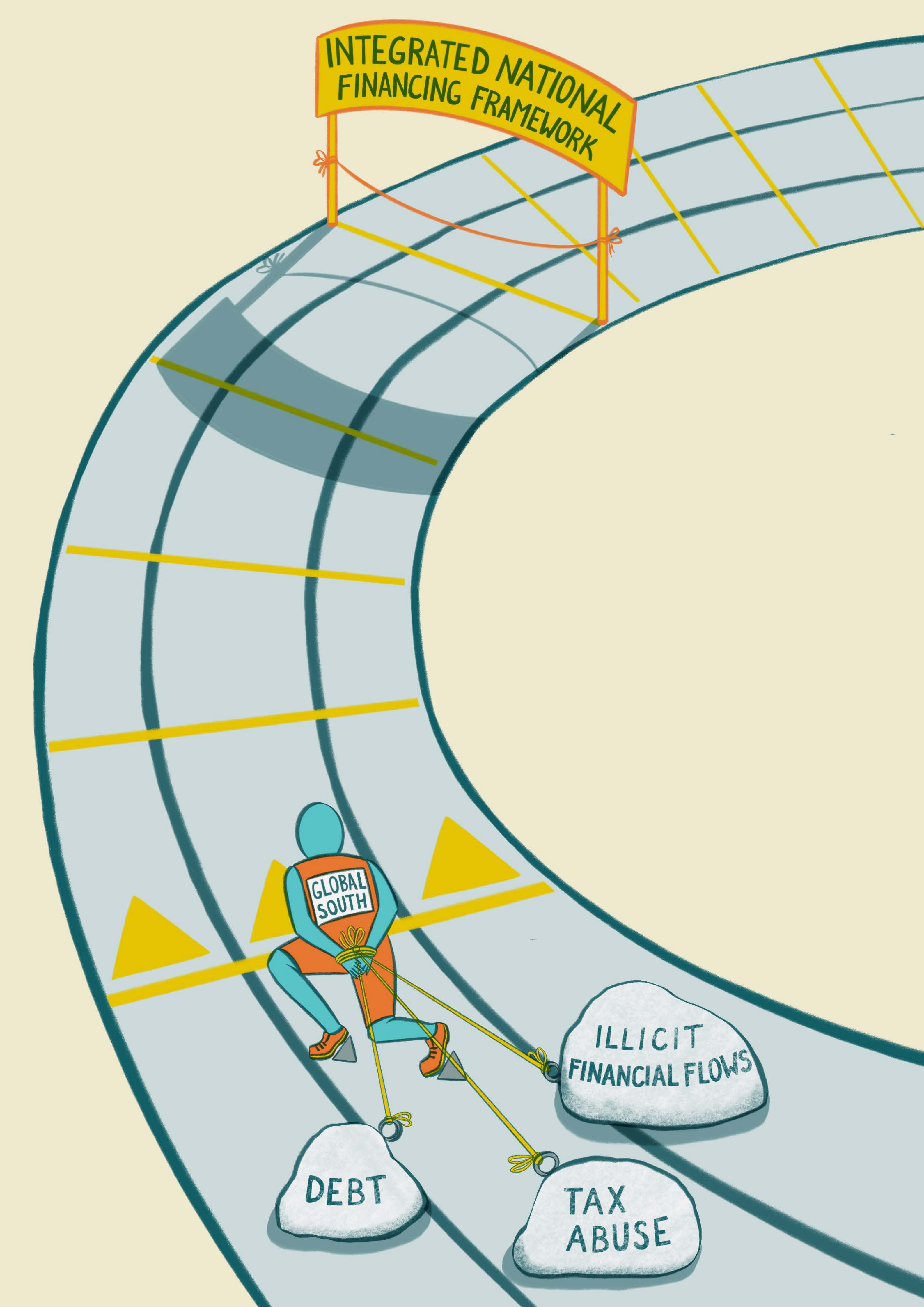
# Undue INFFluence?

## The risks of the United Nations' growing emphasis on Integrated National Financing Frameworks

*Discussion Draft*

CIVIL SOCIETY FINANCING FOR DEVELOPMENT GROUP


INTEGRATED NATIONAL FINANCING FRAMEWORK
GLOBAL SOUTH
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DEBT
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# Summary

The global economic system is in crisis. Pre-existing structural inequalities have been exacerbated by geopolitical instability, the ongoing COVID-19 pandemic, and the climate emergency, to the extent that 263 million additional people could be pushed into extreme poverty this year alone.

Yet despite this spiralling situation, the UN Financing for Development process has repeatedly failed to agree on global solutions to help tackle the most fundamental underlying economic challenges – solutions such as a universal, intergovernmental UN tax commission to tackle tax dodging, and establishment of a binding multilateral framework for debt crisis prevention and resolution.

While progress on urgently-needed global level solutions has been stagnating, much attention has in contrast been paid to a new approach to financing at country level : Integrated National Financing Frameworks, or INFFs. INFFs are intended to set out, in a coherent way, how countries' national sustainable development strategies will be financed.

The Civil Society Financing for Development Group supports certain of the premises on which the case for INFFs is sometimes based. We agree that high quality financing frameworks, which coherently reflect democratically determined national priorities and uphold the rights of minorities, can potentially play a crucial role in tackling poverty, fighting inequalities and combatting the climate emergency.

However, we have serious concerns over INFFs as they are currently promoted and implemented. We will be undertaking further detailed research on these issues later this year. In the meantime, based on a rapid review of key literature, this briefing seeks to highlight concerns that warrant further urgent attention from all stakeholders involved in implementing INFFs. Our concerns fall into three broad categories.

First, we are concerned that, by focusing on decisions made at country level in the Global South, INFFs are only addressing the symptoms of global economic inequality, without being able to tackle the root causes. So long as global solutions on issues such as tax justice and debt sustainability remain elusive, INFFs can only ever hope to optimise financing strategies within the very limited space that Global South countries have available. To expand that space requires global reforms far beyond the remit of INFFs. What is more, there is a risk that INFFs may actually be used by some stakeholders to distract attention from the urgency of advancing global solutions, stalling progress still further.

Second, we are concerned that, although INFFs are in principle intended to be country-led, in reality their implementation may risk eroding democratic local ownership of 'development' priorities. International institutions with substantial funding are energetically involved both in the promotion of

INFFs and in the provision of technical assistance. The involvement of such institutions inherently introduces power asymmetries, and there is, at least in principle, a risk this could sometimes influence Global South countries' choices on whether and how to implement INFFs.

In addition, democratic ownership requires that people's movements and representative civil society organisations play an independent and meaningful role in the development, implementation and monitoring of financing strategies. Yet the INFF process risks overlooking the distinctive and essential role that these organisations should play, as it seems at times to conflate them with other entirely different stakeholders such as corporations, who do not share the same ability to represent rights holders.

Third, we are concerned that some of the tools included within the INFF toolkit could potentially promote policy reforms that do not necessarily align with wider goals and obligations on inequalities, on the enjoyment of human rights, or on the fulfilment of commitments under the Paris Agreement on Climate Change. The binding nature of obligations on human rights and on climate change – which must take precedence over other factors if trade-offs are being made – is not always sufficiently emphasised in the INFF guidance, and references to key human rights tools should be added to the toolkit.

We will be returning to these risks in more detail over the course of the year with a view to making more detailed recommendations on the future of INFFs. In the meantime, we call for:

- All governments and international organisations involved in INFF implementation to be vigilant against the risks that we identify in this briefing; and
- United Nations Member States to approach negotiations on global economic justice issues with at least as much vigour as they have devoted to INFFs. A key first step would be to agree to hold the next UN Summit on Financing for Development in 2024, so that real progress on the the systemic issues that hold back financing at national level can finally be made.

# Introduction

The United Nations' (UN) Financing for Development process deals with fundamental economic justice issues with far-reaching repercussions for upholding human rights, combating inequalities, and ensuring a sustainable future consistent with planetary safety.[1] These issues range from tackling tax dodging, to resolving unsustainable debt burdens, to aligning trade and investment agreements with public policy objectives on human rights and social justice.[2]

The need for just and sustainable solutions to such issues is more urgent than ever in the context of current geopolitical instability,[3] the ongoing COVID-19 pandemic, and the climate emergency.[4] For instance, it has been estimated that the combined effects of COVID-19, rising inequality and rising food prices (driven in part both by climate disasters and by spillovers from the war in Ukraine) could push an additional 263 million people into extreme poverty this year.[5]

Yet despite this urgency, recent outcomes from the UN Financing for Development process have failed to reach consensus on global-level solutions commensurate with the most fundamental structural challenges, from tax to debt to trade.[6]

In contrast, one area that has seen rapid momentum is the development of new approaches to work on financing at country level, known as Integrated National Financing

1 For a recent overview of what is at stake, see Rangaprasad and Ryding in IPS News, 2022, 'NGOs seeking a Monterrey+20 Summit on Financing for Development' (accessed 6 April 2022).

2 For the Civil Society Financing for Development Group's (CS FfD Group's) recent position on these and other issues, see CS FfD Group, 2022, Letter to the President of the Economic and Social Council (accessed 6 April 2022).

3 For example, the UN Conference on Trade and Development (UNCTAD) has warned that the war in Ukraine has heightened "the risk of serious external debt payment difficulties » for countries in the Global South. See UNCTAD, 2022, 'Ukraine war cuts global growth prospects by 1%' (accessed 5 April 2022).

4 For instance, for analysis on how the climate emergency reinforces unsustainable debt burdens in the Global South, see Crotti and Fresnillo / Eurodad, 2021, The Climate  Emergency: What's debt got to do with it?

5 Oxfam, 2022, 'First crisis, then catastrophe', pp.4-5 (accessed 22 April 2022)

6 CS FfD Group, 2021, Civil Society FfD Group's response to final 2021 FfD Outcome Document

Frameworks – INFFs. The rest of this briefing sets out briefly what INFFs involve, and highlights some key areas of concern for the Civil Society Financing for Development Group (CS FfD Group).

The briefing is based on a rapid review of key literature on the INFF Knowledge Platform website,[7] together with past analysis on the topic from the Civil Society FfD Group[8] and its members including IBON International[9] and the CSO Partnership for Development Effectiveness.[10] The briefing does not aim to present an exhaustive policy analysis, nor to reach definite conclusions on the extent to which all the identified risks are materialising in the countries where INFFs are implemented. Rather, it seeks to highlight risks that warrant further urgent attention from all stakeholders involved in implementing INFFs. We will ourselves return to these risks with further more detailed research later this year.

7 INFF Knowledge Platform (accessed 6 April 2022)

8 CS FfD group, n.d., position paper on INFFs

9 IBON International, 2020, 'National financing for development : corporatised or democratised process ?'

10 CS Partnership for Development Effectiveness, 2021, Ambitions and concerns: Integrated National Financing Frameworks, an overview

# What are INFFs?

INFFs are an approach to planning finance for sustainable development, at country level:

> « *A country's sustainable development strategy lays out what needs to be financed. INFFs spell out how the national strategy will be financed and implemented.*»[11]

Proponents of INFFs argue that they can foster comprehensiveness and coherence among different strands of a country's financing strategy. They argue that this can in turn help in selecting and targeting different sources of finance, and in communicating with external finance providers about priorities.[12]

INFFs were first proposed in the Addis Ababa Action Agenda in 2015.[13] Since then, INFFs have grown rapidly in prominence. In 2019, the Inter-Agency Task Force on Financing for Development included a dedicated chapter on INFFs in its annual Financing for Sustainable Development Report.[14] And INFFs have been highly visible in the UN Financing for Development process in subsequent years : for example, they were referenced 35 times in the Inter-Agency Task Force's 2022 report,[15] and twice even in the relatively short outcome document from the 2021 Financing for Development Forum.[16]

As at April 2022, 78 countries across the Global South are working on INFFs.[17] The UN (in particular the Department for Economic and Social Affairs, the UN Development Programme, and the Joint Sustainable Development Goals Fund) and the European Union are playing a coordinating role.[18]

11 INFF Knowledge Platform (accessed 4 April 2022).

12 INFF Knowledge Platform, 'About INFFs: why adopt an INFF' (accessed 4 April 2022).

13 United Nations, 2015, Addis Ababa Action Agenda, paragraph 9: « *Cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks, will be at the heart of our efforts.* ».

14 United Nations Inter-Agency Task Force on Financing for Development, Financing for Sustainable Development Report 2019, Chapter II

15 United Nations Inter-Agency Task Force on Financing for Development, Financing for Sustainable Development Report 2022

16 United Nations Economic and Social Council, 2021, E/FFDF/2021/3, Report of the Economic and Social Council forum on financing for development follow-up, paragraphs 17 and 24.

17 INFF Knowledge Platform, 'Country experiences' (accessed 4 April 2022).

18 Sources : INFF Knowledge Platform, 'About INFFs: how is the international community supporting INFFs?', and the INFF Knowledge Platform 'Country experiences' page (which includes links to the United Nations Joint SDG Fund website). (All links accessed 4 April 2022).

# Starting point: some areas of common ground

While the later sections of this briefing explain the CS FfD Group's concerns about INFFs, we stress that we are not opposed to some of the underlying premises on which the case for INFFs is sometimes based.

On the contrary: we would support the idea that strong, integrated and coherent national financing strategies can potentially make a vital contribution to upholding human rights, fighting inequalities, and combatting the climate emergency.[19]

We also agree that it is essential for such strategies to be locally owned and led, assuming this is based on a broad and democratic definition of local ownership that avoids elite capture and upholds the rights of groups experiencing discrimination.[20] In particular, we agree that international development cooperation should be aligned with democratically owned local priorities.[21]

We further agree that countries in the Global South should have the possibility to access to technical assistance to support financial strategy development, provided that this responds to genuine local demand established based on principles of democratic ownership, and that it is offered in a form that the Global South country and its citizens have chosen, which may include South-South models.[22]

But despite these areas of agreement, we have serious concerns over INFFs as they are currently promoted and implemented. Our concerns fall into three broad categories, which we explain in more detail below:

i. concerns that INFFs as they are currently promoted are diverting attention from more fundamental systemic barriers to global economic justice;
ii. concerns that INFFs as they are currently implemented risk eroding democratic local ownership of 'development' priorities; and
iii. concerns about a potential tension between some of the tools used to implement INFFs, and fundamental goals on upholding human rights, tacking inequalities and combating climate change.

19 CS FfD group, n.d., position paper on INFFs

20 CSO Partnership for Development Effectiveness, 2020, 'Civil society manifesto for effective development cooperation', p.10 ; IBON International, 2020, 'National financing for development : corporatised or democratised process ?' p.9 ; Alemany, Hopenhaym and Craviotto, 2008, 'Aid Effectiveness and gender equality', in the Reality of Aid Global Report 2008.

21 CSO Partnership for Development Effectiveness, 2020, 'Civil society manifesto for effective development cooperation', p.10

22 CSO Partnership for Development Effectiveness, 2020, 'Civil society manifesto for effective development cooperation', p.10 ; IBON International, 2020, 'National financing for development : corporatised or democratised process ?', for example p.11 ; CS FfD group, n.d., position paper on INFFs.

# Our concerns in brief

## Concern no. 1: diverting attention from global level policy issues?[23]

As their name suggests, INFFs are primarily a tool to guide country level policy decisions. While INFFs are not intended to be implemented in isolation from wider global debates, the focus is on steps that can be taken at country level:

> « *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…However, it is important to contextualise them within regional and global processes.* »[24]

Thus typical issues covered in an INFF might include, for example: countries' revenue strategies, budgeting frameworks, public financial management processes, industrial development strategies, and national level regulatory frameworks for private sector actors.[25] Issues requiring negotiation or cooperation with external actors are also included – for instance, strategies for managing debt, tackling illicit financial flows, or engaging with countries that propose international public finance.[26] But across all these issues, INFFs by their nature place the emphasis on the subset of decisions that, at least in principle, are controlled by governments in the Global South.

Yet often for governments in the Global South, the biggest constraints to national level financing are outside their direct control. For example:

- Cross-border tax abuse. A recent study estimated that in 2021, African countries lost over 17 billion US dollars to tax abuse by multinational corporations and wealthy individuals. The same study found that the majority of global tax abuse originates in Global North countries belonging to the Organisation for Economic Cooperation and Development.[27] Key factors that enable such tax abuse include Global

23 Similar arguments have also been put forward by IBON International, 2020, 'National financing for development : corporatised or democratised process ?' (for example p.11), and CSO Partnership for Development Effectiveness, 2021, Ambitions and concerns: Integrated National Financing Frameworks, an overview (p.20)

24 UN, 2021, INFF Building Block 4: Governance and Coordination, p.5

25 For example UN, 2021, INFF Building Block 2: Financing strategy, pp.8-14

26 For example UN, 2021, INFF Building Block 2: Financing strategy, pp.8-14 as above

27 Tax Justice Network, 2021, The state of tax justice 2021, pp.32, 36, 42, 48 (with methodological information on pp. 34-35 and pp.43-47). While the study does not disaggregate which countries were responsible for the 17 billion USD losses from countries in Africa (such disaggregation is only available at global level), it is mathematically certain that a substantial share of the losses from African countries were to countries outside the continent, and based on the other data in the study it is very likely that many of these countries were located in the Organisation for Economic Cooperation and Development.

North governments' policies on tax rates and on tax transparency[28] – issues on which Global South governments generally have little say.[29]

- Unsustainable external debts. In 2020, at least 62 countries were spending more on external public debt service than on health care, and at least 36 countries were spending more on external debt service than on education[30] - a situation that has deteriorated further during the COVID-19 pandemic.[31] Many of the macroeconomic factors contributing to such unsustainable debt burdens are partly or wholly outside the control of individual governments in the Global South – for example, a lack of affordable credit options ; exchange rate fluctuations ; and high surcharges on loans from the International Monetary Fund.[32] What is more, Global South countries also have little control over a range of non-economic factors that aggravate debt burdens further, such as climate-related disasters.[33]

Constraints such as these, which are beyond the control of individual countries in the Global South, cannot be solved through country-level tools: they require global solutions. The CS FfD Group has been advancing such solutions for many years, including a universal, intergovernmental UN tax commission to tackle tax dodging, and a binding multilateral framework for debt crisis prevention and resolution.[34] Several of these proposals were also been taken forward in the UN Secretary General's policy dialogue on 'Financing for Development in the era of COVID-19 and beyond', through its 'menu of options',[35] and they have also variously been championed by the High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (the FACTI Panel), the UN Independent Expert on debt and human rights,[36] and others.

28 For further background on some of these factors, see for example Tax Justice Network, 2020, The state of tax justice 2020: tax justice in the time of COVID-19 chapter 3 (on tax havens), chapter 5 (on financial secrecy); and Eurodad, 2017, Tax games: the race to the bottom. Europe's role in supporting an unjust global tax system, pp. 23-25 (on advance pricing agreements).

29 See for example Ryding / Eurodad and Financial Transparency Coalition, 2021, Who is really at the table when global tax rules get decided?

30 Munevar / Eurodad, 2021, A debt pandemic: dynamics and implications of the debt crisis of 2020, p.14

31 Jubilee Debt Campaign, 2022, 'Growing global debt crisis to worsen with interest rate rises' (accessed 26 January 2022).

32 Zeina Abla / Arab NGO Network for Development, 2021, Another debt crisis in the making?, p.11; Ellmers / Brot für die Welt-Erlassjahr-Global Policy Forum Europe-Misereor, 2021, The new debt crisis and what to do about it: policy proposals and political opportunities, pp.2-3;

33 Jubilee Debt Campaign, 2018, Don't owe, shouldn't pay: the impact of climate change on debt in vulnerable countries, pp.4-5

34 Ryding / Eurodad and Financial Transparency Coalition, 2021, Who is really at the table when global tax rules get decided?; AFRODAD, 2020, An African perspective on the establishment of a fair and transparent international sovereign debt restructuring mechanism (SDRM) : various options for African countries ; Perera / Eurodad, 2019, We can work it out: 10 civil society principles for sovereign debt resolution. For a recent summary of the CS FfD group's key recommendations, please see CS FfD group, 2022, letter to H. E. Collen Vixen Kelapile, President of the Economic and Social Council.

35 United Nations, 2020, Financing for Development in the Era of COVID-19 and Beyond Menu of Options for the Consideration of Heads of State and Government (Part II), for example p.124 (tax convention) and pp.96 (establishment of a sovereign debt forum or authority). See also further discussion in Ellmers, 2020, Financing Sustainable Development in the Era of COVID-19 and Beyond An analysis and assessment of innovative policy options, pp.6-9

36 For example, Financial Integrity for Sustainable Development: Report of the High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda, 2021, p.17 ; UN Independent Expert on debt and human rights, 2021, A76/167, International debt architecture reform and human rights, paragraph 53(d)

Yet despite these recurrent recommendations, and despite the urgency of responding to the economic crisis exacerbated by the COVID-19 pandemic, very little concrete progress has been made. The 2021 Financing for Development Forum concluded with very little substantive agreement,[37] and at the time of writing, early drafts of the 2022 outcome document missed key opportunities to advance global solutions.[38] In the absence of such global solutions, INFFs can only ever hope to optimise financing strategies within the very limited space that Global South countries have available. To expand that space requires global reforms far beyond the remit of INFFs.

What is more, the country-level focus of INFFs may not just underplay the importance of finding solutions to global-level economic policy issues. There is a potential risk that it could actually jeopardise progress towards such solutions, if some UN Member States use INFFs as a smokescreen to deflect attention from such potential solutions and stall negotiations still further.

The CS FfD Group has previously observed such a pattern in some of the UN's other processes on FfD. For instance, during the 2021 FfD outcome negotiations, the Group found a tendency to use the perceived need for UN 'capacity building' in the Global South as a distraction from the UN's potential norm-setting role.[39]

It is too early to say conclusively whether INFFs are being used as a distraction from global systemic issues. But we can already say that INFFs seem to align with the strong emphasis on capacity building that we observed during the 2021 FfD process : this is a recurrent theme in the UN's INFF guidance. For instance, the guidance on diagnosing 'binding constraints' to successful financing enumerates a wide range of potential capacity constraints that may exist at country level. In contrast, in keeping with INFFs' country-level focus, the document places much less emphasis on potential constraints at global level.[40] Moreover, the 2022 Inter-Agency Task Force Financing for Sustainable Development report, in its chapter on domestic resource mobilisation, seems to place a stronger emphasis on INFFs as a means to capacity building than it does on systemic global issues : the former are referenced prominently.[41] In contrast, the report does not mention some fundamental global issues such as calls by the G77 for an intergovernmental UN tax commission at all.[42]

37 CS FfD Group, 2021, Civil Society FfD Group's response to final 2021 FfD Outcome Document

38 See Outcome Document of the 2022 ECOSOC Forum on Financing for Development (First Draft) Inputs by Civil Society Financing for Development Group, e.g. pp. 1,2,4,8,9-13,20,22,24,25,30.

39 For example CS FfD Group, 2021, Inputs to the FfD Forum Zero Draft Outcome Document, p.1

40 UN, 2021, INFF Building Block 1.4: Binding constraints

41 UN Inter-Agency Task Force on Financing for Development, Financing for Sustainable Development Report 2022, chapter IIIA (references to INFFs are pp.29,30,37,43).

42 For more analysis on this point, see Civil Society FfD Group's Comments to the 2022 Financing for Sustainable Development Report (FSDR), p.5. Further details on the G77 proposal can be found in paragraph 19 of UN document number A/C.2/76/L.28, available here.

## Concern no.2: encroaching on the policy space of governments and people in the Global South?[43]

The UN's guidance repeatedly says that INFFs should be country-led. For example:

> « *INFFs are a tool to assess and adapt national policies and existing institutions… The process will be country led and tailored to align with existing policy, planning and budgeting cycles.* »[44]

Indeed, supporters of INFFs also suggest that they can increase ownership of 'development' finance by countries in the Global South, by helping them better assert their priorities to international partners.[45] This idea was partially echoed in a recent report for the Group of 20 (G20) prepared by the UN Development Programme, which recommended that G20 countries align aspects of their cooperation with priorities and processes established through INFFs.[46] (Though tellingly, parts of this recommendation were dropped or weakened when the G20 came to develop its own Framework for supporting INFFs).[47]

But despite INFFs' stated intentions on country ownership, they also pose some risks to the policy space of governments and people in the Global South. These risks fall into two broad groups.

### *Role of Global South governments*

The first group of risks relates to the role of Global South governments relative to external actors. While INFFs are – as even their name makes clear – intended to be driven by national initiatives and processes, there is an intrinsic tension between this ideal and the fact that INFFs are coordinated at global level. Although INFFs are designed to be adopted on a voluntary basis without any conditionality,[48] they are nonetheless being promoted by institutions in command of substantial funding, such as the UN Development Programme, the European Union and the G20.[49] There is an inherent risk that this underlying power imbalance could be a factor in countries' decision to use INFFs.

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**43** Related arguments have also been put forward in IBON International, 2020, 'National financing for development : corporatised or democratised process ?' (e.g. pp.3,4,8,9,11), and CSO Partnership for Development Effectiveness, 2021, Ambitions and concerns: Integrated National Financing Frameworks, an overview (pp.4, 20)

**44** UN, 2021, INFF Inception phase, p.7

**45** For example, this idea is implied in UN, 2020, INFF Building Block 2: Financing strategy, p.3, and INFF Knowledge Platform, 'About INFFs: why adopt an INFF' (accessed 6 April 2022). However, it could also be argued that a new UN process should not be needed simply to restore control to governments and people in the Global South over the priorities for 'development' in their own countries.

**46** UN Development Programme, 2021, Integrated National Financing Frameworks stocktake, p.2

**47** G20, 2021, Financing for Sustainable Development: G20 Framework for voluntary support to INFFs, G20 High-Level principles on sustainability-related financial instruments and G20 common vision on SDG alignment, p.5. For example : The UN Development Programme report recommendation to « *Align relevant assessment and diagnostics work with the assessment and diagnostic building block of the INFF* » becomes an intention to « *Integrate relevant assessment and diagnostics work and statistical tools … and non- financial means of implementation,* ***into*** *INFFs' assessment and diagnostic processes* » (emphasis added). The latter potentially suggests that G20 members intend to influence the INFF process to include their own assessment and diagnostic tools, rather than letting the INFF assessment and diagnostic process influence **them**.

**48** UN Development Programme, 2021, Integrated National Financing Frameworks stocktake, p.2

The history of previous internationally-coordinated approaches to country-level policy, economic and financial planning may bring some relevant warnings in this regard. Research on Poverty Reduction Strategy Papers – a previous planning tool that originated with the World Bank and International Monetary Fund[50] - found that "ownership of such a grand framework cannot possibly rest with the poor countries or their people if the whole idea is the product of World Bank and IMF think-tanks."[51] To be sure, the context and implementation processes for INFFs are not the same as those for Poverty Reduction Strategy Papers,[52] and the 'whole idea' is not just the product of two international financial institutions. But still, the past experience of Poverty Reduction Strategy Papers illustrates the risk that ideals on country ownership can sometimes, in practice, sit uneasily with the reality of a process that has been developed and coordinated internationally.

Moreover, the INFF guidance envisages that countries may seek external support to build their capacity for INFF implementation. While the guidance mentions different potential sources for this capacity building support, including "peer-to-peer learning",[53] it also places a strong emphasis on the role of "international partners", including many whose power is concentrated in the Global North.[54] It was beyond the scope of this briefing to assess the degree to which INFF capacity building is dominated by such 'international partners' – we will return to this in future research. In the meantime, we note two anecdotal pieces of evidence that international partners are indeed playing a very influential role. First, of the 78 countries currently implementing INFFs, the large majority are reported to have received support from one influential international partner – the UN Joint Sustainable Development Goals Fund: around 80 per cent of INFF implementing countries are receiving support through this channel.[55] Second, it is reported that in around half of the countries implementing INFFs, the government has invited members of international financial institutions to take part in national INFF oversight committees.[56]

There is at least in principle a danger that, when financial and technical assistance is provided by well-resourced external partners with their own perspectives on what constitutes good practice, this will limit countries' policy space to determine their own priorities for INFF implementation (see also concern no.3 below).

**49** For more on the G20's support for INFFs, see, G20, 2021, Financing for Sustainable Development: G20 Framework for voluntary support to INFFs, G20 High-Level principles on sustainability-related financial instruments and G20 common vision on SDG alignment, pp. 1,2,4,5

**50** International Monetary Fund, 2016, 'Poverty Reduction Strategy Papers' (accessed 21 April 2022)

**51** Kamruzzaman, 2009, Poverty Reduction Strategy Papers and the rhetoric of participation (abstract), in Development in Practice (accessed 21 April 2022)

**52** For example : the rapid take-up of Poverty Reduction Strategy Papers (PRSPs) was closely linked to the Heavily Indebted Poor Countries debt relief initiative, whereas INFFs are rooted in the Addis Ababa Action Agenda. The preparation of PRSPs was conceived as country-led, but consistently involved the World Bank and International Monetary Fund, as part of a 'participatory' process; whereas in principle the INFF guidance does not prescribe the involvement of specific external stakeholders. (Sources: International Monetary Fund, 2000, 'Poverty Reduction Strategy Papers – progress in implementation: Introduction'; International Monetary Fund, 2016, 'Poverty Reduction Strategy Papers'; UN, 2015, Addis Ababa Action Agenda, paragraph 9; UN, 2021, INFF Inception phase, pp.10,20 ; UN, 2020, Governance and coordination, pp.6-7 ; all links accessed 21 April 2022)

**53** For example, UN, 2020, INFF Building Block 2: Financing strategy, p.3

**54** For example, UN, 2020, INFF Building Block 2: Financing strategy, pp.8-14

**55** Source : analysis of country profiles accessed from the INFF 'country experiences' page (accessed 20 April 2022). More background on the UN Joint Sustainable Development Goals Fund is given the Fund's 2020 Annual Report.

**56** Source : private correspondence.

This risk may be further exacerbated by the sheer volume of externally-developed tools and initiatives that are on offer: in 2019, a survey by the Inter-Agency Task Force on Financing for Development had identified some 200 initiatives offered by 'the international community' to 'help countries strengthen their financing policies'.[57] Even though the INFF guidance may help rationalise these different initiatives, navigating them is still likely to be a highly time consuming process, and this may further increase countries' tendency to rely on external support.

### *Role of people's movements and representative civil society organisations*

The second group of risks relates to the role of people's movements and representative civil society organisations. These stakeholders should play a key role in the development, implementation and monitoring of financing strategies, particularly in contexts where governments may be subject to elite capture or may not fully uphold the rights of groups experiencing discrimination.[58] (Of course, certain preconditions have to be put in place to make this possible, including ensuring that these movements and organisations can participate free from co-optation).[59]

### *The INFF guidance recognises civil society as an important stakeholder.*[60]

However, the guidance does not always make a clear distinction between civil society organisations (as representatives of rights holders) and other stakeholders such as private sector entities.[61] This concern is consistent with wider challenges identified by the CS FfD Group in other UN contexts, notably the Secretary General's recent report on 'Our Common Agenda':

> « *Multistakeholderism conflates dutybearers (governments), rights holders (people) and corporations as equal stakeholders, under the illusion that all stakeholders are equal in their rights, responsibilities, and capacities. Under the guise of promoting cooperation and partnership, this strategy covers up long-standing injustices, power imbalances and abuses of rights and responsibilities and legitimises profound power inequalities.* »[62]

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**57** UN Inter-Agency Task Force on Financing for Development, 'Support for integrated national financing frameworks' (accessed 15 April 2022)

**58** See for example IBON International, 2020, 'National financing for development : corporatised or democratised process ?' p.9 ; Alemany, Hopenhaym and Craviotto, 2008, 'Aid Effectiveness and gender equality', in the Reality of Aid Global Report 2008

**59** The risk that civil society organisations can be co-opted to 'manufacture consent' for policies that the local population might not otherwise have supported, has been highlighted for example by Fraser in the context of Poverty Reduction Strategy Papers (Fraser, 2011, Poverty reduction strategy papers: Now who calls the shots? [abstract], in Review of African Political Economy, accessed 21 April 2022).

**60** For example, UN, 2020, Governance and coordination, pp. 9,12,36

**61** For example in UN, 2020, Governance and coordination, the references to civil society on pages 9, 12, and 36 appear in lists with other stakeholders.

**62** Civil Society Financing for Development (FfD) Group Response to SG's "Our Common Agenda" Report, 2022, p.3

Taken together, these observations suggest there is an urgent need for an audit of the extent to which INFF implementation is living up to the UN's ideal that the process should be country-led. Key questions include: who is responsible for implementing INFFs in different countries (external staff and consultants, partners from other Global South countries, ministry officials)?; which tools are favoured?; and what role do representative civil society organisations and people's movements play in the implementation process?

We urge the Inter-Agency Task Force to examine these questions in more detail. We will also undertake further research later this year to look in more depth into the risk that INFFs are eroding the policy space of governments and people in the Global South.

62 Civil Society Financing for Development (FfD) Group Response to SG's "Our Common Agenda" Report, 2022, p.3

## Concern no. 3: A Trojan Horse for policy reforms?[63]

The UN's guidance frames INFFs as a technical process that seeks to bring additional rigour to policymaking without altering a country's underlying 'development' priorities.[64]

Yet it is debateable how far technical financial processes can ever be completely free from implied policy preferences.[65] Through research later this year, we will examine in more detail what kind of financing policy reforms the INFF process has triggered so far,[66] and whether the INFF process tends to favour certain policies above others. In the meantime, we note two interrelated risks.

First, the INFF guidance presents detailed suggestions on tools that countries could use to develop their financing frameworks.[67] However, research by civil society organisations has highlighted how these tools can sometimes be used to promote policy reforms that countries in the Global South might not otherwise have undertaken, and which do not necessarily align with wider goals and obligations on inequalities, on the enjoyment of human rights, or on the fulfilment of commitments under the Paris Agreement on Climate Change.

For example, one of the tools listed in the guidance is the International Finance Corporation's Country Private Sector Diagnostic (CPSD). In principle, the CPSD is simply an analytical tool rather than a policy prescription. But in practice, the recommendations from the tool are embedded in World Bank strategies and funding, such that "the strategic direction and priorities put forward in these diagnostics are not merely suggestions, rather they exert significant influence on partner countries".[68] Furthermore, civil society research found that CPSDs' emphasis on private sector involvement in the education and health sectors was in tension with human rights obligations.[69] There may be a risk that, in some circumstances, countries working on INFFs and using CPSDs as part of the process may perceive that they are under pressure to implement similar risky reforms.

Likewise, civil society analysts have also raised concerns about, for example, the International Monetary Fund's Debt Sustainability Analysis;[70] and credit rating agency reports.[71] These potential risks are not referenced in the INFF guidance.

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63 Related arguments have also been advanced by IBON International, 2020, 'National financing for development : corporatised or democratised process ?' (e.g. pp.7,8,10,11) and CSO Partnership for Development Effectiveness, 2021, Ambitions and concerns: Integrated National Financing Frameworks, an overview (p.20)

64 UN, 2020, INFF Building Block 2: Financing strategy, p.15; UN, 2021, INFF Inception phase, p.11

65 For a brief discussion relating to this point, see Balakrishna, Heintz and Elson, Routeledge, 2016, 'Rethinking economic policy for social justice: the radical potential of human rights', p.8 and Chapter 1 note 10.

66 A snapshot of some of the reforms as at 2021 is given in UN Development Programme, 2021, Integrated National Financing Frameworks stocktake, pp.9-12

67 For example : UN, 2021, INFF building block 1.1: financing needs, pp.21-24 ; UN, 2021, INFF building block 1.2: financing landscape assessment, pp.24-26 ; UN, 2021, INFF Building Block 1.3: Risk, pp.21-27 ; UN, 2021, INFF Building Block 1.4: Binding constraints, pp.21-24 ; UN, 2020, INFF Building Block 2: Financing strategy, pp.8-14; UN, 2021, INFF Building Block 3: Monitoring and review, pp.16-17

68 Brunswijck / Eurodad, 2020, Repeat prescription: the impact of the World Bank's private sector diagnostic tools on developing countries, p.19

69 Brunswijck / Eurodad, 2020, Repeat prescription: the impact of the World Bank's private sector diagnostic tools on developing countries, pp.15,16,18

The second risk relates to INFFs' approach to fundamental principles such as environmental sustainability and human rights. Positively, the guidance includes multiple references to some key principles, notably on the environment and on tackling discrimination (through the lens of 'leaving no one behind'). For example, the section on risk includes numerous tools for assessing climate-related risks (though it was beyond the scope of this briefing to form a judgement on the adequacy of the tools themselves). The guidance also highlights the importance of considering how risks have differential impacts on different stakeholders.[72]

However, it is possible that the binding nature of obligations on human rights and on climate change may be lost amidst other guidance on the need to make trade-offs.[73] In particular, the guidance includes very little reference to States' binding obligations under international human rights law, nor does it include signposts to key human rights tools such as the Guiding Principles on Business and Human Rights,[74] the Guiding Principles on Human Rights Impact Assessment of Economic Reform Policies,[75] and the Guiding Principles on Extreme Poverty and Human Rights.[76] These human rights norms « impose limits on the discretion of the state in relation to fiscal policy »,[77] as they involve obligations that cannot be traded off against wider objectives.[78] The lack of more extensive references to these obligations in the INFF guidance potentially reinforces the danger that some of the International Financial Institutions' tools mentioned above will be used without due attention to their potentially harmful human rights consequences. We will return to this risk in more detail in our future research.

70 Munevar / Eurodad, 2020, Arrested development: International Monetary Fund lending and austerity post COVID-19, p.15

71 UN Independent Expert on debt and human rights, 2021, A/HRC/46/29, Debt relief, debt crisis prevention and human rights : the role of credit rating agencies, paragraphs 27-45, 58-59 ; CS FfD Group, 2020, Civil Society FfD Group Submission to the UN Independent Expert on foreign debt and human rights report on "Debt relief, debt crisis prevention and human rights: the role of credit rating agencies"

72 UN, 2021, INFF Building Block 1.3: Risk, p.19 and pp.24,25,27

73 For example, UN, 2021, INFF Building Block 1.3: Risk, p.19

74 UN Office of the High Commissioner for Human Rights, 2011, Guiding Principles on Business and Human Rights

75 UN Human Rights Council, 2018, A/HRC/40/57, Guiding principles on human rights impact assessments of economic reforms

76 UN Special Rapporteur on extreme poverty and human rights, 2012, A/HRC/21/39, Guiding Principles on Extreme Poverty and Human Rights

77 Initiative for Human Rights Principles in Fiscal Policy, 2021, Principles for human rights in fiscal policy, p.18

78 These obligations are explained in more detail in Center for Economic and Social Rights, The OPERA Framework: assessing compliance with the obligation to fulfill economic, social and cultural rights, pp.2-6

# Conclusion and recommendations

We recognise that high quality financing frameworks, which coherently reflect democratically determined national priorities and uphold the rights of minorities, can potentially play a crucial role in tackling poverty, fighting inequalities and combatting the climate emergency.

But if Global North countries are really committed to this vision, a cynic might ask why no country in the Global North has yet chosen to adopt an INFF itself. Indeed, it could be argued that it is all the more urgent to introduce an integrated, coherent approach to financial policymaking in the Global North: this could help expose the negative spillovers of existing domestic policies, and the pressing need for global solutions to eradicate those spillovers that individual countries cannot or will not eradicate unilaterally.

As things stand, we worry that the momentum around INFFs in countries in the Global South is so out of kilter with the continued stagnation of efforts to advance more systemic solutions for global economic justice. At best, this means missed opportunities. At worst, if INFFs are exploited by powerful interests, they may actually make economic justice more elusive than it was before.

We will be returning to these risks in more detail over the course of the year with a view to making more detailed recommendations on the future of INFFs. In the meantime, we call for:

- All governments and international organisations involved in INFF implementation to be vigilant against the risks that we identify in this briefing; and
- United Nations Member States to approach negotiations on global economic justice issues with at least as much vigour as they have devoted to INFFs. A key first step would be to agree to hold the next UN Summit on Financing for Development in 2024, so that real progress on the systemic issues that hold back financing at national level can finally be made.

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CIVIL SOCIETY FINANCING FOR DEVELOPMENT GROUP

**CONTACT**

csoforffd.org

addiscoordinatinggroup@gmail.com

CSO Financing for Development Group

CS FfD Group (@cs_ffd)