

## IAEG-SDGs Working Group on Measurement of Development Support

### Research note: Integrated National Financial Frameworks (INFFs)

(draft by Colombia, 20 January 2021)

#### Introduction:

The Working Group is mandated to develop and refine the measurement of development support in line with the 2030 Agenda under target 17.3 *“Mobilize additional financial resources for developing countries from multiple sources”*. In this line, the Working Group has the possibility to consider, but not be limited by, work already conducted on measures of development support components, in a broad sense of the term.

Integrated National Financial Frameworks (INFFs) constitute a mechanism for countries to map the full range of financing resources available for sustainable development (domestic public resources, aid and development cooperation, domestic and international private finance) in the context of national sustainable development strategies. Therefore, the Working Group could consider the analysis of this tool as an input for the discussions, given that INFFs address the challenge of mobilizing additional finance to support sustainable development priorities<sup>1</sup>.

#### An overview of the Integrated National Financing Frameworks:

According to the Inter-Agency Task Force on Financing for Development (IATF), 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.

The Addis Ababa Action Agenda (AAAA), which provides a framework for financing the 2030 Agenda for Sustainable Development, introduced the concept of INFFs as a tool for governments to operationalize it at the national level. In this line, 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”*<sup>2</sup>.

Two modules of guidance material have been published by the IATF, who supports countries' efforts to operationalize INFFs by developing toolkits and guidance material: a module on the INFF inception phase, and a module to guide assessment and diagnostics -such as costings and financial needs assessments<sup>3</sup>. Three additional modules (for the building blocks of operationalizing an INFF: (ii) a financing strategy; (iii) mechanisms for monitoring and review; and (iv) governance and coordination) will be made available later.

Several countries are 'pioneering' the INFF concept (**figure 1**) with support from the UNDP and UN Resident Coordinators, as well as other Task Force Members and the European Union. These pioneer

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<sup>1</sup> For more detail, see Inter-Agency Task Force on Financing for Development. Integrated national financing frameworks: Inception phase, 2020, [https://developmentfinance.un.org/sites/developmentfinance.un.org/files/INFF%20Guidance\\_Inception%20Phase\\_Nov%202020.pdf](https://developmentfinance.un.org/sites/developmentfinance.un.org/files/INFF%20Guidance_Inception%20Phase_Nov%202020.pdf)

<sup>2</sup> See par. 9 in [https://sustainabledevelopment.un.org/content/documents/2051AAAA\\_Outcome.pdf](https://sustainabledevelopment.un.org/content/documents/2051AAAA_Outcome.pdf)

<sup>3</sup> This modules of an INFF inception phase, and assessments and diagnostics (INFF building block 1) are available in <https://developmentfinance.un.org/2019-integrated-national-financing-frameworks-sustainable-development>

countries are developing integrated approaches to better utilize existing financial resources and mobilize additional financing for the investments necessary to achieve national sustainable development objectives.

**Figure 1:** Countries that have already started to implement their INFFs.

Africa		Asia		Europe	Oceania
Benin	Mali	Afghanistan	Malaysia	Albania	Fiji
Botswana	Mauritania	Armenia	Maldives	Belarus	Marshall Island
Burkina Faso	Morocco	Azerbaijan	Mongolia	Bosnia and Herzegovina	Papua New Guinea
Burundi	Mozambique	Bangladesh	Myanmar	Ukraine	Samoa
Cabo Verde	Namibia	Bhutan	Nepal		Salomon Islands
Cameroon	Nigeria	Cambodia	Philippines		Vanuatu
Comoros	Rwanda	Indonesia	Tajikistan		
Democratic Republic of the Congo	Senegal	Jordan	Thailand		
Djibouti	Sierra Leone	Kazakhstan	Timor-Leste	<b>The Americas</b>	
Egypt	South Sudan	Kyrgyz Republic	Uzbekistan	Barbados	Guatemala
Gabon	Sudan	LAO PDR	Vietnam	Bolivia	Haiti
Ghana	The Gambia	Lebanon		Colombia	Jamaica
Guinea	Togo			Costa Rica	Mexico
Kenya	Tunisia			Cuba	Suriname
Lesotho	Uganda			Ecuador	Uruguay
Malawi	Zambia				

**Source:** Own elaboration in the basis of the INFFs data<sup>4</sup>.

For instance, currently the roadmap in Colombia for an INFF is at the mapping and evaluation stage for the financial structure in terms of interest groups, financial sources, and financial information system. The expected results for this year are having implemented a SDG national financing strategy, as well as an SDG financing monitoring operating platform.

The Colombian established INFF will operate as an informative tool to identify financial flows towards SDG targets, mobilize resources for gender equality and help enhance leadership and institutional coherence. In this order, there are two outcomes focused on the INFF contribution towards an integrated medium-term strategy for the acceleration of SDG implementation in this country: **a)** "produce credible analytical evidence regarding the existing financial framework for financing the SDGs targets in order to diversify funding mechanisms and increase public and private financial resources towards the SDGs"; and **b)** "produce a national SDG financing strategy focused on the establishment of a roadmap to identify integrated financing solutions"<sup>5</sup>.

As said above, the INFFs are intrinsically linked to the countries' national sustainable development strategy/plan. The technical and political mapping of policies, instruments, institutions, and actors will be determinant for the subsequent steps in the scoping process, which aims to pull together relevant data and information regarding each of the four building blocks of an INFF.

In terms of the assessment and diagnostics that constitute the first building block of an INFF, the scoping phase should bring together all available information and assessments on the cost of achieving national sustainable development objectives. Furthermore, the scoping also aims to understand the contribution of financing toward national priorities; therefore, it can compile data on investment in particular sectors, cross-cutting themes such as gender equality or climate adaptation and mitigation, spending related to child development, on equity in public revenue generation and government spending, etc. The **table 1** shows some types of financing flows within the INFFs.

<sup>4</sup> Available in <https://inff.org/country-experiences>

<sup>5</sup> See this country experience in <https://inff.org/country/colombia>

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

	<b>Public finance, public financial management</b>	<b>Private business and finance, financial/capital markets</b>
<b>AAAA Action Areas<sup>6</sup></b>	A, C, E	B, F
<b>Types of financing</b>	<ul style="list-style-type: none"> <li>- General government public finance (tax and non-tax revenues; budgeting and execution)</li> <li>- Public borrowing (debt management; innovative debt instruments)</li> <li>- Public investments, (e.g. state-owned enterprise, national development banks and quasi-public funds)</li> <li>- Development cooperation flows</li> </ul>	<ul style="list-style-type: none"> <li>- Domestic commercial investment</li> <li>- Foreign direct investment</li> <li>- International and domestic portfolio investment (including responsible, ESG investing)</li> <li>- Domestic bank leading (including issues related to financial inclusion, fintech)</li> <li>- Borrowing from international banks</li> <li>- Remittances</li> <li>- NGOs, philanthropists, faith-based organizations</li> </ul>

**Source:** Integrated national financing frameworks: inception phase, 2020, pages 12-13.

In the assessments and diagnostic phase of an INFF, which aims to provide a detail understanding of gaps and constraints associated with financing national sustainable development priorities, it is consider the full range of resources included in the Addis Ababa Action Agenda (domestic, international, public, and private), all dimensions of sustainable development<sup>7</sup>, and the principle of leaving no one behind.

The IATF identifies four main types of assessments and diagnostics in the first INFF building block: i) financing needs, ii) existing financial flows, iii) financial and non-financial risks, and iv) diagnostics to identify policy, institutional and capacity binding constraints. Regarding the second one, the financing landscape assessment paints a comprehensive picture of existing sources and types of finance and their respective contributions to sustainable development.

As such the financing landscape analysis within INFFs allows to have a better understanding of the types and volumes of finance currently spent/invested in the country and their respective contribution to sustainable development priorities; assess the sustainability of current financing; and increase awareness and understanding of country-specific financing issues<sup>8</sup>.

### **Development Finance Assessments and some countries experiences:**

UNDP's Development Finance Assessments (DFA) supports countries to use the concept of INFF in the context of mapping their development financing landscape. It considers both domestic and external sources of financing flows for development. On the domestic side, public sources include tax and non-tax revenue, resources from non-governmental organizations (NGOs), borrowing from private sources, and private investment, as well as resources from philanthropic organizations. On the external side, public sources include ODA, climate finance, South-South cooperation and private sources such as FDI and private borrowing.

<sup>6</sup> **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.

<sup>7</sup> See par. 1 in the Addis Ababa Action Agenda.

<sup>8</sup> For more detail of the finance landscape assessment in INFF building block 1, see [https://developmentfinance.un.org/sites/developmentfinance.un.org/files/INFF%20BB1.2%20Financing%20landsape%20assessment\\_Final\\_20%20Dec.pdf](https://developmentfinance.un.org/sites/developmentfinance.un.org/files/INFF%20BB1.2%20Financing%20landsape%20assessment_Final_20%20Dec.pdf)

Most of the countries where DFA have been completed or are underway are located in the Asian and African regions. The list includes: Mongolia, Nepal, Bangladesh, Myanmar, Vietnam, Philippines, Timor-Leste, Sudan, Mozambique, among others<sup>9</sup>. For instance, in Bangladesh the DFA has been used to develop a financing strategy for the 7<sup>th</sup> Five Year Plan (2016-2020)<sup>10</sup>. In this country, one of the advantages in the use of this tool was its contribution to manage flows of development finance more effectively. These flows are summarized in **figure 2**, while **figure 3** presents the trends and finance flows from Bangladesh DFA.

**Figure 2:** List of development finance flows under the Bangladesh DFA.

	Public	Private
<b>External</b>	ODA Grants and Loans	Foreign Direct Investment
	Public Borrowing from K-Markets	Overseas Remittances
	South-South and Triangular Cooperation	International Non-governmental Organizations (INGOs)
	Climate Change Finance	Private Borrowing from K-Markets
	Vertical Funds (GAVI and GFATM)	
<b>Domestic</b>	Tax and Non-tax Revenues	Private Borrowing
	Public-Private Partnerships	Inclusive Business Finance
	Public Domestic Borrowing	Domestic Philanthropy and Non-governmental Organizations
	Sovereign Wealth Funds	Corporate Social Responsibility Linked to Development
	Climate Change Finance	

**Source:** Strengthening Finance for the 7<sup>th</sup> Five Year Plan and SDGs in Bangladesh, p. 21<sup>11</sup>.

Regarding South-South Cooperation (SSC)<sup>12</sup>, the Bangladesh DFA report states that this country is pursuing SSC through the mechanisms of regional trading arrangements, bilateral trade relations and financial assistance among countries from the Global South, and SSC technical assistance. **Figure 4** indicates types of SSC in Bangladesh.

Timor-Leste has also initiated a Development Finance Assessment to analyze the complete picture of financing framework in its Strategic Development Plan (SDP) and the SDGs. This DFA explores the current trends in public and private financing, where domestic public finance considers tax and non-tax revenues; international public finance includes grants, concessional loans and other official flows; and private flows are constituted by FDI, domestic private investment, private equity, and remittances.

<sup>9</sup> See the complete list of countries where DFA are completed or taking place in UNDP, Development Finance Assessment Guidebook, p. 11, 2019,

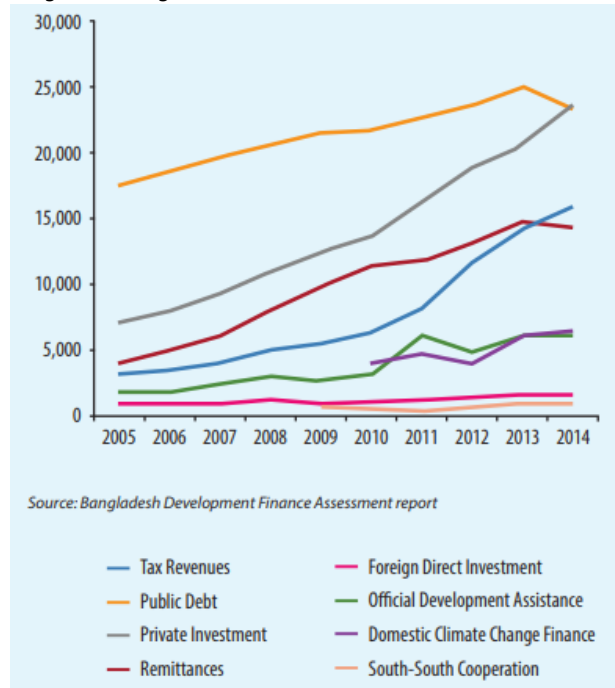
[https://inff.org/assets/resource/rbap-dg-2019-development-finance-assessment-guidebook-\(1\).pdf](https://inff.org/assets/resource/rbap-dg-2019-development-finance-assessment-guidebook-(1).pdf)

<sup>10</sup> The 7<sup>th</sup> FYP aimed to develop strategies, policies and institutions that will allow Bangladesh to further accelerate job creation and reduce poverty as well as comply with new commitments to meet SDG targets.

<sup>11</sup> Available in <https://erd.gov.bd/site/page/4a81ffd2-3bc0-491c-b1b7-1072ea934020/Development-Finance-Assesment-of--Bangladesh->

<sup>12</sup> Defined by The United Nation Office of South-South Cooperation (UNOSSC) as a broad framework of collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains. Involving two or more developing countries, it can take place on a bilateral, regional, intraregional or interregional basis. Developing countries share knowledge, skills, expertise and resources to meet their development goals through concerted efforts.

**Figure 3:** Findings from Bangladesh DFA: trends and finance flows (in USD millions).



**Source:** UNDP, AP-DEF. Development Finance Assessment, and Integrated Financing Solutions: Achieving the SDGs in the Era of AAAA, p. 19.

**Figure 4:** South-South Cooperation in Bangladesh according to the DFA report.

Country	Type of Support
China	Most aid in form of projects in-kind, government concessional loan, preferential buyer's credit, technical cooperation and scholarships.
India	Project-oriented technical cooperation, line of credit, scholarships.
UAE	Aid in the form of projects and technical cooperation. Direct bilateral support, which sometimes may include budget support.
Kuwait	Mainly project and technical cooperation, sometimes budget support. Also provides debt relief.
Saudi Arabia	Mainly project-type assistance (but not technical co-operation), with programme aid, sometime budget support and debt relief.
Pakistan	Line of credit, technical assistance.
Malaysia	Concessional loan, technical collaboration, scholarships.

**Source:** UNDP, AP-DEF. Development Finance Assessment, and Integrated Financing Solutions: Achieving the SDGs in the Era of AAAA, p. 71.