



Integrated National  
Financing Frameworks

# INFF Building Block 2 Financing Strategy

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# Why is it important



- ❖ Streamline existing approaches and tools into one framework
- ❖ Find solutions to close financing gaps, overcome constraints and make the most of financing opportunities
- ❖ Identify financing policies that are risk-informed and take equity, social and environmental concerns into account, addressing potential spill-over effects and trade-offs



# Guiding principles

1. Focus on policies that are **administratively and politically possible**
2. **Comprehensive** (all types of finance)
3. **Top down & bottom up** approach (macro consistency screening / local solutions for local problems)
4. **Iterative** (linking existing processes / feedback loops)



# Suggested approach

## STEP 1

### **ESTABLISH FINANCING POLICY OBJECTIVES**

Start with findings from Building Block 1 (financing gaps, risks, binding constraints).

Identify scope of the financing strategy, specific financing policy objectives.

## STEP 2

### **IDENTIFY POLICY OPTIONS**

Identify existing policies, regulatory measures, instruments.

Identify additional options based on international good practice or experience from peers.

## STEP 3

### **POLICY PRIORITISATION**

Shortlisting based on:

- Macro (consistency with macro-objectives), coherence (sustainability /trade-offs/ win-wins), and risk checks;
- Preconditions, resource requirements.

## STEP 4

### **OPERATIONALISATION**

Formulate a concise strategy to:

- Bring together existing approaches;
- List of action on reforms, new instruments.

# Step 1: Establish scope and objectives

- ❖ Define the required scope and approach
- ❖ Start with baseline assessment: financing gaps, opportunities, risks, binding constraints
- ❖ Based on baseline, identify your objectives

**TABLE 2. DEFINING FINANCING POLICY OBJECTIVES**

FINANCING OBJECTIVES			
List objectives to be pursued through the financing strategy with the aim of closing financing gaps, maximising opportunities, and addressing binding constraints E.g., Increase FDI in the energy sector (private finance)			
FINANCING GAPS	OPPORTUNITIES	RISKS	BINDING CONSTRAINTS
<p>List estimated financing gaps – at macro/ sectoral/ programmatic level (depending on level of analysis used in financing needs and financing landscape assessments)</p> <p>E.g., Rs1.3 trillion gap in private finance in the energy sector (Nepal example in Building Block 1.2 guidance)</p>	<p>List financing opportunities emerging from the financing landscape assessment</p> <p>E.g., Higher levels of FDI in peer countries compared to domestic economy (Philippines example in Building Block 1.2 guidance)</p>	<p>List risks emerging from the risk assessment</p> <p>E.g., Collapse in global commodity prices (example in Building Block 1.3 guidance)</p>	<p>List specific obstacles identified in the binding constraints diagnostic</p> <p>E.g., Inefficient financial intermediation due to bureaucratic loan application process and high collateral requirements (Egypt/ Sri Lanka examples in Building Block 1.4 guidance)</p>



# Step 2: Identify policy options

- ❖ Identify policies, legal or regulatory measures, or financing instruments
- ❖ **Where to look:** a) current practices, b) further opportunities (low hanging fruit, local good practices, external good practices, hybrid solutions)
- ❖ **How to look:** Leverage existing national and international assessments/frameworks (i.e. MTRS)

**TABLE 3. EXAMPLE OF MAPPING OF CURRENT PRACTICES**

FINANCING OBJECTIVES	GOVERNMENT ACTIONS	RESPONSIBLE GOVERNMENT INSTITUTION	ASSESSMENT INDICATOR		PARTNER SUPPORT	STATUS AND SUITABILITY OF ACTIONS (strengths, weaknesses, gaps)
			INDICATOR OF PROGRESS	BASELINE		
Development of domestic debt markets	Normalise and extend the yield curve	Ministry of Finance	DeMPA	2019	Support domestic capital market development (AfDB), WBG	Ongoing. No progress until cash management issue resolved.
	Enhance secondary market activities		DSA	2018		
	Introduce a wider spectrum of instruments		PEFA	2017		
Overcome inefficiencies in tax collection	Improve tax policy design, legislation framework and tax and customs administration	Ministry of Finance and Revenue Administration	INFF Building Block 1	2021	TA support to Ministry of Finance and revenue administrations (IMF, Germany-GIZ)	Ongoing. Updating tax laws potential low hanging fruit not realised.
			TADAT	2017		
Increase private finance in the renewable energy sector	Develop risk sharing instrument to leverage private investment for renewable energy	Ministry of Finance, Ministry of Commerce, Ministry of Environment	MTRS	2018	TA support (Germany-KFW)	Ongoing. Local good practice, with potential to be replicated.
			FSAP	2018		
Better align the national budget with the SDGs	Institutionalise consideration of SDGs in budget formulation and establish systems to track SDG-aligned expenditures	Ministry of Finance	WB LTF Diagnostic	2019	TA support to Ministry of Finance and line ministries (UNDP, UN Women, UNDRR)	Ongoing. Weak budget execution procedures and controls remain a challenge. Developing clear procurement guidelines potential low hanging fruit.
			UN Women Gender Responsive Budgeting Diagnostics	2018		
			UNDRR Risk Informed Budget Reviews	2019		
			INFF Building Block 1.2	2021		

# Step 3: Policy prioritisation

## Coherence Checks

- ✓ Have macro checks been considered?
- ✓ Have coherence checks been considered?
- ✓ Have risk checks been considered?

Depending on evaluation checks, consider two scenarios for policy options:

### RETAIN

If the policy option aligns with all evaluation checks, retain as in.

### ADJUST

If it does not align, evaluate whether this is because of:

- **Macro coherence?** If so, consider alternative macro scenarios/ remedies.
- **Trade-offs/ externalities?** If so, is there a way to remedy this with complementary policy/ regulatory reforms, or financing instruments?
- **Risks?** Evaluate risk, and consider if instruments/ regulations can remedy them.

List all policy options:

- Policy options that have been retained
- Integrated/ hybrid solutions to overcome impediments/ costs



# Step 3 (cont'd)

## Prioritising

- ✓ Have preconditions been considered?
- ✓ Have resource requirements been considered?

Depending on evaluation checks, consider two scenarios for policy options:

### RETAIN

If the policy option aligns with all evaluation checks, retain as in.

### ADJUST

If it does not align, evaluate whether this is because of:

- **Preconditions?** If so, consider which complementary institutional, policy, or regulatory reforms have to be implemented first
- **Resource/ capacity requirements?** If so, consider whether there is a way to remedy this with untapped resource support or capacity development training.

List all policy options:

- Short-term (i.e., operational) planning
- Medium-term planning
- Long-term planning (may need own strategy)



# Step 4: Operationalization

## Operationalise

- ✓ Actions should align with objectives set at outset
- ✓ Periodic review should be undertaken

**TABLE 5. TEMPLATE FOR INFF ACTION PLAN**

POLICIES	ACTIONS/ ACTIVITIES	TIMEFRAME	SEQUENCING	ROLES AND RESPONSIBILITIES	
				RESPONSIBLE ACTORS	ACTORS TO BE CONSULTED/INVOLVED
List all policy options identified in the previous steps	List specific actions/ activities that would be required to either implement the policy, or to guide long-term planning (e.g., draft TORs for long-term finance diagnostic)	Indicate timeframe for implementation of specific activities (ST/ MT/ LT)	Note considerations around whether activities under the same policy and/ or across different policies would need to be implemented in a particular sequence (e.g., 'A' needs to happen before 'B' can be implemented)	List lead actors/ agencies – those responsible for the implementation of the activity	List actors/ agencies that would need to be consulted/ involved in the implementation of the activity but that would not be accountable for its success
<i>Template</i>	<i>to be filled in...</i>				





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# Thank you!

You can access the full IATF global guidance on Building Block 2 Financing Strategy at:

<https://inff.org/inff-building-blocks/financing-strategy>

