

GLOBAL REPORT

The state of integrated national financing frameworks in 2022



July 2022

About this document

To keep track of INFF progress worldwide, UNDP, on behalf of the INFF Facility, conducts an annual integrated national financing framework (INFF) survey. Data was collected through UNDP country offices in 86 countries in early 2022.

This document unpacks the survey results to distil the most important patterns and lessons. To further explore INFF data, visit our [INFF dashboard](#).

Annex A lists the survey questions and number of responses received for the data displayed in each figure.

About the INFF Facility

The INFF Facility is a joint flagship initiative of the United Nations Development Programme (UNDP), the United Nations Department of Economic and Social Affairs (UN DESA), the Organisation for Economic Co-operation and Development (OECD), the European Union (EU) and the Governments of Italy and Sweden.



Key messages

Countries faced unprecedented challenges over the last two years that have set-back progress toward the 2030 Agenda – an ambition that was already off-track prior to the Covid-19 pandemic. Financing is a central consideration as countries look to sustainable, inclusive recovery and accelerated progress toward the Sustainable Development Goals (SDGs).

The results of this year's INFF survey demonstrate how 86 countries are using the INFF as a driving force to establish a more sustainable financing architecture at the country level to channel finance where it is needed most.

As countries develop their INFFs, they are putting in place new and strengthened financing strategies to integrate financing with the SDGs. They are taking forward more than 250 reforms designed to mobilise and align public and private finance for sustainable development and strengthening systems and platforms for better governance, collaboration, monitoring and accountability of financing.

The next 12 months is a key period. Forty countries will develop their financing strategies and deliver a significant pipeline of priority financing reforms. There is high demand from countries to learn from one another and access technical support in implementing these ambitious agendas, including from the growing range of international partners and international financial institutions (IFIs) engaged in INFF processes.

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Introduction

Eighty-six countries are using INFFs to drive finance toward the SDGs, the objectives of the Paris Agreement and Covid-19 recovery.

The immediate and lasting consequences of the Covid-19 pandemic, the ongoing conflict in Ukraine and rising inflation, interest rates and food and commodity prices have direct and indirect impacts on SDG outcomes. An estimated 77 million people have been pushed into extreme poverty. Women have been particularly affected by job losses and the extra burdens of care. The climate and biodiversity crises, both existential threats, are getting worse. The future outlook is one of heightened risk and uncertainty.

At the country level, these shocks have constrained the ability of ministries of finance and other public and private actors to mobilise resources and invest in recovery and progress toward the SDGs. Fiscal space

has declined while demands on public expenditure have risen. Debt positions have deteriorated: around 60 least developed countries and low-income countries are at high risk of or in debt distress.ⁱ Private investment has declined in many contexts and access to international capital and investment may become harder for countries as interest rates rise in more advanced economies.

As countries look to recover from the effects of the pandemic and accelerate progress toward national sustainable development objectives, financing is central to the equation. Ministries of finance and planning and actors across the public and private sectors have recognised the need to adapt the way that they finance national sustainable development pathways within this context.

Prior to the pandemic, most national development plans were not costed and had no associated financing strategy.ⁱⁱ Countries that did have financing strategies in place focused primarily on the role of public spending with little consideration of the role that private finance could play in driving sustainable development.

As countries look ahead, many are using integrated national financing frameworks (INFFs) to shape how they will finance the investments needed to realise their sustainable development priorities.

Eighty-six countries are developing INFFs. The approach is being used by countries in all development settings,

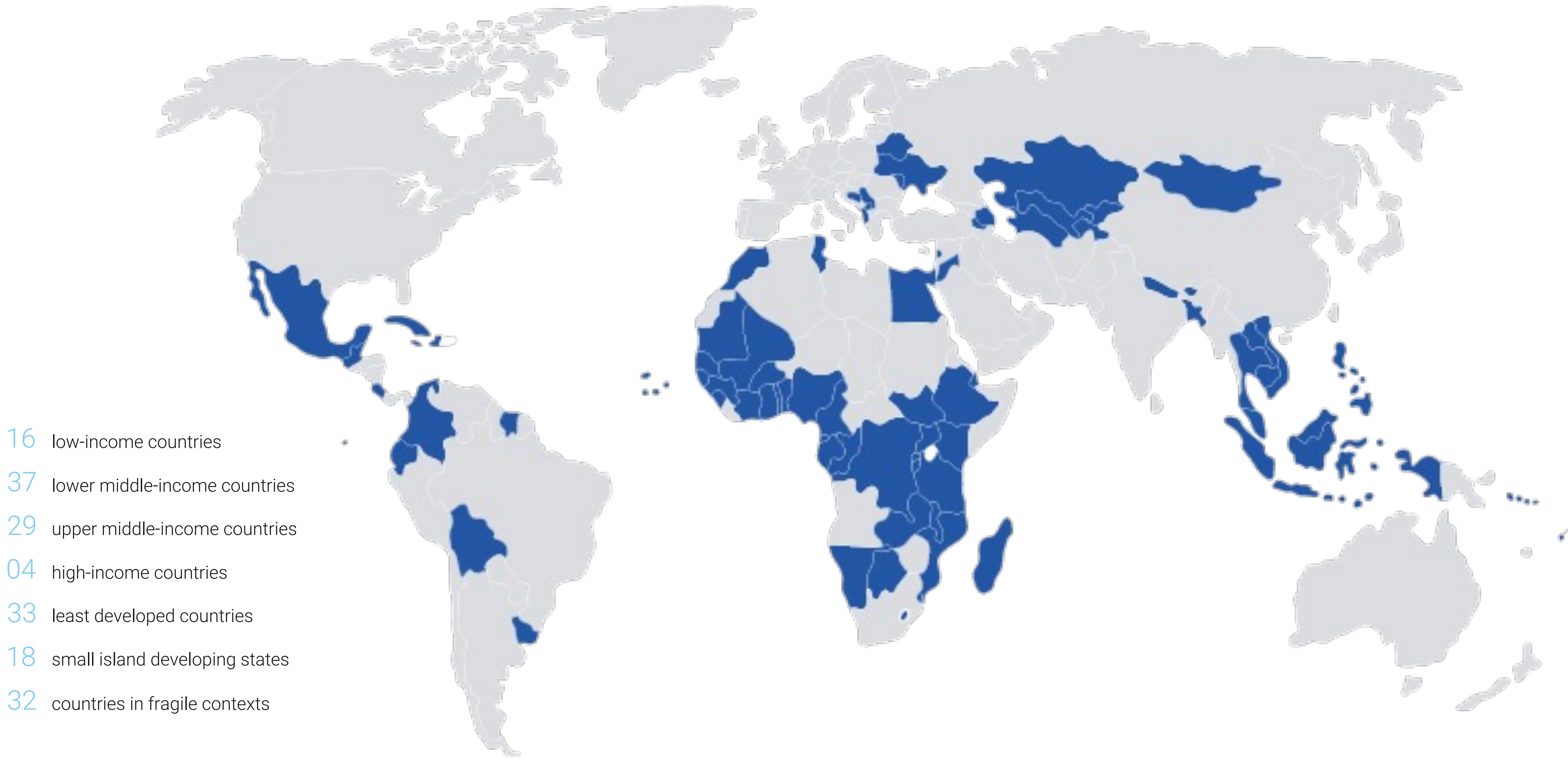
including more than 70% of least developed countries (LDCs), more than 60% of middle-income countries and almost half of all small island developing states (SIDS).

In the past year, more than 10 countries have newly started using or exploring the INFF approach. Countries that adopted the approach in 2019 or 2020 are now completing the inception and assessment and diagnostics phases and are moving toward implementation.

These countries are using the approach to shape holistic, integrated financing strategies designed to mobilise and align both public and private finance with the objectives of medium-term development and recovery plans. They are building new dialogue and collaboration platforms across the public and private sectors. And they are driving forward hundreds of policy reforms designed to build a more sustainable financing architecture and maximise investment in sustainable development within the current context.

This report summarises how countries are using the INFF approach in 2022. Drawing from survey data collected from 86 countries earlier this year, it provides a snapshot of how countries are developing financing strategies, identifying and implementing reforms and establishing or strengthening governance, monitoring and accountability mechanisms to transform national financing systems.

FIGURE 1 Eighty-six countries are using the INFF approach



- 16 low-income countries
- 37 lower middle-income countries
- 29 upper middle-income countries
- 04 high-income countries
- 33 least developed countries
- 18 small island developing states
- 32 countries in fragile contexts

What are integrated national financing frameworks?

UN member states first introduced INFFs in the 2015 Addis Ababa Action Agenda.ⁱⁱⁱ INFFs provide a framework for financing sustainable development and the SDGs at the country level.

An INFF helps countries bridge the gap between financing policies and national sustainable development priorities. It brings together the full range of financing sources – domestic and international sources of public and private finance – and the policies that govern them. An INFF enhances the alignment of these policies with medium- and long-term priorities to increase investment and manage risks.

An INFF is comprised of four building blocks (Figure 2). This report examines country progress in each of the building blocks.

FIGURE 2

The building blocks of an INFF



Governance and coordination

INFFs provide a platform for a broader constituency of public and private actors to engage with SDG financing policy at the country level.

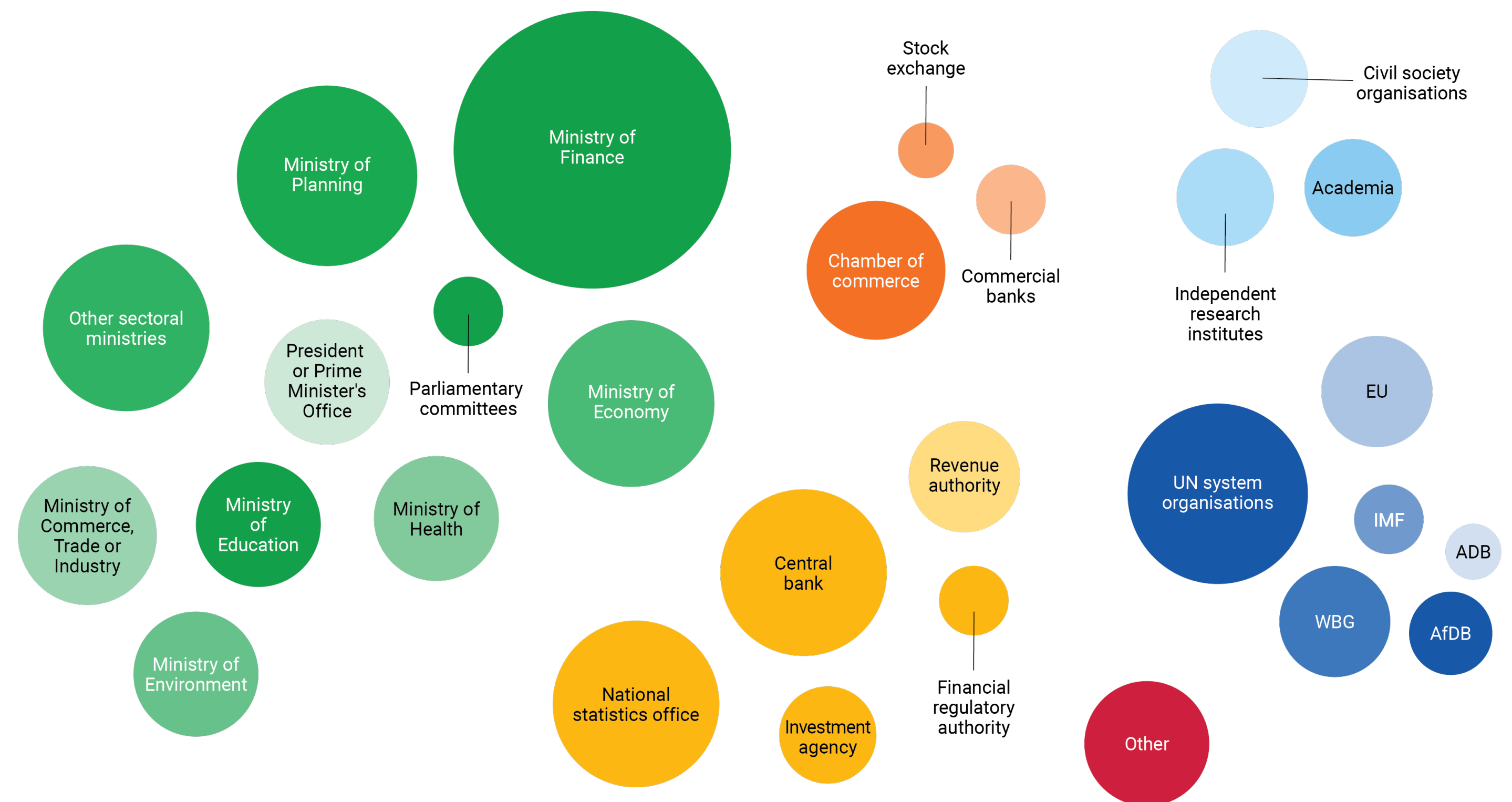
Governments are using INFFs to maximise the contribution of public and private finance toward national sustainable development priorities and an inclusive, sustainable recovery from the pandemic.

There is broad recognition that new approaches to financing development – changes in policies, instruments, institutions, systems and partnerships – are needed. These changes, in turn, demand new coordination and dialogue platforms to better understand different public and private perspectives, forge a shared understanding of financing opportunities and challenges and chart an informed way forward.

As INFFs progress, countries are taking steps to strengthen and develop structures for a more integrated, holistic approach to governance and coordination.

FIGURE 3

INFF oversight committees bring together the responsible ministries and active stakeholders in each aspect of public and private finance



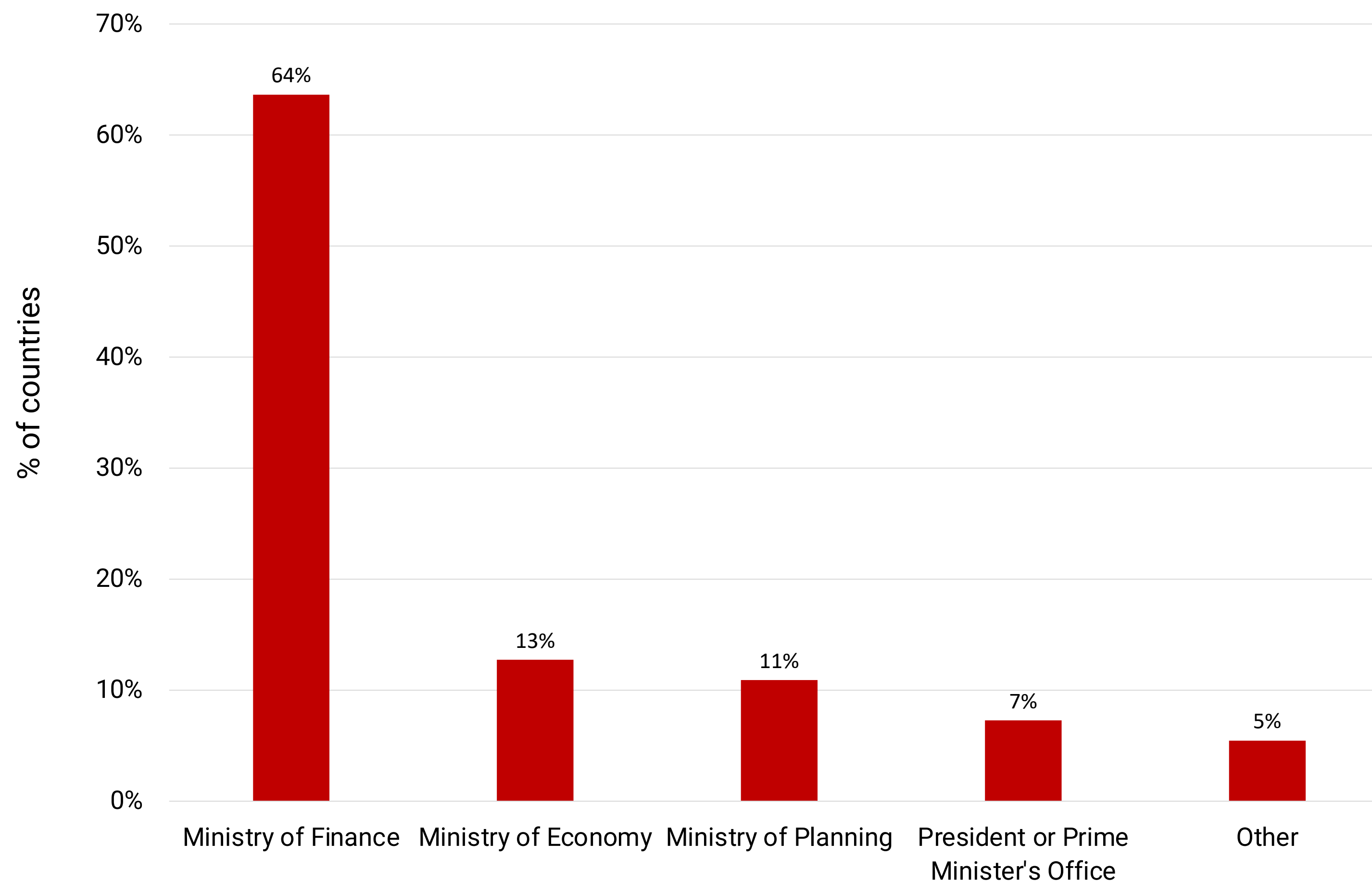
Governments have institutionalised the oversight of INFF processes within cross-government committees. These committees sit at the nexus of planning and financing policy and bring together the ministries responsible for planning, policy and regulation in each area of financing (Figure 3).

Oversight committees provide a forum for dialogue and decision-making on financing national sustainable development priorities, connecting ministerial portfolios for financing policies and planning. In more than 70% of countries, governments have expanded the function of an existing committee or structure to incorporate the oversight committee, while others have established new structures. In around two-thirds of countries, the Ministry of Finance chairs or co-chairs this structure, with ministries of planning, economy and executive offices leading elsewhere (Figure 4).

Nigeria, for example, is using a two-tiered structure for INFF oversight. A high-level steering committee is chaired by the Minister of Finance, Budget and National Planning and brings together leadership across the public sector with representation from the private sector and development partners. This is supported by a core working group that provides technical leadership in INFF design and implementation, as well as a secretariat housed within the Office of the Senior Special Assistant to the President on the SDGs.

FIGURE 4

Ministries of finance lead or co-lead INFF oversight committees in most countries



These bodies at the federal level connect with policymakers sub-nationally through structured state-level dialogues. For Nigeria, this is the first time such a wide array of actors has come together to discuss financing issues. This structure provides a platform for forging new consensus and collaboration as the country's INFF takes shape.

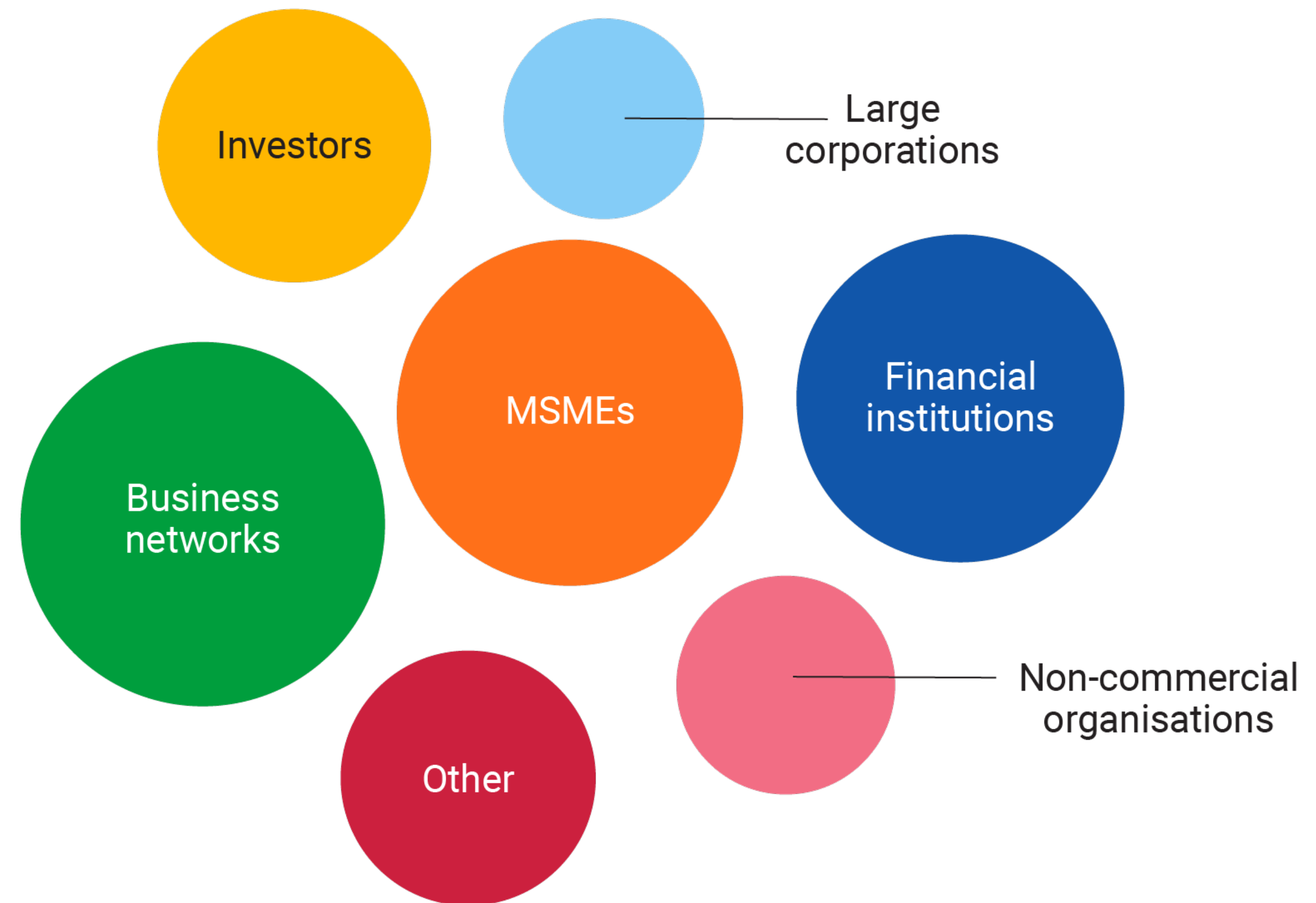
Transformation in public and private investment for sustainable development requires solutions developed through collaboration across these spheres. As INFFs have progressed over the last year, there has been growth in the area of public-private collaboration, though there remains room to further deepen the engagement of key stakeholders in many country contexts.

In 33% of countries, INFF oversight committees count private sector representatives as members (Figure 5). In 28% of countries, they include civil society members. Other countries are engaging these actors through financing dialogues alongside other actors, such as IFIs, which are engaged with INFF processes in more than 50 countries as well as parliamentarians, who have participated in financing dialogues in 14 countries.

In **Indonesia**, for example, an INFF assessment led by the Planning Ministry, Bappenas, has facilitated wide ranging consultations and financing dialogues to inform the development of its INFF roadmap. The financing dialogues brought together policymakers across the public sector, private sector representatives and civil

FIGURE 5

Private sector actors are engaged in INFF processes in a growing number of countries



society, structured around discussion on public sector financing, private sector financing and international engagement, with various sub-groups within each thematic dialogue.^{iv}

The setup of INFF governance and coordination structures is a foundation for the scope and ambition of the INFF. Establishing structures that bring in a wide constituency of voices, either within the oversight committee or through structured dialogues, provides a basis for innovation and insights on the opportunities, constraints, risks and solutions that can be used to unlock financing for sustainable development, as well as perspectives on how to ensure that the steps taken forward are designed to promote inclusivity and sustainability.

The value of wide participation in financing dialogues is reflected in the fact that more than thirty countries are institutionalising dialogue platforms beyond the inception phase, to continue public-private engagement as financing strategies are delivered.

As INFF processes progress and an increasing number of countries institutionalise the platforms for regular, ongoing dialogue, it will be crucial to ensure that all voices are represented. Private sector representation is important for understanding the blockages and opportunities for unlocking SDG-aligned private capital, and it is important that representation brings the voice of SMEs and the informal sector as well as larger private sector players.

For INFFs to realise their potential as drivers of investment in inclusive recovery, it is important that civil society organisations are able to feed into the design and monitoring of financing strategies. There is also much to be gained from systematically connecting with existing forums such as social dialogue platforms between employers, employees and the government where inclusive economic recovery and the role of financing relative to job protection and job creation are discussed.

Assessments and diagnostics

Eighteen countries are costing a national development plan for the first time.

Building an integrated, public and private, approach to financing sustainable development requires a holistic perspective across the landscape and its contributions to sustainable development outcomes. The dialogue and decisions being taken about how to adopt the INFF approach must be grounded in an understanding of the full picture of financing needs, opportunities, risks and constraints. Countries are using a wide range of assessment and diagnostic tools to build this evidence base.

Eighteen countries are using their INFF process to cost their national development plan for the first time. Many others are updating previous estimates or strengthening capacity to monitor financing needs into the future. The scale and types of investments needed to realise the SDGs have changed because of the pandemic and will continue to be affected by food prices, inflation, conflict and other factors. In the past many countries have had only a partial or limited understanding of the costs of sustainable development, often centred around individual sector plans or focused on specific areas of public finance such as public investment programmes.

Countries are using a variety of approaches to understanding costs and financing needs, depending on existing information and capacity at the national level (Figure 6). **Tanzania**, for example, has costed its Third Five Year Development Plan (FYDP III), estimating the financing needs at 114.9 trillion shillings (USD 49 billion). 65% of the required resources for the plan implementation is to be

financed by the public finance and the remaining 35% by the private sector through direct investment, joint venture and PPP modalities.

Bangladesh has conducted a costing combining different methodologies^v to estimate the cost of each SDG, synchronising them to account for the overlap between SDGs. The estimated costs are equivalent to 22.38% of GDP between FY2022-2030.

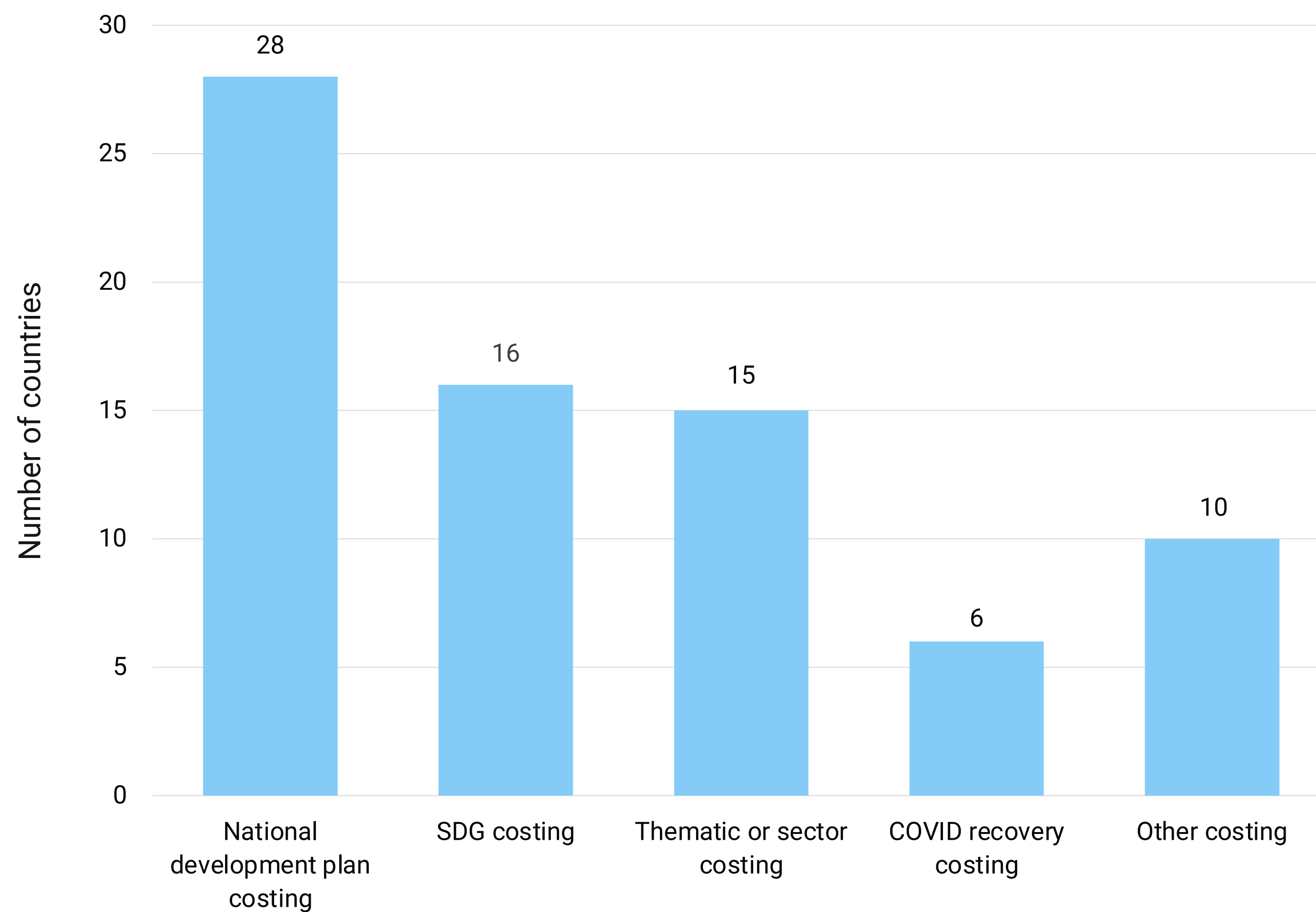
Nigeria, for example, used the costing estimates developed by IMF to understand its financing needs. The IMF estimates additional spending equivalent to 18% of GDP by 2030 will be required to achieve the SDG targets in key development sectors, in particular education, health, electricity, roads, and water and sanitation sectors in Nigeria.

Other countries are costing sector plans or other national agendas. In **Guatemala**, for example, the INFF approach is being used to support the country's Great National Crusade for Nutrition with an estimated cost of USD 3.1 billion, equivalent to around 3.7% of GDP.

Despite the differences in costing approaches and inherent challenges related to combining different methodologies or assumptions, the financing needs assessment are serving a common goal of indicating where most financial resources will be needed and informing what policies and reforms are most critical to obtain the required financial resources.

FIGURE 6

INFFs are helping government better understand the costs of national sustainable development



More than 50 countries are using development finance assessments (DFA)^{vi} to bring together the evidence of financing needs with that of financing trends and opportunities, risks and binding constraints, and to shape the inception phase of the INFF process. These DFAs are helping countries identify key considerations and policy solutions to be taken forward into their financing strategies and operationalisation of other INFF building blocks, often formalised within an INFF roadmap.

A variety of other assessments and diagnostics are being deployed to inform the development of the INFF. On the public financing side, for example, diagnostics tools such as Public Expenditure Reviews and Public Expenditure and Financial Accountability assessments have been useful in examining public finance in relation to SDG alignment, transparency and accountability.

Some assessments such as the PEFA and Article IV consultations are routinely conducted in many countries, and the recommendations provided during these exercises can continue to feed into the delivery of the INFF approach into the future.

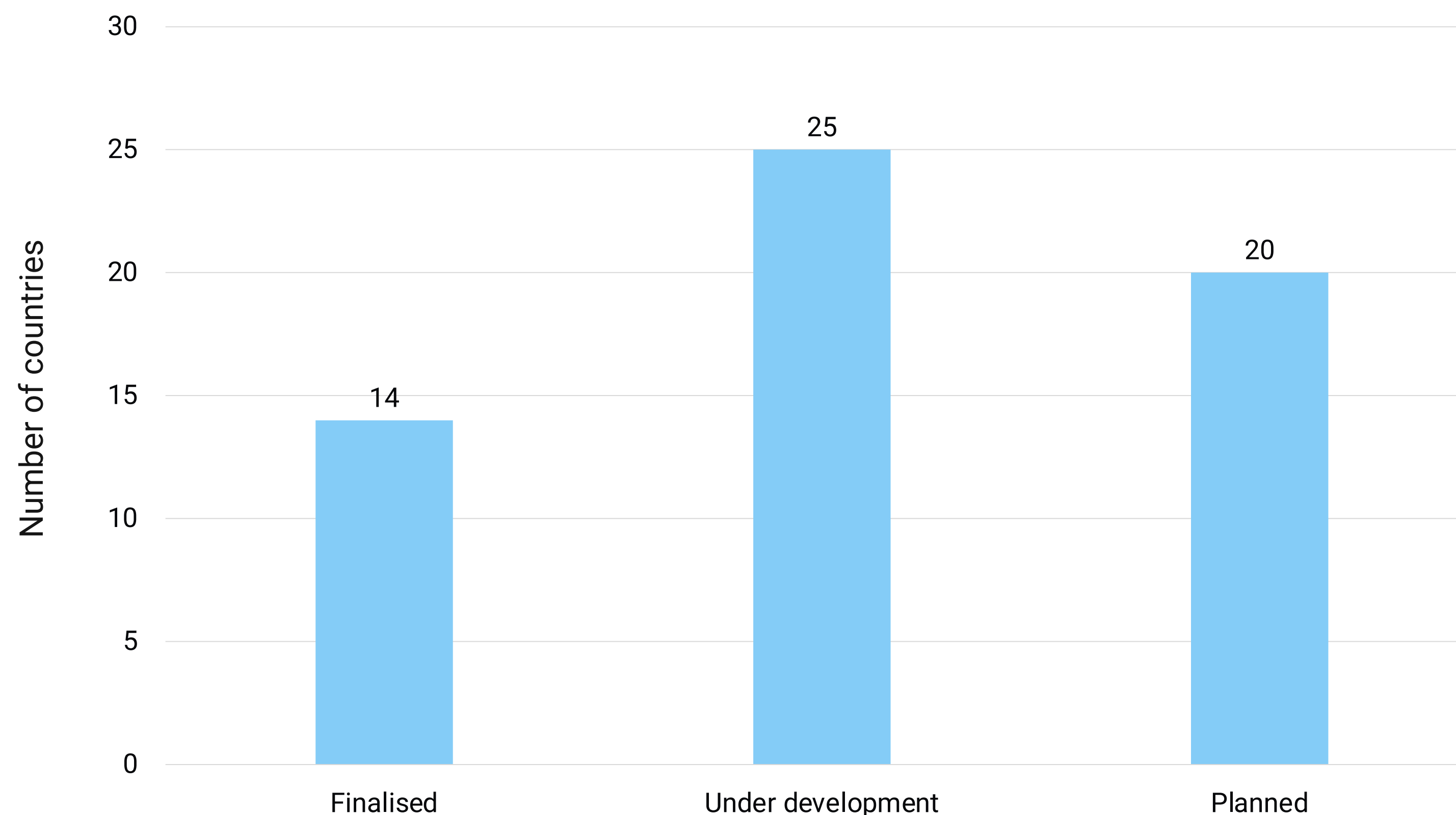
On the private financing side, countries are mapping SDG-aligned investment opportunity areas, examining new policy options, standards and capacity building, and undertaking feasibility studies or thematic/sectoral studies. **Bangladesh, Rwanda, Malawi** and **Namibia**, for example, are conducting Digital Finance Ecosystem Assessments on

the role of digital financing as a driver of SDGs financing. In **Bangladesh** this provided a basis for launching a Digital Trade Platform connecting investors with businesses.

Countries are using these assessments and diagnostics to identify the most significant opportunities in terms of mobilising, aligning and leveraging capital for the SDGs, and the bottlenecks that should be addressed to unlock more potential. Key recommendations from these assessments are brought together, often through a central DFA process, into an INFF roadmap. Fourteen countries have finalised their INFF roadmaps, twenty-five countries are in the process of developing their INFF roadmaps and twenty countries plan on developing an INFF roadmap (Figure 7).

FIGURE 7

INFF roadmaps are guiding the financing strategy development process



Financing strategies

Thirty-nine countries are developing a financing strategy for their national development plan for the first time.

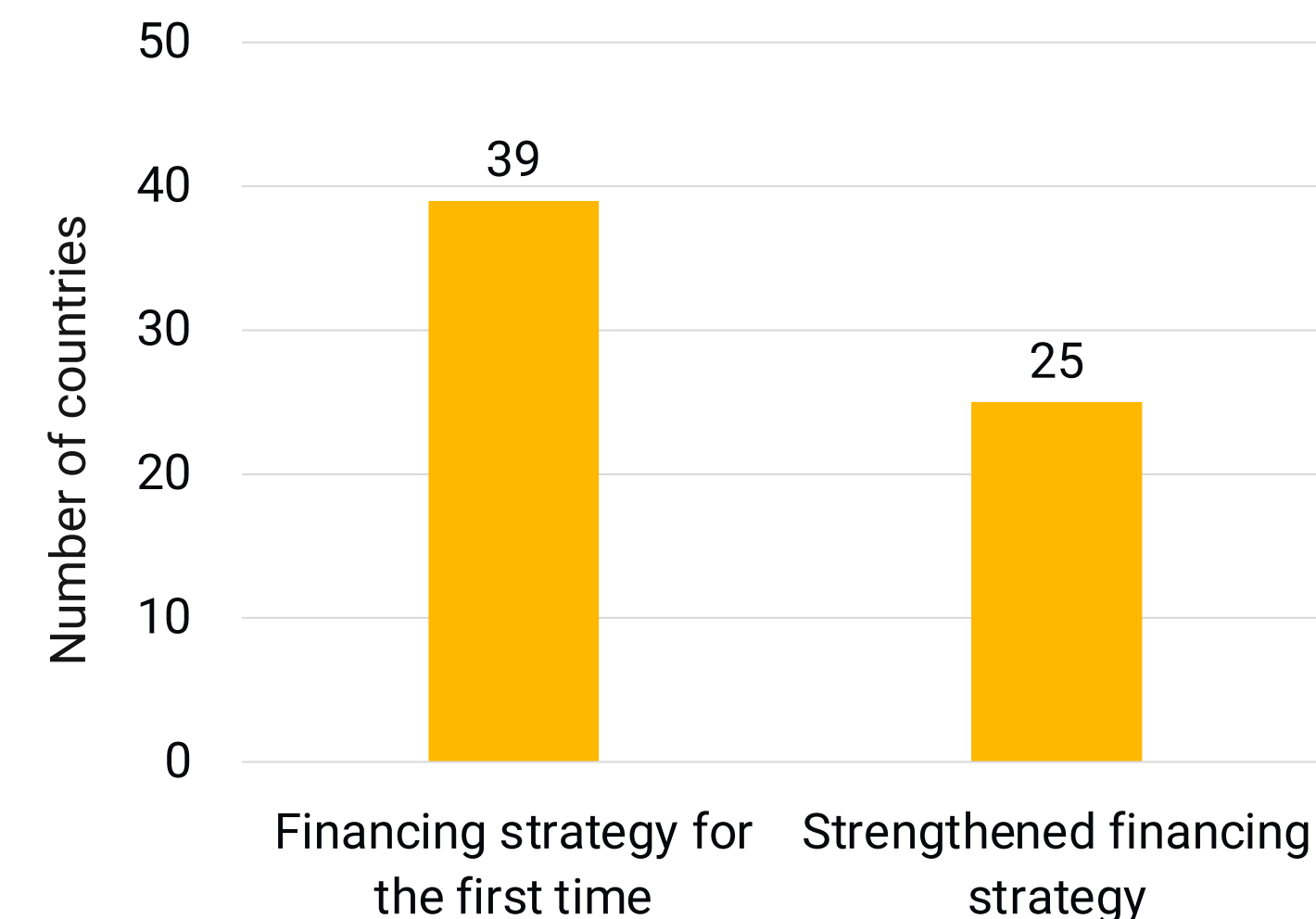
The financing strategy is at the centre of the INFF approach. It sits in the gap that has existed previously in many countries, connecting sustainable development aspirations with the investments needed to turn aspirations into reality, via the policy tools and instruments that government has in each area of financing. Financing strategies build on the understanding of financing needs, trends, opportunities, binding constraints and risks. They are designed to bring together existing financing policies within a strategy that strengthens the connections between them and with sustainable development outcomes. They provide a holistic basis for prioritising reforms in individual areas of financing policy.

Across the 86 countries developing an INFF, thirty-nine will develop a financing strategy for the first time (Figure 8). Twenty-five are broadening the scope of an existing financing strategy, typically to move beyond a public-finance centric approach to align policy and flows of private capital with sustainable development objectives.

The first financing strategies are starting to emerge from countries that are more advanced in their INFF process. At the time of writing, in mid-2022, twenty-one countries are in the process of developing and negotiating their financing strategy. A similar number are expected to develop theirs over the coming 12 months.

FIGURE 8

39 countries are putting a financing strategy in place for the first time



Each financing strategy will be different – crafted by national institutions in response to the context, priorities and ways forward shaped through dialogue at the national level. From the financing strategies emerging to date, some broad differences as well as common features can be identified.

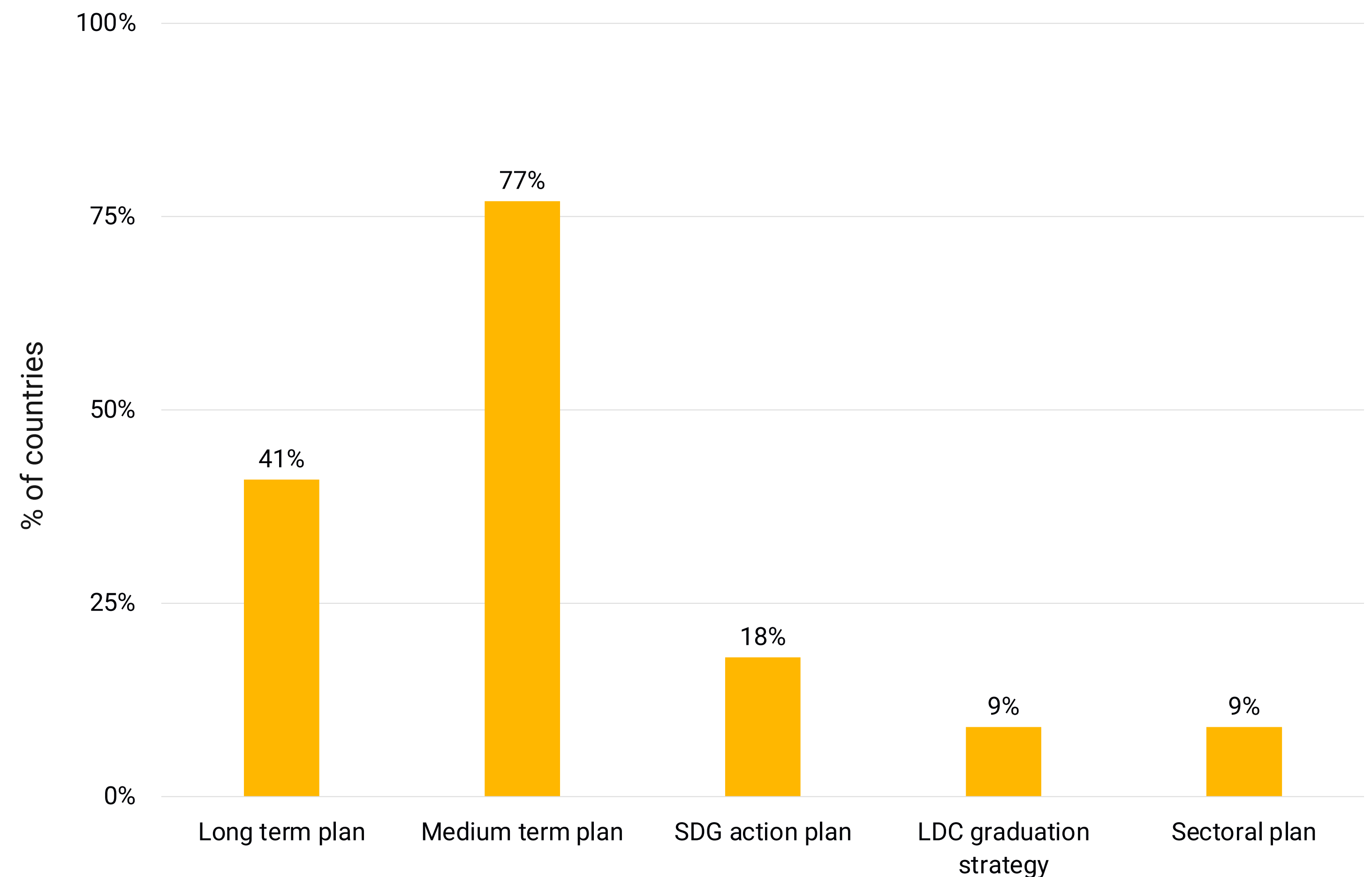
Financing strategies are being developed to respond to sustainable development priorities at different levels and areas of substantive focus. Most financing strategies – 77% – are connected with a medium-term plan (Figure 9), often with a five-year horizon. Many of these are embedded within these plans, supporting aspirations across their economic, social and sustainable objectives as a whole.

Other countries are connected to a medium-term plan but respond primarily to specific priorities within it. In **Bangladesh**, for example, the financing strategy will support financing of the SDGs across the 8th Five Year Plan, with a particular focus on climate finance, renewable energy and water and sanitation.

Others still are focused on specific priorities or connected with specific areas of financing. In **Gabon**, the INFF approach is being applied in support of “Green Gabon” and a financing strategy will be developed to support transition from an extractives-based brown economy to a greener economic model. The countries developing a financing strategy to date all plan to formalise this in some kind of central document, although others may choose a different approach.^{vii}

Many financing strategies respond directly to specific resource mobilisation targets of the plan they are supporting. In **Mongolia**, for example, the financing strategy supports the medium-term development plan (2021-2025). It has three objectives: to increase

FIGURE 9 Financing strategies are aligned to the planning system, strengthening delivery of medium, long-term and other sustainable development plans



Note the total exceeds 100% because financing strategies in some countries are connected with multiple plans.

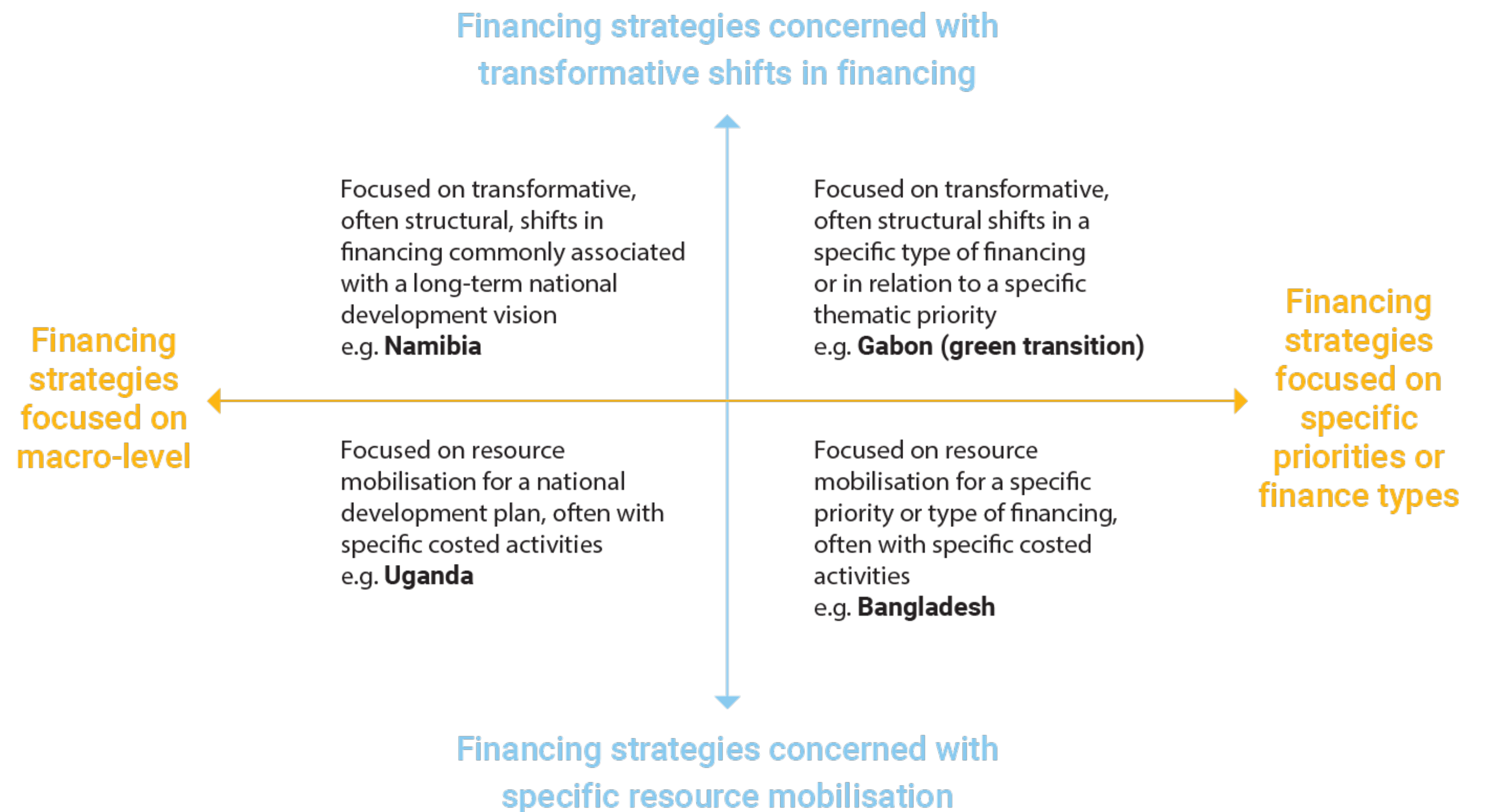
financing sources, align financing toward sustainable development and increase the economic, social and environmental impact of investments. It sets out a framework that brings together existing policies and strategies related to public finance, private finance and the macroeconomic environment and is driving forward reforms to work toward mobilising the estimated USD 15.7 billion costs of the development plan.

Other financing strategies are pitched at a higher level, aiming to catalyse structural shifts in the financing landscape. In **Namibia**, for example, the financing strategy currently being developed will support the long-term national vision, and is being used to drive forward reforms from introducing SDG finance taxonomies in the financial sector to aligning public financial resources with the SDGs that can shift the way this financing is invested. The strategy will cascade into resource mobilisation strategies for the medium-term national development plans.

Across these dimensions, the financing strategies emerging can be grouped into four broad categories (Figure 10).

The IATF guidance on financing strategies highlights how some countries may wish to better tie together existing strategies and documents and link them to national sustainable development strategies or plans without formalising this within a centralised document.

FIGURE 10 A broad typology of emerging financing strategies



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We see the development of an INFF as crucial, particularly in the context of Covid-19 recovery and as we work on the next generation of national development plans.

Dr Zainab S. Ahmed
 Hon. Minister of Finance, Budget
 and National Planning, Nigeria



While the objectives, use and approach of each financing strategy differs, there are underlying features which are common across all.

Financing strategies are all country-owned and -led and aligned to the national planning system.

They bring a more holistic scope to financing sustainable development. Whether focused at the macro or sector level, they provide a basis for bringing together and strengthening coherence across the public policies that are used to govern each area of financing. This includes policies, such as medium-term expenditure frameworks and revenue strategies, debt management plans, private sector development strategies, financial market regulation, PPP policies, and others, which have often previously been largely disconnected from one another.

As financing strategies are being developed this is prompting deeper integration across ministerial portfolios – for example, how budget tagging systems can provide a foundation for bond issuance designed to attract green or sustainable capital; or how a taxonomy can inform the use of tax incentives to attract private investment.

Financing strategies are designed to be practical, providing a basis for prioritising and taking forward specific reforms that advance progress toward national sustainable development objectives.

The financing strategies being developed through INFF processes are new. Even where a financing strategy has

existed in the past, they are offering a new and more holistic approach to governance of the financing architecture at the country level.

As with any new approach there are strengths and gaps in the way it is being adopted in different contexts, with stronger incorporation of some areas of financing policy than others. Issues such as insurance and risk financing, guarantees, credit rating management and oversight of public entities, for example, feature strongly in some financing strategies but are not yet a core part of those being developed in other contexts. With a large number of countries developing financing strategies at the same time there are many opportunities to learn from one another.

Financing reforms

INFFs are being used to take forward more than 250 reforms designed to transform public and private financing at the country level.

The practical focus of financing strategies is helping countries to identify and drive forward many specific reforms that can strengthen key aspects of public and private financing at the country level. Even while financing strategies are still being developed in many contexts, the processes of dialogue and assessments that inform them have helped countries prioritise more than 250 reforms for immediate action, with many more to be taken forward into the future (Figure 11).

The mix of changes prioritised, as well as the specifics of each individual reform, varies widely from country to country. Reforms cut across changes in governance; the introduction or reconfiguration of financing policies, regulations and instruments; and changes in the institutions and processes that manage and deploy these public policy tools. They focus on different elements of public and private finance and balance varying objectives, from mobilising new capital, aligning and enhancing the sustainable development impact of existing flows, and strengthening governance, transparency and accountability.

Collectively the changes that countries are prioritising through their INFF processes represent a significant pipeline of reforms that seek to mobilise and align investment across the full spectrum of public and private financing and build a more sustainable financing architecture at the country level.

Of the reforms prioritised for immediate action, 45% focus on public finance, 38% on private financing and the remainder on public-private mechanisms. While the balance of focus differs across countries, INFFs are being used in all development settings to take forward reforms across the public and private financing landscape.

In upper-middle income countries there is a roughly equal focus on reforms concerned with public and private finance. While there is a greater focus on public finance in least developed countries, even in these contexts more than a third of the reforms are concerned with SDG-aligned private finance.

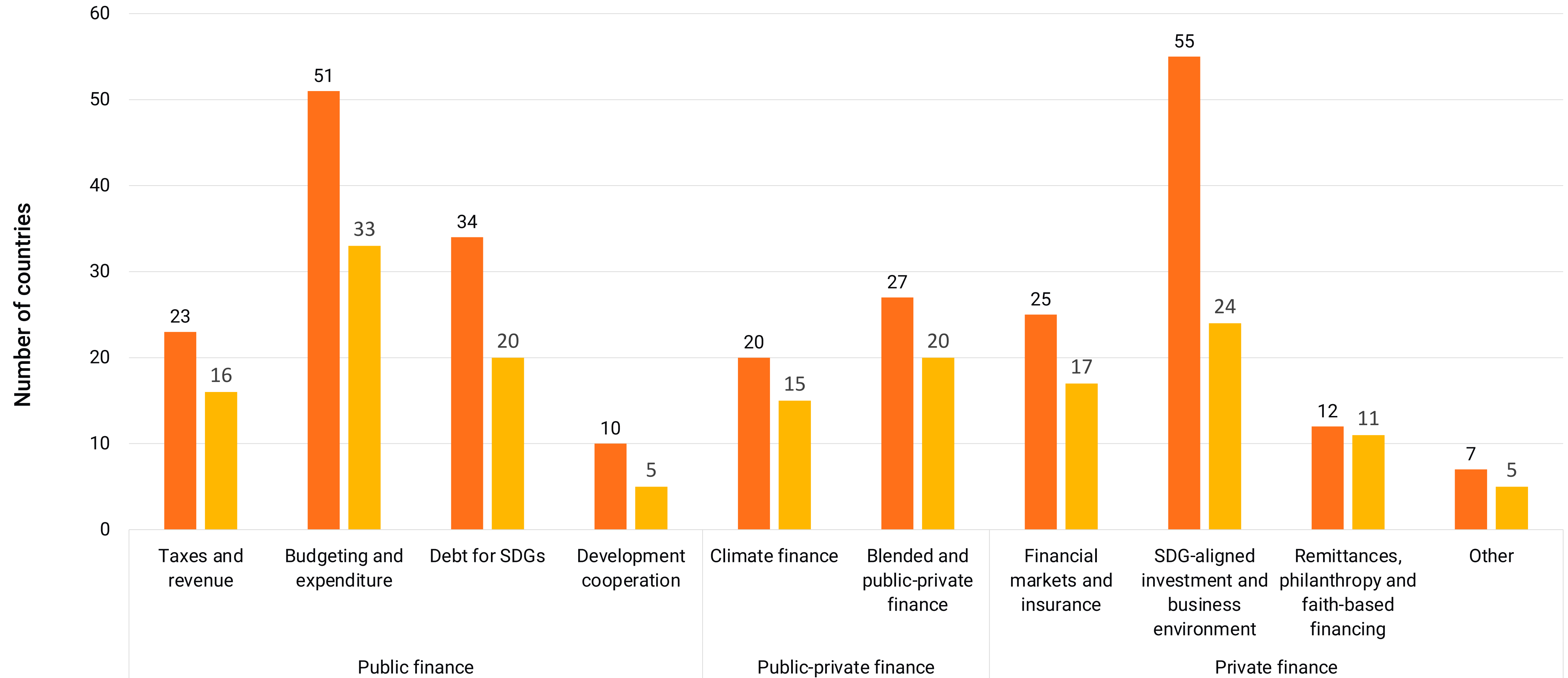
Within public finance, changes to budgeting and the expenditure side are most common, but there is a greater emphasis on tax and revenue reforms in lower-middle income and low-income countries. Changes relating to blended finance are most common in lower-middle income countries while changes related to climate finance are spread fairly evenly across country groups.

Many of the reforms prioritised are already being implemented, on the basis of consensus built through the financing dialogues and assessment processes, even while financing strategies are still being finalised. Some have already begun to yield results.

FIGURE 11

Countries are prioritising more than 250 reforms across public and private finance for immediate action – and hundreds more over the medium-term

- Prioritised for immediate action
- Planned reforms



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The financing strategy will help us pinpoint where to engage the private sector, bring in donor institutions and how their activities should be coordinated and tied together.”



Ms. S. Mungunchimeg
Vice Minister of Finance, Mongolia

Public finance for the SDGs

Fifty-one countries are taking forward reforms related to public budgeting and expenditure, with many focused on deepening the alignment of public spending to national sustainable development objectives. Countries including **Armenia, Cambodia, the Philippines, Uzbekistan** and others are establishing systems within the budget process or adjusting their practice at key points in the budget cycle to draw connections with national targets or the SDGs.

Egypt has invested in capacity for gender responsive and programme-based budgets including tools to apply a gender lens throughout the budget processes. **South Sudan** is piloting a public finance management dashboard to monitor the execution and enhance accountability of sub-national funds. It is one of more than half of the African countries developing an INFF which are taking steps to strengthen fiscal autonomy at the subnational level.

As a growing number of countries face rising debt costs and questions of sustainability, there is an increasing concern and focus on debt. Thirty-four countries are taking forward reforms related to SDG-aligned debt instruments. Where existing debt positions allow, some are establishing new instruments that increase access to capital.

Other countries are scoping and bringing in changes designed to refinance and restructure parts of their debt

portfolio, to lower costs and improve sustainability. **Uzbekistan**, for example, [issued an \\$870 million SDG bond in 2021](#), mobilising resources for seven SDGs. **Cabo Verde** launched [the Blu-X platform, the world's first blue economy sustainable financing platform](#), and issued a social bond in 2021 bringing together 22 municipalities for the country's first grouped bond issuance. **Lao PDR, Kyrgyzstan** and **Mongolia** are conducting feasibility studies on debt for nature swaps.

Twenty-three countries are taking forward domestic revenue reforms, connecting with medium-term revenue strategies and tax policy and administration. Some are concerned with SDG-aligned revenue mobilisation.

Eswatini, for example, is developing a medium-term revenue strategy based on a comprehensive assessment of tax forecasts, policy costs and simulations, analysis of the informal sector, tax evasion and legislation on carbon tax.

Fifteen other countries developing an INFF have or are formulating an MTRS.^{viii} **Cambodia** is building local capacity in transfer pricing audits and **Malawi** is using electronic fiscal devices to monitor and improve tax compliance, particularly in the informal sector.

Other countries are aligning tax policy with the sustainable, social and economic dimensions of national development plans. **Gabon**, for example, is developing a green tax framework, including taxes on carbon and the use of energy-intensive technologies, incentives for green

investments and green financing instruments, in line with the “Green Gabon” pillar of the national Strategic plan.

Kyrgyzstan has introduced changes to its tax code linking tax incentives to sustainable development to promote effectiveness across incentives worth around 5% of GDP (\$380 million), and will monitor this through a new annual review process.

Ten countries are taking forward reforms related to enhancing efficiency of development cooperation. **Malawi**, for example, is developing a Development Cooperation Information Management System to monitor donor flows for the MTEF. **Bangladesh’s** financing strategy is designed to support LDC graduation and includes planning for reduction in development assistance flows in the overall financing landscape.

SDG-aligned private finance

Private finance plays a decisive role in national development paths. Therefore, there is and needs to be a larger focus on channelling private financing towards the SDGs, across financial markets, fintech and insurance, commercial and impact investment, and the business environment, as well as remittances, philanthropy and faith-based financing and other areas.

Twenty-five countries are taking forward reforms related to commercial banking, capital markets, insurance, fintech and digital finance and MSME financing.

For example, in **Mongolia**, the stock exchange approved the new disclosure and transparency regulations including requirements for ESG related disclosure and published relevant ESG reporting guidance in April 2022. It is designed to help align the operations of over 200 private companies, a USD 2 billion market capitalisation, with sustainability principles and catalyse private sector financing for sustainable development. The Mongolian Stock Exchange has provided for waivers from the listing criteria and discounts for the listing fee for the companies that are raising capital for projects in line with Green or SDG finance taxonomy.

Azerbaijan, Bhutan and others are also implementing ESG reporting standards. Some countries are already going beyond the conventional ESG criteria towards mobilising capital with positive SDG impact. **Jordan**, for example, has adopted Impact Measurement and Management Standards for the top-20 companies listed at the Amman Stock Exchange.

Fifty-five countries are taking forward reforms related to SDG-aligned investment and creating enabling environment for such investments. 34 countries are systematically mapping SDG-aligned investment opportunity areas that are commercially-viable and catalytic for SDG progress.^{ix}

Close to 350 of these SDG-aligned investment opportunity areas have been identified, with the food and beverages, infrastructure, renewable energy, healthcare and education sectors the most common across countries.^x Countries are

promoting these SDG-aligned opportunity areas and putting in place initiatives such as accelerator programmes to connect investors with enterprises.

For example, **Colombia** launched the Colombia Growth Stage Impact Ventures programme in 2021 to identify and support investment-ready enterprises in specific sectors identified as catalytic for national sustainable development priorities, representing USD 20 million in investment opportunities.

There is a need for a larger focus on the role of financial regulators in accelerating the private sector transition towards sustainability. While many private sector companies are aligning their business operations with sustainability principles, and investors are looking for SDG-aligned investment opportunities, systematic transformation is dependent on the regulatory stance and market infrastructure. Regulators in some more advanced economies are starting to regulate and build capacity in areas such as ESG-related misconduct, for example.^{xi}

Many countries developing INFFs are in the earlier stages of building capacity, standards and regulation in sustainability reporting and disclosure through the INFFs, though a growing number are taking forward the development of taxonomies (see monitoring and review section).

There are further opportunities that a few countries are starting to explore through their INFFs. Credit rating agencies, for example, have a significant role in channelling international capital and catalysing the transition towards

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The INFF brings forward a shared responsibility and national ownership. It provides a framework to streamline the financing ecosystem while leveraging new innovative financing.”

H.E. Suharso Monoarfa,
Minister of National Development
Planning, Republic of Indonesia



sustainability in both governments and private sector. Countries, such as **Cambodia**, are prioritising the building of capacity to engage with these agencies to improve their credit rating. New capacities will need to be developed in the future as sustainability is incorporated into international ratings.

Twelve countries are taking forward changes related to diaspora, philanthropic and faith-based financing, depending on the country-specific factors such as the religious context, traditions and the demographic mix of the population working abroad.

Timor-Leste, for example, has developed a diaspora engagement policy and is in the process of developing financial products, such as diaspora bonds, specifically for mobilising financing from the diaspora. **Sierra Leone** is also taking forward work to engage the diaspora in financing national sustainable development priorities. **Indonesia, Malaysia** and **Djibouti** are advancing reforms to realise the potential of faith-based financing

Public-private finance for the SDGs

Blended and public-private finance reforms account for 18% of the financing reforms prioritised for immediate action. Twenty-seven countries are taking forward public-private and blended finance reforms, with a large diversity in scope and areas of focus across countries.

For example, **Malawi** has launched the Build Malawi fund that targets the mobilisation of \$35 million to invest in 50 businesses. It aims to create jobs among SMEs by integrating small-scale producers into investee supply chains.

In **Rwanda**, private insurance providers, investors and the government are working on a blended finance scheme to provide affordable insurance to farmers, while in **Ghana** the government is developing a blended finance strategy for subnational development priorities in line with the locally-led approach to adopting the INFF.

Mongolia has drafted a new PPPs law, which is under discussion at the Parliament. The new law provides for different modalities for PPPs in line with international standards and enable the transition from public resource intensive PPP model to one where more private resources are leveraged. **Lao PDR** is also conducting a similar review on their PPPs policy.

Collectively these changes being set out within financing strategies, alongside others that will follow, add up to a significant pipeline of reforms. Within a challenging context, these reforms target ambitious objectives for mobilising and aligning public and private investment with the SDGs, to build a more sustainable financing architecture at the country level. Given their technical complexity, many countries are interested in learning from one another and accessing technical support to implement specific activities and build the necessary capacity.

Financing the climate agenda

At COP26 in Glasgow last year, 153 countries put forward new 2030 emissions targets through nationally determined contributions (NDCs). Finance was one of the four action areas of the summit with various commitments made for international support for climate finance.^{xii}

As countries turn to domestic implementation of their NDCs, a growing number are connecting their climate commitments with their INFF.

Realising NDCs will require investment from a range of public and private sources. With their focus across the three dimensions of sustainable development, financing strategies can provide a platform to strengthen financing for NDCs. Within this broad focus, thirteen countries are addressing priorities for mobilising and aligning finance with NDCs in their financing strategies and in sixteen NDCs are prioritised in the national plan that the financing strategy supports. With growing interest from other countries, these numbers are expected to grow over time.

Gabon, for example, adopted “Green Gabon” as a central pillar for its Strategic plan and is developing a green tax framework, including taxes on carbon and the use of energy-intensive technologies, as well as incentives for green investments and green financing instruments, such as ESG bonds.

The **Maldives** is costing its NDC through the INFF process, and has focused on climate within the development finance

assessment that will inform its financing strategy. Half of the African countries that have carried out a DFA used it to explore green sensitive tax reforms within the process, in areas such as the introduction of new green taxes and green investment incentives, green audits of existing exemptions or the removal of fuel subsidies.^{xiii}

Cambodia has included the introduction of green financial instruments in its economic recovery plan, and the INFF is laying the foundation for the issuance of green and SDG bonds that can link financial resources with climate-resilient projects.

Other countries are developing a dedicated climate financing strategy within the frame of an INFF. In **Bangladesh**, the INFF will support implementation of the 8th Five Year Plan. Within that broad scope, the country is developing a financing strategy on SDG 13 (Climate Action) alongside others on energy (SDG 7) and water and sanitation (SDG 6). The strategy will address the financing needs and options in relation to the NDC and Bangladesh Climate Change Strategy and Action Plan.

The Inter-Agency Task Force on Financing for Development, led by the UN Department of Economic and Social Affairs (UN DESA), is developing technical guidance on mainstreaming climate objectives within INFFs to be released later this year.

Monitoring and review

More than 50 countries are strengthening systems to monitor public and private financing for sustainable development.

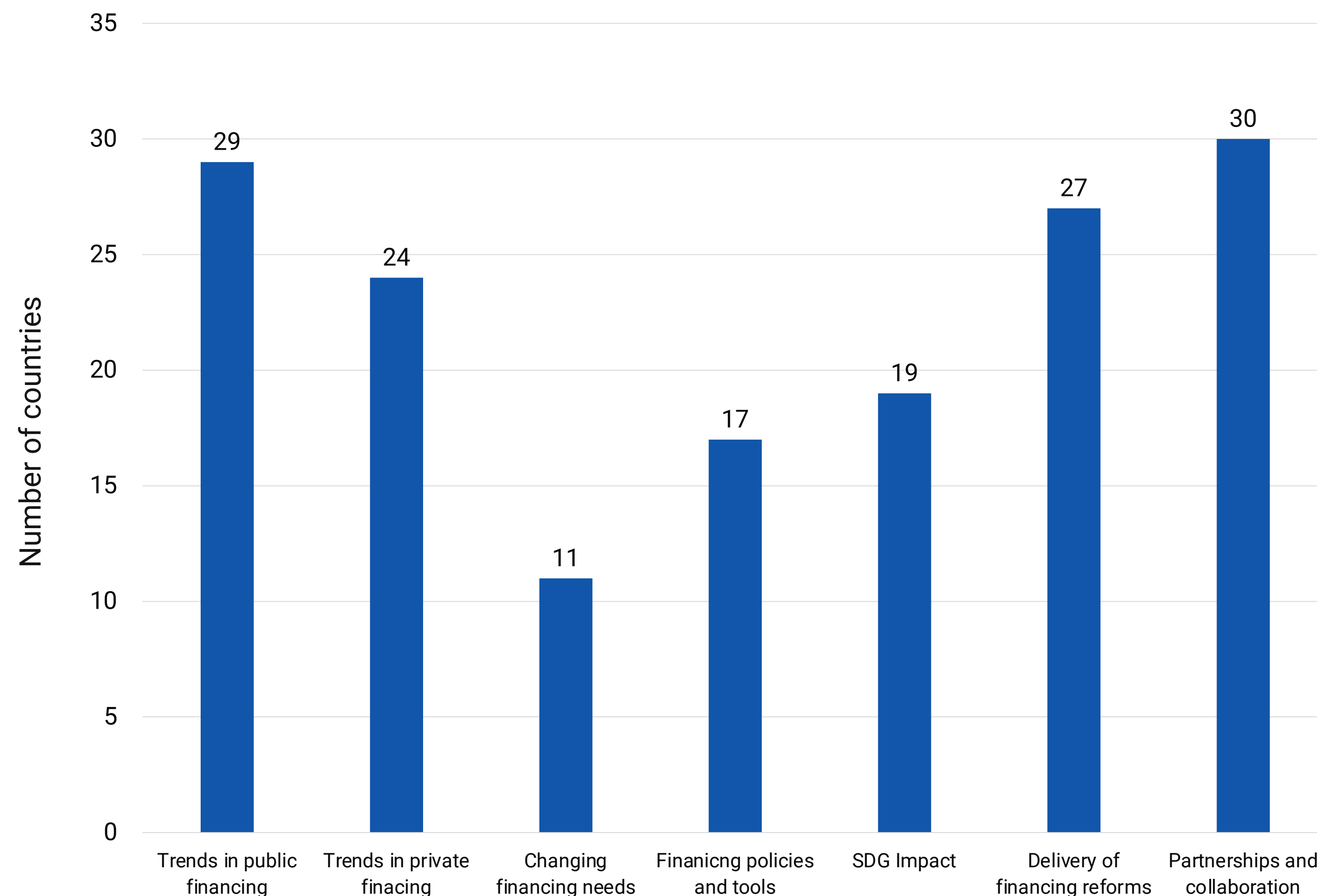
Monitoring is an essential foundation for understanding and enhancing the contribution of finance for sustainable development. As the first financing strategies are under development there is a growing focus on how to operationalise monitoring frameworks to support their effective delivery.

More than 50 countries plan to strengthen different aspects of monitoring systems (Figure 12), and thirteen countries are already implementing changes.

Twenty-nine countries will make improvements to systems for tracking and understanding the impact of public finance. The **Philippines**, for example, has [established processes for tracking public expenditure on child-focused spending at the sub-national level](#).

FIGURE 12

The focus of emerging INFF monitoring systems



Cambodia, Timor-Leste and others are focused on SDG budget tagging while **Nepal** is strengthening capacity to tag budgets at the sub-national level.

In **Armenia**, the Ministry of Finance has introduced SDG indicators within the budget process so that allocations across budget proposals and budget lines can be monitored in relation to the SDGs. Such tagging systems facilitate decision-making and planning, inform the delivery of larger financing strategies, facilitate transparency and reporting, and can provide a platform for project selection for thematic bonds.

Twenty-four countries are strengthening systems for monitoring private financing and its contributions to sustainable development priorities. **Mongolia, Namibia** and other countries are establishing SDG finance taxonomies that will track the portfolios and allocations of financing by financial institutions in relation to sustainable development priorities.

Bangladesh has developed a tool to measure the private sector's impact and contributions toward SDGs and national priority indicators and [measured the contributions of more 47 Ready-Made Garments factories to the SDGs](#). And in **Colombia**, more than 300 companies are submitting data to the SDG corporate tracker.

In **Uruguay, Ghana** and other countries, companies are strengthening their impact management and measurement capacity. **Azerbaijan, Bhutan** and others are introducing sustainability or ESG reporting guidelines to monitor and

report contributions to sustainable development by public and private sector actors.

Other countries are taking forward changes to systems that monitor partnerships and collaboration, the delivery of financing reforms through the financing strategy and impact of financing policies and tools, or changes in financing needs over time.

These changes and additions to existing monitoring systems have been prioritised within INFF processes – but may remain disparate from one other. As financing strategies develop, an increasing number of countries are starting to look at how to bring them together in a more integrated manner.

In **Uzbekistan**, for example, work has been carried out to map budgetary expenditure in relation to the SDGs and Green Budgeting, and changes are now being made to tag relevant expenditure within the budget process. The Ministry of Finance is taking forward work to map tax incentives relative to the SDGs (following similar work in neighbouring **Kyrgyzstan** as part of their INFF process). By doing so, the ministry will be able to present a more complete picture on government's response towards the SDGs across both tax and expenditure policies. Moreover, last year SDG bonds were issued to raise private capital to fund public investment in seven SDGs, and green bond issuance is currently being discussed with partners.

As these initiatives are established the aim is to harmonise tracking across these key finance flows in relation to the

SDGs, to inform policymaking in each area. In this way, Uzbekistan is spearheading the development of a comprehensive presentation of the alignment of public finance with SDGs.

As financing strategies are developed it will be important to bring together the monitoring systems at the country level – for budget coding and tagging, monitoring the proceeds of thematic bond issuances, tracking private finance through SDG taxonomies, corporate SDG reporting and others – together in a harmonised way that enables tracking of finance and its impact across the financing landscape.

“

The number and scope of INFF-driven reforms presents an unmissable opportunity to accelerate financing towards achieving the SDGs.”

Jutta Urpilainen,
MEU Commissioner for
International Partnerships



Partnerships

INFFs are country-led frameworks though with a large and growing pipeline of policy reforms being identified and taken forward through financing strategies, there is high and growing demand to access technical support from partners, and to share experiences between countries.

An increasing number of international partners are more actively engaged in supporting country-led INFFs. More than twenty UN agencies are engaged at the country level alongside international financial institutions (see below) and a growing range of bilateral partners. In October 2021, G20 Leaders endorsed the [G20 Framework of voluntary support to INFFs](#), covering five areas including promoting

knowledge exchange, technical assistance and training for INFFs; aligning international support for country-led INFFs; and engaging G20 member domestic constituencies to support country-led INFFs.

In April 2022, UNDP, UN DESA, the OECD, European Union, Italy and Sweden launched the INFF Facility. The Facility brokers support in response to country demand for technical assistance; deepens cooperation between public, private, and civil society actors; and provides a platform for exchange and access to innovative tools, knowledge and guidance.

International financial institutions and INFFs

International Financial Institutions (IFIs) play an important role supporting governments on financing issues in many contexts through the provision of technical assistance, knowledge products and access to finance.

IFIs are increasingly actively supporting INFF processes in more than 50 countries through a variety of mechanisms, from participation as members of INFF oversight committees to engagement in financing dialogue processes. They are feeding in technical inputs to INFF processes through SDG costing assessments, public expenditure and financial accountability (PEFA) processes, public expenditure reviews and various other assessments. And they are providing joint technical assistance in an increasing number of settings, covering issues such as public financial management, financial regulation, debt instruments and other priorities identified through INFFs.

The World Bank is engaged in INFF processes in more than 40 countries, including **Tunisia** where they co-hosted financing dialogues as part of the INFF process. The IMF is engaged in INFFs in more than 25 countries and participates alongside the EU, UNDP and UN DESA in regular country-focused dialogues to coordinate technical assistance and capacity development. Other IFIs, including the Asian Development Bank, Islamic Development Bank and African Development Bank, are engaged in INFFs in more than 30 countries.

Looking ahead

INFF activity will grow over the next 12 months.

Around forty countries are expected to develop and begin implementing their financing strategy. Governments will use these strategies to navigate toward a more sustainable financing architecture, contributing toward inclusive, sustainable recovery and accelerated SDG progress. With so many countries developing new financing strategies at similar times, it is important for countries to learn from one another and exchange their experiences, innovations, challenges and successes.

Many countries have institutionalised the INFF approach within structures that bring together a wider constituency of public and private stakeholders. As governments design and implement financing strategies, it is critical to ensure and deepen the engagement of civil society, private sector, parliamentarians and other actors, and to deliver financing strategies with transparency and accountability.

Many of the more than 250 reforms will be implemented in the coming year. If delivered successfully, these changes to financing policies, instruments, institutions and governance at the country level will unlock significant new flows of finance and generate sustainable development impacts over the medium-term. Yet, these are ambitious and technically complex reforms that will require innovations and new and strengthened capacities.

As financing strategies and reforms are developed and delivered, a growing number of countries will use their INFF to strengthen financing for specific agendas. This includes financing for just transition, nationally determined contributions to the Paris Agreement (with particular relevance for the upcoming COP27 in Egypt), financing for social policy and other priorities.

As INFFs are taken forward across these areas, there is high demand from countries to learn from each other, to build new partnerships and to be able to access the technical expertise that will deliver financing solutions tailored to country contexts.

The INFF Facility, a joint endeavour of UNDP, UN DESA, the OECD, European Union, Italy and Sweden, was launched at the 2022 Financing for Development Forum^{xiv} to respond to this demand. The Facility provides a vehicle for brokering the demand and supply of technical support, strengthening partnerships and facilitating exchanges between countries regionally and globally.

Interest from IFIs, G20 members and other international partners in supporting country-led INFFs is growing. It is important to further crystallise this interest through assistance that responds to country demand.

The Inter-agency Task Force on Financing for Development will build on its existing INFF methodological guidance and publish deep-dive guidance on topics, including climate and the “leave no-one behind” agenda, to help countries apply the INFF approach in these areas.

As countries continue their INFF journey, the INFF Facility will track progress and encourage the growing INFF community of practice to learn, connect and share with one another.

For more information on INFFs, please reach out to the INFF Facility via the [INFF Knowledge Platform](#) or contact [Tim Strawson](#), SDG Finance Specialist at the INFF Facility Secretariat.

Annex A.

Survey questions and responses

The data presented in this report is taken primarily from the INFF survey conducted in the first half of 2022. Responses were submitted by UNDP country offices to a survey including 50 questions on the status, focus, approach and future plans for the INFF within each country context. Many were multiple choice questions.

The full survey questionnaire can be found on the [INFF Knowledge Platform](#). Responses were submitted for 86 countries. The specific questions and number of responses received for the data displayed in each of the figures in this report are as follows:

Figure 3. The question asked was ‘Who are the members of the INFF oversight committee?’ Responses were received for 55 countries.

Figure 4. The question asked was ‘Who is/are the chair(s) of the INFF oversight committee?’ Responses were received for 55 countries.

Figure 5. The question asked was ‘What is the scope of private sector engagement in developing the financing strategy?’ Responses were received for 36 countries.

Figure 6. The question asked was ‘Are any costing or financing need assessments being used during the process of operationalising the INFF?’ Responses were received for 68 countries.

Figure 7. The question asked was ‘Has an INFF roadmap been agreed?’ Responses were received for 75 countries.

Figure 8. The question asked was ‘How will the financing strategy differ from earlier approaches toward financing the national plan?’ Responses were received for 64 countries.

Figure 9. The question asked was ‘What national development plan(s) is the financing strategy designed to support?’ Responses were received for 44 countries.

Figure 11. The data displayed shows responses to two survey questions: ‘What financing reforms are currently ongoing or will be implemented in the short term?’ and ‘What financing reforms are envisaged in the medium-long term in the financing strategy?’ Multiple options were selected for each by each country. Responses were received for 59 countries and 46 countries respectively.

Figure 12. The question asked was ‘How will the implementation of the INFF be monitored?’ Multiple options were selected for each by each country. Responses were received for 77 countries.

Footnotes

ⁱ IATF, 2022, Financing for Sustainable Development Report. <https://developmentfinance.un.org/fsdr2022>

ⁱⁱ Chimhowu, A., Hulme, D., Munro, L., 2019, The 'New' national development planning and global development goals: Processes and partnerships, World Development Journal. <https://www.sciencedirect.com/science/article/pii/S0305750X19300713>

This research reviewed 107 national development plans and found that 79 had no specific costing and only 29 plans explained how they would be financed..

ⁱⁱⁱ Addis Ababa Action Agenda, 2015. <https://www.un.org/development/desa/financing/document/addis-ababa-action-agenda>

^{iv} Focusing on sustainable finance instruments, budgeting for SDGs, blended finance/PPPs and localisation of SDGs within the public finance dialogue; and ESG, industry 4.0, SMEs and Islamic finance within the private finance dialogue.

^v Including multiplicative factor analysis, poverty gap analysis, Incremental Capital-Output Ratio (ICOR) analysis, investment requirements for certain sectors and current budget for some programmes as the base for the cost estimation with consideration for scaling up.

^{vi} Development Finance Assessment Guidebook. <https://inff.org/resource/development-finance-assessment-guidebook>

^{vii} The IATF guidance on financing strategies highlights how some countries may wish to better tie together existing strategies and documents and link them to national sustainable development strategies or plans without formalising this within a centralised document. <https://inff.org/report/financing-strategy-report>, page 16.

^{viii} <https://www.tax-platform.org/medium-term-revenue-strategy/countries>

^{ix} Many are using the SDG investor map tool to carry out this process. <https://sdginvestorplatform.undp.org/>

^x See the forthcoming G20 INFF Sustainable investment stocktake for further details.

^{xi} For example, in March 2021, the Securities and Exchange Commission in the U.S established the Climate and ESG Task Force in the Division of Enforcement, to develop initiatives to proactively identify ESG-related misconduct. This is an example of regulatory involvement in having companies and asset managers not only report on their sustainability, but also ensuring that the reporting is a true representation.

^{xii} COP26 The Glasgow Climate Pact, available at <https://ukcop26.org/wp-content/uploads/2021/11/COP26-Presidency-Outcomes-The-Climate-Pact.pdf>

^{xiii} Review of development finance assessments in Africa, forthcoming.

^{xiv} <https://inff.org/event/financing-the-future-we-want-the-official-launch-of-the-inff-facility>

Thank you.

For more information, visit www.inff.org

