Philippines example in Building Block 1.2 guidance)</td>
<td>E.g., Collapse in global commodity prices (example in Building Block 1.3 guidance)</td>
<td>E.g., Inefficient financial intermediation due to bureaucratic loan application process and high collateral requirements (Egypt/Sri Lanka examples in Building Block 1.4 guidance)</td>
</tr>
</tbody>
</table>
Step 2: Identify policy options

- Identify policies, legal or regulatory measures, or financing instruments

- **Where to look:** a) current practices, b) further opportunities (low hanging fruit, local good practices, external good practices, hybrid solutions)

- **How to look:** Leverage existing national and international assessments/frameworks (i.e. MTRS)

### Table 3. Example of Mapping of Current Practices

<table>
<thead>
<tr>
<th>FINANCING OBJECTIVES</th>
<th>GOVERNMENT ACTIONS</th>
<th>RESPONSIBLE GOVERNMENT INSTITUTION</th>
<th>ASSESSMENT INDICATOR</th>
<th>PARTNER SUPPORT</th>
<th>STATUS AND SUITABILITY OF ACTIONS (strengths, weaknesses, gaps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of domestic debt markets</td>
<td>Normalise and extend the yield curve</td>
<td>DeMPA</td>
<td>2019</td>
<td>Support domestic capital market development (AfDB), WBG</td>
<td>Ongoing. No progress until cash management issue resolved.</td>
</tr>
<tr>
<td></td>
<td>Enhance secondary market activities</td>
<td>Ministry of Finance</td>
<td>2018</td>
<td></td>
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<tr>
<td></td>
<td>Introduce a wider spectrum of instruments</td>
<td>DSA</td>
<td>2017</td>
<td></td>
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<td></td>
<td></td>
<td>PEFA</td>
<td>2021</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>INFF Building Block 1</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>MTRS</td>
<td>2017</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>2018</td>
<td></td>
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</tr>
<tr>
<td>Increase private finance in the renewable energy sector</td>
<td>Develop risk sharing instrument to leverage private investment for renewable energy</td>
<td>Ministry of Finance, Ministry of Commerce, Ministry of Environment</td>
<td>FSAP</td>
<td>TA support (Germany-KFW)</td>
<td>Ongoing. Local good practice, with potential to be replicated.</td>
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<td></td>
<td></td>
<td>W9 LTF Diagnostic</td>
<td>2018</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>2019</td>
<td></td>
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<tr>
<td>Better align the national budget with the SDGs</td>
<td>Institutionalise consideration of SDGs in budget formulation and establish systems to track SDG-aligned expenditures</td>
<td>Ministry of Finance</td>
<td>UN Women Gender Responsive Budgeting Diagnostics</td>
<td>TA support to Ministry of Finance and line ministries (UNDP, UN Women, UNECA)</td>
<td>Ongoing. Weak budget execution procedures and controls remain a challenge. Developing clear procurement guidelines potential low hanging fruit.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>UMRRI Risk Informed Budget Reviews</td>
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<tr>
<td></td>
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<td></td>
<td>INFF Building Block 1.2</td>
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<td></td>
<td></td>
<td></td>
<td>2018</td>
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<td>2019</td>
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<td></td>
<td></td>
<td></td>
<td>2021</td>
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</tr>
</tbody>
</table>
Step 3: Policy prioritization

Coherence Checks

- Have macro checks been considered?
- Have coherence checks been considered?
- Have risk checks been considered?

Depending on evaluation checks, consider two scenarios for policy options:

**RETAIN**

If the policy option aligns with all evaluation checks, retain as is.

**ADJUST**

If it does not align, evaluate whether this is because of:
- Macro coherence? If so, consider alternative macro scenarios/remedies.
- Trade-offs/externalities? If so, is there a way to remedy this with complementary policy/regulatory reforms, or financing instruments?
- Risks? Evaluate risk, and consider if instruments/regulations can remedy them.

List all policy options:
- Policy options that have been retained
- Integrated/hybrid solutions to overcome impediments/costs
Prioritising

✓ Have preconditions been considered?
✓ Have resource requirements been considered?

Depending on evaluation checks, consider two scenarios for policy options:

**RETAiN**
If the policy option aligns with all evaluation checks, retain as is.

**ADJUST**
If it does not align, evaluate whether this is because of:
- Preconditions? If so, consider which complementary institutional, policy, or regulatory reforms have to be implemented first
- Resource/capacity requirements? If so, consider whether there is a way to remedy this with untapped resource support or capacity development training.

List all policy options:
- Short-term (i.e., operational) planning
- Medium-term planning
- Long-term planning (may need own strategy)
**Operationalize**

- Actions should align with objectives set at outset
- Periodic review should be undertaken

**TABLE 5. TEMPLATE FOR INFF ACTION PLAN**

<table>
<thead>
<tr>
<th>POLICIES</th>
<th>ACTIONS/ACTIVITIES</th>
<th>TIMEFRAME</th>
<th>SEQUENCING</th>
</tr>
</thead>
<tbody>
<tr>
<td>List all policy options identified in the previous steps</td>
<td>List specific actions/activities that would be required to either implement the policy, or to guide long-term planning (e.g., draft TORs for long-term finance diagnostic)</td>
<td>Indicate timeframe for implementation of specific activities (ST/MT/LT)</td>
<td>Note considerations around whether activities under the same policy and/or across different policies would need to be implemented in a particular sequence (e.g., 'A' needs to happen before 'B' can be implemented)</td>
</tr>
<tr>
<td>Template</td>
<td>to be filled in...</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ROLES AND RESPONSIBILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>RESPONSIBLE ACTORS</td>
</tr>
<tr>
<td>List lead actors/agencies – those responsible for the implementation of the activity</td>
</tr>
</tbody>
</table>
Why is it important?

❖ Brings together all information required by policymakers to take decisions, and for relevant stakeholders to hold providers of finance to account

❖ Cuts across all INFF phases:

➢ In inception phase, it can help policymakers articulate the value added of the INFF (e.g., through a Theory of Change)

➢ In design phase, it helps strengthen and/or establish the systems needed to enable collection and use of relevant data and information

➢ Throughout implementation, it provides the basis for transparency, accountability and lesson learning
Guiding principles and success factors

❖ **No one-size-fits-all model.** Focus and level of ambition will differ depending on country context.

❖ **Realism on what constitutes ‘good enough’ data and systems.** ‘Good enough’ data can form the basis for additional, gradual improvements over time while providing the evidence needed to begin adequate monitoring and review.

❖ **Dissemination of intermediate results.** Producing and sharing materials that showcase results can help demonstrate its value added, broaden buy-in, and reinforce the need for effective monitoring and review.
Suggested approach

**STEP 1**

**ESTABLISH THE BASELINE**

Identify relevant monitoring and review systems already in place.

Assess the 'enabling environment' for strengthening existing systems (buy-in, roles and responsibilities, data systems and available capacity).

**STEP 2**

**STRENGTHEN EXISTING SYSTEMS, CLOSE GAPS IF NEEDED**

Build on existing baseline by taking action in one or more of the following areas:

- Institutionalising INFF monitoring and review
- Enhancing integration of existing systems
- Linking to ongoing or planned data/statistical reform processes and making use of needs-based IT solutions
- Leveraging insight and lessons from peers and regional/global knowledge-sharing platforms
Why is it important?

❖ **Driver of overall effectiveness**

- Guides entire INFF process
- Ensures country ownership and leadership
- Strengthens intra-governmental collaboration and multi-stakeholder participation
- Enhances coordination with development partners
- Overcomes siloes and increases coherence and integration of existing approaches and processes
Guiding principles and key lessons

- **Enhancing coherence is a moving target** (appropriate level of ambition will depend on context, resources, capacity and financing strategy objectives)

- **Build on what is already in place, only add if there are gaps** (opportunity to identify, assess and streamline existing governance and coordination structures and mechanisms)

- **Consider both top-down institutional structures and other complementary mechanisms** (such as specific tools, incentives, financing instruments)

- **Overcome silos** (process must be country-led, mandated from the highest political level and supported by senior technical officials across relevant ministries)
STEP 1
IDENTIFY AND ASSESS EXISTING GOVERNANCE ARRANGEMENTS

Identify and assess the institutions and processes that exist to guide, enable and support (coherent) financing policy making:
- Commitment and leadership
- Access to knowledge and perspectives
- Coordination

[Self-assessment questions are included in the guidance].

STEP 2
ENHANCE COHERENCE, CLOSE GAPS IF NEEDED

Establish how to strengthen existing arrangements, based on:
- Appropriate level of ambition
- Available capacity and resources
- Objectives identified in the financing strategy.

[Typical challenges and steps to overcome them are included in the guidance].
INFF Process
Objectives/Outcomes:

❖ Help countries develop and implement INFFs to strengthen financing of the SDGs and mitigate the impact of COVID-19; and

❖ Increase knowledge exchange and peer learning among target countries, and strengthen coordination amongst UN partners on financing issues.

• 10 pioneer target countries
• 5 UN Economic Regional Commissions (including ESCWA) + UNCTAD + UN DESA as executing entities
• UN Resident Coordinator Offices and UNDP as co-operating partners
DA Project activities in the ESCWA region

a) National Activities
   • Egypt
   • Jordan

b) Regional activities
   • INFF workshops and peer-to-peer exchanges
DA Project - Planned outcomes/activities:

3 main tools/areas

a) SDG Costing Simulator and SDG Optimizing Tool
b) SDG Financing Calculator
c) FfD Country Profiling
THANKS FOR YOUR ATTENTION