GWP ToolBox - IWRM Action Hub

IWRM TOOL - D2.01

Integrated National Financing Frameworks

Summary

An Integrated National Financial Framework (INFF) is a planning and monitoring instrument that helps countries to finance and implement their sustainable development strategy towards achieving the SDGs. INFFs are not specifically designed for the water sector, though they can significantly help in realising SDG 6 on âensuring access to water and sanitation for allâ.Â This Tool discusses what are INFFs, the methodological steps towards developing INFFs, its opportunities, challenges, and recommendations, in addition to its prospects in terms of leveraging more investments towards water.Â

Defining INFF

As part of the commitments agreed upon at the Third International Conference on Financing for Development in 2015, better known as the Addis Ababa Action Agenda, the United Nations established the Interagency Task Force on Financing for Development (which comprises over 60 United Nations agencies, programmes and offices, regional economic commissions and other relevant international institutions) to recommend actions related to financing the Sustainable Development Goals Agenda 2030. One of its most important initiatives is the Integrated National Financing Frameworks (INFFs) which contributes to implement the Addis Agenda at the national level. Â

Formally, an INFF is a planning and monitoring framework that helps countries to finance and implement their sustainable development strategy in relation to the Sustainable Development Goals Agenda 2030. INFFs look at both financing sources and non-financial means of implementation that are available to countries and lay out a financing strategy with the goal to raise resources, manage risks, and achieve sustainable development priorities. It is used as a mechanism to identify and implement policies in line with sustainable development. (UN- IATFFD, 2019).Â

It is important to highlight that INFFs do not replace a country sustainable development strategy nor its national development plan, however. These instruments indicate what development goals should be achieved. The INFF indicates how we get them done with a particular focus on financing. Put simply, INFF is âa financing strategy that promotes upward coherence by aligning financing policies with the national sustainable development strategyâ (UN â IATFFD, 2019, 12).Â

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Methodology for Developing INFFs

The process for designing and implementing INFFs can be broken down into a four-block cycle (Fig. 1). To ensure ownership and secure long-term engagement, there should be an inception or preparatory stage that precedes the four-block cycle. The inception phase typically involves three main steps: (1) scoping existing information related to the INFFâs blocks; (2) identifying an institutional home for the INFF process; (3) developing an INFF roadmap to guide the way forward. After the inception phase, countries start designing and implementing their INFF based on the four âblocksâ methodology (UN â IATFFD, 2019):Â

- **Assessment and diagnostics:** this phase sets out the process and demands producing four reports: (1) an assessment of financing and resource needs; (2) an assessment of flows to create a baseline understanding of the financing gap; (3) an assessment of risks; and (4) a diagnostic to identify policy, institutional and capacity binding constraints.Â
- **The financing strategy:** this is the core of an INFF as it matches financing policies to priorities in the sustainable development strategy. It aims to align policies, regulations, and budgets to create a coherent long-term financing strategy that can translate in specific actions (e.g., ensuring that tax and investment policies are not conflicting, or that macroeconomic, trade and technology policies jointly reinforce overarching development priorities). Â Â
- **Monitoring, review, and accountability:** Building on existing platforms in the host country, this block consists of establishing mechanisms to monitor and report progress on financing flows towards policies and assessing whether the financing strategy itself is having a positive impact on those policies. Â
- **Governance and coordination:** This block guides the entire processâfrom the assessment and diagnostics to policy formulation and implementation and monitoring and review. It should also lead a consultative process that engages all relevant stakeholders, including parliament, civil society, the private sector, and other non-state actors.Â

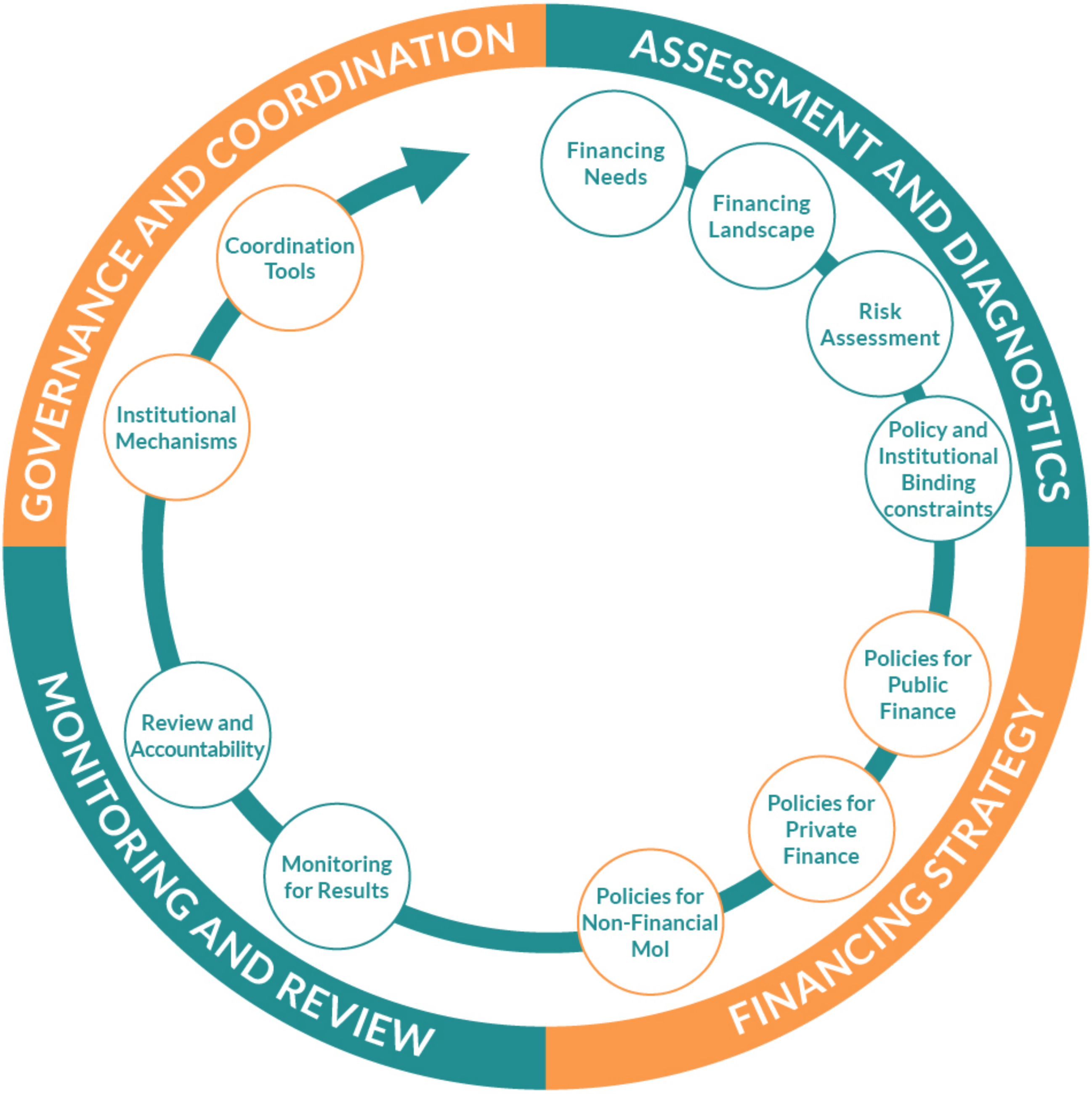

Figure 1. INFFâs Building Blocks Source: UN â IATFFD (2019).

The use of this blocks differs by country depending on their state of development (e.g., least developed countries, small island developing states, countries affected by conflict, and middle-income countries), institutional strength, access to public/private investments flows, role of their private sector, vulnerability to external shocks, among others.Â Â

Opportunities, Challenges, and Recommendations

The INFF methodology is still in its early adoption phase and lessons on what works and what does not are thus still being collected (the Interagency Task Force reports that 71 countries are developing integrated national financing frameworks (UN - IATFFD, 2021). Nonetheless, there several early adopters which has been categorised as good practice cases such as Solomon Islands (supporting the implementation of its National Development Strategy 2016), Bangladesh (mobilising finance for the seventh five-year Perspective Plan and Vision 2021, prioritising water and sanitation), Uruguay (facilitating investment in energy through its long-term energy plan, National Energy Policy 2005-2030), and Colombia (designing long-term policy frameworks to embed climate action and green growth into its national agenda) (UN â IATFFD, 2019). The experience from the early adopters of the framework informs us on the pros and cons of the INFF.Â Â

Pros:

- By connecting financing and related policies with longer-term objectives, INFFs can help overcome short-term oriented decision-making.Â Â
- They allow policy makers to exploit synergies and manage possible trade-offs across different policies.Â Â
- They help countries manage an increasingly complex financing landscape and help mobilize different types of financing appropriate for country specific characteristics and risks.

Cons:

- In many countries, capacities are limited, and policy reform is costly.Â Â
- Long âto-doâ lists of needed reforms will therefore not be helpful.Â
- Existing financing policies may be misaligned due to underlying political constraints, which cannot be ignored.

Therefore, it recommends that a key element in the adoption and implementation process of INFFs is setting up a strong governance and coordination mechanism. Moreover, experience from the early adopters shows that INFFs require strong political and broad-based backing to be implemented not as an incumbent governmentâs short-term initiative but as a long-term state policy. Because the process is government-led, it is highlighted that INFFs functions should be tasked to the body that oversees the national sustainable development strategy (ministerial level). This helps ensure that financing policies are closely tied to the financing strategy. In practice, this requires establishing a technical secretariat with well-trained and experienced staff, sufficient funding for collecting and managing complex multi-source information, and capacity to engage high-level stakeholders.Â The Interagency Task Force has also identified, through the experience from national auditing authorities, bottlenecks that national governments might face in the implementation of financing strategies for national sustainable plans, such as: insufficient adjustment of national budgetary mechanisms with the SDGs and national development strategies; availability and quality of data; insufficient coordination within government and among stakeholders.Â Â

INFFs and SDG 6

As a key sector within any national development plan, water stakeholders should take advantage and be active players in the design and implementation of INFFs. One way to use INFFs as levy to foster water investments is to show the interlinkages between SDG 6 and other SDGs, especially those that rank higher in the national priority agenda (e.g., SDG 5 on gender and 13 on climate) (Fig. 2). In the last follow-up study carried out by the Inter-Agency Task Force in 2021, more than 25% of these countries will emphasise âWater and Sanitationâ, as one of their reflected national priorities. A good example is Bangladesh, which is designing a financing strategy for its national developing strategy, âThe 9th Five Year Planâ, that prioritises actions on climate finance, renewable energy, and water and sanitation. An important feature of this process is that it has managed to bring together a broad base of private companies to provide information on these sectors and get them involved in corporate sustainability practices. Water ministries and related bodies can seek expert advice on the INFF process and methodology through the Joint Sustainable Development Goals Fund. Â

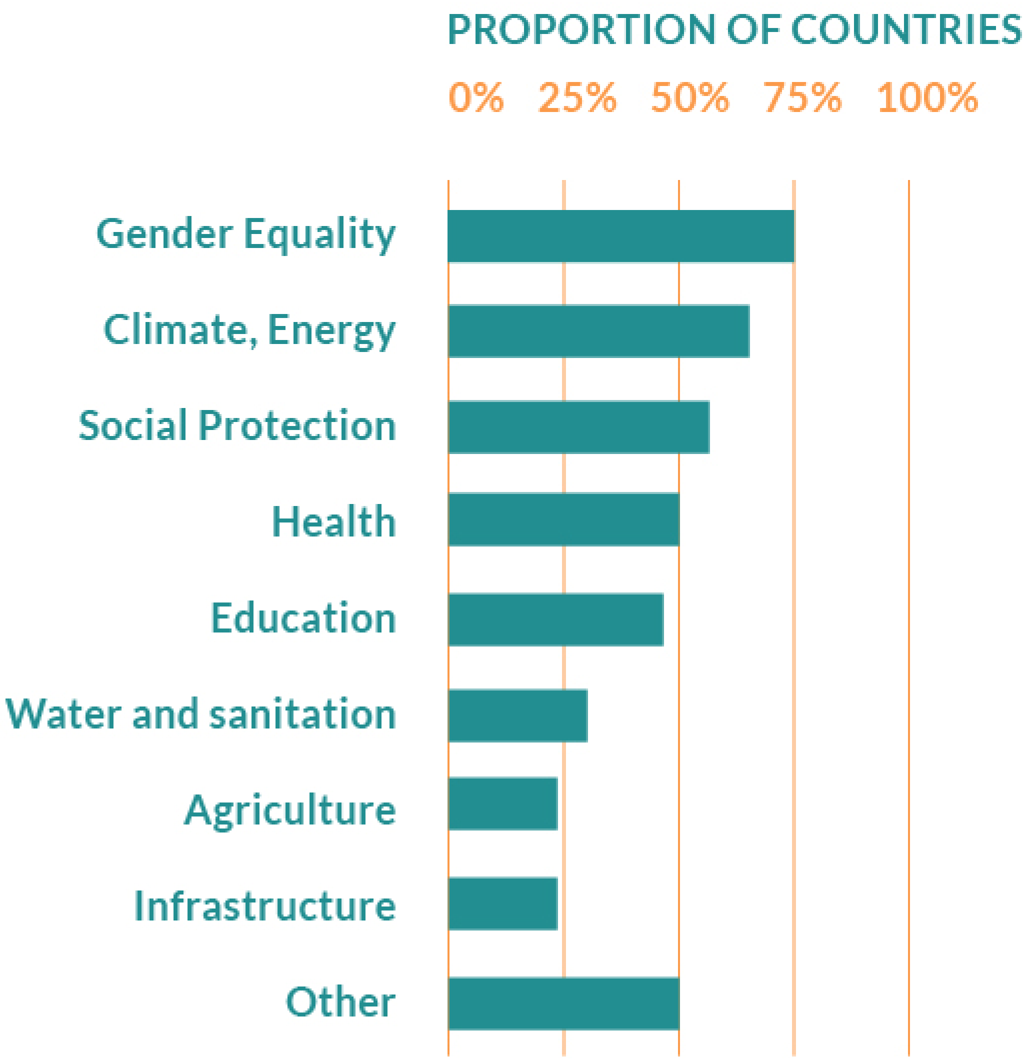

Figure 2. National Priorities in INFFS (Adapted fromÂ UN â IATFFD,Â 2019).Â

Thematic Tagging
Climate , Gender , Private Sector , Transboundary , Urban , Water services , WEFE Nexus , Youth

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