Integrated national financing frameworks: inception phase

Inter-agency Task Force on Financing for Development

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1. Introduction

Integrated national financing frameworks (INFFs) are a planning and delivery tool to finance sustainable development at the national level. Country-led and country-owned, they help policymakers *map the landscape* for financing sustainable development and *lay out a strategy* to increase and make most effective use of investment for sustainable development, coordinate technical and financial cooperation they receive, manage financial and non-financial risks, and ultimately achieve priorities articulated in a national sustainable development strategy or plan. In short, integrated national financing frameworks are a tool for Governments to operationalize the Addis Ababa Action Agenda at the national level.

The Addis Ababa Action Agenda, which introduced the concept of INFFs, provides a framework for financing the 2030 Agenda for Sustainable Development. It recognises that public and private finance have important, differentiated, roles to play in advancing sustainable development. The agenda lays out both national and global actions, underlining the importance of an enabling international economic environment. At the same time, Member States of the United Nations agreed that national efforts are crucial in delivering this global agenda, with "cohesive, nationally owned sustainable development strategies, supported by integrated national financing frameworks… at the heart of our efforts."

The Inter-Agency Task Force on Financing for Development (IATF) has been tasked with supporting countries' efforts to operationalise integrated national financing frameworks by developing toolkits and guidance material.[1] At the same time, the Secretary-General's Strategy for Financing the 2030 Agenda and its three-year Roadmap of actions and initiatives commits the UN development system to support countries to adopt and implement INFFs. A number of countries have decided to 'pioneer' the INFF concept with support from the United Nations and the European Union.

This module – on an INFF inception phase – is the first in a series of guidance documents (see Table 1 below) to support INFF implementation. They build on the 2019 Financing for Sustainable Development Report and its thematic chapter.[2]

Table 1: Guidance documents for INFF operationalization to be prepared by the IATF

- **Module 0: INFF inception phase**
- Module 1: assessments and diagnostics (INFF building block 1)
- Module 2: financing strategy (INFF building block 2)
- Module 3: monitoring, review and accountability (INFF building block 3)
- Module 4: governance and coordination (INFF building block 4)

This module focuses on the *inception phase* of operationalizing an integrated national financing framework – ***how*** to start the process (technical guidance), and ***who*** should do so (the political dimension). It is also an entry point to the remaining modules 1 through 4, which will explore each of the four building blocks in greater depth. This module, and others, are developed based on experiences of countries implementing financing reforms around their national development plans and the SDGs. The modules are 'living' in the sense that they will be continually updated and strengthened based on country experiences and feedback by members of the Inter-agency Task Force.

[1] E/FFDF/2019/3, paragraph 4: https://www.un.org/ga/search/view_doc.asp?symbol=E/FFDF/2019/3
[2] For more information on the 2019 report, its thematic chapter and IATF work on INFFs, see: https://developmentfinance.un.org/2019-integrated-national-financing-frameworks-sustainable-development

What to expect – a snapshot of the inception phase module

This module provides an overview of what an INFF is (and is not) and provides guidance on ***preparatory work*** for design and implementation. It is based on early experiences of countries implementing financing strategies / INFFs.

It lays out**: initial steps** to **carry out a scoping** exercise (3.1.); **how to institutionalize an INFF within a national government,** along with **stakeholders** that will need to be mobilized (3.2.); and guidance for **developing a roadmap** (3.3.) or plan of action to set up an INFF.

2. Integrated National Financing Frameworks – an overview

2.1. What is an Integrated National Financing Framework?

An Integrated National Financing Framework (INFF) is a planning and delivery tool to help countries strengthen planning processes and overcome existing impediments to financing sustainable development and the SDGs at the national level. It lays out the full range of financing sources – domestic public resources, aid and development cooperation, and domestic and international private finance – and allows countries to develop a strategy to increase investment, manage risks, and achieve sustainable development priorities, as identified in a country's national sustainable development strategy.

2.2. What is the value added of an integrated national financing framework?

By taking an integrated approach, INFFs can help governments:

- **match different types of** domestic and international, public and private **financing to their most appropriate use** and achieving greater impact;
- better **manage an increasingly complex financing landscape**;
- enhance **coherence of different financing policies**, addressing synergies, inconsistencies and trade-offs across a wide set of policies that have developed over time or been adopted in an ad-hoc fashion;
- **support long-term investment** and **strengthen medium and long-term planning** by better aligning financial market incentives with longer-term goals (in line with the SDGs) and helping to overcome incrementalism in public budgets;
- **enhance transparency of financing flows**;
- better **align development cooperation with country priorities** and help countries develop **policy requests of the international community** on financing issues that impact countries' ability to finance national development, but over which they may have little or no control;
- and **mobilize additional financing** to support sustainable development priorities.

2.3. What are key lessons from early implementation efforts of integrated national financing frameworks?

A growing number of countries are developing more integrated approaches to better utilizing exiting financial resources and mobilizing additional financing for the investments necessary to achieve national sustainable development objectives – either as pioneers in developing INFFs or through deliberate processes to strengthen the financing components of their national strategies and plans.

Several lessons for good practices arise from these initial experiences:

- **Align financing policies with national sustainable development priorities and the SDGs** to leave no one behind, and promote gender equality and the empowerment of women and girls.[3]
- **Support from the highest level of government** to provide political backing, along with leadership at a senior technical level, and **ensure national ownership** of all financing plans.
- National actions must be **complemented with global action to support national efforts**.

[3] In line with national development plans and commitments in the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda, and related international agreements, including the Paris Agreement, Sendai Framework, and New Urban Agenda.

- **Inclusive engagement with the legislature, the private sector, civil society, development partners and other stakeholders** to create ownership by all actors.
- **Maintain a prioritized, targeted and flexible approach** by starting from a **comprehensive scanning** of all financing policy frameworks, with a view to identify and implement **targeted, gradual and sequenced policy actions,** building on existing policies, institutions, structures and capacities. This includes **prioritising policy actions with the greatest impact**, and a flexible and adaptive approach **responsive to feedback and changing circumstances**.
- **Be risk-informed** by mainstreaming risk management across financing policies, raising awareness of risks across economic, social, environmental and other dimensions, and incorporating risk management into policies.
- **Be proportionate and cognizant of the transaction costs** in supporting additional policy and institutional development.

2.4. How can countries apply integrated national financing frameworks to better align financing with sustainable development?

The *2019 Financing for Sustainable Development Report* of the Inter-agency Task Force on Financing for Development (IATF) identified four building blocks (Figure 1) that cluster actions for a country to design and operationalize an INFF: i) assess and diagnose; ii) develop and implement the financing strategy; iii) monitor and review; and iv) ensure effective governance and coordination.

Addressing these building blocks is not a sequential exercise – each of them informs the others (coordination mechanisms guide actions in all areas, feedback from monitoring and review informs the financing strategy, etc.). At the same time, countries are not starting from scratch – **all countries have tools, policies and responsible entities in place in most, if not all, of these areas**. The **INFF can help bring together** and strengthen policies and institutional arrangements in each of the building blocks **to align efforts, identify gaps, strengthen coherence, and enhance resources**.

Figure 1. The building blocks of an integrated national financing framework

i. Assess and diagnose: This includes: i) analysing financing needs (*costing exercises*); financial landscape analysis and resource flows to create a baseline understanding of the financing gap; ii) risk assessments; and iii) identifying policy, institutional and capacity binding constraints. The Development Finance Assessment (DFA) is an analytic instrument that has aimed to aggregate analyses and data across these three dimensions.

ii. Develop and implement a financing strategy: The financing strategy is at the heart of the INFF. It includes a better integration of national planning and public budgeting processes, alignment of policy and regulatory frameworks for private finance, and strengthened macro-prudential management. It should include capacity development and other non-financial means of implementation.

iii. Monitor and review: Monitoring the impact of different financing flows and policies provides the basis for informed policy making; facilitates learning, adaptation of instruments and policies to enhance their impact and risk mitigation; and lays the groundwork for greater transparency and accountability.

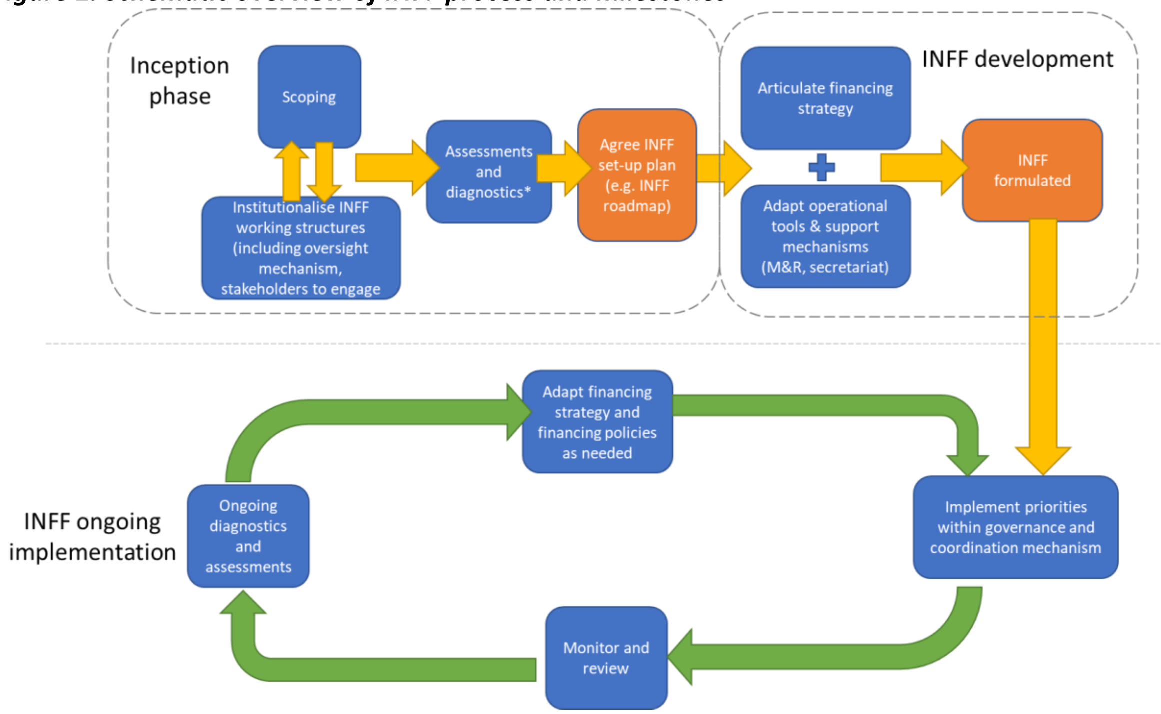
iv. Strengthen governance/coordinate with all stakeholders: Successfully implementing an integrated approach to financing requires strong political backing, broad-based ownership across government institutions and their partners, and coordination and communication across government. This lesson emerges consistently from experiences with sustainable development strategies and financing policy reform efforts. This calls for high-level government coordination and participation of all stakeholders, building on existing institutional mechanisms.

3. The inception phase: where and how to start?

Because INFFs are a tool to assess and adapt national policies and existing institutions, their application will unfold very differently in countries, depending on their different circumstances and needs. The process will be country-led and tailored to align with existing policy, planning and budgeting cycles. Nonetheless, a number of common steps will typically be involved.

Figure 2 below provides an example of this process – including this initial inception phase (the focus of this module), an INFF development phase, and ongoing INFF implementation. Ultimately the INFF should contribute to and inform ongoing policy review, assessment and adaptation processes in a country.

Figure 2. Schematic overview of INFF process and milestones



**Assessments and diagnostics may be completed in either the inception or operationalization phases – see below*

The inception phase typically include 4 main steps: i) a scoping exercise; ii) identification of an institutional home for the process; iii) identifying key stakeholders and relevant institutions; iv) the development of a draft "INFF roadmap" for next steps (to be updated as necessary after a full assessment and diagnostic exercise is completed). In countries that already have relevant processes in place, the inception phase may also entail more in-depth assessments and diagnostics, leading to an agreement on how to operationalize the INFF (see below on early experiences to see different design options).

<u>Early experiences in INFF inception</u>

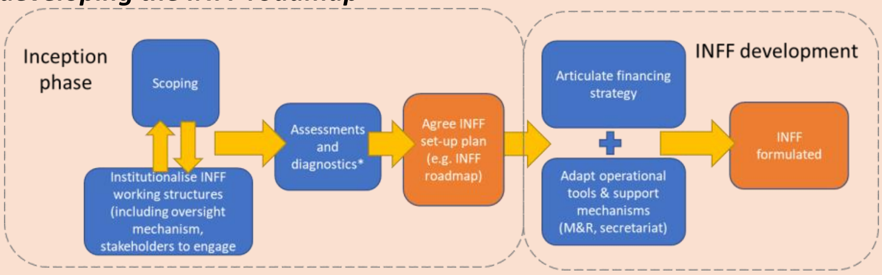
The first INFF "pioneer countries" are taking different approaches to developing the scoping exercise and INFF roadmap. Cabo Verde initiated a short inception phase, with an initial assessment culminating in a first draft of an INFF roadmap, which lays out a more detailed diagnostic exercise to be undertaken as part of the main operational phase of the INFF. In contrast, in the Kyrgyz Republic, the emerging plan is for a longer (around nine-month) inception phase, which will incorporate a full diagnostic.[4] (See Figure 3.)

[4] As per discussions in the initial INFF scoping mission, November 2019. This is subject to finalisation.

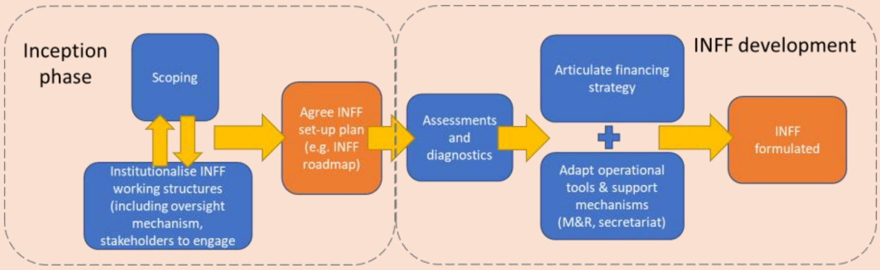
The Solomon Islands and Sierra Leone both started their processes with a Development Finance Assessment (DFA). The DFA was used as the basis for articulating financing strategies in support of their national development plans (both countries are still in the process of fully operationalising these strategies). These processes took between six and nine months for the steps equivalent to the inception phase, including initial key assessments.

Figure 3. Two options for developing the INFF roadmap

Planned process in Kyrgyz Republic:



Planned process in Cabo Verde:



There is both a **technical** and a **political dimension** to the inception phase. At the political level, the inception phase should convert initial interest by the government to develop an INFF into **sustained commitment** across government, and lay the groundwork for national ownership of the INFF. National governments should be in the lead *throughout* the process, including mobilizing technical expertise from within the government to carry out the scoping exercise. The international community, including development partners, can provide technical support to this process (see below on the division of labour).

<u>Division of labour – who should be doing what in the inception phase</u>

While the specific division of labour will differ depending on country contexts, INFF "pioneer countries" offer useful pointers as to how it could unfold.

National governments should be in the lead in all steps involved in the inception phase. Involvement of key ministries at an operational level from the early stages of the process provides the basis for institutionalisation of the INFF. The participation of other national stakeholders such as the legislature, the private sector, civil society, national research institutions and other actors in developing and implementing and INFF will help ensure a country led process.

Development partners, including the UN, the EU, the IFIs and others can assist governments (based on governments' demand for support and availability of resources), both by providing technical expertise and through facilitation of relevant stakeholders. In the Kyrgyz Republic, for example, a joint government-UN working group has been established to bring together the key actors from across government to guide technical analysis.

In the pioneer countries, UN Resident Coordinators are playing a key role in leading engagement with the highest levels of government and convening all partners, notably the UN, the EU, IFIs and others. UNDP is often taking the technical lead, engaging UN agencies (including regional economic commissions) and working closely with the officials from the national government to bring together existing scoping exercises and diagnostics, and facilitate articulation of a roadmap. Other actors such as the World Bank, IMF, UNCTAD, UNICEF, UN Women, UNEP, and the OECD can support governments in their respective areas of expertise.

3.1. Scoping

In the scoping phase, countries gather relevant data, analysis and other information and provide a first identification of financing, capacity and other gaps. The technical and political mapping (of policies, instruments, institutions, and actors) will inform the articulation of an INFF roadmap, and lays the groundwork for many of the subsequent steps in the process.

Scoping should pull together basic material in respect to each of the four building blocks of an INFF. Because an INFF is intrinsically linked to a country's national sustainable development strategy/ plan, the scoping exercise should also review this document. Guidance below will outline the purpose and sketch out typical coverage of the scoping exercise in each of these areas, including information to be collated and common data sources that can be consulted.

Identifying and reviewing the national development strategy or plan

A good quality national development strategy or plan with a quantifiable results framework and medium-term implementation plan is the basis for and focus of an INFF. The strategy or plan would have selected and prioritised from the SDGs in a way that is appropriate to the country's context and needs, be feasible in terms of implementation capacity and resources and be reflected in supportive sectoral policies and plans. If a national development plan is overly vague or aspirational, the INFF will either be unrealistic or will have to undertake the prioritisation that the development planning process failed to do.

Scoping of building block 1: assessments and diagnostics

Assessments and diagnostics are the first building block of an integrated national financing framework – it creates a baseline for understanding gaps and constraints associated with financing national sustainable development priorities.

Building block 1 – assessment and diagnostics

Building block 1 lays out a country's financing needs, flows and constraints as a basis for developing the financing strategy (building block 2). The IATF identified four main types of assessments and diagnostics: i) Financing needs; ii) existing financial flows; iii) financial and non-financial risks; and iv) diagnostics to identify policy, institutional and capacity binding constraints. While the assessment of financing needs and flows (i and ii) provide a baseline understanding of the financing gap, the risk and binding constraints analyses (iii and iv) help identify areas of focus and constraints that, if lifted, would have the biggest impact. They are thus tools that can be used to help prioritise policy actions in line with the national sustainable development strategy.

In the scoping phase, compiling existing assessments and diagnostic exercises that have already been undertaken will help to:

- create a first snapshot and identify major trends in the financing landscape;
- identify gaps in existing capacities to collect, collate, analyse and disseminate data;
- and can guide decisions on additional assessments or diagnostics needed to inform the operationalisation of an integrated national financing framework.

Financing needs assessments

The scoping phase should **collate all available information and assessments on the cost of achieving national sustainable development objectives**. Different countries will require different levels of costing, depending on capacities and needs. For example, in many developing countries, achieving a number of the SDGs will depend on the broader process of building productive capacities for inclusive economic growth and sustainable development. Estimates of the full cost of implementing the SDGs will be based on a wide range of assumptions (e.g. on future economic growth rates) -- and could produce a large number beyond any realistic resource mobilization target. In such cases, it might be more pragmatic to initially develop a more focused estimate based on public sector needs and/or specific projects.

Financing needs can be assessed at a variety of levels, using different methodological tools. (The full range of existing tools to be presented in the assessment and diagnostics module.[5]) These include:

- **Bottom-up approaches** are often used within public finance to estimate the cost of delivering public services and investments associated with particular sectors and thematic priorities, either within the annual budget process or sector strategies. The scoping phase can collate costings that have been completed in relation to sector and thematic strategies, or in relation to the budget process. Governments, national institutions (for example Mongolia and its SDG costing exercise for the Ministry of Health) and international organisations may also have carried out assessments to estimate the costs of particular SDGs (including UNESCO (on education), UNWOMEN (on gender equality), WHO (on health), UNICEF (e.g. on early childhood education, social protection, or nutrition), the Common Country Analysis carried out by the UN Resident Coordinator's Office, and others.

- At the **macro-level**, some countries have estimated the costs of their national development plans – sometimes with a focus on public finance, sometimes considering both public and private resources. Where they exist, these estimates are usually published in the national plan or a background document. In some cases, a planning Ministry may maintain internal, unpublished cost estimates. In many countries, an assessment of the scale of financing needs associated with the 2030 Agenda may have been undertaken, either by the government or national research institutes as well as those by international actors. For example, Bangladesh and Nepal have taken forward such exercises. The IMF has assisted a number of countries with assessments focused on five SDGs, which are primarily financed by public resources. Other actors, such as UNCTAD, SDSN, Brookings Institute, Overseas Development Institute, UN regional commissions (e.g. UNESCAP), have also supported governments in costing exercises.

- Other forms of costing may have been undertaken as well. For instance, some countries may estimate the costs or 'burden' of major policy changes on the private sector, using tools such as regulatory impact assessments.

Once existing assessments are compiled, the extent of coverage can be analysed. Key considerations include whether available information covers all or at least key priorities in the national sustainable development strategy or plan, and whether costing exercises have been embedded in national development planning and budgeting processes, whether the cover both public and private sources of finance, and whether they use detailed and up-to-date national data.[6] . This can inform decisions about whether any additional financing needs assessments or costings need to be undertaken at a later stage.

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[5] The zero draft of the assessments and diagnostics module will be circulated in the first half of 2020.

[6] For example some cross-country assessments apply data from one country to another when there are gaps in internationally-comparable data on costs. This can result in large variations in cost estimates at the national level.

Financing trends assessments

A comprehensive understanding of the financing landscape includes: (i) public and private financing trends, and (ii) their respective contributions toward different sustainable development priorities (to the extent that this information is available).

First, the scoping phase should bring together existing assessments and data. Table 1 indicates the range of financing flows that it should aim to cover. **Development finance assessments** or similar country-led assessments, which are built around a comprehensive mapping of the financing landscape and governance structures, will be a key source in countries that have recently undertaken them. Transition Finance Diagnostics (TFD), which complement DFAs by providing the perspective of the development partner, also provide a key assessment of available resources and instruments within donor portfolios. In other contexts, scoping can collate information from a range of data and assessment sources that focus on various aspects of the financing landscape. They include:

- National data sources such as budget publications, central bank statistics and national statistical office data;
- Global data sources such as international development finance databases (ODA, TOSSD, OECD Transition Finance dashboard, UNCTAD FDI database, World Bank remittances database, IMF WoRLD, and others). The 2016 report of the IATF provides a detailed overview of data sources for each of the action areas of the Addis Agenda, and its online annex provides an overview of global trends.
- Assessments such as IMF Article IV staff reports, public expenditure reviews, public expenditure tracking surveys, fiscal space analyses, debt sustainability assessments, financial sector assessments, private sector development assessments and others. Global assessments such as the annual Financing for Sustainable Development Report of the IATF can also be of use.

Second, scoping aims to understand the contributions that different forms of financing make toward national priorities. This can include compiling, for example, data on investment in particular sectors, on cross-cutting themes such as gender equality or climate adaptation and mitigation, or spending related to child development,[7] or on equity in public revenue generation and government spending. The scoping should also identify critical data and capacity gaps. For example, some types of financing, such as NGO spending, philanthropy, faith-based organisations and even state-owned enterprises and quasi-state entities, are often only partially covered by existing data. Data gaps can also inform decisions about how to engage certain stakeholders within the process of operationalising an INFF.[8]

Table 1. Examples of types of financing flows within an INFF

	Public finance, public financial management	**Private business and finance, financial/capital markets**
AAAA Action Areas[9]	A, C, E	B, F
Types of financing	• General government public finance (tax and non-tax	• Domestic commercial investment

[7] Where systems, such as gender-responsive budgeting or climate budget tagging, to monitor this spending exist.

[8] For example, considering how to engage philanthropists, NGOs or faith-based organisations whose spending and contributions toward sustainable development progress may not be covered in existing data collection systems.

[9] The Action Areas of the Addis Agenda are: A – domestic public resources; B - Domestic and international private business and finance, C - International development cooperation, D - International trade as an engine for development, E - Debt and debt sustainability, F - Addressing systemic issues, G - Science, technology, innovation and capacity-building.

	revenues; budgeting and execution) • Public borrowing (debt management; innovative debt instruments) • Public investment, (e.g. state-owned enterprise, national development banks and quasi-public funds) • Development cooperation flows	• Foreign direct investment • International and domestic portfolio investment (including responsible, ESG investing) • Domestic bank lending (including issues related to financial inclusion, fintech); • Borrowing from international banks • Remittances • NGOs, philanthropists, faith-based organisations

Risk mapping

Strengthening the connection and contribution of short-to medium term policies to longer-term sustainable development aspirations is a key objective of integrated national financing frameworks. Risk mapping is an important aspect - ensuring that policymakers are cognisant of, and can prepare for, risks to financing and sustainable development progress. The aim of the scoping phase is to elicit information on the potential impact of major risks on financing needs or availability. It should also identify risk assessment gaps yet to be filled.

The scoping exercise should identify and collate information on known or potential risks that could affect the need for, or availability of, financing for sustainable development. The scoping phase should bring together assessments covering various types of risk, including economic risks (e.g. market shocks), financial risks (e.g. debt sustainability), other sustainability risks (e.g. unsustainable management of key resources), macroeconomic risks (e.g. exchange rate volatility), demographic trends (e.g. rapid growth in working or old-age population), disaster risks, environmental and climate-related risks, and political risks. It should also assess to what extent such risk analysis is currently incorporated into national development planning and financing policies.

In addition to the UN sources, information sources include national think tanks, regulators and watchdog institutions. Assessments by actors such as the IMF (e.g. Article IV assessments or debt sustainability analyses), the World Bank, the OECD, and other international financial institutions and development partners also cover major risks.

Binding constraint analysis

Binding constraints are the factors that, if lifted, would have the most significant impact on the availability of resources. While a country may have many hurdles to overcome in achieving its long-term development objective – from capacity constraints to policy gaps and political economy challenges, they cannot all be addressed at once. Identifying binding constraints can help prioritize policy action and is thus a critical input to formulating a financing strategy.

The identification of such constraints is a complex task, but is something that many policymakers do implicitly in their day-to-day work. The scoping phase can compile existing analysis to the extent that it is available. UN Common Country Analyses can help understand relevant binding constraints (e.g. lack of economic diversification). Assessment tools that focus on policy and institutional constraints to liking financing and planning or particular areas of financing, such as the World Bank Systematic Country Diagnostics, PEFA (public finance), debt sustainability assessments, taxation reviews, development cooperation reviews, investment policy reviews (FDI), financial sector assessment programme reports (financial sector), enterprise surveys (business climate) will often include analyses of the constraints to greater financing. These will be laid out in more depth in module 2. Consultation with key stakeholders (e.g. domestic and foreign businesses) is often an important component of understanding constraints.

Scoping of building block 2: financing strategy

The second building block of an INFF is the financing strategy. It matches financing policy actions across public and private finance to priorities in the national sustainable development strategy. An integrated financing strategy involves many policy areas and actors.

Building block 2 – the financing strategy

The financing strategy sits at the heart of an INFF. It articulates how resources required to achieve the country's national sustainable development objectives will be mobilised and aligned with those objectives. It is a tool for implementation of the SDGs and leaving no one behind.

It acts as a bridge between these longer-term objectives, typically articulated in a national development plan, and the policies focused on each area of financing. It articulates how policies will be integrated vertically with the national development plan, as well as how greater lateral integration and alignment will be built across the policies that govern each type of public and private financing. It identifies and addresses the trade-offs and synergies that exist between different types of public and private financing. Overall, it brings these financing considerations together and articulates a sequenced, prioritised set of actions and reforms that will be taken to strengthen public and private financing of national sustainable development priorities.

Scoping for the financing strategy building block can:

- identify and map the planning and financing policies currently in place, and identify financing instruments or policy tools that the government is actively using or has prioritised for development in the short-term;
- collate information on any financing targets or commitments that have been made;
- map the actors responsible for their implementation;
- collate information about policy cycles and timelines;
- begin to analyse policies' contributions to sustainable development priorities, opportunities for enhanced coherence and better managing trade-offs.

Policy mapping

Governments have a wide range of financing policies and strategies in place, including strategies that oversee revenue mobilisation, efficient public spending and public financial management, debt management, investment, financial inclusion strategies, public-private partnerships, financial sector development, capital account management, etc. This part of the scoping phase should identify and bring together all existing (and planned) financing policies, to better understand their synergies and trade-offs, along with policy gaps.

Policy analysis

Usually, financing policies, such as those listed above, evolve in an ad hoc manner, are managed distinctly from one another, and focus on a subset of a country's national sustainable development priorities. For example, financial sector development strategies may have a narrow focus on economic objectives, without full consideration of social and sustainability impacts. On the other hand, inclusive finance strategies can sometimes lack financial sector risk assessments. An integrated national financing framework can bring these policies, and the actors responsible for them, together in support of the national sustainable development strategy or plan.

To help initiate this from the inception phase, the scoping can start by laying out the different strategies and policy frameworks in place in a country, including their aims. While the policy landscape differs across countries, Table 2 lays out examples of financing policies used in some countries and highlights examples of trade-offs and synergies between policy areas. The lower rows of the table highlight examples of linkages and interconnections, based on the example of sustainable development priorities of poverty reduction, gender equality, education and decent work (these would be adapted based on national priorities). In most instances, the initial scoping exercise would aim to identify policy connections in a preliminary manner, with deeper, more comprehensive mapping and identification of trade-offs and synergies to continue in phases.

Table 2. Examples of financing policies within the scope of an integrated national financing framework

	Public finance, public financial management	**Private business and finance, financial/capital markets**	**Macro and systemic issues**	**Cross-cutting Issues**
AAAA Action Areas[10]	A, C, E	B, F	D, E, F,	A-G
Examples of policies and strategies	• Revenue strategy • National budget • Debt management strategy • Development cooperation strategy, including development effectiveness principles • Public investment and NDB strategy • SOE management policy / structures	• Economic / industrial development strategy • SME development strategy • Impact investment / social enterprise policy • Financial sector development strategy (incl. greening the financial system) • Financial inclusion policy • Sustainability reporting guidelines • Financial market regulatory framework • Fintech strategies • Diaspora engagement policy	• Monetary policy • Exchange rate policy • Capital account management • Debt management strategy • Natural resource management policies • Trade policies	• Public-private partnership policies • Infrastructure plans • Nationally determined contribution and national adaptation plans • National gender equality strategy • Climate and disaster risk reduction policies • Data/statistics development • Sector policies (e.g. agriculture etc)

[10] The Action Areas of the Addis Agenda are: A – domestic public resources; B - Domestic and international private business and finance, C - International development cooperation, D - International trade as an engine for development, E - Debt and debt sustainability, F - Addressing systemic issues, G - Science, technology, innovation and capacity-building.

	Public finance, public financial management	**Private business and finance, financial/capital markets**	**Macro and systemic issues**	**Cross-cutting Issues**
How do they link to specific priorities? *Examples given are indicative not comprehensive*	**Poverty reduction** • Provision of social security / safety nets	• Creation of job opportunities accessible to low-income communities • Access to finance for household enterprises and SMEs	• Commodity price stability (e.g. food prices)	• Resilience to climate change
	Gender equality • Gender responsive budgeting across health, education, agriculture, and other public services	• Creation of economic and job opportunities for women • Financial inclusion for women		• Effective non-discrimination regulations and enforcement
	Education • Sufficient, effective funding for education systems	• On-the-job training and skills development opportunities		
	Decent work	• Creation of safe, stable and fairly paid job opportunities		• Effective labour market regulations and enforcement
Examples of win-wins and trade-offs *(lateral coherence across areas of financing policy)*	• Sin/carbon taxes: generate revenues and positively influence behaviour/ align investments, improving social / environmental outcomes Trade-offs: • Large scale public borrowing from domestic markets can affect the access and type of credit available to other actors	• Development of longer-term lending instruments can boost financing for private sector growth and infrastructure investment Trade-offs: • Investment incentives: promote commercial investment but reduce revenue collection	• Macro-stability is a necessary condition for much private sector investment Trade-offs • Reserve policy: building reserves strengthens buffers against volatility, but can reduce competitiveness as well as public investment	• PPPs and blended finance models: can mobilise additional funds for public investments and create returns for private sector Trade-offs • Government can overcompensate the private sector and take private risks on the public balance sheet, with implications for debt and borrowing costs, impacting fiscal policies

Targets, instruments, stakeholders and policy cycles

Ideally, scoping would also identify objectives and key targets of such strategies and policies.[11] It should also identify the institutions that oversee different policy frameworks as well as key actors within policy areas (and is thus linked to stakeholder mapping below – see scoping of building block 4 – governance and coordination). The scoping should also identify relevant policy cycles and timelines – so that the INFF can be embedded in existing policy processes and does not duplicate them.

Scoping of building block 3: monitoring and review

Monitoring and review systems are essential to the effectiveness and ongoing operations of an INFF. The scoping exercise will map existing data systems and monitoring frameworks, and can also identify gaps in the current architecture.

Building block 3 – monitoring and review

Effective monitoring systems enable the policymakers that oversee the financing framework to understand the contributions that different types of financing are making toward sustainable development outcomes and to understand the impact of government policy and partnerships. In the context of an INFF, monitoring and review could consist of several layers: i) monitoring of progress in different financing flows and policy areas, building on existing exercises (e.g. tracking of financing flows, and monitoring their impact); ii) exploring opportunities to enhance coherence among exercises; iii) reporting on the INFF itself; and iv) establishing or incorporating monitoring of its effectiveness and added-value to senior government leadership as well as to the public.

Data sources for financing flows

Scoping should identify financing data collected through existing data and statistical systems. Sources include national statistics offices, central banks, ministries of finance (national revenues/ tax agencies) and administrative data systems within line ministries, as well as any non-governmental systems (reporting systems by development partners, private sector reporting initiatives). By looking at coverage and timeliness of compiled data, it can help identify gaps – e.g. in relation to disaggregation into recurrent and capital expenditure, whether data can be disaggregated by sector or industry, or by subnational location (see also the financing trends section above).

Monitoring impact

The scoping phase should also look at frameworks already in place to monitor the impact of different types of financing. A common place to start will be the monitoring or results framework linked to the national development plan. Monitoring frameworks associated with the national budget, for example outcome-based budgeting frameworks, and monitoring systems used by line ministries or public enterprises can also be reviewed. It may also be pertinent to map any existing data systems outside the public sector that may be able to provide useful information on the flow and impact of certain sources of financing. For example, sustainability reporting or ESG reporting is widespread among corporates in some countries and may provide a rich source of relevant data. Development partners may also maintain their own monitoring systems to understand the contribution of development cooperation toward national sustainable development priorities. Mapping these monitoring frameworks will clarify whether existing systems already allow the contribution of certain types of financing to be understood.

[11] For example, some countries have committed to reach tax revenues equivalent to a certain level of GDP.

The scoping phase can also identify mechanisms that could be used for reporting on the effectiveness of the INFF itself. In many countries, a cross-governmental committee has responsibility for overseeing implementation of the national development plan. This body will often have a monitoring framework in place to report on progress toward the national development plan. This framework may be used to incorporate reporting on the outcomes of the financing framework.

Scoping of building block 4: governance and coordination mechanisms

This building block entails two elements: the governance structure within the national government and the role of other stakeholders. One of the biggest challenges to integrated policymaking is the siloed nature of governance structures. The scoping phase should identify relevant governance and coordination structures, as well as actors, institutions and platforms that will participate in the design and implementation of an INFF. It should assess and identify institutional mechanisms that have the potential to oversee the process, as well as entry points into national policy cycles.

Building block 4 – governance and coordination

Integrated financing frameworks need to be demand driven, have strong political backing, and broad-based country ownership. Experience from early movers in designing integrated financing frameworks shows that such ownership was often present because the financing framework was developed jointly with a national development strategy or plan. Governance and coordination was also tasked to the body that oversees the national sustainable development strategy. This helped ensure that financing policies were closely tied to the overarching strategy.

A consultative process that engages all relevant stakeholders, including parliament, civil society, the private sector, development partners and other non-state actors can generate broad-based support, while helping to better inform policymakers of stakeholders' needs and priorities. Different mechanisms and tools (safeguards, coherence checks, and others) are also available to incentivise cooperation and facilitate better coordination of actors and coherence of financing policies.

Oversight

The scoping phase should identify existing institutional mechanisms/ bodies that have the potential to play an oversight role. The mechanism/body should be able to provide political leadership and convene and drive forward a whole-of-government approach to strengthening and building coherence across financing policies (see the section on institutionalisation below). It should guide the process of operationalising INFF from the outset. A cross-governmental body that has been delegated responsibility, and authority, for implementing the national development plan may be well placed to play this role (see institutionalisation section below).

Coordination mechanisms

Institutional oversight mechanisms of this kind provide 'top-down' coordination which can be complemented by other coordination and coherence-building mechanisms. These include safeguards, screening, coherence checks, mainstreaming and incentives. The scoping phase can identify existing mechanisms of this kind. They can be considered as part of the coordination and coherence-building functions within an INFF, and may hold potential for replication in other areas.

Entry points

The scoping phase will also identify entry points in existing policy cycles. This includes entry points at the aggregate level, considering how the financing framework can be built into key policy cycles such as the national plan or medium-term budget frameworks. Some early movers have started operationalising their INFFs within, or in follow up to, the process of designing their national development plan. This phase will also map pertinent entry points in policy cycles and timelines in each area of financing policy, for example identifying planned timelines for refreshing specific financing strategies.

Institutional and stakeholder mapping

The scoping phase will identify the institutions (and specific divisions or teams within them) responsible for each area of financing policy captured within the potential scope of the financing framework (see also scoping for building block 2 above). These are the actors that need to be engaged in the process going forward.

A stakeholder mapping will identify key non-government actors in each area of financing. This will include representatives from the legislature, the private sector, development partners, diaspora organisations, as well as civil society, think tanks and others. The stakeholder mapping will also identify relevant existing platforms for (financing) policy dialogue. This may include, for example, platforms for public-private dialogue, development partner coordination platforms or platforms focused on specific priorities (such as national disaster risk reduction platforms). This scoping can inform a stakeholder engagement plan.

3.2. Institutionalising INFF working structures

In parallel to the scoping process, the inception phase should identify and / or establish an institutional home as well as define membership of the central oversight body of the financing framework. This body, or oversight committee, will 'own' the financing framework and guide the process to operationalise it. Mechanisms for convening and advancing reforms across policies that govern public and private finance, and platforms for engaging with non-state actors, should be identified.

Setting up an oversight body or committee

The functions of the oversight body will determine where best to house it within any specific national configuration. It should:

- have delegated authority and responsibility from the highest levels of government to lead the INFF process, and ultimately to shape public and private finance policy;
- have the convening power to bring together actors from across government, and engage with development partners, the private sector and other stakeholders;
- have, or be able to establish, the tools, including a monitoring framework and perhaps secretariat capacity, to manage the financing framework.

In many countries, an appropriate institutional mechanism for the INFF is already in place – e.g. the body responsible for implementing the national development plan. In the Solomon Islands, for example, the National Development Strategy Implementation Oversight Committee oversaw the process of developing a financing framework.[12] When no such mechanism exists, key ministries can be brought together during the inception phase to determine a way forward, including considering whether a new mechanism should be established, with leadership from the highest level of government. In Sierra Leone, for example, an INFF is being established following the creation of a new medium-term national development plan informed by a development finance assessment. The government is considering utilising structures that were put in place for designing the national development plan. Among the INFF pioneer countries, the Kyrgyz Republic is bringing together a cross-governmental oversight team to guide a development finance assessment that will shape its INFF.

First tasks of the oversight body or committee

The oversight committee should also discuss and agree on its functions and responsibilities during the inception phase. Where oversight is taken on by an existing body, these functions may be incorporated within its guiding documents. If a new mechanism is put in place, it can consider developing a terms of reference that will shape its mandate, responsibilities and functions.

If a secretariat is established to support the INFF oversight committee, its scale, functions and capacity need to be determined. The secretariat also needs an institutional home, preferably at the highest level of Government. Common functions of this secretariat may include technical roles in monitoring, substantive coordination and convening across government.

Once the oversight committee is in place, it should review findings of any scoping that may have been carried out already, or oversee the scoping exercise. Once concluded, it can consider the path to operationalising an INFF, determining whether additional assessments and diagnostics need to be undertaken, and articulating an INFF roadmap (see next section). The oversight body or committee will then be involved throughout the process, overseeing the rolling out of the INFF roadmap, the implementation of the INFF, as well as the monitoring and evaluation thereof.

[12] The Solomon Islands Integrated Financing Framework.

3.3. Agreeing an INFF roadmap

The inception phase concludes with agreement on next steps – a plan or roadmap for establishing and operationalising the integrated national financing framework. This plan should be put together and agreed by the oversight committee (see figure 2 above). It may take the form of a formal roadmap document. In other contexts, the oversight committee may wish to articulate these steps in an alternative format, e.g. by incorporating them into existing workplans.

Whichever format is used, the aim of this plan (herein the “INFF roadmap”) is to clearly lay out the steps for establishing and operationalising the integrated national financing framework. It should outline timelines, milestones, responsibilities, and support required by the international community. As noted above, countries may sequence steps differently, particularly assessments and diagnostics. The first two INFF pioneer countries have taken different approaches: Cabo Verde moved quickly into preparing a first draft of an INFF roadmap that will include assessments. This draft roadmap may be developed and strengthened following the assessment and diagnostics phase, when additional information will be available. In the Kyrgyz Republic, a development finance assessment will shape the INFF inception phase and lead to the articulation of an INFF roadmap after the full assessment and diagnostics phase is complete.

Key issues to be addressed in an INFF roadmap

Value-added of the integrated national financing framework
The oversight committee should agree on objectives for the INFF, clearly identifying added value it expects from the coordination exercise. Considerations regarding transactions cost and additional benefits should be weighed up. This can guide assessments of the effectiveness of the financing framework once it is operational. It should build on the analysis undertaken during the scoping phase and identify a clear purpose for the framework, responding to financing challenges identified.

Assessments and diagnostics
Most countries will choose to undertake further assessments and diagnostics, such as a more in-depth risk assessments and constraint analysis. This could be part of the inception phase or included in the INFF roadmap, specifying which assessments or diagnostics are planned. This decision will be informed by gaps identified in the scoping phase. The INFF roadmap should detail who will undertake, support and participate in each assessment, the timelines to be met and the purpose for each assessment.

Financing strategy
The INFF roadmap will set out a process for drafting and implementing the financing strategy. It can specify responsibilities of ministries and non-state actors, and set out steps for consultations and agreement by the oversight team.

Monitoring and review
The INFF roadmap can outline a process for determining the indicators that will be included in a central monitoring framework and the data sources and systems for accessing the required data. It can determine the timelines for set-up and regularity of monitoring and reporting once the financing framework is operational.

Governance and coordination
The INFF roadmap may articulate the working practices and institutional structures of the oversight mechanism, or refer to its terms of reference if they have already been agreed to.

Timelines and milestones
The INFF roadmap will outline timelines for operationalising the integrated national financing framework and key milestones along the way.

Annexes

Annex A: Checklist

Scoping

☐ Scope building block 1: assessments and diagnostics
- ☐ Collate existing financing needs assessments
- ☐ Compile analysis of public and private, domestic/external financing trends and links with sustainable development outcomes
- ☐ Complete risk mapping
- ☐ Identify binding constraints
- ☐ Review: identify potential gaps and relevant assessments that could be undertaken

☐ Scope building block 2: financing strategy
- ☐ Collate key existing and planned financing policies
- ☐ Collate information about policy cycles and timelines
- ☐ Identify financing objectives, targets and commitments
- ☐ Map the actors responsible for their implementation
- ☐ Map the most actively used financing and policy instruments
- ☐ Map linkages between financing policies and sustainable development priorities
- ☐ Map synergies and trade-offs between financing policies

☐ Scope building block 3: monitoring and review
- ☐ Map data systems for tracking public and private finance
- ☐ Map existing monitoring frameworks
- ☐ Identify existing mechanisms that could incorporate reporting on INFF outcomes
- ☐ Identify gaps in the current architecture

☐ Scope building block 4: governance and coordination
- ☐ Identify and assess existing mechanisms that could take on INFF oversight committee function
- ☐ Identify other coordination mechanisms within government
- ☐ Complete institutional, stakeholder and platform mapping

Institutionalising INFF working structures
- ☐ Agree INFF oversight processes and how to establish or incorporate them within existing institutional structure
- ☐ Agree TOR (or equivalent) with INFF oversight committee, including its stakeholder engagement approach
- ☐ INFF oversight committee to review findings of scoping exercise
- ☐ INFF oversight committee to determine sequencing of additional assessments and diagnostics

Agreeing an INFF roadmap
- ☐ INFF oversight committee agree added-value / purpose of the INFF
- ☐ Agree further assessments and diagnostics to be undertakenS
- ☐ Agree process and responsibilities to draft and implement financing strategy

- ☐ Agree process for developing monitoring framework
- ☐ Agree need for, functions of and process for establishing a secretariat
- ☐ Formalise plan as needed (e.g. in roadmap document or by incorporating into workplan of the INFF oversight committee)