United Nations | UN Secretary-General's High-Level Panel on Internal Displacement

Financing for Action on Internal Displacement

Discussion Paper

1. Introduction

This paper was developed to serve as a background paper for a roundtable discussion on financing for solutions. The first half of the document provides a brief overview of the financing landscape and instruments available to support prevention, humanitarian response, and durable solutions, and considers both the existing mechanisms as well as the gaps. The second half of the paper presents opportunities to better harness financing to enable durable solutions.

The Panel recognizes financing as a key enabler of more effective action on internal displacement, while remaining conscious that financing alone is not a quick fix and progress also ultimately depends on the investments and actions of affected governments themselves.

The paper was developed by the Secretariat of the UN Secretary-General's High-Level Panel on Internal Displacement and draws on inputs received from a wide range of stakeholders through submissions, bilateral consultations, and research provided to the Panel. The contents do not represent definitive conclusions by the Panel, but rather offer ideas that the Panel believes merit further exploration and debate.

2. Background

In October 2019, the UN Secretary-General established a High-Level Panel to identify concrete recommendations on how to better prevent, respond, and achieve solutions to internal displacement. The full Terms of Reference of the Panel can be found here. One of the mandated tasks of the Panel is to make recommendations for "Innovative financing and funding mechanisms and strategies in support of addressing internal displacement." This paper explores possible recommendations linked to this issue, both in relation to situations of conflict and violence as well as in contexts of displacement linked to disasters and the adverse effects of climate change.

While this paper does not go into the dynamics of the displacement landscape broadly, it is important to mention that the global displacement crisis (and particularly the growing number of IDPs) is linked to both new displacement and protracted displacement. Consistent with this, addressing the displacement crisis requires financing mechanisms that are fit for purpose to respond to emergency needs, as well as to assist IDPs in achieving an end to their displacement – particularly where it is protracted. There is also a need for mechanisms oriented towards preventing displacement risks and preparing for crises when they are expected to occur. In some cases the same financing mechanisms may serve multiple purposes, whereas in other cases distinct financing approaches may be needed.

The Panel recognizes that following the COVID-19 pandemic, the economic environment is at one of its most challenging moments in recent memory – both for displacement-affected states and for donors – and the Panel does not approach this issue lightly. The Panel also notes, however, that internal displacement has been estimated to have a total global economic impact of $20 billion for each year of

displacement.[1] Thus, while recognizing that it is a difficult time to discuss financing, the Panel believes it is also imperative to do so – both to alleviate the suffering of people trapped in displacement, as well as to mitigate and reduce displacement's national and global economic impacts.

2.1 Financing as critical enabler

Through the submissions it received and the consultations it has held so far, the Panel has consistently heard that financing is a key enabler of effective action on internal displacement. The Panel uses financing, in this context, to refer to a holistic approach that brings together financial flows from public, private, domestic and international actors. Unlike more narrow definitions of funding (which is often understood to be a one-way transfer of resources), financing can also include concessional resources[2] which are recognized as strategic assets and which can be used to enable and catalyze other investments and actions.[3]

As a starting point, it is important to recall that preventing, responding and providing solutions to internal displacement is first and foremost a responsibility of national governments. Recognizing internal displacement as a priority in budgetary investments by national governments is a key component of this. The Panel has seen important steps taken by some governments in this regard, both in setting aside preemptive funding to address known displacement risks, and in reallocating resources for responsive actions. A number of Small Island Developing States, for example, have established funds to help relocate their populations at risk of flooding in coastal areas due to the impact of climate change, and to respond to their needs in case of hurricanes and storms. In situations of conflict, some governments have provided emergency assistance to IDPs, as well as funds to support solutions to internal displacement.

Despite these positive steps, however, budgeting for action on internal displacement is often hindered by the fact that many affected governments face an array of competing priorities, including fragility and severe economic difficulties. At times, these competing priorities result in governments not including provisions to address internal displacement in federal or local budget allocations. While recognizing the difficult circumstances faced by many governments in such situations, the Panel nevertheless encourages governments to make internal displacement a priority in their decision-making on the allocation of resources, including by incorporating solutions into their long-term development plans. Failing to do so can come with real costs – research by the Internal Displacement Monitoring Centre has shown, for example, that annual costs and economic losses for countries affected by internal displacement averages at $390 per IDP per year. While this may sound small on a per person basis, it adds up quickly in countries with large numbers of IDPs stuck in protracted displacement. In the case of Somalia, the total economic impact of internal displacement was estimated to be over $1 billion, which represents roughly 21 per cent of the country's GDP in 2018.[4]

The Panel has observed that domestic allocations can also face a number of practical challenges – for example, budgeting is often done on the basis of census data rather than real-time population figures, and funding may likewise be strictly tied to specific geographic zones. Adjusting these types of procedures

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[1] See the Internal Displacement Monitoring Centre's report *Unveiling the Cost of Internal Displacement*

[2] Concessional finance broadly refers to financing at preferential rates and terms

[3] See more on conceptual differences between "funding" and "financing" in the OECD publication *Financing for Stability in the Post-2015 Era*

[4] See the Internal Displacement Monitoring Centre's report *Unveiling the Cost of Internal Displacement*

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.

2.2 Financing prevention of internal displacement

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-scale violence, based on government commitment and agreed milestones. Through this allocation, countries would be eligible to receive a 75 percent top up of their performance-based allocation, up to a cap of $700 million per country.

In the disaster space, there is a well-established community working on disaster risk reduction (DRR) and climate change adaptation (CCA). A number of financing mechanisms exist to this end, including the Green Climate Fund, which was established in 2011 to support countries in adopting adaptation and mitigation practices to counter climate change. The United Nations Framework Convention on Climate Change (UNFCCC) has a number of other funds working towards this same goal, including the Least Developed Countries Fund and Global Environmental Facility.

Also on disasters, there have been advancements in the use of forecast based financing – namely, financing that enables access to early funding once, based on forecasting analysis, a certain threshold of risk is reached. The goal is to anticipate disasters and mitigate their impact, and the collection and use of accurate data and evidence is essential to this effort. The International Federation of the Red Cross/Red Crescent recently established a forecast based financing mechanism within the Disaster Relief Emergency Fund, which is their primary internal funding facility to support national Red Cross/Red Crescent societies. Other actors, including OCHA and the START Network, have also started scaling up forecast based financing, but it has yet to be adopted on a more widespread or collective basis.

Within both DRR and CCA processes and financing, a key challenge is often the extent to which displacement is considered specifically. A 2018 study found that across the 82 countries that had adopted disaster risk reduction strategies, only 39 percent mentioned displacement.[7] Flowing from this, mechanisms that provide financing for DRR or CCA are perhaps not being used to their full potential to address displacement risks. Other possible approaches, such as adaptive social safety net programs and climate insurance, also still lack widespread uptake for addressing displacement.

2.3 Financing humanitarian response to internal displacement

Most financing for action on internal displacement is short-term (6-12 months) and of a primarily humanitarian nature. Despite growing volumes of humanitarian assistance over the past ten years, needs

[7] https://www.preventionweb.net/files/65230_07052019mappingthebaselineweb.pdf

have outpaced funding and have led to a steadily increasing financing gap.[8] In 2020, the gap between humanitarian funding needs and available funding was the largest ever, at $22 billion – 50 percent of humanitarian needs.

The majority of humanitarian funding is provided by states and flows to multilateral organizations. In most cases, this involves a portion of unearmarked, core funding, plus project-specific funding that is typically allocated at country or regional level. A large but unmeasured proportion of this funding is subsequently sub-granted to international and national NGOs for implementation. Additionally, private donors contribute approximately one fifth of humanitarian funding, which is directed overwhelmingly to NGOs.[9] Despite commitments in the Grand Bargain[10] to allocate 25 percent of humanitarian funding to local NGOs, in 2019 a mere 2.1 percent reached them directly from either government or private donors.[11] This low figure can be attributed to a number of causes that will be examined by the Panel in more detail elsewhere.

In recent years, international financial institutions (IFIs) have also started scaling up their investments in fragile contexts. In IDA19, the World Bank also created a new envelope for countries facing acute risks of fragility, conflict and violence (FCV), with a specific Remaining Engaged during Conflict Allocation (RECA). The RECA enables the World Bank to maintain a base level of engagement in a small number of countries that experience high-intensity conflict and have extremely limited government capacity.[12] Building on these increased engagements in fragile contexts, the OCHA Financial Tracking Service lists the World Bank as the 15th largest donor of humanitarian funds in 2020.

There are also a number of financing tools that have been created to facilitate efficient channeling of funds for UN and NGO humanitarian responses specifically. First, there are yearly (and in some cases multi-year) appeals linked to humanitarian response plans giving a detailed account of the costs by sector. In addition, there are global and country-based pooled funds – notably, the Central Emergency Response Fund (CERF), and country-based pooled funds. CERF[13] is an unearmarked global fund to which donors contribute resources that can be rapidly allocated to new or underfunded crises. Around $6 billion in funds have been allocated through CERF since 2006, but the objective is to reach annual funding target of $1 billion per year. CERF funding can only be allocated to UN agencies, although in June 2020 it allocated funds to NGOs for the first time via IOM. CERF allocations are decided by the Emergency Relief Coordinator in accordance with specific criteria and upon request from the Humanitarian Coordinator following discussions in the Humanitarian Country Team.

Like CERF, country-based pooled funds[14] are a multi-donor fund that can be used to rapidly disperse resources at country level. The distribution of resources and allocation of funds are normally managed at the Inter-Cluster level. The majority of pooled fund recipients are international and national NGOs, and to

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[8] https://reliefweb.int/sites/reliefweb.int/files/resources/GHO2021_EN.pdf

[9] https://devinit.org/resources/global-humanitarian-assistance-report-2020/funding-effectiveness-and-efficiency/#downloads

[10] As will be discussed in later sections of this paper, the Grand Bargain was an agreement between some of the largest donors and humanitarian organizations to improve the effectiveness and efficiency of humanitarian response (with particular emphasis on financing).

[11] Ibid.

[12] See more on the FCV envelope here http://ida.worldbank.org/financing/resource-management/fcv-envelope

[13] https://reliefweb.int/sites/reliefweb.int/files/resources/AboutCERF_20180504.pdf

[14] https://www.unocha.org/sites/unocha/files/AboutCBPFs_2020_20200107_EN.pdf

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 effectiveness and efficiency of humanitarian response (with particular emphasis on financing). The deal contains 51 commitments organized into nine workstreams.[15]

While there have been some successes following the Grand Bargain, many of the key commitments remain unfulfilled – for example, the increased use of predictable multi-year funding, greater use of cash, and streamlining of reporting requirements. Work is actively continuing through the different workstreams, however, and the commitments and recommendations remain as relevant as ever.

2.4 Financing resilience and durable solutions to internal displacement

Unlike prevention and humanitarian response, there are currently no dedicated financing mechanisms for durable solutions, and solutions do not predictably benefit from other financing channels. Facilitating solutions requires undertaking a range of activities which need to be tailored to specific contexts and are often costly, particularly due to the vast destruction generated by conflict, violence, disasters and the adverse effects of climate change. Such activities include the rebuilding and rehabilitation of infrastructure; re-establishing or strengthening of government social, educational, medical and administrative services; supporting livelihoods and secure housing; solving land and property conflicts and specific protection and social cohesion issues; as well as supporting capacity building of local authorities.

In practice, funding to support solutions often comes through different channels. Government donors, for example, might fund UN and NGO partners to deliver resilience or solutions programs from their humanitarian budgets, dedicated nexus budget lines,[16] or stabilization funds.[17] They may also fund recovery initiatives carried out by the national authorities or other actors through their development budgets. These investments are all essential, but the Panel has observed opportunities to better ensure that investments are guided by a common approach linked to results and are be based on a specific strategy at country-level.

International financial institutions (IFIs) and Multilateral Development Banks (MDBs) also have an important role to play and, given the scale of their investments, are in an unparalleled position to ensure solutions to internal displacement are addressed as part of national development agendas – including by promoting the inclusion of IDPs into national systems and structures. IFIs and MDBs can provide financing to governments in the form of loans, concessional loans (credits) or grants, usually as part of fixed country

[15] https://interagencystandingcommittee.org/grand-bargain
[16] See for example the Netherlands' Prospects Partnership
[17] See for example Norway's stabilization funding

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 Government of Tuvalu, for example, has set up the Tuvalu Survival Fund to enable immediate disbursements of funds to help communities recover following disasters. Governments can likewise convene national MPTFs in which donors contribute to a shared pool to enable the government to deliver on a recovery agenda.

Bilateral assistance is also critical. Although not specifically about solutions, one recent development in the financing landscape that has important potential for solutions is the adoption of the OECD DAC *Recommendation on the Humanitarian Development Peace Nexus*.[19] The document outlines steps donors must take to better coordinate, program, and finance across the humanitarian-development-peace nexus. One element that will be particularly relevant for solutions calls for "At a country level, working with governments, the United Nations Resident Coordinator/Humanitarian Coordinator, multilateral partners, IFIs, the private sector and civil society to establish multi-year financing strategies with a view to support collective outcomes."

The greater emphasis on the nexus by the OECD is significant and the Panel believes that better harnessing bilateral assistance for solutions outcomes is crucial. As the DAC recommendation notes, "While the multilateral system delivers around 80% of humanitarian assistance in fragile contexts, the majority of development assistance in these contexts—77%—is channeled through bilateral mechanisms. As such, a more coherent and coordinated effort that strengthens complementarity across the 'nexus' must involve a central role for OECD-DAC members in their collaboration with the multilateral system."

Lessons can also be drawn from the INCAF *Common Position on Comprehensive Solutions to Refugee Situations*.[20] The INCAF Common Position is based on the OECD policy paper on *Financing for Refugee Situations*,[21] which outlines best practice principles on how financing, both in terms of quantity and quality, can promote solutions. These principles could be reviewed in the context of internal displacement and adapted accordingly.

Finally, private sector entities also have a critical role to play in supporting solutions – not just as donors, but also as partners in providing livelihood opportunities for IDPs and host communities. At present, international private sector actors are often hesitant to proactively engage in internal displacement

[18] http://mptf.undp.org/overview/office
[19] https://legalinstruments.oecd.org/public/doc/643/643.en.pdf
[20] https://www.oecd.org/dac/conflict-fragility-resilience/humanitarian-financing/INCAF-common-position-on-supporting-comprehensive-responses-in-refugee-situations.pdf
[21] https://www.oecd-ilibrary.org/docserver/02d6b022-en.pdf?expires=1618215416&id=id&accname=ocid84004878&checksum=114BC7FF25B968DE7EE06838BB9A7954

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.

2.5 Current gaps

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 not currently optimized for displacement prevention. In regard to situations of conflict, there is insufficient funding for interventions aimed at reducing tensions and mitigating imminent risks.

On humanitarian response, many of the Grand Bargain commitments remain unfulfilled. Among others, this includes the important targets of directing a greater proportion of funding to local and national responders, increasing the use of predictable multi-year funding, and the use of cash, among others. Additionally, in the current resource-constrained environment it may be time to question whether the overhead costs incurred by UN Agencies sub-granting to large, well-established NGOs are justifiable.

Additionally, the Panel has observed that project-based funding approaches promote competition between agencies and, coupled with divisions in donor budgets for humanitarian and development action, further entrench siloed approaches. While country-based pooled funds situate decision-making closer to the ground, they are not spared from agency competition. Linking (even implicitly) performance assessments to fundraising successes drives this competition forward.

Finally, the Panel is concerned that solutions are insufficiently addressed in current financing mechanisms, including those that are aimed at addressing fragility more broadly, and there is generally an overreliance on humanitarian funding to solve longer-term solutions objectives. For solutions interventions specifically, there appears to be a gap in catalytic funds that can help to jumpstart the solutions process. Although the Peacebuilding Fund estimated that up to 20 percent of their resources go towards interventions that could be considered solutions-oriented, the steps required for submitting a proposal to the PBF can take considerable time which some actors have indicated may reduce its catalytic utility.

In examining long-term financing for solutions, the Panel has also observed weaknesses in ensuring that development financing benefits IDPs – in part because IDPs and solutions are often not a priority in national development plans and may be excluded from accessing general development assistance, as well as because development financing agreements do not necessarily require specific attention to this issue.

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[22] See https://www.oecd.org/dac/development-cooperation-report/Trends-and-insights-on-development-finance-2019.pdf

[23] The Development Assistance Committee (DAC) is currently composed of 30 member states representing most of the world's largest development donors. The full list of members can be found here: https://www.oecd.org/dac/development-assistance-committee/

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.

3. Financing for Solutions: A Missing Link

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 protracted displacement and assist IDPs to achieve lasting solutions. This is an area that has not benefitted from the same level of attention as humanitarian financing and yet is key to addressing the global internal displacement crisis.

As a starting point, the Panel believes that more effective financing for protracted displacement requires stronger analysis and differentiation between financing needs associated with lifesaving assistance and financing needs associated with supporting the achievement of solutions. Humanitarian financing, which as previous sections of this paper have highlighted is typically short term and assistance-oriented, is simply not the appropriate mechanism for delivering recovery and solutions support for protracted displacement contexts, which requires a more holistic and comprehensive approach. Despite these shortcomings, however, humanitarian financing approaches are currently the norm in responding to internal displacement and solutions neither predictably benefit from development financing, nor do they have their own dedicated financing or appeal mechanism. The Panel believes that this is a key missing link in more effectively achieving solutions to protracted displacement and in addressing the global displacement crisis.

Based on the consultations and research thus far, the Panel believes that financing should seek to create an enabling environment for solutions as early as possible and should be oriented towards promoting national ownership and development action for solutions. The Panel is conscious of the need to avoid diverting humanitarian funding that is already insufficient to meet the needs and is therefore giving priority to exploring how development financing could be better harnessed to support solutions outcomes. The Panel further recognizes that in many cases, there may be a period in which both humanitarian and solutions financing are needed, even if the ultimate goal is to reduce humanitarian needs through the progressive realization of solutions.

Building on these different considerations, the Panel has observed here are at least two types of solutions financing that may be needed and which it would like to explore further: catalytic financing to kickstart transitions towards solutions, and longer-term financing to enable holistic solutions and recovery. Ideas and questions about these two models are proposed below.

3.1 Catalytic financing for solutions to internal displacement

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, the Panel has also heard that there could be value in establishing a new, dedicated global fund on internal displacement to drive forward action on solutions. Each of these have pros and cons. In brief:

- A solutions window under the Peacebuilding Fund (or generally, more deliberate use of the PBF for solutions):
    - Pros: logical link between the purpose of the peacebuilding fund (notably, supporting post-conflict recovery) and solutions; strong existing architecture and procedures
    - Cons: possibly not nimble enough to serve the desired kickstart function
- A solutions window under the CERF (e.g. under "underfunded emergencies" or as a separate solutions window):
    - Pros: strong global architecture with existing focus on internal displacement
    - Cons: outside the scope of CERF's mandate for lifesaving interventions; excludes direct funding to non-UN actors; could risk diverting funding for initial emergency responses; would require a GA resolution to change mandate; would go against the CERF's unearmarked approach
- A solutions window under Country-Based Pooled Funds:
    - Pros: decision-making occurs at country-level, enabling more responsive programs; existing country-level architecture to manage allocations
    - Cons: outside the mandate of existing country-based humanitarian pooled funds; system not currently oriented to include non-humanitarian actors
- New, dedicated multi-partner trust funds or pooled funds at country level:
    - Pros: could be tailored to the specific needs and context
    - Cons: requires the establishment of a process and management mechanism from scratch
- A Global Fund on Internal Displacement:
    - Pros: would systematize access to financing for solutions; would promote engagement in a standardized reporting and monitoring framework
    - Cons: would require significant and sustained donor investment

There are undoubtedly other existing funds that could be used to house a solutions window, or other types of new financing options. The Panel would welcome suggestions of potential alternatives. The Panel

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.

Discussion questions

- 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?

3.2 Long-term financing for solutions to internal displacement

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, actions or policy changes, and programs to advance an agreed solutions strategy. This approach has been used in a number contexts, most notably in Jordan but also previously in Afghanistan, Iraq, and Timor Leste, but has not yet been adopted at scale in internal displacement contexts.

A second option would be to develop a dedicated IDP solutions sub-window under multi-lateral development banks, building on the example of the World Bank's IDA Sub-Window for Refugees and Host Communities. Through this approach, dedicated financing could be made available for solutions to internal displacement. Alternatively, a third option that also relates to multi-lateral development banks would be to scale up fragility financing that includes support for IDPs, but which may or may not provide dedicated funding for solutions to internal displacement specifically.

Finally, a fourth option could be to more systematically address and promote solutions to internal displacement through bilateral development assistance, including by building a stronger linkage between the implementation of the OECD DAC Nexus Recommendation and durable solutions (including, for example, by introducing a solutions marker). Through this approach, donor countries could work with recipient countries to ensure that assistance is channeled in a manner that supports solutions for IDPs.

There are again pros and cons to each option. To highlight a few:

- Compacts on Solutions to Internal Displacement:
    - Pros: negotiation approach may lead to greater support from affected states; promotes mutual commitments

    - Cons: requires a heavy lift and political will to mobilize a compact on a country-by-country basis, which could result in fewer countries benefitting; unclear who would take the lead in initiating compacts
- An MDB Sub-Window on Solutions to Internal Displacement:
    - Pros: would provide dedicated financing for solutions through a familiar channel at the right scale to make a meaningful impact
    - Cons: may face resistance from some MDBs that believe an "inclusion approach" to internal displacement is preferable
- Increased fragility financing that is inclusive of IDPs:
    - Pros: could encourage affected states to incorporate IDPs in their national and local development plans
    - Cons: could lead to IDPs being overlooked and solutions not prioritized
- Addressing solutions to displacement more systematically in bilateral assistance, including as part of the DAC Nexus Recommendation roll out:
    - Pros: does not require new funding and could leverage the influence of existing funds
    - Cons: potentially difficult to ensure this is achieved systematically

Discussion questions

- Do you believe there is a need to pursue longer-term financing support for solutions to internal displacement?
    - If so, what form might this take? Do any of the above options resonate with you? How much emphasis do you believe should be placed on using financing as an incentive (for example, for policy change or participation in accountability tools such as reporting and monitoring mechanisms) versus being approached as purely an enabler of solutions?
    - If not, why?

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