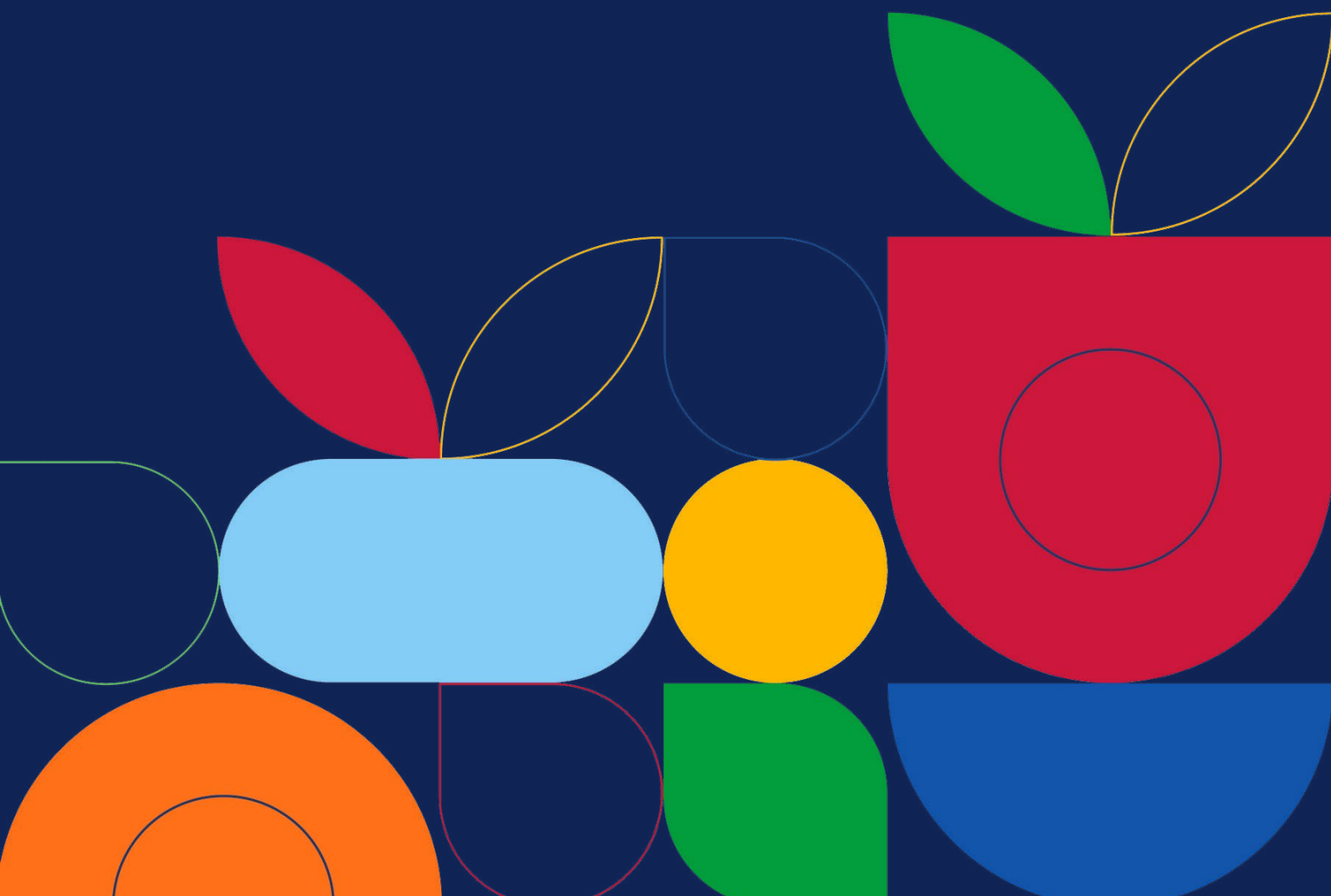


**BUILDING BLOCK 4**

Governance and Coordination

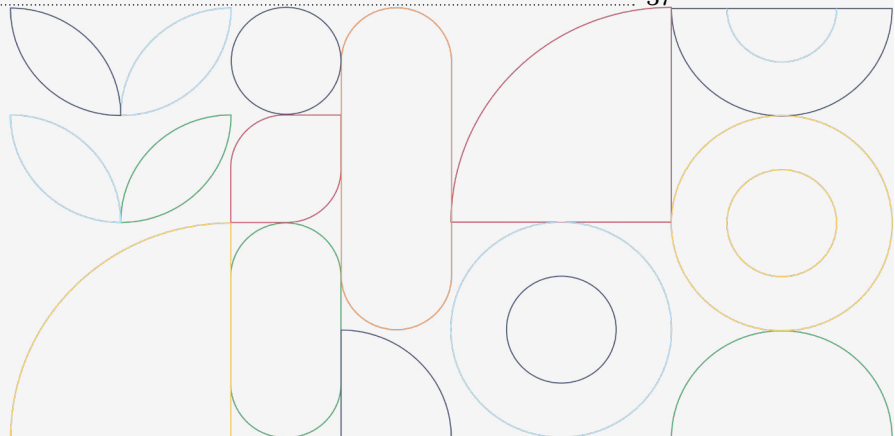
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Comments and feedback: developmentfinance@un.org



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1. Brief overview

The overarching goal of integrated national financing frameworks (INFFs) is to help countries **raise resources** for their national sustainable development objectives by **increasing the coherence of financing policies** – both across sectors and financing policy areas (horizontal synergies) and between financing and sustainable development priorities (vertical synergies). Enhancing this coherence depends on effective **‘INFF governance’**, i.e. the institutions and processes responsible for the formulation and implementation of financing policies.

What are the drivers of coherence? Three lessons consistently emerge from experiences in countries that have been developing INFFs, including the INFF ‘pioneer’ countries,¹ and from similar processes.

First, is the need for **strong political commitment**, complemented by **leadership at senior technical levels**. This will ensure ownership, broad-based buy-in and participation, adequate resourcing of INFF-related efforts, and help sustain momentum around the INFF across political cycles.

Second, **access to knowledge and incorporating the perspectives of relevant stakeholders** increases coherence and enables policy makers to incorporate the broad set of needs, priorities and interests necessary for an integrated approach to financing. This helps to ensure that policy makers have the data and information they need to make decisions, and that finance providers – both public and private – can be held to account.

Third, **coordination among different stakeholders**, both within government and between state and non-state actors, maximises synergies in the design and implementation of financing policies in different areas and at different levels, minimises risk, avoids the creation of new risk, and effectively addresses trade-offs or contradictions in policy mixes.

The institutions and processes that will facilitate the fulfilment of these functions will differ across countries, as governance arrangements tend to be deeply embedded in the history, traditions and politics of a society. In addition, coherence is a moving target, meaning that the appropriate level of ambition may change over time, and will differ depending on country contexts and what may (or may not) be already in place (see Section 5).

This guidance aims to support national stakeholders to better determine which **institutions and processes** can best **enhance coherence** and support successful implementation of INFFs, including how existing institutions can be strengthened, and where new structures may be needed (i.e., where there may be gaps), mindful of country contexts and capacities.



¹ At the 2019 United Nations General Assembly a group of 16 countries indicated their interest and commitment to pioneer the INFF approach. These are referred to as INFF ‘pioneer’ countries and include: Bangladesh, Burkina Faso, Cabo Verde, Colombia, Cote d’Ivoire, Ghana, Indonesia, Kenya, Kyrgyzstan, Namibia, Nigeria, Rwanda, Senegal, Timor-Leste, Uganda, Vietnam. Since then, several more countries have picked up the concept and currently there are approximately 70 countries working on the design and operationalisation of INFFs in their respective country contexts.

2. The value of governance and coordination

The institutional arrangements that support operationalization and management of an INFF are key drivers of its overall effectiveness. They determine the ability of an INFF to deliver a coherent, well-prioritised approach to financing national sustainable development that promotes inclusivity, sustainability, and resilience.

More specifically, robust governance and coordination can help countries:

- Establish and maintain the **political backing and leadership** required for the successful implementation of INFFs;
- Ensure **country ownership** and allow national governments to remain firmly in the driver seat of developing and implementing their financing strategies;
- Strengthen **intra-governmental collaboration** in the formulation and implementation of financing policies across different areas (e.g., public finance, private finance and investment, macroeconomic issues), both within central government and between central and local governments;
- Facilitate **participation** of, and generate **buy-in** from, all relevant state and non-state stakeholders, by ensuring that they are involved in all stages of the policymaking and implementation process;
- Strengthen **coordination with development partners** around nationally identified financing priorities or issues;
- Enhance **integration and coherence** across different financing policy areas (including development cooperation and private finance and investment), with a view to ensure that: consequences of financing policies outside the specific policy area, particularly for sustainable development outcomes, are considered; the creation of new risk is avoided; synergies are taken into account; trade-offs are managed; and duplication of effort is avoided;
- Overcome **silos** in existing approaches to estimating financing needs, identifying financing opportunities and challenges, and in designing and implementing financing policies in different areas.

3. Scope

The specific form of governance arrangements – i.e., relevant institutions² and processes³ – will vary across contexts. However, their functions will be common, in line with the fundamental purpose of INFFs – i.e., raising resources by increasing the coherence of financing policies.

The idea of coherent policymaking is not new: it has been addressed in public administration for decades, mostly under the concept of ‘coordination’, and in connection to development cooperation, as [‘policy coherence for](#)

[sustainable development’](#). Broadly, it can be defined as [policymaking that systematically considers the pursuit of multiple policy goals in a coordinated way, minimising trade-offs and contradictions, and maximising synergies](#). In the context of INFFs, coherent policymaking means considering policy goals across different financing policy areas (such as public finance, including development cooperation, private finance and investment, and macro-fiscal issues) and coherent financing of different sectoral priorities, addressing potential trade-offs and exploiting opportunities for win-wins.

² Institutions refer to relevant organizations/ bodies as well as rules/ norms/ codes of conduct.

³ Processes are defined as the actions taken by actors and institutions to achieve objectives of governance, including their communication and coordination efforts and means to arbitrate differences and come to agreements.

As illustrated in Figure 1, three key functions will enable coherence:

- **Commitment and leadership** from the top (both at the political and technical level) provides the overall vision and direction around which increased coherence can be pursued, and ensures ownership, broad-based buy-in and participation, sustained momentum over time (including across political cycles), and adequate resourcing of INFF-related efforts and activities.
- **Access to knowledge and perspectives** ensures that policy makers have the information they need to make decisions on the suitability of different financing policy options and their impact on sustainable development; that finance providers (public, private, national, international) can be held to account; and that the broad set of needs, priorities and interests that affect the success of INFFs are recognised and addressed.
- **Coordination** among different stakeholders (both within and beyond government) maximises synergies, reduces duplication, enables the management of trade-offs, and minimises contradictions or inconsistencies in the formulation and implementation of financing policies in different areas. Coordination among stakeholders is also critical to facilitate a coherent approach to financing that reduces risk across economic, social, and environmental systems and ensures that financing priorities and policies in one area do not create risk in another.

The appropriate level of ambition will depend on a country's circumstances, resources and capacities. Efforts should build on existing institutions and processes:

- INFFs are about financing **sustainable development priorities**; related governance arrangements should

FIGURE 1. DIMENSIONS AND FUNCTIONS OF INFF GOVERNANCE



build on what is already in place to guide and support SDG implementation, e.g., institutions and processes linked to national strategies and plans, and those used to undertake Voluntary National Reviews (VNR) for SDG implementation or to develop Nationally Determined Contributions (NDCs) to the UNFCCC;

- INFFs consider **all sources of finance**; related governance arrangements should build on and bring together the institutions and processes that govern the national budget and broader public financial management (such as budget preparation, procurement, and public investment), the alignment of private finance and investment (e.g. public-private dialogue platforms), development cooperation (e.g. development partners coordination forums), and broader economic governance arrangements (see Section 4 for more comprehensive overview of relevant institutions and processes);

- INFFs are about financing **at the country level**; related governance arrangements are primarily about national institutions and processes that can guide and support financing policy making and implementation (see Section 4). However, it is important to contextualise them within regional and global processes. Policy decisions or positions taken by countries in international negotiations should not undermine national efforts; similarly, domestic financing policy decisions should reflect international agreements. INFFs should thus draw on and include institutions and actors that lead such engagements.⁴

4. Relevant institutions and processes

No single institution can develop and sustain an INFF on its own, nor can a successful INFF rely on a single process to be implemented and managed over time. Integrated financing of national priorities requires bringing together a variety of stakeholders (both from within and outside government) and needs to be supported by a variety of processes (to guide policy formulation and implementation across different areas and facilitate information sharing and coordination among different stakeholders).

cooperation and alignment with sustainable development. Such rules and norms will differ across countries, but typically include: laws, decrees, rules, regulations and other statutory instruments, e.g., to determine mandates, roles and responsibilities of different stakeholders, including government entities, but also private actors; standards, such as investment standards in areas that impact sustainable development outcomes; codes of conduct and practice guides for civil servants providing guidance on how and when to work together across departments/ministries; and other more informal norms.

4.1. Suggested approach

Relevant institutions include the actors (entities/ bodies) listed in Table 1. They also include the rules, regulations, norms and codes of conduct that guide their actions and the relations between them, and that encourage

⁴ This is in line with the extension of the definition of 'policy coherence for sustainable development' (PCSD) by the OECD. See [CEPA strategy guidance note on Promotion of coherent policymaking, February 2021](#).

TABLE 1. RELEVANT ACTORS, POTENTIAL INFF ROLES AND TYPICAL CHALLENGES

ACTORS	POTENTIAL ROLES/ CONTRIBUTIONS	POTENTIAL CHALLENGES
GOVERNMENT		
Head of State/ Government	Provides high-level political leadership; custodian of overarching national priorities; ensures political buy-in.	Competing priorities; focus on achievements that can be recognized within electoral cycle.
Ministry of Planning	Articulates and coordinates implementation of national development plans based on political priorities.	May lack political clout and impact vis-à-vis line ministries; in some contexts, rivalry with Ministry of Finance.
Ministry of Finance	Allocates domestic public finance; costs policies and identifies financial needs; implements fiscal policies; sets and implements public revenue and expenditure strategies.	Lack of visibility on financing beyond on-budget resources.
Revenue Authority (if not within Ministry of Finance)	Oversees public revenue administration, including tax collection and administration; enforce revenue laws and regulations (e.g., customs); can represent a catalyst for revenue administration reform.	Limited capacity and resources; limited/ untimely data exchanges with other government entities, such as Ministry of Finance.
Central Bank	Oversees monetary policy and financial sector development.	Mandate often does not include link to sustainable development priorities.
National Public Development Bank(s)	Implements public investment programmes; can help catalyse private investment in specific sectors (including with support from DFIs/ MDBs).	Limited capacity and resources; governance challenges related to adequate levels of independence and accountability.
Ministry of Foreign Affairs	Engages with development partners; oversees inflows and outflows of development cooperation.	Limited coordination with Ministry of Finance; often limited capacity to consider financing-specific issues.
Line Ministries (e.g. infrastructure/ public works; education; health; environment/ natural resources)	Provide leadership and expertise on sector-specific outcomes and related resource requirements; develop regulatory frameworks; cost sectoral priorities.	Lack of political clout beyond specific sector; sectoral thinking.
Ministry of Local Government (or equivalent)	Supports and coordinates local governments; can facilitate engagement with local governments, including on financing issues and reforms.	Lack of political clout (especially in highly centralized systems); limited capacity and resources.

ACTORS	POTENTIAL ROLES/ CONTRIBUTIONS	POTENTIAL CHALLENGES
Local Governments	Implement sustainable development policies at the local level; collect local revenues; allocate public spending at the local level.	Limited revenue generation power and capacity and/or issues related to revenue sharing with central government; lack of comprehensive functional role; different budgeting codes to central government entities/ agencies.
Parliaments	Provide oversight and accountability; track whether budgets are aligned with national priorities/ SDGs.	Lack of resources to cover wide range of technical issues.
Supreme Audit Institutions	Inspect effectiveness of financing policies and related processes (e.g., including in relation to multi-stakeholder participation, and extent to which synergies are exploited and duplication of efforts avoided).	Lack independence; may lack specific mandate to address sustainable development financing issues.
National Statistics Bureaus	Collect data and evidence that can support financing policy-making, and enhance transparency and accountability.	May lack mandate and/or resources to collect relevant data on sustainable finance.
National Disaster Risk Management Authorities/ National Sendai Framework Focal Points	Can ensure INFFs and related financing policies are risk-informed from a multi-hazard perspective.	Limited engagement with Ministry of Finance.
NON-GOVERNMENT		
Development partners	Provide resources, including technical assistance, capacity building and expertise. (See also Box 1).	Priorities not always in line with national government; fragmentation and lack of coordination; sectoral approaches (for those with specialized mandates).
Development Finance Institutions/ Multilateral Development Banks	Provide resources; can help catalyse private investment in specific sectors.	May not engage with / have limited awareness of national priorities and plans; limited pipeline of productive investment projects.
Domestic businesses, investors and commercial banks (e.g., chamber of commerce/ private sector commission/ industry and banking associations, including SMEs/ investor networks)	Contribute to domestic resource mobilization; create jobs; provide investment.	Misaligned investment incentives and interests, including tendency to focus on short-term returns; can create risk (e.g., disaster and financial risks); difficult to hold accountable to sustainable development outcomes (including tax avoidance); power dynamics; rent-seeking.

ACTORS	POTENTIAL ROLES/ CONTRIBUTIONS	POTENTIAL CHALLENGES
Foreign businesses and investors	Contribute to domestic resource mobilization; create jobs; contribute to knowledge transfer; provide investment; participate in innovative financing mechanisms.	Misaligned investment incentives and interests, including tendency to focus on short-term returns; can create risk (e.g., disaster and financial risks); difficult to hold accountable to sustainable development outcomes (including tax avoidance); power dynamics; rent-seeking.
Philanthropy (e.g., national and international foundations active in the country)	Provides resources and other forms of cooperation.	Difficult to hold accountable to government priorities/ priorities do not necessarily reflect government needs.
Civil society (e.g., advocacy groups/ national and international NGOs/ faith-based organisations/ informal forms of representation)	Provides resources; holds governments and other providers of finance accountable for spending/ investment decisions; tracks impact of financing, including at the sub-national/ community level and on different population groups; can elevate views of citizens to level of governments, including those of underserved and hard-to-reach constituencies.	Diverse and fragmented; limited capacity and resources; limited access to government; sectoral thinking; may not be broadly representative.
Academia	Provides insight, evidence and policy recommendations that can help take decisions in different financing policy areas.	Limited resources and/or access to policy makers.

4.2. Relevant processes

The institutions listed in Section 4.1 will shape and be involved in a range of processes to achieve coordination and coherence, including processes related to:

- National and sectoral planning, including with regard to COVID-19 response and recovery;
- Medium-term planning, including the development and implementation of medium-term revenue and expenditure strategies;
- The annual government budget;
- Fiscal decentralisation, public financial management (PMF) reforms and other financing-related reforms;
- Designing or approving major public investment projects, such as infrastructure;
- Designing or amending development cooperation policies or strategies;
- Designing or amending private sector development strategies and investment promotion strategies.

BOX 1. RELEVANT INTERNATIONAL INSTITUTIONS AND PROCESSES

Integrated national financing frameworks were introduced in the Addis Ababa Action Agenda and further articulated by the Inter-Agency Task Force on Financing for Development (IATF) in the 2019 Financing for Sustainable Development Report. In response to interest by several 'pioneer' countries, the IATF has continued development of methodologies and guidance materials to help design and implement INFFs. At the country level, the UN system, European Union (EU) and other development partners have been supporting governments to operationalise INFFs, including by adapting global methodologies to their specific country context. UNDP in particular has been providing technical leadership. In around 60 countries, dedicated funding has been made available by the Joint SDG Fund. As of the first quarter of 2021, governments in around seventy countries have taken steps to operationalise INFFs. Interest and momentum in relation to INFFs has also continued to increase within global policy processes, including at the G20, where INFFs were identified as a priority area for the [Development Working Group](#).

5. 'How To' – INFF governance and coordination in practice

Different countries will have different priorities and needs, operate in different political and administrative systems, and have different institutional set-ups in place. These should be the starting point, with the aim to gradually improve, guided by the overarching objective of increasing coherence of financing policies.

Figure 2 lays out the step-by-step guidance: from identification and assessment of existing institutions

and processes (Section 5.1) to consideration of steps to strengthen them to support effective INFF implementation (Section 5.2). The objective is to enhance coherence of existing governance arrangements and close gaps where needed. Both steps are structured along three functions defined above as key elements of coherent governance: (i) commitment and leadership, (ii) access to knowledge and perspectives, and (iii) coordination among stakeholders.

FIGURE 2. STEP-BY-STEP GUIDANCE

STEP 1 IDENTIFY AND ASSESS EXISTING GOVERNANCE ARRANGEMENTS
• <i>What institutions and processes exist to guide, enable and support (coherent) financing policy making?</i> • <i>See Tables 2-4 and Annex 1 (Self-Assessment Governance Checklist)</i>
STEP 2 ENHANCE COHERENCE OF EXISTING GOVERNANCE ARRANGEMENTS, CLOSE GAPS IF NEEDED
• <i>How can existing institutions and processes be further strengthened to better guide, enable, support coherent financing policy making?</i> • <i>How can typical challenges be overcome?</i>

5.1. Step 1: Identify and assess existing governance arrangements

Tables 2-4 (on commitment and leadership; access to knowledge and perspectives; and coordination) provide a series of self-assessment questions⁵ related to the governance functions discussed in Section 3. They also include illustrative country examples. The questions and accompanying examples can guide identification of relevant existing governance arrangements within which an INFF could be embedded, and of gaps that may need to be filled. Annex I summarises the self-assessment questions in the form of a checklist.

A scoping of existing institutional mechanisms, bodies, and processes related to financing may have been undertaken as part of the [INFF inception phase](#), along with a detailed institutional and stakeholder mapping. If so, findings may be used to inform this step.

Commitment and leadership

A **strong, high-level political mandate** provides the overall direction and vision that will: anchor efforts to increase

coherence; ensure adequate resources (financial, time, human) are available; and act as a commitment signal to convene and engage all relevant stakeholders.

However, political leadership alone is not sufficient. INFFs require long-term action, spanning across political cycles. Financing reforms will likely be incremental and will not happen overnight. Technical expertise is required to complement political commitment to guide the overall INFF process, from inception to implementation, including to inform and shape potential policy solutions and choices. **Technical experts**, within key government departments and public technical institutions (such as National Statistical Offices, Revenue Authorities, Supreme Audit Institutions) play a crucial role in ensuring the momentum around the INFF and related reforms is maintained over time, and [in preparing the ground for eventual, gradual progress](#).

An **INFF oversight committee or body**, complemented by a **technical working group or secretariat** (which can be embedded in existing bodies or entities responsible for processes linked to the INFF, such as national planning or PFM reforms), can translate the political commitment and technical leadership into practice.

⁵ Some of the questions proposed in Section 5.1 are based on the [OECD PCSD institutional mechanisms checklist](#) and 'self-assessment' questions for PCSD building blocks.

TABLE 2. COMMITMENT AND LEADERSHIP SELF-ASSESSMENT QUESTIONS AND ILLUSTRATIVE COUNTRY EXAMPLES

SELF-ASSESSMENT QUESTIONS	COUNTRY EXAMPLES
Is there a clear commitment and mandate from the highest political level to adopt an integrated approach (i.e., an INFF) to finance national sustainable development objectives?	In the very early stages of Sierra Leone's INFF process, the Cabinet discussed and refined priorities, which cemented buy-in across government.
What 'sustainability features' ensure continued focus and sustained momentum around INFF implementation across political cycles?	In Mongolia , an INFF Technical Working Group was established to sustain INFF efforts over time. In Colombia , the National Council for Social and Economic Policy, along with its Technical Secretariat led by the Department of National Planning, is used to maintain the long-term view in policy choices and assessments, including in relation to financing choices.
Is there an institutional 'catalyst' (central unit, ministry, committee) responsible for overseeing and guiding the design and ongoing management of the INFF? Does it have the required authority and convening power to ensure participation of, and coordination among, all relevant stakeholders?	In the Solomon Islands , the already existing National Development Strategy Implementation Oversight Committee is responsible for overseeing the development and ongoing implementation of the INFF. In Timor-Leste , this responsibility lies with an existing Inter-Ministerial Council, chaired by the Prime Minister and responsible for PFM reforms. (More detail in Box 2 in Section 5.2).
What measures exist to build capacity in the public service to formulate and implement coherent financing policies, and among parliamentarians to effectively oversee relevant processes? Is the Government encouraging capacity building of non-state actors (including the private sector) on sustainable development financing issues?	In Pakistan's Khyber Pakhtunkhwa province, a working group was established within the provincial assembly to focus on climate change budgeting and as part of its mandate developed training and provided technical guidance to assembly members to better understand climate change budget information and to effectively scrutinise and pose questions over related spending. Alongside these efforts, the Council of Pakistan Newspaper Editors also produced a handbook on climate-smart reporting designed to help journalists and communication professionals incorporate a greater emphasis on climate finance in their reporting.

Access to knowledge and perspectives

Sharing of information and participatory approaches are fundamental to facilitate engagement and coherent action by different stakeholders (both within and outside government). In the first instance, the commitment to develop and implement **an INFF and its added value need**

to be clearly articulated to all relevant stakeholders – from different parts of government, parliaments and other public entities, to development partners, private business and investors, and civil society at the local, national and international level. Second, a **broad set of needs, interests and perspectives has to be taken into account** – underlining the importance of dialogue as part of the INFF process.

Existing dialogue platforms and engagement mechanisms often do not focus on financing issues; embarking on an INFF represents an opportunity to widen the scope of such arrangements. It is also an opportunity to identify, assess and streamline existing governance arrangements related to **transparency and accountability**, so that

they can support generation of, and facilitate access to, relevant data and information; and hold all finance providers (public, private, national, international) to account with regard to their commitments and alignment with national sustainable development priorities.

TABLE 3.

ACCESS TO KNOWLEDGE AND PERSPECTIVES SELF-ASSESSMENT QUESTIONS AND ILLUSTRATIVE COUNTRY EXAMPLES

SELF-ASSESSMENT QUESTIONS	COUNTRY EXAMPLES
Is the commitment to, and value added of, an integrated financing approach effectively communicated across levels of government?	In Sierra Leone , continued communication and clear messaging around the added value of the INFF in bringing together separate initiatives that focused on different aspects of financing, was an important part of building buy-in and maintaining momentum around the process.
What mechanisms are in place to foster formal and/or informal exchanges of information on financing issues among different ministries and departments, and between national and local levels of government?	In Ireland , the Office of the Minister for Children created local networks of relevant agencies and local government partners to share information and knowledge and facilitate joint implementation of policies. (See also entry in Table 4). In Finland , ministerial policy forums were introduced to bring together ministers on a regular basis to jointly discuss the policy course taken. In Sierra Leone , where a large share of the population lives in rural areas, regular meetings at the District level are used to hear views of local leaders and engage them in national level processes. The meetings are organised at the local level with representatives of national and local government.
What mechanisms are in place to foster formal and/or informal exchanges of information with development partners and international organisations present in the country, around the design and/or implementation of financing policies?	In many countries, national development cooperation forums are a common way of bringing together development partners and government actors to share knowledge, increase alignment of development cooperation with national priorities, and advance negotiations.
What mechanisms are in place to involve and promote active participation of civil society, academia, business and industry in the design and implementation of financing policies, and to feed their input into decision-making processes?	In Senegal and Cameroon , multi-stakeholder participatory approaches are mandated by decree. In Armenia , all State ministries are mandated to conduct public discussions on their budget proposals with CSOs and account for their opinions and recommendations in their submissions to the Ministry of Finance. (More detail in Box 4 in Section 5.2).

SELF-ASSESSMENT QUESTIONS	COUNTRY EXAMPLES
	Chile has a dedicated agency in place to ensure systematic public-private dialogue on a specific development priority, the Agency for Sustainability and Climate Change. (More detail in Box 5 in Section 5.2). In Sierra Leone, a dedicated permanent structure (office) within the Ministry of Finance fosters active civil society participation in the annual budget process. (More detail in Box 6 in Section 5.2). In Thailand, consultative committees – both centralised and focused on specific issues – are used for private sector engagement and dialogue at both central and local levels. (More detail in Box 7 in Section 5.2). In Sweden, a network of over 20 local companies, expert organisations and development finance institutions (the Swedish Leadership for Sustainable Development Network) provides a platform for knowledge sharing among non-state actors. It is coordinated by the Swedish International Cooperation Agency and gives significant agency to participating parties. In the Netherlands, a communication campaign (the Global Goals Municipal Campaign) provides a platform for stakeholders at the local level to share views and insight regarding implementation of the SDGs.
Is there transparent reporting to parliament and the public on the implementation of the financing strategy and the contributions of different types of finance? Is reported information accessible to target audiences?	In the Dominican Republic, a commission was established to report on tax expenditures. It estimates revenue foregone each year, conducts cost-benefit analyses of the country's exemption schemes, and publishes findings in an annual report. (More detail in Box 11 in Section 5.2). In several countries, citizen budgets and open government initiatives are used to increase transparency and understanding of the budget among non-specialists and enhance broad-based participation in shaping and overseeing government spending. Brazil, Georgia, Ethiopia and Burkina Faso, among others, have set up open source tools to make reporting of financing, including development cooperation, more transparent. In Namibia, the government is planning to establish a Financing Dashboard in the context of its INFF efforts, to promote transparency of financing data. In the United States, public disclosure requirements and obligations to file annual tax return help increase transparency of philanthropic funding.

SELF-ASSESSMENT QUESTIONS	COUNTRY EXAMPLES
	In New Zealand, sustainability-related disclosures are being embedded in legislation and regulations for publicly listed companies and large financial institutions. Several stock exchanges across both developing and developed countries require ESG disclosure by listed companies.
What mechanisms exist to assess and review progress in implementation of financing policies and reforms, to ensure effective feedback between implementation and policy design, and to distil lessons learned around what works and what does not work? Are external and independent audit institutions involved?	In the UK, the International Development Committee of the House of Commons was established to scrutinise UK aid policies and administration and to monitor ODA expenditures from all departments. The European Commission has defined a taxonomy for environmentally sustainable economic activities, which can be used to assess whether companies substantially contribute to at least one of six environmental objectives (and do not cause any harm to any of the other five), work through a deliberate resilience-building process, and comply with minimum safeguards. (More detail in Box 12 in Section 5.2). In the Philippines, the Commission on Audit was used to assess the government's approach to financing the SDGs in 2018. (More detail in Box 8 in Section 5.2).
What mechanisms exist for ex-ante impact assessments to take into account the potential positive and negative impacts of different financing policies and regulations on sustainable development outcomes, and to inform policy design accordingly?	In the Slovak Republic, ex-ante regulatory impact assessments have been a long-standing part of the regulatory development process and since 2008 ministries and other central government bodies must follow a common methodology to undertake them, which covers economic, social and environmental impacts.

Coordination

Enhancing coherence of financing policies rests on the ability of different stakeholders to work together. In many contexts, policy areas are treated as distinct, with trade-offs left unaddressed and synergies unexploited. Different finance providers (public, private, national, international) are often not aligned in their allocation and investment decision-making. INFFs aim to enhance coherence and integration in the resourcing of national sustainable development objectives and thus require **intra-governmental coordination** as well as **collaboration and alignment** with, and among, non-state actors, especially **development partners** and the

private sector. Better coordination can overcome policy silos, enhance joint planning, reduce duplication of efforts, increase efficiencies, lead to better management of risks, trade-offs and inconsistencies in the formulation and implementation of financing policies.

INFFs represent an opportunity for governments to identify, assess and streamline existing coordination structures and mechanisms, with the view of minimising their proliferation and maximising their efficiency and effectiveness. The ultimate aim is to facilitate a holistic approach to financing policy formulation and implementation, coordinating all relevant processes (see list in Section 4.2).

TABLE 4.**COORDINATION SELF-ASSESSMENT QUESTIONS AND ILLUSTRATIVE COUNTRY EXAMPLES**

SELF-ASSESSMENT QUESTIONS	COUNTRY EXAMPLES
Are roles and responsibilities within the INFF clearly defined for all relevant stakeholders?	In the Maldives, the existing institutional framework related to the National Development Plan, including specific roles and responsibilities, is being used as basis for INFF coordination. In Indonesia, the roles of different stakeholders with regard to SDG implementation, including financing, are set out in law, under the Presidential Decree No. 59 of 2017. (More detail in Box 14 in Section 5.2). In Costa Rica, a National Pact to Advance the SDGs was signed by the three branches of government, local governments, civil society organisations, the private sector and universities. It lays out responsibilities of signatories with regard to resource mobilisation for the SDGs, and provides the basis for joint review and monitoring of government and non-government contributions. (See Box 1 on roles and responsibilities of development partners with regard to INFFs).
What mechanisms are in place to encourage intra-governmental collaboration and coordination (both between ministries/ departments and between central and local governments)?	In Rwanda, a series of coordination structures was put in place to support action around an identified national priority (private sector development). The structures included a Cabinet-level steering committee, a technical task force and six working groups, all aimed at facilitating cross-government operationalisation of prioritised actions. (More detail in Box 15 in Section 5.2). Bhutan's policy screening tool helps to objectively tie the design of financing and other policies to national development and to build coherence across them. (More detail in Box 17 in Section 5.2). In Australia, there is a Practice Guide for Public Servants to guide civil servants on when to work together, what structure to choose and how to design related accountability, budget and organisational frameworks. In Ireland, the Office of the Minister for Children was established as a delivery unit to bring together staff from different ministries working on the same policy area. (See also entry in Table 3). In Finland, incentives for knowledge sharing and collaboration across government departments are embedded in the performance management process. In Norway, each SDG has a coordinating ministry, which as part of the annual budget process, has to consult with other relevant ministries to ensure coordinated budgeting. In Nigeria, monthly meetings of representatives of the Federal States are used to foster coordination between the national and sub-national levels.

SELF-ASSESSMENT QUESTIONS	COUNTRY EXAMPLES
What mechanisms are in place to facilitate coordination with, and among, development partners around key financing priorities or issues?	In the Solomon Islands, monthly donor coordination meetings are used by the country's major donors to share information, coordinate interventions and avoid duplication of effort. In Myanmar, a joint fund (the Joint Peace Fund, now called Paung Sie Facility) was established to coordinate donor support from several development partners. In twelve countries in fragile situations, the EU uses State Building Contracts to better coordinate and align international support to national priorities. (More detail in Box 18 in Section 5.2). (See Box 1 for more detail on how the international community is coordinating to support INFFs).
What mechanisms exist to encourage alignment of private finance with national sustainable development priorities, and to foster complementarities and minimise contradictions between public and private financing?	In Thailand, the Corporate Governance Code, published by the National Corporate Governance Committee, lays out eight principles to be followed by listed companies' boards of directors to promote competitive, responsible and resilient business models. (More detail in Box 16 in Section 5.2).
What mechanisms are in place to encourage collaboration with, and among, private sector actors?	In Rwanda, the coordination structures put in place around private sector development (see above) were also used to engage private sector representatives in a way that helped foster buy-in to the reform process from, and coherent action by, the business community. (More detail in Box 15 in Section 5.2). In Indonesia, private sector representatives from the philanthropic and corporate sectors came together and set up a forum for increased coordination and collaboration on SDG issues both among themselves and with government (the Philanthropy and Business Platform for SDGs, or Filantropi des Bisnis untuk SDGs, FBI4SDGs).
Is the budget process used to mainstream national priorities across government, reconcile policy objectives and promote policy integration?	The Khyber Pakhtunkhwa provincial government in Pakistan has incorporated climate change within its budget call circular encouraging provincial ministries to budget for climate change expenditures. In Finland, all ministries are required to reflect on the sustainable development contributions of the priorities identified in their budget proposals.
Is the public procurement process used to encourage synergies and promote alignment with national priorities?	In many countries, environmental standards are included in award criteria, contract performance clauses and technical specifications, allowing for submission of 'green' solutions in line with national sustainable development priorities.

SELF-ASSESSMENT QUESTIONS	COUNTRY EXAMPLES
Are budget and other financing policy processes (SOEs or NDBs, development cooperation, private sector development, investment promotion) jointly considered as an integrated approach to financing? What mechanisms exist to this end?	In Sierra Leone , the Medium-Term National Development Plan was used to anchor financing policy options related to both public and private finance, such as increasing access to credit, promoting the investment of pension funds in infrastructure, and accessing untapped support from sources of international public finance.

5.2. Step 2: Enhance coherence of existing governance arrangements, close gaps if needed

Enhancing coherence is a moving target.⁶ The appropriate level of ambition will depend on country circumstances, on available technical capacity and resources, and on the specific objectives identified in the country's financing strategy (see [Building Block 2 Financing Strategy](#)). Formulation and implementation of the national budget and broader public financial management (PFM) will often be the starting point. In many countries, separate governance arrangements will also be in place for financing policies, such as development cooperation or investment promotion strategies. Depending on this baseline (established in Step 1), priority may be given to strengthening the institutions and processes related to domestic public finance first, and on better linking these to existing aid coordination and investment efforts, or to the financing of particular thematic priorities or sectors, with the view of encouraging a more comprehensive approach over time.⁷

The sections below provide an overview of the typical challenges to enhancing coherence, in relation to (i) commitment and leadership, (ii) access to knowledge and perspectives, and (iii) coordination, and guidance on how to overcome them, based on good practices and lessons from country experiences.

Commitment and leadership

Figure 3 provides a stylized example of different levels of commitment and leadership. Typical challenges to ensuring commitment and leadership to support high levels of coherence include:

- Reluctance from the political level to engage and/or difficulty to sustain commitment over time;
- Lack of buy-in from key ministries/ departments and potential rivalry between finance and planning ministries/ departments;
- Weak centres of government (especially in contexts of political instability, conflict or other protracted crises) as well as broader capacity gaps and resource limitations.

Below lays out steps to address them, and relevant country examples, focusing on:

- Sustaining interest and buy-in (e.g., identifying right level of engagement, finding an institutional home); and
- Addressing capacity gaps (role of development partners).

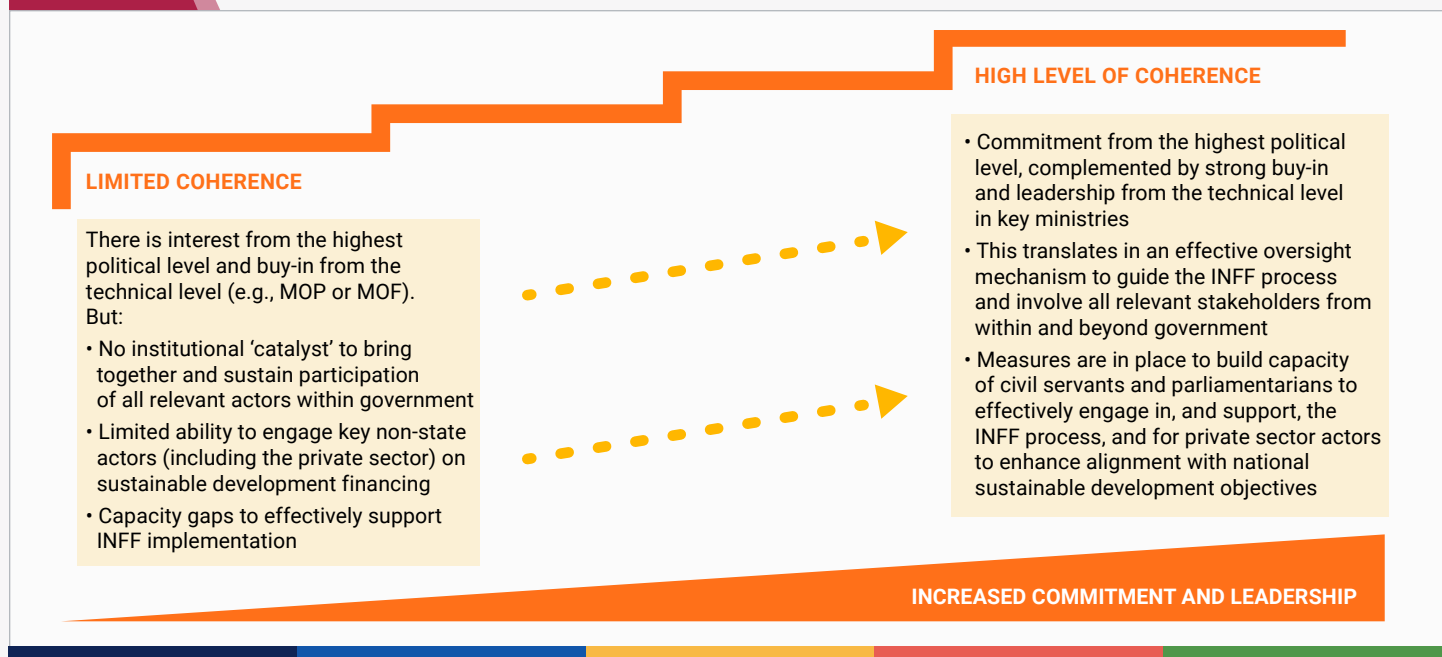
Sustained interest and buy-in

To **sustain interest and buy-in**, countries have taken different approaches.⁸ In [Sierra Leone](#), for example, initial interest in the INFF concept came from the Ministry of Planning and Economic Development, which, with close involvement of the Ministry of Finance and other key ministries, used a Development Finance Assessment (DFA) to build comprehensive analysis and facilitate inclusive dialogue about financing priorities for the implementation of the Medium-Term National Development Plan. This process also served to articulate the potential value of an INFF. Findings and recommendations were taken to Cabinet, thus elevating previously technical discussions to the political level, and rooting the INFF process at the most senior level of government.

⁶ See [CEPA strategy guidance note on Promotion of coherent policymaking \(February 2021\)](#) for an overview of existing coherence scales.

⁷ Of the 62 joint programmes related to INFFs, which received funding from the Joint SDG Fund, over a fifth of them have articulated a focus on public finance and/or specific sectors and thematic priorities.

⁸ Data reported to the [INFF Dashboard](#) shows that countries are adopting a variety of different approaches to institutionalizing INFFs.

FIGURE 3. LEVELS OF COMMITMENT AND LEADERSHIP: STYLIZED EXAMPLES

Country experiences also show the importance of finding an institutional home for the INFF. In some cases, as in the Solomon Islands, INFF leadership and oversight may be embedded within the committee or body responsible for delivering the [national development plan](#). In others, existing inter-ministerial bodies responsible for financing issues may be chosen to oversee and guide the INFF process (see Box 2 on Timor-Leste). When existing structures are not appropriate, a dedicated INFF oversight committee may be established, as was the case in the Maldives. These do not have to be permanent structures; instead, they may be set up in the early stages to provide a platform for dialogue on appropriate governance arrangements.

Capacity and resource limitations

The international community can help address **capacity and resource limitations**. Box 1 lays out ongoing efforts to provide technical assistance and capacity building on INFFs. To guide the identification of additional support needs, preparedness assessments of key institutions

can be useful. For example, the [2016 Inter-Parliamentary Union and UNDP self-assessment toolkit for Parliaments](#) provides lessons on how Parliaments can prepare for the implementation of the SDGs which may also be useful in the context of INFFs. Peer exchanges among Supreme Audits Institutions (SAIs) may also be pursued for capacity building purposes around specific areas relevant to INFFs; for example, the National Audit Office of Malawi and the Swedish National Audit Office have had a [long-term institutional cooperation programme](#) to share knowledge and lessons learned around promoting transparency and participation mechanisms.

Capacity and resource gaps will be particularly relevant in countries in special situations, such as LDCs, SIDS, and conflict-affected states, where governments may be dealing with competing calls on resources (such as addressing current crises and strengthening systems for longer-term outcomes). Box 3 highlights some common lessons to inform development partners' support in countries in fragile situations.

BOX 2.**EMBEDDING INFF OVERSIGHT RESPONSIBILITY INTO AN EXISTING INTER-MINISTERIAL ENTITY FOCUSING ON FINANCING ISSUES: THE CASE OF TIMOR-LESTE**

The process of developing an INFF in Timor-Leste (which is ongoing) began with a Development Finance Assessment (DFA).⁹ The DFA was commissioned by the Minister of Finance in 2017 to evaluate current and future financing trends within a context of sizeable but finite natural resource wealth and to develop recommendations for building a more integrated approach to sustainable development financing.

The DFA was guided from the outset by a government-led oversight team, which brought together key policymakers from across government (including those responsible for delivering and monitoring the Strategic Development Plan and for key public and private financing policy areas) and key external partners. It included the Planning, Monitoring and Evaluation Unit of the Office of the Prime Minister (who chaired the process), Ministry of Finance, Ministry of Planning and Strategic Investment and the Ministry of Commerce, Trade and Industry, as well as the Chamber of Commerce and Industry, UNDP and the EU. The oversight team was a new body created for the DFA process. Through the Minister of Finance, it reported to the Council of Ministers, the most senior cross-government body in the country. Informal meetings among development partners present in the country were also organised by UNDP and the EU to ensure coordination in the international community's response to DFA findings and recommendations.

Embedding the DFA process within a nationally-led oversight team helped to ensure that the resulting analysis and recommendations were appropriate to the context and 'owned' by the relevant national institutions. Strong participation from across government at the senior official level also helped ensure that the process retained momentum within a changing political context around the 2017 and 2018 parliamentary elections. It put an emphasis on capacity building across the institutions involved in the technical process in relation to the functions of an INFF, which further helped to embed the concepts of an INFF, and ensure capacity to take them forward, within national institutions.

Following the DFA, preliminary agreement has been made to transfer oversight of the INFF to the Inter-Ministerial Council. This council, which is chaired by the Prime Minister, was created in 2019 to oversee and drive forward a programme of public financial management and other public administration reforms. The Inter-Ministerial Council will oversee, coordinate and align the government's approach toward financing across a wide spectrum of public and private finance policy areas as it brings these agendas together. It would lead the process of operationalizing the INFF, guiding the implementation of the INFF Roadmap and other INFF reform initiatives, including the establishment of an integrated financing strategy.

BOX 3.**STRENGTHENING CENTRES OF GOVERNMENT IN COUNTRIES IN FRAGILE SITUATIONS**

The Centre of Government (CoG), such as the Office of the President, the Cabinet Office, or similar entities, can play an important role in providing leadership for successful development and ongoing management of INFFs. It has the convening power and authority to affect policies and resource allocation of different ministries and departments, as well as coordination expertise to drive cross-cutting priorities. According to the [UN Principles of effective governance for sustainable development](#), coordination by the CoG is a commonly used strategy to facilitate collaboration across institutions at all levels of governments and in all sectors, including with non-state actors.

However, not all countries have well-functioning CoGs; countries in fragile situations especially, by their nature, often have ineffective CoGs. While their specific functions and form may vary across countries, [the literature](#) highlights some common lessons for donor support in this area:

- Focus on supporting improvements in political leadership first (e.g., physical infrastructure of the CoG offices and initial support systems as well as leadership training and capacity building aligned with leaders' priorities), before moving to assist

⁹ See [Inception Phase guidance](#) for more on the links between the DFA and INFF processes.

with strengthening strategic communication, monitoring and policy coordination functions;

- Pursue incremental changes that can accommodate political interests and priorities, e.g., strengthening the main institution at the heart of the CoG first or focusing on those related to priority financing areas or sectors identified by the government;
- Make use of windows of opportunity that may open for example when a government is newly established;
- Pay close attention to context and the political and historical processes around which CoGs may have evolved, avoiding imported models and supporting locally driven solutions. (The [INFF Dashboard](#) provides insight on different arrangements that countries in different situations have adopted to establish the required leadership for successful INFFs).

Access to knowledge and perspectives

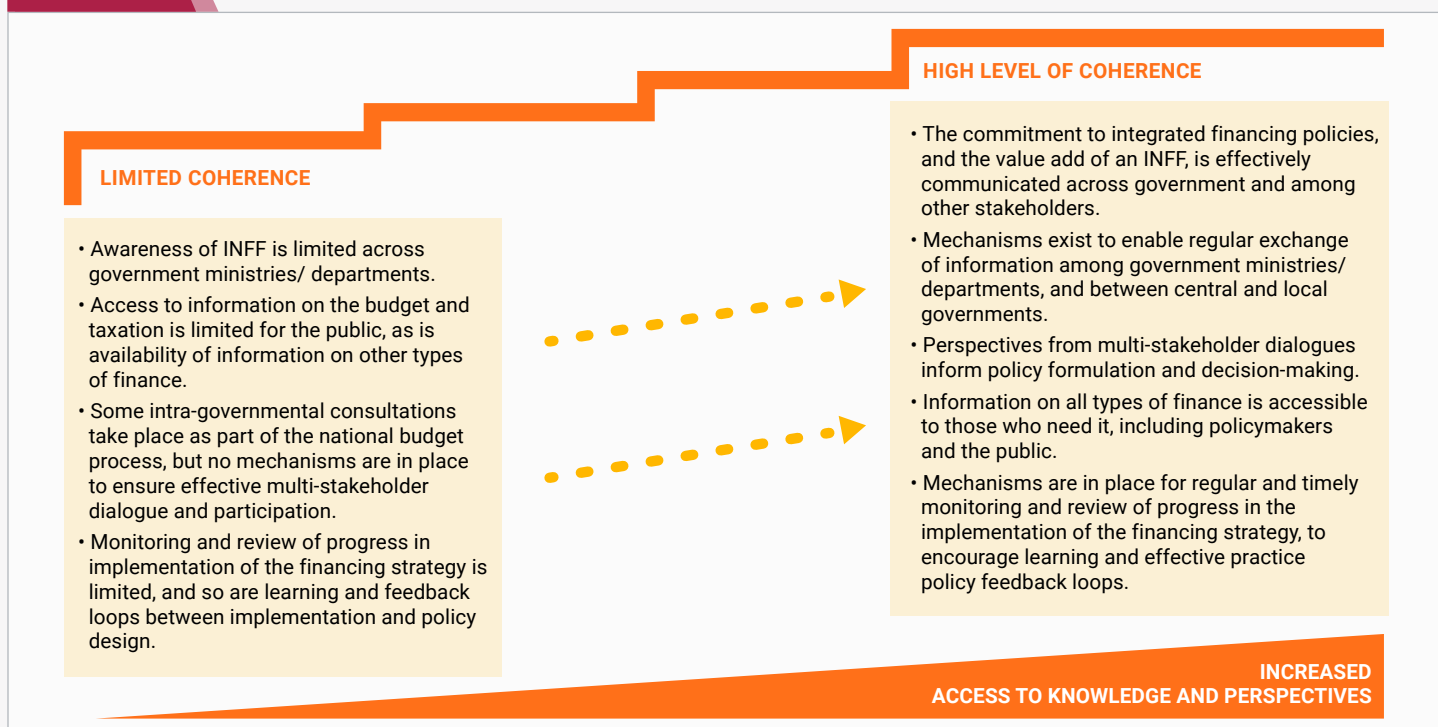
As countries seek to enhance institutions and processes to facilitate increased access to knowledge and perspectives (Figure 4), common challenges include:

- Misaligned priorities, lack of interest or capacity to engage in integrated approaches (resulting in reinforced silos between actors/ sectors);
- Multistakeholder fora turning into lobbying platforms, with the risk of corruption and elite or corporate capture if some actors are able to exert

disproportionate influence;

- Lack of trust in government;
- Lack of reporting and/or monitoring and review mechanisms, especially with regard to private and international financing;
- Reluctance of development partners to share information, especially [forward-looking expenditure plans](#);
- Weaknesses in data and audit systems, especially timeliness and lack of capacity, internal resources and leadership from the Executive.

FIGURE 4. LEVELS OF ACCESS TO KNOWLEDGE AND PERSPECTIVES: STYLIZED EXAMPLES



A combination of top-down institutional structures and other complementary mechanisms can be considered to address the challenges listed above. These are discussed under two main categories:

- Dialogue and participation, covering issues of intra-governmental and multi-stakeholder engagement and exchange of information (e.g., through mandated dialogues, dedicated entities, consultative fora or networks); and
- Transparency and accountability, covering issues related to availability and access to the data and information required to make effective financing policy decisions (e.g., through formal institutions, peer reviews, open government initiatives, and tools including citizen budgets, results frameworks, laws, regulations and standards).

Dialogue and participation

Dialogue among different government ministries/ departments and between state and non-state actors is important across all INFF building blocks:

- In the [assessment and diagnostics](#) phase, perspectives from all relevant stakeholders should inform the identification of financing needs, opportunities and binding constraints.
- When developing the [financing strategy](#), expertise and knowledge from different stakeholders is needed to inform the choice of financing policy options, including to ensure that trade-offs between different areas and/ or sectors can be adequately considered, and where possible, addressed.

- When [monitoring and reviewing](#) progress, input from a variety of stakeholders can help ensure that: all finance providers are held to account; adjustments to ineffective policies are triggered in a timely manner; and any misconduct regarding implementation of activities within the scope of INFFs can be reported and addressed. Input from different stakeholders is also key to ensure adequate impact assessments, both ex-ante in the policy identification phase,¹⁰ and ex-post in the monitoring and review phase.

Overall, increased dialogue and participation around sustainable development financing can lead to better governance of both financing policies and broader economic reforms and national development planning.

Some countries have mandated inclusive approaches in financing policy-making processes (e.g., Senegal and Cameroon as highlighted in Table 3 above and Armenia as detailed in Box 4). Such mandates may be warranted when stakeholders lack interest to participate. To address power dynamics and [imbalances](#), criteria could be identified to ensure the mix of participants meets certain standards of expertise and representation.

Dedicated agencies or permanent structures may also be created to facilitate ongoing, active participation of stakeholders. Chile for example has a dedicated agency to ensure systematic public-private dialogue on climate change priorities (see Table 3, with more details in Box 5); while the Ministry of Finance in Sierra Leone has a dedicated permanent office to foster civil society participation in the annual budget process (see more details in Box 6). These types of institutional set-ups can also help increase trust in government.

BOX 4.

MANDATING PUBLIC DISCUSSIONS WITH CSOS AS PART OF THE BUDGET PROCESS: AN EXAMPLE FROM ARMENIA

In Armenia, CSOs are involved in the budget process, with the overall aim of strengthening the connection between ministries' budget proposals and the needs identified on the ground. CSOs engaged with State ministries in hearings on the budget [for a number of years](#). This process was formalized for the 2020-2022 medium-term expenditure framework. The [Prime Minister instructed all State ministries](#) to conduct public discussions on their budget proposals and cost estimates with the participation of relevant CSOs. State agencies are required to account for their discussions with CSOs, including justifications that account for CSO opinions and recommendations. State funding is available for the organisation of [public hearings](#), which [must be conducted before State ministries submit their budget requests to the Ministry of Finance](#).

¹⁰ Guidance on [Building Block 2 Financing Strategy](#) lays out various 'checks' that policy makers may wish to consider when choosing financing policy solutions; these may be included in ex-ante impact assessment criteria. For an overview of regulatory impact assessments (RIAs) specifically, including what they are, how related challenges may be overcome, and methods of implementation, see [CEPA strategy guidance note \(2021\)](#).

BOX 5.**ENCOURAGING SYSTEMATIC PUBLIC-PRIVATE DIALOGUE ON SPECIFIC POLICY OBJECTIVES VIA A DEDICATED AGENCY: AN EXAMPLE FROM CHILE**

Chile's Agency for Sustainability and Climate Change is a public-private body charged with promoting clean production in the country. It has operated since 1997, using systematic public-private dialogue to develop a clear, shared strategic vision about clean production. This dialogue has helped build trust and overcome initial skepticism on the part of many companies, who feared the imposition of increased costs in their production processes.

The body sits under the remit of the Ministry of Economy but has a governance structure that encompasses public and private actors. The Board of Directors is chaired by the Minister of Economy and is composed of five government representatives alongside five from the corporate sector, trade unions, and the small and medium enterprise sector. It operates with an Executive Director and Regional Secretariats for all geographic regions.

The dialogue platform has focused on building consensus and developing innovations that support cleaner production in the country, in a way that benefits private companies and contributes toward Chile's national objectives for sustainable development. Early dialogues within the platform focused on agreeing on key concepts and definitions. It has since evolved to share knowledge on best available techniques and support the development of tools and approaches that promote clean production. Most notably, the dialogue platform has informed the design of clean production agreements (CPAs) in the country. CPAs are formal, voluntary agreements between a whole business sector, companies, and the government. They apply clean production techniques through specific goals and specified actions that will be taken within the sector and the company (or group of companies) that are participating, within a given time period. Firms participating in CPAs have access to a range of government-supported financial support for services including sectoral diagnostics, specialized technical assistance, and disseminating good practices and technology. Companies can be awarded a certificate of compliance, or CPA seal, at the end of the CPA once a final audit has been completed.

CPAs have become a widely used tool that have made an important contribution to Chile's sustainability objectives. 153 CPAs have been signed in 37 sectors and subsectors, involving over 8,000 private companies and more than 13,000 production facilities. 70% of these are in the agriculture sector, followed by manufacturing and hospitality. Most CPAs (72%) are with micro and small companies. Completed CPAs are estimated to have reduced CO₂ emissions by [over 0.5 MtCO₂](#),¹¹ an important contribution toward reducing overall national emissions which are [estimated at 86 MtCO₂ for the year 2018](#). Companies have realised financial gains too, such as from savings in energy and water consumption, with economic savings calculated at [over US\\$280 million](#). Companies also indicate that the CPAs have contributed toward better relationships with the local communities where they work.

BOX 6.**ESTABLISHING A DEDICATED NON-STATE ACTORS OFFICE WITHIN THE MINISTRY OF FINANCE: THE CASE OF SIERRA LEONE**

The Sierra Leone Association of Non-Governmental Organisations (SLANGO) has a dedicated non-state actors office within the Ministry of Finance. This allows them to actively participate in the annual budget cycle. The non-state actors group has a formal role in reviewing budget proposals once they are submitted by ministries and participates in hearings to examine these proposals. Their recommendations carry considerable weight and concerns in areas such as project and procurement costs or details about how projects will be effectively implemented, [have led to significant revisions in budgetary proposals](#).

SLANGO's participation is not only limited to the design and process of approving budgets; they often undertake project verification missions. These ensure that projects listed in the budget are carried out to cost in the relevant communities before the subsequent budget review hearing, with any discrepancies communicated to the government.

This formal role for CSOs in the budget process, from preparation and sign off to review, has significantly increased transparency and accountability over ministries, departments and agencies in carrying out their functions and has encouraged efficiency savings and consistency in pricing across government actors.

¹¹ These figures are estimates based on the 26% of CPAs that have been completed. The remaining CPAs are ongoing and estimates of their results are not available.

BOX 7.**PUBLIC-PRIVATE COMMITTEES TO ENHANCE DIALOGUE AND PRIVATE SECTOR PARTICIPATION IN RELEVANT POLICY PROCESSES AT THE CENTRAL AND LOCAL LEVEL: AN EXAMPLE FROM THAILAND**

A joint public and private sector consultative committee (JPPSCC) was established in 1981 as a central platform for public-private dialogue. It brings together key ministries with a number of private sector associations that represent different segments of the private sector: banking, tourism, capital markets, trade, industry and shipping. Building on the national structure, several provincial-level JPPSCCs have also been established to bring together [local administrations and businesses](#).

Committees also exist to engage private sector actors in policymaking on specific issues. For example, in the area of public procurement, a multi-stakeholder committee was established under the National Reform Council following an [integrity risk assessment](#) and charged with drafting the 2017 Government Procurement and Supplies Management Act. The committee brought together public policymakers with representatives from private sector associations, CSOs and academia. Notably it also led to the introduction of integrity pacts designed to raise standards within major infrastructure projects, reduce corruption, and promote fairer competition.

Consultative committees or fora are another, less formal, way of ensuring ongoing dialogue and participation of different stakeholders, both within and beyond government. For example, in Finland, ministerial policy forums regularly bring together ministers to jointly review specific policy courses. In Thailand, public-private consultative committees are used to encourage private sector involvement in policy processes at both the central and local level, and include tapping into bodies such as business fora, councils or chambers of industry and commerce (see Box 7). National development cooperation forums are a common way of bringing together development partners and government actors to share knowledge, increase alignment of development cooperation with national policy making and advance negotiations. According to the [2020 Development Cooperation Forum \(DCF\) survey](#), in 2019/2020, 37 countries had national development cooperation forums in place. In some instances, development cooperation discussions are incorporated into sector-specific working groups or other forums, such as private sector forums. Regular public hearings, discussions and meetings may also be considered as fora for civil society engagement.

Networks, such as the Swedish Leadership for Sustainable Development Network, highlighted in Table 3, can provide the basis for more organised access to the government for non-state actors, especially in the absence of more structured mechanisms such as those discussed above. Similarly, **online consultations** and **communication**

campaigns, such as the Global Goals Municipal Campaign in the Netherlands highlighted in Table 3, can provide a platform for stakeholders to share views and initiate partnerships across specific thematic areas or objectives.

Transparency and accountability

[Building Block 3 on Monitoring and Review](#) considers existing systems to track and assess the impact of different types of finance, and how these may be better aligned. The focus in this section is on the institutions and processes that underpin transparency and accountability and that support the availability and access to relevant knowledge and information.

Formal institutions include public technical institutions such as National Statistical Offices and Revenue Authorities, Parliaments, and Supreme Audit Institutions. National Statistical Offices and Revenue Authorities collect and analyse data on various aspects of public finance, economic and investment indicators, and sustainable development outcomes.

- *Parliaments* already provide oversight of the budget process, typically through committees and sub-committees. Beyond the budget, such committees can assess whether broader financing policies are aligned with national priorities and the SDGs. For example, the [International Development Committee](#)

in the UK scrutinises UK development cooperation policies and administration and monitors ODA expenditures. In Kenya, a less formal structure, the [Parliamentary Caucus on Poverty and MDGs](#), was set up as a watchdog related to the government's approach to MDG policies, implementation and budget allocations. It does not have standing committee status, but rather it is an informal group approved by all parties and by the leadership of the house.

- Oversight by *Supreme Audit Institutions* typically focuses on public finance, but can also support scrutiny of wider financing policy areas. Such oversight can strengthen transparency and accountability of revenue mobilization and public spending and investment, and contribute toward strengthening the approach and systems used by the government to mobilise and

align all types of finance to key national priorities. Box 8 illustrates how audits can be applied to SDG financing, including to identify gaps or inconsistencies in existing financing policies and institutional set-ups and recommendations for remedial action. Box 8 illustrates how audits can be applied to SDG financing, including to identify gaps or inconsistencies in existing financing policies and institutional set-ups and recommendations for remedial action.

A range of **processes and tools**, such as peer reviews and open government initiatives, citizen budgets, SDG budget codes, and development cooperation results frameworks, can help increase transparency and accountability in service of financing policy coherence. Global high-level principles can guide such efforts (see box 9).

BOX 8.

USING NATIONAL AUDITS TO STRENGTHEN ACCOUNTABILITY AROUND SDG FINANCING: AN EXAMPLE FROM THE PHILIPPINES

In 2018, the Philippines' supreme audit institution, the Commission on Audit, carried out an [SDG preparedness audit](#). It examined how the government adapted the 2030 Agenda to the national context, the means of implementation for the SDGs and the mechanisms for monitoring, follow-up, review and reporting on SDG progress.

The audit assessed the government's approach toward financing the SDGs and the mechanisms that exist for delivering the Philippine Development Plan (PDP). It found that various financing policies exist for identifying and securing resources to implement the PDP and SDGs, but that an overall financing strategy was yet to be developed. It noted that this hindered government's efforts to effectively and coherently mobilise public and private resources.

The audit recommended the development of such a financing strategy as well as changes in institutional structures, such as the development of a subcommittee on SDGs within the government's Development Budget Coordination Committee, and the tagging of budgetary programmes that contribute to the SDGs. While the process of developing an INFF is ongoing, other recommendations, such as the creation of a sub-committee on SDGs have been implemented.

BOX 9. TEN HIGH-LEVEL PRINCIPLES FOR FISCAL TRANSPARENCY

The Global Initiative for Fiscal Transparency has published a list of [ten high-level principles for fiscal transparency](#):

1. Everyone has the right to seek, receive and impart, information on fiscal policies. To help guarantee this right, national legal systems should establish a clear presumption in favor of the public availability of fiscal information without discrimination. Exceptions should be limited in nature, clearly set out in the legal framework, and subject to challenge through low-cost, independent and timely review mechanisms.
2. Governments should publish clear and measurable objectives for aggregate fiscal policy, regularly report progress against them, and explain deviations from the plan.
3. The public should be presented with high quality financial and non-financial information on past, present, and forecast fiscal activities, performance, fiscal risks, and public assets and liabilities. The presentation of fiscal information in budgets, fiscal reports, financial statements, and National Accounts should be an obligation of government, meet internationally-recognized standards, and should be consistent across the different types of reports or include an explanation and reconciliation of differences. Assurances are required of the integrity of fiscal data and information.
4. Governments should communicate the objectives they are pursuing and the outputs they are producing with the resources entrusted to them, and endeavour to assess and disclose the anticipated and actual social, economic and environmental outcomes.
5. All financial transactions of the public sector should have their basis in law. Laws, regulations and administrative procedures regulating public financial management should be available to the public, and their implementation should be subject to independent review.
6. The Government sector should be clearly defined and identified for the purposes of reporting, transparency, and accountability, and government financial relationships with the private sector should be disclosed, conducted in an open manner, and follow clear rules and procedures.
7. Roles and responsibilities for raising revenues, incurring liabilities, consuming resources, investing, and managing public resources should be clearly assigned in legislation between the three branches of governments (the legislature, the executive and the judiciary), between national and each sub-national level of government, between the government sector and the rest of the public sector, and within the government sector itself.
8. The authority to raise taxes and incur expenditure on behalf of the public should be vested in the legislature. No government revenue should be raised or expenditure incurred or committed without the approval of the legislature through the budget or other legislation. The legislature should be provided with the authority, resources, and information required to effectively hold the executive to account for the use of public resources.
9. The Supreme Audit Institution should have statutory independence from the executive, and the mandate, access to information, and appropriate resources to audit and report publicly on the raising and commitment of public funds. It should operate in an independent, accountable, and transparent manner.
10. Citizens should have the right and they, and all non-state actors, should have effective opportunities to participate directly in public debate and discussion over the design and implementation of fiscal policies.

- **Peer reviews** can be carried out within government, with different departments and agencies reviewing each others' performance, or with external partners, through external peer reviews. For example, in 2018 the German Federal Government mandated a [peer review of its Sustainable Development Strategy](#), soliciting feedback from a range of domestic and international stakeholders, and then [used results](#) to update the strategy and mainstream sustainability into all policymaking. The UN High Level Political Forum, and related Voluntary National Reviews, can also be considered a peer review process, focused on good practices in SDG implementation. External peer reviews can also be effective accountability mechanisms. Members of the Development Assistance Committee (DAC) are reviewed by two peer DAC members every five or six years. Through a combination of accountability and peer learning, DAC peer reviews seek to improve DAC member development co-operation policies, systems, financing and practices. They track progress against previous recommendations, and recommend actions to improve performance. As more countries adopt INFFs, peer reviews of integrated financing could be considered, e.g., at the regional level, to formalize sharing of experiences and learning of lessons.
- **Open government initiatives** can help governments become more accountable and responsive to citizens. The [Open Government Partnership](#) was launched in 2011 at the UN General Assembly with eight founding governments. Today, it counts 78 member countries as well as a growing number of local governments and civil society organisations. Member governments work with civil society to co-create action plans with concrete commitments, which may be made across a range of policy areas, from gender to anti-corruption, health, extractive industries, and include specific measures such as the introduction of participatory budgeting or enhanced tax revenue reporting.¹²
- **Citizen budgets** make key budget information accessible to a general non-specialist audience; their aim is to empower citizens to better understand budget processes and exercise their right to influence the allocation and use of public finance. Citizen budgets can institutionalise a greater level of transparency by governments in relation to their policies, revenues and spending. The format of citizens budgets may vary, ranging from simple brochures to fiscal transparency portals with extensive information and open data and visualization tools. Citizen budgets typically contain information on the economic assumptions underlying the budget; sources of revenue; spending allocations; any significant policy reforms that may explain sizeable changes in revenue or spending levels; and contact information. They can also include information on how the budget is formulated and executed, and who is responsible at each stage.¹³ In the context of INFFs, governments may consider including information on the contributions of different types of finance toward specific national development priorities, provided tracking systems exist (see more in [Building Block 3 Monitoring and Review](#)). Box 10 shows how a citizen budget developed by civil society was used in Cambodia to enhance transparency and accountability in relation to government spending on climate.

BOX 10. CIVIL SOCIETY SCRUTINY OF CLIMATE FINANCING IN CAMBODIA

It is estimated that nearly 1 million households (from a total population of 16.5 million) have suffered from the effects of extreme weather since the year 2000 in Cambodia. In 2017, the Government undertook a climate public expenditure and institutional review (CPEIR) that analysed public expenditure on activities related to climate change across the government. Taking this data, and inspired by the experience with climate citizens budgets in Nepal, civil society has been at the forefront of driving greater accountability for public expenditure on climate.

In 2020, the NGO Forum on Cambodia developed a [citizen climate budget](#). This presented an accessible analysis designed to inform the public about how public funds are being used to combat climate change. This citizen climate budget represented the first analysis of its kind, showing how government spending on climate change has grown, how it is disbursed and considering related issues, such as the higher vulnerability of women to the effects of climate change in the country.

¹² See for example, [Nigeria's Open Government Partnership Action Plan](#).

¹³ See for example, the [Philippines 2020 Citizens Budget](#).

- Beyond domestic public finance, **development cooperation results frameworks** enhance transparency and accountability of donor resources. They bring a results focus to development cooperation and can reinforce alignment with national sustainable development priorities. Results frameworks that are developed in close consultation with development partners can enhance trust and encourage use by all actors, which in turn can reduce duplication of efforts and the existence of parallel systems. According to the [2020 DCF survey](#), country results frameworks that monitor and evaluate the contributions of development partners were in place in 56% of countries (compared to 72% when the previous survey was administered in 2018). Obstacles to operationalising them, lack of demand, limited resources for maintenance, and fragmentation of monitoring functions across different institutions and departments, are common challenges. In addition, as highlighted in data from the [Third Monitoring Round of the Global Partnership for Effective Development Cooperation](#), specific targets are not always included. INFFs represent an opportunity to review these tools (where they exist), to better align them with results frameworks used in national budgeting, and to identify areas for support.
- **Laws and regulations** can enhance transparency and accountability among both public and private finance providers. For example, in the Dominican Republic, the Public Sector Budget Law mandates the reporting and publishing of annual tax expenditure data (see Box 11). Governments can mandate private sector disclosures

through laws and regulations. Disclosure requirements for companies typically focus on enhancing availability and access to financial information, although much scope remains to further enhance tax transparency, particularly to tackle cross-border tax evasion and avoidance. Financial, human resource and institutional constraints often stand in the way of [developing countries benefiting from international exchange of information on tax](#). Increasingly, disclosure requirements cover a broader scope of issues, including a company's social and environmental performance. Globally, some progress has been made toward harmonisation of [sustainability reporting](#). INFFs represent an opportunity for governments to consider and set a minimum level of corporate disclosures both on financials and on sustainability issues and SDG-relevant risks, which can be adjusted for companies with smaller footprints. Governments can build on ongoing global efforts to develop their own corporate reporting requirements, with the view of establishing a package of regulations or policies that can improve availability and access to necessary information on volumes, allocations and impact of all types of finance.

- Disclosure requirements differ substantially between private companies and private not-for-profit entities, such as foundations. Not-for-profit private entities such as foundations often have limited obligations, though, in some countries, such as the United States, [foundations](#) have to meet public disclosure requirements and are obliged to file annual tax returns.

BOX 11. TAX EXPENDITURE REPORTING IN THE DOMINICAN REPUBLIC

Tax expenditures in the Dominican Republic are among [the highest in Latin America](#). In 2008, the Dominican Republic introduced tax expenditure reporting under the Public Sector Budget Law. It required that estimates of the revenue foregone through all tax incentives be published within the [annual budget](#). The Interinstitutional Tax Expenditure Commission was setup within the Ministry of Finance's Audit and Evaluation Unit. The Commission has a mandate to both estimate the revenue foregone each year and to conduct cost-benefit analyses on the country's exemption schemes. It publishes the annual report [Gastos Tributarios en República Dominicana](#), which provides a breakdown of estimated tax expenditure under each tax exemption scheme as well as the sectors and industries, and domestic and foreign actors, that are thought to have benefited.

This system has allowed the government of the Dominican Republic to better understand the costs that its tax exemption programmes are incurring. It has also created a platform of transparency and information that allows for detailed understanding and analysis in this important area of public and private financing policy.

- Governments can also strengthen corporate accountability by establishing **common definitions and minimum standards**. Corporate accountability should cover the wider impact that corporate behaviour has on sustainable development outcomes, beyond immediate financial impacts. This includes meeting tax obligations, relations with employees, suppliers, and the communities companies operate in, and other ESG considerations. A company is not only accountable to its shareholders, but to its employees, communities, and the public at large. A plethora of initiatives exists seeking to establish common standards across industries and sectors for sustainable investment. The [Global Investors for Sustainable Development Alliance \(GISD\) Navigator](#) provides an overview of existing principles,

practice standards and tools applicable to investors, corporates, and finance institutions.¹⁴ Among these are high-level principles, such as UNEP's Principles for Responsible Banking and the Principles for Responsible Investment (PRI); methodologies used to cross-check company reporting with unreported information and verify the absence of inconsistencies with sustainable development objectives; and detailed taxonomies that can help define standard minimum criteria to be met in specific sectors or activities, such as the EU taxonomy for environmentally sustainable economic activities (see Box 12). Box 13 illustrates how green loans and green bonds taxonomies were used in China to enhance green financing and influence the wider lending behaviour and capitalisation of Chinese banks.

BOX 12. EU TAXONOMY FOR DEFINING 'SUSTAINABLE' ECONOMIC ACTIVITIES

The European Commission put together a new classification scheme for sustainable economic activities which was adopted in June 2020 and came into force in July 2020. The [taxonomy](#) covers six priority areas: climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; and the protection and restoration of biodiversity and ecosystems. It provides appropriate definitions to companies, investors and policymakers according to which economic activities can be considered environmentally sustainable, i.e., if they substantially contribute to at least one of these six environmental objectives, do not cause any significant harm to any of the other five environmental objectives, work through a deliberate resilience-building process, and comply with minimum safeguards as outlined in international guidelines on employment and/or businesses. The taxonomy sets out a list of [technical screening criteria](#) across a set of issues ranging from forestry to agriculture to manufacturing or construction and real estate-related activities.

BOX 13. EXPANDING GREEN FINANCING USING TAXONOMIES: THE CASE OF CHINA

In 2013, the China Banking and Insurance Regulatory Commission (CBIRC) introduced a green loan taxonomy. This identified [twelve categories of green loans](#), including renewable energy, green transportation, green building and others. The regulator stipulated that major banks would have to report their green lending against this taxonomy within the CBIRC's green credit statistics system.

The development of the green taxonomy and green credit statistics was an important milestone in the larger effort to expand green financing in China. It has brought greater transparency to activities within a key part of the national financial system, in which the banking sector is dominant. The regulations required that the 21 largest banks all publish information on the proportion of their loans that met the green criteria as well as the performance of their green and conventional loans. This has presented evidence that green credit may be significantly less risky than other lending; at the end of 2018, for example, just 0.42% of green loans were non-performing in comparison to 1.83% of all loans.

14 See also the OECD/UNDP [Framework for SDG Aligned Finance](#), which includes illustrative examples of actions governments can take to improve alignment of finance in the areas of policies, standards and tools.

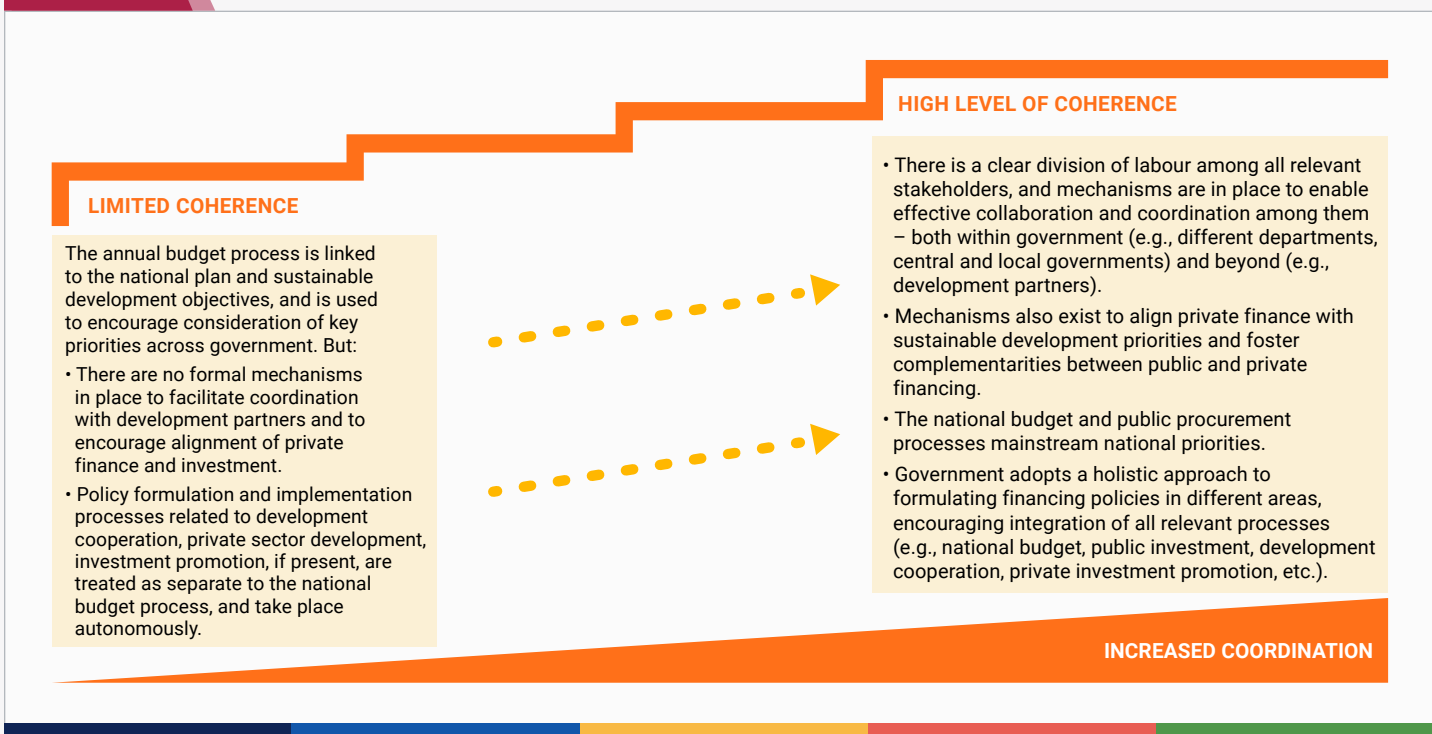
Following the introduction of the green loan taxonomy, China has introduced further taxonomies for green bonds (in 2015) as well as a range of other regulatory and incentive measures to promote expansion in green financing in line with national objectives. The proportion of green loans as a share of overall credit [has risen](#) from 8.8% in 2013 to 10.4% at the end of 2019. It is also impacting the wider lending behaviour and capitalisation of Chinese banks, with many increasingly integrating green criteria into their lending decisions and credit risk analyses.

Coordination

Common [challenges](#) to improve coordination include:

- Entrenched ministerial/ departmental as well as sectoral silos, and conflicting interests and mandates (e.g., between conservation and infrastructure development agencies);
- Unwillingness to collaborate and reluctance to change due to differences in organisational cultures, potential loss of control, influence or autonomy;
- Lack of harmonisation between central and local governments systems (e.g., use of different budget codes);
- Administrative burdens, time-consuming processes and blurred lines of accountability caused by a proliferation of coordination structures;
- Non-participation of key development partners;
- Difficulty of measuring impact and effectiveness (see also Figure 5).

FIGURE 5. LEVELS OF COORDINATION: STYLIZED EXAMPLES



To overcome these challenges, the following measures can be considered:

- Setting out clear roles and responsibilities (e.g., institutional frameworks, laws and regulations);
- Encouraging effective collaboration among stakeholders (e.g., through steering committees, working groups, regular coordination meetings and fora, delivery units, and tools such as practice guides, codes of conduct, and performance management systems);
- Incentivizing alignment of all types of finance with national priorities (e.g., through policy screening tools, the annual budget process, public procurement processes, specific financing instruments and strategies or policies).

Clear roles and responsibilities

Existing institutional frameworks for management of a national development plan or strategy provide a starting

point for assigning responsibilities and coordinating INFF-related efforts. They need not be considered separately but can rather be **incorporated in existing institutional structures**. This will not only support stronger links between financing and planning, but also help avoid excessive proliferation and duplication of these structures. For example, in the Maldives, a comprehensive institutional framework for the management of the Strategic Action Plan (SAP) defines lead implementing and coordination agencies, as well as Working Groups for in-depth policy reviews. It also includes NGO and academic networks to provide quality assurance and monitoring by non-state actors.

In some cases, statutory measures, including **laws and regulations**, may be needed to overcome entrenched siloes, and to clearly define roles, responsibilities and lines of accountability. In Indonesia, a presidential decree identifies and lays out the roles and responsibilities of different stakeholder groups with regard to SDG implementation and financing (see Box 14). These could provide the basis for further articulation of INFF-specific expectations.

BOX 14. SETTING OUT ROLES AND RESPONSIBILITIES IN LAW: THE CASE OF INDONESIA

In Indonesia, [Presidential Decree \(No. 59 of 2017\)](#) provides the legal basis for the participation of all actors in SDG implementation and financing. The decree identifies four 'participatory platforms': government and parliament; civil society organisations and media; philanthropy and business; and academics and experts. Each platform has representatives in the Implementation Team and Working Groups of the SDGs National Coordination Team, which is led by the President. The figure below illustrates the [roles assigned to each 'platform'](#), which include financing ones such as budget allocation (assigned to government) and resource mobilisation (assigned to philanthropy and business).



Effective collaboration

Coordination mechanisms to implement national development plans and strategies, if in place, should be the starting point for fostering coordination of relevant actors within an INFF as well. They may need to include additional stakeholders critical for financing-specific issues (see Table 1).

Coordination mechanisms that focus on specific sectors/ thematic areas or financing policy areas could provide an alternative starting point. These may include steering committees and working groups organised around identified national priorities (e.g., see Box 15), regular donor coordination meetings and/or fora set up by non-state actors to enhance coordination among themselves and with government (see examples from the Solomon Islands and Indonesia respectively in Table 5). INFFs represent an opportunity to further strengthen and coordinate, and in some cases consolidate these structures around a country's financing strategy.

In contexts with strong Centres of Government, **delivery units** – small teams that report to the President or Prime

Minister – may sustain momentum and enhance intra-governmental coordination in relation to **specific priority areas**. Under an INFF, delivery units could ensure financing priorities are effectively implemented, that they remain high on the agenda of relevant ministries/ departments, and that progress is monitored in an integrated manner. For example, Ireland established the Office of the Minister for Children (OMC) as a delivery unit to bring together staff from different ministries in the same building, while still receiving funding from, and reporting to, their parent ministries. This resulted in **greater coherence** in both policy development and service delivery, with no blurring of accountability lines and responsibilities. Similar structures could be envisaged in the context of an INFF.

Specific **coordination mechanisms to ensure alignment between central and local governments** should also be considered in financing policy areas that may be of particular reference to sub-national stakeholders (e.g., infrastructure financing). For example, in Nigeria, representatives of the Federal States meet on a monthly basis to foster coordination between the national and sub-national levels.

BOX 15.

COORDINATING IMPROVEMENTS TO THE BUSINESS ENVIRONMENT ACROSS MULTIPLE STAKEHOLDERS: THE CASE OF RWANDA

In 2008, the Rwanda Development Board (RDB) was established to oversee efforts to improve regulation and the wider business environment. Its creation involved the merger of eight institutions with responsibility across a wide range of areas, including investment promotion, support for SMEs, IT, and others.¹⁵ With private sector-led development prioritized at the highest levels of government, a series of structures were put in place to coordinate efforts across relevant actors and make this priority a reality.

A **Doing Business Steering Committee** was created at the Cabinet level to coordinate reforms across different ministries. A technical task force comprising six working groups was created to report to the Steering Committee. These working groups focus on key areas of regulation – business entry, licensing reform, legislative changes, taxes and trade logistics, construction permits, and property registration. They include private sector representatives who can both share their experiences and opinions to help shape the design of new reforms and foster greater buy-in to the reform process from the business community.

A Doing Business Unit was also established to drive forward implementation of reforms. This unit links the working groups with the steering committee and identifies opportunities for reform that the task force can develop. It coordinates with development partners to promote targeted technical support and other efforts to improve the business environment and monitors the implementation of reforms, reporting to the steering committee.

¹⁵ The eight agencies were the Rwanda Investment Promotion Agency, Tourism and Conservation, the Registrar General's Office, the Privatization Unit, Human and Institutional Development, the Centre for Support to Small and Medium-Sized Enterprises (CAPMER), the IT Agency and the National Environment Management Authority.

These structures have enabled Rwanda to develop and implement a wide range of reforms, including the establishment of a one-stop centre for investors, streamlined and simplified processes for permits and property registration, reforms to customs including the implementation of risk-based inspections, and the [provision of post-investment support through the Rwanda Development Board](#). The reforms have also contributed to a rapid rise in investment. The Rwanda Development Board registered [close to US\\$2.5 billion](#) in domestic and foreign investment in 2019, around six times the volume registered in 2010. These new investments are expected to create [more than 35,000 jobs](#).

Practice guides, codes of conduct, and performance management incentives can complement such formal coordination structures:

- **Practice guides** and **codes of conduct** can help overcome challenges related to blurred lines of accountability, the risk of blame shifting and difficulties in evaluation and either rewarding or sanctioning performance. As illustrated in Table 5 above, [Australia's Practice Guide for Public Servants](#) provides an overview of when to work together, what structure to choose and how to design related accountability, budget and

organisational frameworks. Codes of conduct or related legal documents can clearly define the dynamics of cross-sectoral and/or cross-departmental collaboration. Codes of conduct can also incentivise alignment of private sector actors with national priorities (see for example Box 16).

- **Performance management systems** can be designed to incentivise cross-departmental or cross-agency collaboration. In Finland, senior officials are assessed based on their ability to share knowledge and create partnerships across institutions.

BOX 16.

PROMOTING ALIGNMENT OF PRIVATE SECTOR ACTION WITH SUSTAINABLE DEVELOPMENT: AN EXAMPLE FROM THAILAND

Promoting good corporate governance has been a policy priority for the Thai government since 2002, and related efforts saw the establishment of the National Corporate Governance Committee (NCGC). The NCGC has a mandate to establish policies and promote improvements in corporate governance with a particular focus on actors within the capital market. It is chaired by the Prime Minister and brings together representatives of key ministries and regulators, the central bank, stock exchange and a range of industry representatives, including among others the Thai Chamber of Commerce, the Thai Bankers' Association, and the Thai Investors Association.

In 2017, the NCGC published the Corporate Governance Code for listed companies which built on earlier principles developed by the Stock Exchange of Thailand and those of the G20/ OECD. It articulates eight principles for boards of directors for the governance of the companies they lead and is designed to promote business models that are competitive, responsible, and resilient. This includes, for example, striving toward sustainability in corporate value creation and promoting sustainability reporting.

Alignment of all types of finance

A range of tools and processes can encourage alignment of financing with national priorities, including policy screening tools, the budget process, public procurement processes, specific financing instruments and policies.

Several countries have developed **screening tools** to assess whether policies, including financing policies, will contribute to set goals (see for example Bhutan's policy screening tool in Box 17). The [Risk-Sensitive Budget Review tool](#), which has recently been applied in 16 African countries, offers

an example of an effective screening tool to improve understanding of public budgeting for disaster risk reduction as well as the need to refocus internal and external financial resources based on national multi-hazard risk profiles. While these tools may be labour-intensive to set up, they can strengthen coherence of policy reforms by ensuring that only policies with a positive (or neutral) impact on identified priorities are pursued. IATF guidance on INFF [Building Block 2 Financing Strategy](#) provides additional detail on various coherence, risk and sustainability checks that may be useful in designing screening tools for financing policies in particular.

BOX 17. BHUTAN'S POLICY SCREENING TOOL

Bhutan has a unique approach to national development in which the Gross National Happiness (GNH) Index provides the measure against which progress is monitored. Gross National Happiness is considered to have four pillars: equitable socio-economic development, protection of culture, preservation of the environment, and good governance. The Index builds on these, capturing nine domains, each with a variety of indicators and variables by which they are measured.

The GNH index is used as the basis for designing and formulating policies and the government has developed a screening tool designed to build coherence across its policies and programmes, ensuring that they are well integrated with the country's national objectives across the GNH index. This has been in place since 2008.

When a new policy is developed, it is assessed against 22 variables that draw from the Gross National Happiness Index. The screening assesses the likely impacts of the policy against each of these variables on a four-point scale which looks at whether the policy will have a negative, uncertain, neutral, or positive effect. The likely effects of the new policy on each of the variables is quantified and added together to give a summary of the potential overall contribution of the policy toward gross national happiness.

To be implemented, new policies must achieve a positive score across the index overall. While the screening is not exclusive to financing policies alone, they are subject to it in the same way as other policies. The screening of government policies is led by the Gross National Happiness Commission, which works jointly with the responsible ministry to evaluate new policies. The Commission is chaired by the prime minister and brings together ministers and other actors from across government. Policies are often sent back to be adjusted or rejected outright. For example, a proposed mineral development policy was rejected on the grounds of being too polluting and unsustainable. Tourism in the country also follows a strict high-value, low-volume approach in line with GNH screening.

In this way, the government has established a unique, structured mechanism that helps to objectively tie the design of financing and other policies to national development and to build coherence across them.

The **annual budget process** can provide an effective entry point for greater coordination and coherence across government. It can facilitate mainstreaming of sustainable development priorities across ministries and agencies. For example, in Pakistan, the Khyber Pakhtunkhwa provincial government has incorporated climate change within its budget call circular encouraging provincial ministries to budget for climate change expenditures. In Finland, all ministries are required to reflect on the sustainable development contributions of the priorities identified in their budget proposals. The budget process can also incentivize greater coordination in the budget preparation stage; in Norway, for example, ministries in charge of specific SDGs have to consult with other ministries involved in the implementation of the goal when putting together their budgets. In Bangladesh, a predefined amount of resources is set aside for climate adaptation purposes; it can be accessed only by ministries that cooperate on the issue.

Public procurement processes are increasingly used to promote alignment with national priorities. For example, as noted in Table 5 above, environmental standards are included in award criteria, contract performance clauses and technical specifications, to encourage green solutions. Public-private partnerships, which are [long-term contractual arrangements](#) between a government entity and a private party, may also be used, where appropriate, to promote public-private collaboration on specific sustainable development priorities. However, these tend to entail greater development, bidding, and ongoing [costs](#) compared to traditional government procurement processes, and should therefore be considered carefully, depending on resource and capacity availability.

Specific financing instruments may be used to enhance alignment of development cooperation and private finance, and to strengthen coordination with, and among, non-state actors:

- **Joint or pooled funds** can help better coordinate assistance and funding from multiple development partners. For example, as highlighted in Table 5, a joint fund was established in Myanmar to coordinate donor support from several development partners, including nine bilateral development partners and the EU.
- **Blended finance** may be used to encourage alignment of private investments with nationally identified priorities in sectors where there is potential for financial returns but risk (perceived or actual) may be too high for purely commercial investments. (See guidance on [Building Block 2 Financing Strategy](#) for more detail on the preconditions and applicability of specific financing instruments, especially public-private ones, including the Addis Ababa principles for blended finance).

INFFs also provide an opportunity to engage key development partners, and improve coordination and coherence of different financing (see [Building Block 2 Financing Strategy](#) for more detail). **Development cooperation strategies or policies**, which could be an important element of an INFF, can set out roles and expectations of development partners. Box 18 illustrates how donor-initiated strategies may be used to enhance donor coordination in countries in fragile situations. Similarly, national **private sector development strategies and investment policies** can set out priority sectors/ areas and inform private investment decisions accordingly. The [Kampala Principles on effective private sector engagement](#) note that defining such strategies and policies should be inclusive and explicit about the role expected of the private sector in delivering national and sectoral development priorities, including how success will be measured.

BOX 18.

USING STATE BUILDING CONTRACTS TO IMPROVE DONOR COORDINATION IN COUNTRIES IN FRAGILE SITUATIONS

The EU began using 'State Building Contracts' (SBCs) in early 2013 to better coordinate support to fragile and conflict-affected countries. The goal of the contracts is to resolve the tension between long- and short-term engagement by clearly tailoring cooperation to the objectives defined by receiving countries, increasing country ownership, and including provisions for more concrete risk monitoring. SBCs have been implemented in 12 countries and are in preparation in two more. They can contribute to domestic resource mobilization across a variety of sectors, including health, education and other social sectors, and support improvements in audit and control, justice, and security, among others.

The decision to initiate an SBC is based on five core considerations:

1. An assessment of the state of fragility in the given state to better understand the context and ensure that the SBC is designed accordingly;
2. A risk assessment that captures the overall political and security situation, the financial risks and the cost of inaction to inform the design of risk mitigation measures;
3. Linking the purpose of the SBC clearly with state-building objectives;
4. An understanding of how the potential partner government seeks to foster state-building, governance and the promotion of rights;
5. The ability to foster an internationally coordinated response by assessing the potential for wider international support for the provision of budget support, most notably from the World Bank and the IMF.

SBCs can formalize a legal basis for budget support operations in fragile and conflict-affected states. They clearly identify risks, can facilitate greater coherence, and can have a catalytic effect of raising additional resources. However, they also face some challenges, such as undefined exit strategies and next steps as well as potential capacity limitations at the country level, and they risk imposing requirements that may overload governments already stretched thin. Some key [lessons learned](#) from the country level that may help minimize such challenges include:

- Ensuring that technical assistance is demand-driven;
- Having clearly defined objectives and designing instruments that are aligned with them and tailored to the specific contexts;
- Undertaking frequent risk assessments and adopting a broader definition of political risks, given the prevalence of volatility in post-conflict countries;
- Ensuring that the right dialogue partners, who have sufficient political clout, are engaged in SBCs.

National financing strategies may be less government-driven or comprehensive in conflict-affected and fragile contexts. This may be due to weak institutional structures to support a whole-of-government approach, or insufficient trust in the government. Humanitarian actors are often involved in such

settings. Related coordination structures (e.g., to support financing of specific outcomes related to the development-humanitarian-peace nexus, as laid out in Box 19) may be a starting point to further enhance coherence of financing through an INFF in such contexts.

BOX 19. COLLABORATING ACROSS THE DEVELOPMENT-HUMANITARIAN-PEACE NEXUS

In February 2019, the OECD Development Assistance Committee (DAC) adopted the [Recommendation on the Humanitarian-Development-Peace Nexus](#). This offered impetus for strategic change in the way humanitarian, development and peace actors collaborate in fragile and conflict-affected contexts. The International Network on Conflict and Fragility (INCAF) is supporting implementation of the DAC recommendation globally and at the country level, which will involve financing strategies to target specific outcomes.¹⁶

¹⁶ More detail in forthcoming OECD guidance (Financing for Stability: Financing across the nexus) and Interim Progress Report on the DAC Recommendation on the Humanitarian-Development-Peace Nexus.

Annex: Self-Assessment Governance Checklist

Commitment and leadership

Is there a clear commitment and mandate from the highest political level to adopt an integrated approach to financing national sustainable development objectives (i.e., an INFF)?

What 'sustainability features' ensure continued focus and sustained momentum around INFF implementation across political cycles and potential changes in political leadership?

Is there an institutional 'catalyst' (central unit, ministry, committee) responsible for overseeing and guiding the design and ongoing management of the INFF? Does it have the required authority and convening power to foster participation of, and coordination among, all relevant stakeholders?

What measures exist to build capacity in the public service to formulate and implement coherent financing policies, and among parliamentarians to effectively oversee relevant processes? Is the Government encouraging capacity building of non-state actors (including the private sector) on sustainable development financing issues?

Access to knowledge and perspectives

Is the commitment to, and added value of, an integrated financing approach effectively communicated across levels of government?

What mechanisms are in place to foster formal and/or informal exchanges of information among different ministries and departments, and between national and local levels of government?

What mechanisms are in place to foster formal/ informal exchanges of information with development partners and international organisations present in the country, around the design and/or implementation of financing policies?

What mechanisms are in place to involve and promote active participation of civil society, academia, business and industry in the design and implementation of financing policies, and to feed their input into decision-making processes?

Is there transparent reporting to parliament and the public on the implementation of the financing strategy and the contributions of different types of finance? Is reported information accessible to target audiences?

What mechanisms exist to assess and review progress in implementation of financing policies and reforms, to ensure effective feedback between implementation and policy design, and to distil lessons learned around what works and what does not work? Are external and independent audit institutions involved?

What mechanisms exist for ex-ante impact assessments to take into account the potential positive and negative impacts of different financing policies and regulations on sustainable development outcomes, and to inform policy design accordingly?

Coordination

Are roles and responsibilities clearly defined for all relevant stakeholders?

What mechanisms are in place to encourage intra-governmental collaboration and coordination (both between ministries/ departments and between central and local governments)?

What mechanisms are in place to facilitate coordination with, and among, development partners around key financing priorities or issues?

What mechanisms exist to encourage alignment of private finance with national sustainable development priorities, and to foster complementarities and minimise contradictions between public and private financing?

What mechanisms are in place to encourage collaboration with, and among, private sector actors?

Is the budget process used to mainstream national development priorities across government, reconcile policy objectives and promote policy integration?

Is the public procurement process used to encourage synergies and promote alignment with national priorities?

Are budget and other financing policy processes (SOEs or NDBs, development cooperation, private sector development, investment promotion) jointly considered as an integrated approach to financing?

What mechanisms exist to this end?



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