Discussion Paper

This paper was developed to serve as a background paper for a roundtable discussion on financing for solutions reW*nBT/F1 11.04 Tf1 0 0 1 193.82 600.94 Tm0 g0 G[to)-7( )- 1 311.57 600.94 Tm0 g0 G[p)3(ap)4(er)]TJETQ0.00

displacement.[1]

may be easier for some challenges than others, but the Panel encourages governments to use real time data and funding flexibility as far as possible to enable effective responses.

The Panel also recognizes the frustration felt by some governments who are bearing the economic costs of displacement they had little part in creating – notably in cases of displacement linked to the adverse effects of climate change. The Panel encourages other nations to engage and provide support from a responsibility sharing perspective. Effective financing can be a critical component of this.

Looking beyond the allocation of national resources, the Panel has also observed that new international funding is likely to be severely affected by the COVID-19 crisis, and there is thus a need for careful consideration of how existing funding and financing mechanisms can be more effectively utilized for action on internal displacement – both as a direct operational resource, and to drive broader change. On the latter, the Panel has found through its research and consultations that financing can be used to promote prioritization and inclusion of internal displacement in government policies and planning, can assist in ensuring the protection and consideration of specific needs of vulnerable groups (including across different ages, genders, and diversities), can galvanize international actors to work collaboratively toward prevention, response and solutions, and can promote private sector and 'whole-of-society' engagement.

The following sections of this paper provide a brief state of play of current international financing mechanisms across the prevention, response and solutions landscapes, before then looking at possible opportunities linked to the issue of solutions more specifically. The paper is not exhaustive, but rather aims to provide a short summary as a starting point for deeper discussions.

The Panel believes that a critical element of addressing the global displacement crisis is preventing risks of new displacement. This applies both to situations of conflict and violence as well as to risks created by disasters and the adverse effects of climate change. While conflicts and disasters are the result of complex dynamics that often extend far beyond the humanitarian and development spheres, investing in prevention initiatives, and using an evidence-based approach in doing so, can be one key component of reducing displacement risks over the long-term.

Financing aimed at preventing conflict-induced displacement is often channeled through development budgets and through financing facilities aimed at addressing fragility. Development programs that are aimed at addressing poverty, inequality, or exclusion are understood to work towards the reduction of social tensions and fractures that can ultimately result in conflict, violence, and displacement. Additionally, however, there are more targeted interventions that seek to address existing tensions or risks – for example, by promoting dialogue or social cohesion, reducing the exposure of individuals to violent threats, or supporting early warning mechanisms. These types of interventions often receive far less funding, despite evidence suggesting they are highly cost effective: two separate studies, one from the Institute of Economics and Peace[5] and one from Hannes Muller for the World Bank,[6] both independently concluded

[5] https://www.dmeforpeace.org/wp-content/uploads/2017/09/Cost-Effectiveness-of-Peacebuilding-IEP-Sept-2017.pdf

[6] https://openknowledge.worldbank.org/bitstream/handle/10986/29380/Mueller_How%20Much%20Is%20Prevention%20Worth.pdf?sequence=5&isAllowed=y

that for every dollar invested in prevention, the global economy could save $16 in loss linked to conflict and displacement.

Some specific financing tools also exist for prevention. The Peacebuilding Fund (PBF), for example, allocated $531 million in funding for 51 countries form 2017-2019. The PBF has grown from approximately $50 million a year before 2017 to $200 million, and aims to eventually work towards an annual disbursement of $500 million. The PBF works primarily on four areas: implementation of peace agreements, peace dividends, supporting the reestablishment of basic services, and creating a dialogue of co-existence. Within this, it has three priority windows: 1) cross-border and regional investments, 2) transition periods (for example, when peacekeeping missions close), and 3) the political inclusion of women and young people.

The World Bank's IDA 19 Fragility, Conflict, and Violence envelope also included a Prevention and Resilience Allocation which aimed to provide enhanced support for countries at risk of falling into high-intensity conflict or large-

reduce overhead costs, some country-based pooled funds have sought to minimize the use of unnecessary sub-granting arrangements.

Both CERF and the country-based pooled funds are managed by OCHA and are designed to allow for the rapid allocation of resources and minimize the administrative burden for donor countries.

Despite the successes of tools such as CERF and the country-based pooled funds and the yearly humanitarian appeals process, there continue to be considerable challenges in the humanitarian financing landscape – not least the widening gap between needs and available funding. In light of these challenges, in May 2015 the UN Secretary-General appointed a High-Level Panel on Humanitarian Financing, whose report put forward a series of recommendations and triggered the initiation of the Grand Bargain – an agreement between some of the largest donors and humanitarian organizations to improve the allocations. These investments from IFIs and MDBs typically address displacement holistically as part of a fragility approach rather than singling out IDPs or solutions specifically. The World Bank, for example, aims to ensure that IDPs can benefit from broader development assistance rather than providing specific funds to support solutions.

IFIs and MDBs can also act as trustees in multi-partner trust funds (MPTFs), which, similar to the country-based pooled funds discussed above, host resources from different donors to streamline delivery. Within the UN system, UNDP hosts a MPTF Office that assists the UN system and national governments in establishing and administering MPTFs. The Office oversees more than 100 MPTFs and joint programs.[18]

Importantly, some governments have also set up their own recovery and restitution funds – the contexts, and have described to the Panel the challenges and risks they face in such settings. Encouraging a more robust engagement may require incentives – for example, the use of multi-donor trust funds, innovative bonds to mobilize private sector finance, or blended arrangements for concessional finance with buy-downs. In other words, a mix of public, private and non-profit financing to catalyze private investment in developing markets.

As previous sections have anticipated, there are a number of gaps and challenges in the current financing landscape.

On prevention, not only is there insufficient investment overall but critical preparedness approaches like forecast-based financing remain underutilized. OECD analysis[22] found that in 2017 only two percent of official development assistance from DAC countries[23] was allocated to prevention. Existing climate and disaster funds are also

Some IFIs have expressed a reluctance to open dedicated solutions sub-windows – among other reasons, because of a perceived risk of creating perverse incentives for states, as well as concern that singling out IDPs out from other population groups could be counterproductive in promoting a long-term, inclusive development approach to solutions. Other actors, however, have expressed doubts about whether simply including IDPs in broader development programs will generate the same level of attention by IFIs of this important issue. In other words, there is a risk that IDPs could be further "mainstreamed into oblivion" and, as a result, may continue to largely not benefit from development assistance. Finally, the Panel has heard that current financing mechanisms do not sufficiently leverage their potential to serve as an incentive to bring about commitment among states to take positive steps in resolving internal displacement.

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While recognizing the challenges in financing across the prevention, response, and solutions landscape, the Panel is particularly interested to hear views on how financing could be channeled to more effectively unlock situations of protractedthe prevention, respeffectivelsitua in(u)3(n)3(lo)-d41(re) g0 G[ )]of pr-5(sti)11(o])-5-56(31

Taking the first step on durable solutions is often a key hurdle in initiating the longer process towards recovery. To help overcome this obstacle, one recommendation the Panel has heard is for the establishment of catalytic financing channels for solutions – namely, relatively small pools of funding that can be used to kickstart the solutions process and demonstrate proof of concept. To promote an approach that is nationally owned and recognizes solutions as a shared, development priority, any type of actor (government or international, humanitarian, development, or private sector) should be able to apply for funding.

To minimize the need for additional bureaucracy and overhead costs, recommendations to the Panel have often centered on creating a solutions window within existing funds – for example, under the Peacebuilding Fund, CERF, or Country-Based Humanitarian Pooled Funds. Others have suggested the creation of dedicated, new multi-partner trust funds or pooled funds at country level, such those under development in Ethiopia and Cameroon. Alternatively, would also be interested to hear views on whether a costed solutions plan and appeal would assist in mobilizing funds and providing donors with clearly endorsed projects and plans.

Do you believe there is a need to pursue catalytic financing for solutions?
- If so, what form do you think this should take? Should it be attached to an existing or new global financing mechanism, or established on a country-by-country basis? What are your views on the options propose above?
- If not, why? Do you have other recommendations on ways to more efficiently and effectively make funds available for solutions initiatives? Could donors establish specific budget lines to finance solutions?

Do you believe a costed solutions plan or appeal would be helpful?
- If so, who should lead this process? Could it be the UN Resident Coordinator on the basis of a solutions strategy jointly developed by the UN and the government?

In addition to the need for catalytic financing to kickstart the solutions process, the Panel believes there is also a need for more substantial, longer-term financing that will assist countries to pursue solutions. Whereas catalytic funds would prioritize efficiency and be geared towards achieving a proof of concept, longer-term funds would seek to drive more holistic recovery and would need to be anchored in a country's development plan or a dedicated solutions strategy.

As with the catalytic funds, a number of different options have been suggested to the Panel. A first option is to develop country-specific compacts in which the government and donors come together to make shared commitments on resources,