



Sustainable Finance

Integrated National Finance Frameworks and Portfolios

GLOBAL CONTEXT

Global total net wealth grew again in 2021 to an unprecedented \$431 trillion.¹ And yet the majority of the developing world saw significant increases in their debt burden as borrowing increased to cover significant financial losses from the pandemic. The world's low-income countries borrowing levels increased by 12% to a record \$860 billion and external debt stocks of low- and middle-income countries combined rose 5.3% to \$8.7 trillion.² Whilst Foreign Direct Investment (FDI) picked up with flows increasing in developing countries to a total of \$427 billion in the 1st half of 2021, the pandemic saw FDI reduce significantly in more vulnerable economies: FDI flows to small island developing states (SIDS) fell by 40%, and those to landlocked developing countries (LLDCs) by 31%,³ leading to an uneven rebound.

The pandemic has increased the annual SDG investment needs for developing countries to \$4.2 trillion.⁴ The recovery of SDG-aligned investment projects remains fragile. The total number of SDG-aligned projects fell by 6% in developing countries and by 50% in LDCs.⁵ In the meantime, investments in carbon intensive sectors continued to increase – by 2021, \$ 423 billion is being spent annually to subsidize fossil fuels, while the climate finance need continue to grow and our estimated at \$ 4.35 trillion.⁶ Over the course of the pandemic, it has become even more evident that the financial system is not fit for purpose in driving investment towards sustainable development and more resilient futures.

As a globally agreed metric of development goals, indicators and targets, the SDGs provide the framework to make decisions over investments that are driven by impact not by profit alone. The challenge is bringing SDGs into financial decision making more systematically. There are positive disruptions to the financial system, but they are still isolated, not at sufficient scale, and not accelerating fast enough. For example, in 2021 the combined labelled issuance of Green, Social, and Sustainability, Transition, and Sustainability-linked bonds reached \$767 billion⁷ and yet the size of the bond market was estimated to be at \$125 trillion worldwide.⁸ Sustainability linked bonds still only represent less than 1% of this. For countries the challenge is to put in place comprehensive risk-informed financing strategies for their national sustainable development

¹ BCG, "[Global Wealth 2021: When Clients take the lead](#)", June 2021.

² World Bank, "[Low-Income Country Debt Rises to Record \\$860 Billion in 2020](#)", October 2021.

³ UNCTAD, "[World Investment Report 2021: Investing in Sustainable Recovery](#)", June 2021.

⁴ OECD, "[Global Outlook on Financing for Sustainable Development 2021: A New Way to Invest for People and Planet](#)", November 2020.

⁵ UNCTAD, "[Investment Trends Monitor](#)", October 2021.

⁶ Climate Policy Initiative, "[Global Landscape of Climate Finance 2021](#)", 2021.

⁷ Climate Bonds Initiative, "[2021 Already a Record Year for Green Finance with over \\$350bn Issued!](#)", November 2021.

⁸ SIFMA, "[SIFMA Research Quarterly – 4Q21](#)", January 2022.

strategies looking across all sources of finance, public and private, international and domestic. These will require measures both to leverage new sources of finance from public and private sources as well as initiatives to better align investment with their sustainable development priorities.

UNDP'S COMPARATIVE ADVANTAGE

The UNDP's Strategic Plan (2022-25) identifies development financing as an enabler to scale up development impact and has also articulated a moonshot to promote the investment of over \$1 trillion of public expenditure and private capital in the SDGs[1]. As stated in UNDP's Strategic Plan, "leveraging finance at scale includes working with partners to take portfolio approaches aimed at longer-term, transformative goals and brokering stronger public-private collaboration."

Unlike financial institutions, UNDP is not primarily engaged with financial transactions but can provide advice on how sustainable development can be integrated into financial transactions. This provides a niche for UNDP's role on finance as a neutral player with in-house development expertise and access to partners and knowledge that can bring finance to sustainable development policy and programming. UNDP's engagements across governments, private sector and other partners uniquely places UNDP as an architect for the multistakeholder platforms necessary to leverage and align finance at the scale necessary to deliver on the SDGs.

UNDP has a unique offering to countries as they use the INFF approach to meet the challenges of financing recovery and national sustainable development priorities. UNDP is positioned as the lead technical advisor supporting governments to develop INFFs in more than 70 contexts and convening partners technically in support of these country-led processes. UNDP is a trusted neutral advisor, offering policy services and support that are not connected with loans, debt issuances or other transactions. As a custodian of the SDGs, UNDP offers a context-specific range of interventions in every country through the six signature solutions and can help governments to connect and strengthen financing for environmental, gender equality, governance and other priorities. UNDP can provide countries access to a uniquely comprehensive package of services across public and private financing for sustainable development through the Sustainable Finance Hub (SFH). SFH offers solutions across four service areas and twenty-three competencies covering SDG-aligned financing in tax, budgeting, debt, risk finance, insurance, blended finance, commercial investment, financial inclusion, business operations, digital finance, fintech and other areas. These can both inform the design of INFFs and provide practical responses to the priorities that are raised through INFF processes. UNDP's integrator role and partnerships means we can broker access to the services of our partners beyond our areas of direct engagement.

SERVICE LINES

This service offer is framed around four key services that country offices can access as they support governments in (i) designing integrated national financing frameworks and (ii) delivering risk-informed financing strategies, and (iii) building country office SDG finance portfolios; (iv) accessing knowledge and expertise through the INFF Facility.

1. Designing integrated national financing frameworks

INFFs are a country-led approach, designed to help governments and partners finance national sustainable development priorities through national institutions. The process of operationalizing an INFF brings together a wide range of existing public and private policies, actors across the public and private sectors, and institutionalizes the approach within the systems and processes used to connect planning and financing. UNDP provides technical leadership in support to governments as they design the INFF within the national context, working closely with and engaging other partners. The emphasis in the design stage of the process, and through the services that UNDP offers, is on building understanding and consensus, institutionalizing the approach and agreeing among stakeholders how the INFF will be adopted nationally and the steps that will be taken to do so. UNDP offers a range of services to support the design of INFFs:

- **The Development finance assessment (DFA)** is a tool to shape the inception phase of the INFF process which has been used by more than 60 countries.⁹ It carries out a comprehensive mapping of the financing landscape, tracking trends and the outlook for public and private finance and their contributions toward sustainable development outcomes. It assesses the policies and institutions that govern these flows and their alignment with the economic, social and sustainable dimensions of the national sustainable development plan. This analysis provides the basis for a series of financing dialogues (see below), leading ultimately to the agreement of an INFF Roadmap.
- **UNDP facilitates Financing dialogues**, either through a DFA process or as a standalone series, designed to facilitate the agreement of an INFF Roadmap. Financing dialogues bring together the policymakers responsible for each area of public and private financing policy with private and non-state stakeholders. Under government leadership they are designed to shape how the INFF approach will be taken forward nationally, culminating in the agreement of an INFF Roadmap.
- **Technical support for risk-informed financing strategy design** is offered as governments articulate a financing strategy and the reforms to financing policy, regulation, instruments and processes that it sets out. UNDP provides technical expert support with research, drafting and dialogue as a risk-informed financing strategy is articulated, provides independent expert review using the lens of a financing strategy review checklist, facilitates peer review and provides other technical inputs and backstopping for technical teams.

The substantive analysis, advice and inputs provided through these services are closely connected with other SFH solutions and wider implementation of UNDP's signature solutions within the country context. Where other SFH assessments and dialogues have been undertaken, or ongoing, the analysis, narrative and recommendations will be incorporated within the DFA, brought into financing dialogues and/or considered as the financing strategy is developed. This includes, for example, the outcomes of tax diagnostics, public expenditure and institutional reviews, insurance diagnostics and risk finance diagnostics, SDG investor maps, debt sustainability diagnostics, digital finance ecosystem assessments and other solutions. Similarly, entry points for deeper dives into these and other SFH solutions will be brought into the analysis developed through a DFA, discussions facilitated through the Financing dialogues and issues prioritized through a financing strategy relate wherever relevant. DFAs, financing dialogues and financing strategies will also connect with implementation of UNDP's wider signature solutions at the country level where relevant, in response to government guidance. This can include, for example, bringing analysis about financing for gender equality into a DFA, facilitating dialogue on governance of financing or shaping reforms to finance NDC implementation within a financing strategy.

Country offices can draw on support from the **INFF Facility** to deliver these services (see below).

2. Delivering risk-informed financing strategies

Financing strategies are a national articulation of a country's financing priorities. They set out the changes that the government and partners will make to mobilise and align, and strengthen the governance of, financing for national sustainable development priorities. UNDP provides technical leadership to governments as they deliver financing strategies. The emphasis is on supporting governments to deliver specific changes, to policies, regulations, instruments and processes, prioritized by the government in its financing strategy. UNDP offers a range of core services to support delivery of a financing strategy, which are closely connected with other solutions across SFH:

- **UNDP provides embedded experts** to Ministries of Finance and other ministries involved in leading the INFF process at the country level, sometimes housed within an INFF secretariat. These experts support their host ministry with capacity building and strengthen a range of processes and systems that will be used as the financing strategy is delivered.

⁹ In some countries the DFA is known as an INFF assessment. DFAs are used by most countries to shape the inception phase of an INFF, though in some contexts it is being used to explore the INFF approach and help the government to decide whether to pursue it.

- **UNDP provides targeted technical assistance to deliver financing reforms** as prioritised through a risk-informed financing strategy. This support provides a flexible response to national priorities, drawing down technical assistance across a range of public and private financing policy areas, connecting and utilising SFH solutions where relevant.
- **More than 30 countries developing an INFF are institutionalising public-private financing dialogue platforms.** UNDP provides technical assistance to establish these platforms, or to broaden the scope of an existing platform in order to host financing dialogues. This support includes technical assistance, analytical and facilitation support, and stakeholder/platform mapping support.
- **UNDP supports the aggregation and creation of Financing strategy monitoring frameworks** that can both track public and private flows and their contribution toward sustainable development outcomes more effectively, and monitor the delivery of financing reforms and their impacts. Through targeted technical assistance UNDP helps government bring together the data that exists across the national statistical and administrative information systems to strengthen government's monitoring, management and reporting on financing for sustainable development nationally. This includes support for the establishment of integrated financing dashboards.

The technical inputs, advice and assistance offered through these services are closely connected with other SFH solutions and wider implementation of UNDP's signature solutions within the country context. As the priorities set out in the financing strategy are taken forward, this will create entry points for services including SDG budgeting; climate, gender and SDG budget tagging; citizen's budget reports; tax for SDGs; thematic debt instruments; innovative debt swaps; risk modelling; risk finance solutions; inclusive insurance products; insurance market and risk finance regulatory reforms; SDG investor maps; de-risking investment; investor convenings; crowdsourcing low carbon infrastructure investment; stock exchanges for SME finance; IMM training; innovation journeys; SDG corporate tracker; SDG impact standards; connecting business initiative; innovative digital financing instruments and others.

Country offices can draw on support from the **INFF Facility** to deliver these services (see below).

3. Building Country Office SDG finance portfolios

Many country offices have accessed services and are seen as experts in specific financing policy areas or issues. As they support governments to design and deliver INFFs, they can build portfolios that move beyond these narrow areas of expertise to strengthen their position as trusted advisors on SDG finance as a whole. In contexts where the government is not yet developing an INFF, building a portfolio of services across SDG financing can help the government to see the value of an integrated, comprehensive approach on financing. Country offices can leverage many of the solutions listed in service 1 and 2 to identify and help them take steps to build broader portfolios, alongside dedicated tools:

- **Portfolio sensemaking** helps country offices take a 'balcony view' of the services and engagements on financing within their existing portfolio to leverage the connections, spillovers and further opportunities that can be built from them. They help country offices to place these individual offerings within a larger narrative that speaks to the need and opportunities for building an integrated approach of public and private financing for sustainable development.
- **Country offices can use SFH expert panel reviews** to help them to identify and position individual products as connecting with and creating entry points for other services. This can apply to services such as development finance assessments, SDG investor maps, risk modelling and many others. As these products reach the point where findings and key recommendations are being shaped, they can be presented to experts in the other SFH solution areas. These experts will offer advice about questions that can be asked, a narrative that can be shaped and recommendations that can be made within the existing product which would allow exploration of another offering.
- **INFF training** helps country offices to understand, position and pitch the INFF approach within the national context, in conjunction with SFH services in specific areas of financing and signature solutions such as gender equality and environment. Training is delivered in conjunction with the SDG Finance Academy.

4. Accessing knowledge and expertise through the INFF Facility

INFFs are a relatively new approach which many countries are adopting in parallel. As these countries use INFFs to address common challenges and opportunities, and as they develop new innovations in public and private financing, there is much appetite to share with and learn from one another. The INFF Facility brings together UNDP, UNDESA, the OECD, EU, Sweden and Italy to respond to country demand for technical support and exchange on INFFs. Through various windows it provides access to technical support, country exchange and methodological guidance.

- The **inff.org knowledge platform** provides a forum for countries to share, learn and connect with the growing INFF community of practice. It hosts country and methodological resources, news stories and updates from the country level. It allows governments and country offices to access technical guidance and understand INFF experiences in other contexts that can inspire and inform the approach taken within the national context.
- UNDP conducts an annual **INFF survey** to understand how countries are taking forward the INFF approach and the progress and outcomes being generated. This informs the **INFF Dashboard**, hosted on the inff.org knowledge platform, where countries can find information on how their neighbours and other countries are advancing with their INFF and the mix of financing solutions and services they are using.
- **INFF Exchanges** bring together policymakers, practitioners and other INFF stakeholders across countries to share their experiences and insights on various aspects of INFFs, and to learn from one another. A recent INFF Exchange on Unpacking financing strategies, for example, was attended by over 180 people from 69 countries. Regional INFF training brings together policymakers and practitioners for more in-depth training on INFFs and specific topics within them. More than 1,300 participants attended three regional trainings in 2021.

KEY DELIVERABLES / SUCCESSES OF THE CURRENT PORTFOLIO:

1. Countries are supported to adopt the INFF approach, as evidenced by the launch of financing strategies in all developing countries by 2025
2. Countries are supported to deliver a wide range of reforms to policy for public and private financing for sustainable development through their financing strategies
3. UNDP facilitates exchanges between policymakers and practitioners across country contexts, who share learning and experiences, and incorporate these lessons into their own country processes
4. UNDP country offices are positioned as trusted advisors on SDG financing
5. INFF processes and financing strategies create entry points for a wide range of SFH services

DEMAND-ANALYSIS

Demand is monitored through a combination of regular consultation with regional SDG Financing Advisors and country offices as well as periodic surveys, notably the annual INFF survey, and questionnaires used during regular global and regional webinars. In addition, STARS ROAR analyses, coordination meetings with thematic focal points, inter-agency meetings, meeting with donors and partners and direct consultations and meetings with UN Agencies and partners are used to ascertain demand.

PARTNERSHIPS

UNDP country offices work with more than 20 other UN agencies to support governments as they develop INFFs and deliver diverse public and private SDG-aligned financing solutions – as well as the European Union, Sweden, Italy, Germany, IMF, World Bank, and other MDBs including the Asian Development Bank and Islamic Development Bank, among others. The INFF Facility is a joint endeavour with UNDESA and OECD as well as support from EU, Italy and Sweden. The UN Joint SDG Fund has provides support to many countries in initiating INFFs. UNDP works closely with UN DESA, UNICEF, OECD, EU as well as many other partners including the International Monetary Fund and other International Finance Institutions in supporting Integrated National Financing Frameworks.

CONTACT POINTS:

INFF Facility global: Tim Strawson tim.strawson@undp.org; Enkhzul Dambajantsan enkhzul.dambajantsan@undp.org; Lucy Evelynn Martin lucy.evelynn.martin@undp.org

Risk-informed INFFs: Jan Kellett jan.kellett@undp.org

Regional SDG Financing Advisors: RBLAC Nergis Gulasan nergis.gulasan@undp.org; RBA Orria Goni orria.goni@undp.org; RBAP Radhika Lal radhika.lal@undp.org; RBEC Suren Poghosyan suren.poghosyan@undp.org; RBAS Vito Intini vito.intini@undp.org