United Nations

Phase I – Report

Financing Integrated Peace Consolidation Efforts

The role of financing instruments in enhancing UN integration and promoting peace consolidation in mission settings

NOVEMBER 2014

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Executive Summary

This paper discusses the important role that financing can play in bringing UN missions and UNCTs together around common peace consolidation efforts. It was prepared by the Multi-Partner Trust Fund Office (MPTFO) further to discussions in the Integrated Steering Group (ISG) over the last few years and at the DSRSG/RC/HC retreat in May 2014 about the possible use of financing mechanisms to enhance integration. The paper is based on a desk review and consultations with colleagues in the field and at headquarters, including Member States. To ground the analysis, the cases of Mali, the Central African Republic, Haiti and the DRC were examined in greater detail. The paper study also builds on an earlier MPTFO report on Financing Recovery for Resilience (2014).

The paper posits that critical gaps in the financing sources and budgeting procedures of peacekeeping missions and country teams (UNCTs) impede integration as well as the overall effectiveness of UN system peace consolidation efforts, particularly during mission start-up and draw down. It presents three different and complementary financing avenues to address these financing gaps, not only by increasing the efficiency of current financing practices but also through an increase in the amount of available funding.

A number of policy frameworks, including the Global Focal Point arrangement and the Policy on Integrated Assessment and Planning (IAP), have been put in place to foster integration between missions and UNCTs. Financing can play a key role in supporting UN integration and improving the overall effectiveness of peace consolidation efforts, particularly during mission start-up and draw down. However, budgetary constraints and procedures as well as a misalignment between planning and funding have not allowed for this potential to be fully realised.

Peacekeeping budgets are largely comprised of personnel and operational costs, with limited resources for peace consolidation activities, notwithstanding their inclusion in mission mandates and integrated plans. Meanwhile, traditional development assistance for UNCT activities is slow to materialise in most fragile contexts and often decreases as missions draw down. The lack of both assessed and voluntary contributions for critical peace consolidation activities creates a financing gap that is particularly evident as missions start up and draw down and withdraw.

Timely funding from the Peacebuilding Fund (PBF) and from UN multi-donor trust funds (MDTFs) have played a useful role in financing integrated plans and related peacebuilding priorities. The PBF directs the bulk of its resources towards mission settings – cumulatively more than 50% towards special political mission settings, and another 25% to peacekeeping operation settings. While the PBF enjoys support from a broad range of traditional and non-traditional donors, contributions are not always predictable and are made primarily by the top five donors (UK, Sweden, Netherlands, Norway and Japan).

Pooled funds, which are set up to supplement traditional agency-based mechanisms and provide resources that can be used strategically to support underfunded priorities, can leverage early seed funding to catalyze larger development assistance and mobilize additional assistance, particularly from non-resident and emerging donors. They can also provide an accountable and transparent financing instrument, potentially improving risk management practices in fragile countries and facilitating an

earlier release of ODA. However, country-level UN pooled funds tend to be under-capitalized and under-utilized. Development assistance in fragile countries is usually fragmented across different donors or channeled through a proliferation of funding instruments. Missions and UNCTs have occasionally established parallel trust funds as a result of differing mandates, procedures and governance arrangements. Relevant mission trust funds tend to be small and slow to disburse.

Availability and efficient management of required finance is essential to leverage the potentially powerful synergies between UN missions and UNCTs to enhance peace consolidation efforts, manage and potentially accelerate mission draw down and reduce the risk of relapse into violence. The paper presents the following three financing avenues, which can be sequenced and combined to address existing financing gaps and better align integrated planning, programming and finance at both mission start-up and drawdown:

i. **Incorporate seed and/or bridge funding into the budget of multi-dimensional missions to build or sustain peace at start-up and/or drawdown:** This would not necessarily entail additional assessed contributions, nor would it substitute for voluntary contributions. Rather, it would allow for the implementation of key mandated peacebuilding tasks and could help catalyse future voluntary contributions to sustain peace consolidation.

ii. **Expand the role of the Peacebuilding Fund:** This would entail scaling up the PBF through increased and more predictable resources from both existing and new (traditional and emerging) donors and expanding its explicit partnerships with DPKO and DPA to better incentivize UN Country Team activities (which receive most PBF support) to align with Mission priorities.

iii. **Early establishment of well capitalized and consolidated country-level UN pooled funds based on integrated strategies or plans**: Such 'common' UN MDTFs would be financed from voluntary development assistance and be used to fund implementation of integrated strategic plans. They could provide donors with a cost-effective financing instrument, increasing the likelihood of sustained capitalization throughout the transition period. Pooled funds could spearhead joint assessments of contextual, programmatic and institutional risk, encouraging an earlier release of larger amounts of official development assistance (ODA).

Operationalization of each financing modality poses significant challenges. However, the possibility to access, sequence and combine the three different modalities offers a potentially powerful opportunity to mitigate these challenges and improve UN integration and peace consolidation efforts. The overall financial burden can be shared across the three modalities. The paper recommends that the ISG:

- Request the Integration Working Group (IWG), in close cooperation with the MPTFO and in consultation with Member States, to examine the pros and cons of these financing avenues in detail, with a view to piloting an integrated financing approach in one or two mission settings;
- Request the IWG to develop an 'integrated financing policy' or guidelines to accompany the IAP.

The two reviews that are being undertaken in 2014/2015 – the Secretary-General's Review of Peace Operations and the 2015 Review of the UN Peacebuilding Architecture – offer a window of opportunity to turn this research and advocacy into practical action. Mutually supportive recommendations made by each Review offer the possibility of helping to build Member State support.

Introduction

As part of the work of the Integration Steering Group (ISG), DPKO on behalf of the Integrated Working Group (IWG) requested the Multi-Partner Trust Fund Office[1] (MPTF Office) to review the budgetary aspects of integration and recommend potential financing avenues to enhance UN integration and promote more effective and efficient peace consolidation efforts.

The Terms of Reference of the study envisage two phases. The first phase aims at identifying the key financing barriers towards promoting UN integration in mission settings and proposing possible financing avenues to overcome these barriers. A second phase to conduct a more in-depth study of the financing instruments presented in this paper may be commissioned based on feedback from the ISG (see annex I for the Terms of Reference of the study). The scope of the study covers both peacekeeping and special political missions. The key findings and recommendations are applicable to both settings. However, due to the intended limited nature and timeframe for phase 1, only the budgeting process of peacekeeping missions was examined in detail. A similar examination of the budgeting process of special political missions through the regular budget could be undertaken in phase 2.

Peacekeeping mission mandates have evolved significantly over time in response to the changing nature of conflict and growing recognition of the importance of peacebuilding activities, such as supporting national civilian capacity development and institution building, in areas including: inclusive political processes, rule of law, the extension of state authority and administrative capacity, and the protection of women and children.[2] This evolution reflects the emerging consensus that the basic condition for the exit of an international security presence is consolidation of national political stability, which is inherently linked to economic revitalization and livelihoods, and the recovery of key social service delivery.[3] Accordingly, UN peacekeeping activities have expanded from traditional military operations to multidimensional missions, combining civilian, police and military capabilities under a unified civilian leadership and carrying out a range of mandated tasks, which require working in an integrated manner with UN country teams (UNCTs).

In support of these multidimensional mandates, the UN has developed a number of normative documents and mechanisms to foster integration between UN missions and UN country teams, particularly during mission start-ups and drawdowns.[4] For example, the UN Global Focal Point on Police,

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[1] The MPTF Office provides fund design and administration services. As part of its services to the UN system, it conducts studies on a pro bono basis on how to best leverage pooled financing mechanisms to enhance UN coordination and aid effectiveness.

[2] Jones, B. (2009). *Building on Brahimi: Peacekeeping in an era of strategic uncertainty*. New York, USA: New York University Center on International Cooperation. UNSCR 2122 (2013), para 5; DPKO/DFS Gender Forward Looking Strategy 2014-2018, DPKO/DFS Gender Unit, NY, 2014.

[3] Jones, B. (2009). Achievement of the five Peacebuilding and Statebuilding Goals (PSGs) within the context of the '*New Deal for Engagement in Fragile States*' (2011) presents general agreement around the theory of change underlying peace consolidation. The five PSGs are: 1) fostering legitimate politics; 2) establishing and strengthening security; 3) addressing and increasing access to justice; 4) improving economic foundations; and 5) managing revenue and services. The PSGs are in line with theories of change articulated by DFID (*Building peaceful states and societies: A DFID Practice Paper)*; the Peacebuilding Fund (*PBF Business Plan 2014-2016*); and the *World Development Report* (2011). For the purposes of the paper, the 5 PSGs will be used as the benchmark theory of change underlying peace consolidation in mission settings.

[4] *Decision of the Secretary-General* – 25 June 2008 meeting of the Policy Committee on Integration; *Policy on Integrated Assessment and Planning* (2013); *Integrated Assessment and Planning Handbook*; *IMPP Guidelines: Integrated Planning for UN Field Presences – Role of the Headquarters* (May 2009); *Role of the Field* (December 2009); *Guidelines – UN Strategic Assessments* (May 2009), *The Transition Policy.*

Justice and Corrections (GFP) is an innovative arrangement that promotes integration in these areas among two key UN actors (DPKO and UNDP), and with the broader UN system.[5] The UN's investment in enhancing integration recognizes that powerful synergies can be achieved within the UN system to improve the overall effectiveness and efficiency of peace consolidation efforts. Such improvements can reduce the likelihood of relapse into conflict and the overall duration and costs of peacekeeping operations.[6] In particular, the Policy on Integrated Assessment and Planning (IAP) requires the articulation of a common UN vision, priorities and responsibilities in support of peace consolidation in integrated strategic frameworks (ISFs) or equivalent.[7]

A number of documents have highlighted the important role that financing can play in supporting UN integration and improving the overall effectiveness of peace consolidation efforts, particularly during mission start-ups and draw downs.[8] As noted by the ISF Review (2013), "(a) significant reason why the UN can and does come together around a common set of initiatives…often comes down to availability of resources." In particular, access to secure funding to catalyze initial peace consolidation efforts at the onset of the mission would enable UN missions to leverage and build on existing networks of UNCTs, and promote common interventions for early peace dividends. It could support a number of joint assessments such as, conflict and gender analyses, which would improve the quality of integrated plans, the prioritization process, and the programming response. This would then enable the UN to jointly deliver early peace dividends to limit the influence of spoilers and ensure the inclusiveness of the peace process. Similarly, financing can be used ensure a more integrated approach during the drawdown phase and support a smoother and faster transition of tasks from missions to UNCTs. This would ensure that peace consolidation efforts are sustained throughout the period from crisis towards recovery and sustainable development, and reduce the risk of relapse into violence.

However, the potential benefits that financing can bring in support of UN integration as envisaged in the policy frameworks are hampered by different governance arrangements, budgetary constraints and procedures, and a misalignment between planning and funding. The ISF Review (2013) highlights "the weak link in the guidelines between the ISF and resource mobilization, which usually drives the interest and engagement of many parts of the UN system." This can severely undermine political gains and the overall peace consolidation effort. For example, peacekeepers often help demobilize armed forces, which is critical for progress towards political stability. "However, the political gains from demobilization can be undermined when as has often been the case, there has been inadequate funds for solider reintegration and/or economic recovery of the communities to which they return lags."[9]

Findings presented in this paper are based on a desk review of the relevant literature, mission mandates and budgets; an analysis of financing mechanisms to support mission and UNCT efforts for peace consolidation (see annex II); as well as semi-structured interviews with 32 interlocutors (see annex III), including with Member States (United Kingdom, United States, France, Brazil) and the World Bank. To

[5] *Independent Progress Review on the Global Focal Point* (2014). The GFP arrangement is co-led by DPKO and UNDP and also includes UN Women, UNODC, UNOPS, UNICEF, and OHCHR. The Review found that "(i)n less than two years, the GFP has achieved important results." It has enhanced collaboration, improved coordination and working relations and promoted a positive change where "silos have been replaced with a team construct…"

[6] Global approved peacekeeping resources have grown by over 180% over the past 10 years.

[7] In some cases, integrated plans may be articulated in an UNDAF +.

[8] *ISF Review* (2013); *Comparative advantage analysis and 'transfer of tasks'*. Paper for the ISG (December 2013).

[9] Jones, B. (2009).

ground the analysis, four missions at different stages were examined in greater detail: Mali and the Central African Republic (start-up), DRC (reconfiguration), and Haiti (consolidation). This study also builds on an earlier report on *Financing Recovery for Resilience* (2014), which was presented at the DSRSG/HC/RC retreat in May 2014.[10]

1. Key Findings

The financing sources, governance arrangements and budgeting procedures of peacekeeping missions and UNCTs agencies differ significantly. Missions are essentially financed from assessed contributions, through peacekeeping operation budgets, and UNCTs from voluntary development assistance, which follows principles of national ownership and alignment with national priorities.[11] Management modalities for both sources of funding pose significant challenges and create financing gaps for critical priorities that could promote UN integration and improve peace consolidation efforts, particularly at mission start-ups and drawdowns. In an effort to address these financing gaps and ensure adequate levels of funding throughout the period from crisis to sustainable development, the UN has established a number of pooled funds[12] at the global and country level. However, these pooled funds are usually under-capitalized and under-utilized, which further limits the ability of the UN to promote synergies and a more integrated peace consolidation approach.

1.1. The financing gap for critical activities that enhance UN integration and improve the effectiveness of peace consolidation efforts

In response to increasingly broad, multidimensional mandates, mission strategies and integrated plans outline a number of expected priority results that require a mix of inputs and an integrated UN response. The 2014 Report of the Secretary-General on civilian capacity in the aftermath of conflict highlights that “mission planning and the consequent budget proposal will give more specific and distinct attention to mandated institution-building tasks…(which) will include:…(d)escription of the mix of inputs required…and the operational costs, within approved financial levels, to support institution-building objectives (for example, funds for national counterparts to attend training, necessary small infrastructure, rehabilitation or materials for national institutions). When applicable, they would also indicate implementation through the United Nations country team.”[13]

Nevertheless, peacekeeping budgets remain for a large part structured around military and civilian personnel, and operational costs, particularly transportation and communication/information technology. For example, 92% of MINUSMA’s 2013/2014 budget is directed towards personnel (58%) and operational support (facilities and infrastructure, ground and air transportation, communication and information technology – 34%). These tendencies are a function of the role peacekeeping has played historically and the role it still plays today (providing security, advising, maintaining good offices,

[10] Bayat-Renoux, F. & Glemarec, Y. (2014).
[11] This study does not cover humanitarian assistance.
[12] The term pooled fund, trust fund and multi-donor trust funds (MDTFs) are used interchangeably.
[13] Paragraph 27.

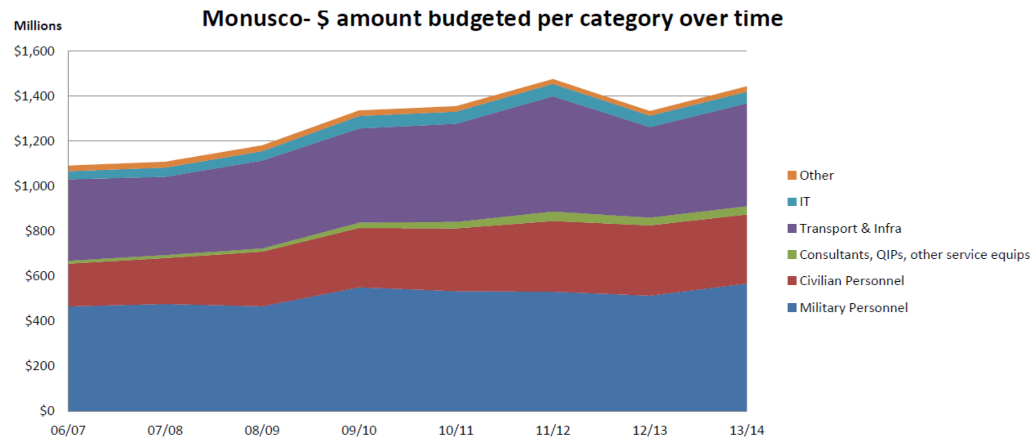
monitoring etc.). It is also a function of the perceived role of, and procedures governing assessed contributions *vis a vis* traditional development assistance.

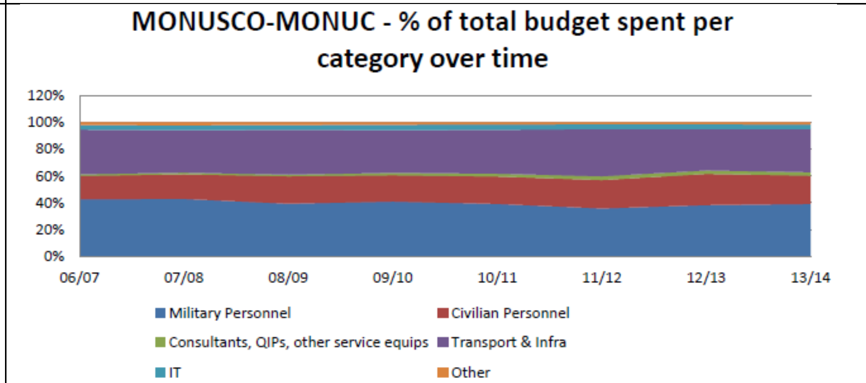
While the number of people a peacekeeping mission can deploy in substantive areas is a key comparative advantage, resources from assessed contributions to implement broader, institution building activities articulated in mission mandates and integrated plans are limited. The following figures show the amount by budget categories, and the percent of the total budget per category from 2006/2007 to 2013/2014 for MONUC/MONUSO and MINUSTAH. The 'operational costs' category has been broken down and grouped, in order to estimate a proxy for the types of activities highlighted in the 2014 SG Civcap Report: consultants, QIPs,[14] and other supplies, services and equipment (proxy); transport and infrastructure; IT; and other (medical, special equipment, general temporary assistance).

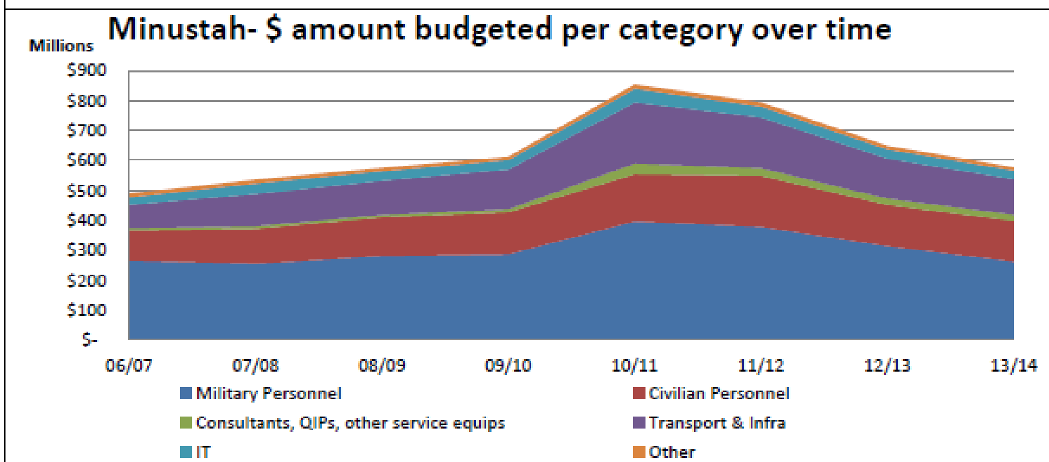
[14] The objective of QIPs is not wider institutional building, but rather is "small-scale, rapidly-implementable projects, of benefit to the population…used by UN peacekeeping operations to establish and build confidence in the mission, its mandate, and the peace process, thereby improving the environment for effective mandate implementation." *DPKO/DFS Policy Directive on QIPs* (February 2007). QIPs make up on average 0.25% of mission budgets. While the Policy Directive (*Policy: Quick Impact Projects,* 2013) states that QIPs budget may constitute up to 1 percent of the requested resources, the *Lessons Learned Study* (2011) found that QIPs budgets across missions do not come close to this percentage in any instance. The average for the 2009-2010 budget was 0.25%. The 2009-2010 QIPs MINUSTAH came closest and then, its QIPs funding was only 0.49% of the mission budget. The Lessons Learned Study also highlighted agreement from field colleagues that QIPs are a useful instrument for confidence building of local counterparts and can be "an extremely effective way of building trust, opening doors for the mission…creat(ing) a climate of acceptance for the mission, its mandate and the peace process."

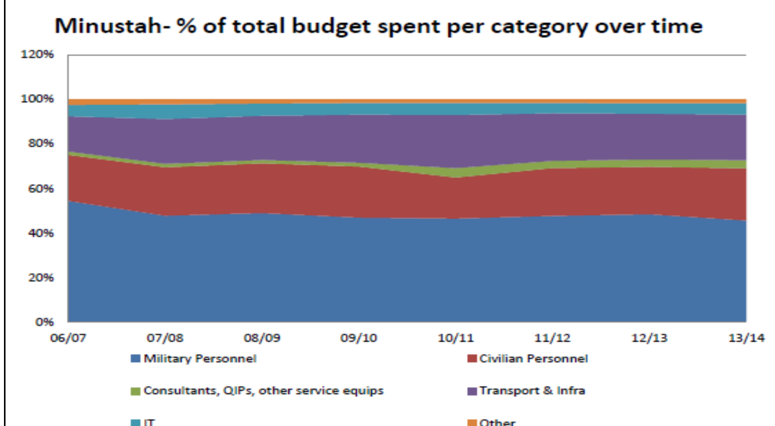
Figure 1: Amount by budget categories, and the percent of the total budget per category from 2006/2007 to 2013/2014 for MONUC/MONUSO and MINUSTAH

Amount by category (USD) from 2006/07-2013/14	Percent of the total budget per category from 2006/07 to 2013/14









While mission mandates have evolved, the figures show that there has been little change in the resource profile over time. For example, the mandate of MONUSCO was expanded from protection of civilians and human rights (particularly of women and children) to include broader state capacity building initiatives. While MONUSCO's resources were increased to implement this broader mandate, the distribution across budget categories remained the same. Similarly, there was a significant increase in the overall resources allocated to MINUSTAH after the 2010 earthquake but, with the exception of a small increase in the 'consultants, QIPs, and other supplies, services and equipment,' the budget distribution remained unchanged.

As the figures also show, budgets for 'consultants, QIPs and other supplies, services and equipment' remained very small relative to the overall budget over time. While missions have some flexibility to redeploy funds between classes within certain limitations as articulated in the 2002 memorandum from the Controller, the expectation from some Member States and one which is often reflected in mission strategies and integrated plans, is that resources for peacebuilding programming, for example, civilian capacity or institution building, is being provided by traditional development assistance through UNCTs.

However, development assistance for critical activities that would improve integration and promote peace consolidation is, in many cases, simply not available, particularly during start-up and drawdown periods. Fragile and conflict-affected countries are high risk and complex environments with limited national capacity. The OECD (2012) points out that traditional development assistance, in line with the Paris Principles on Aid Effectiveness, assumes a level of capacity and institutional complexity that may be unrealistic in most fragile contexts. Consequently, development assistance is slow to materialise before national capacities and plans have been developed. Further, accountability and reporting requirements governing development assistance have been designed for more stable environments. This has resulted in risk-averse behaviour and an emphasis on institutional (including fiduciary) risk over contextual and programmatic risk (including the risk of no action).[15] Development assistance to fragile countries is also skewed, often driven by political and strategic interests. In 2011 half of official development assistance (ODA) went to seven countries (only four of which are mission settings),[16] and much was provided as humanitarian aid. While the OECD acknowledges the need for a rapid release of development finance in transition/fragile and conflict-affected countries, even where full government ownership does not exist,[17] there has been limited change in individual donor behaviour. The result is a collective failure of development assistance in many countries.

For example, in the Central African Republic (CAR), one of the key objectives in the mission concept for MINUSCA[18] is to "restore and extend State authority." The concept highlights that this will require a systematic reform of state institutions, maintenance and restoration of core state functions and capacity development, and notes that "(m)uch of this support will be provided by development agencies…". However, historically, CAR is one of the lowest recipients of ODA. While there has been an increase in voluntary assistance to CAR following the recent relapse into violence, much of this has been in the form

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[15] OECD (2012) *International support to post-conflict transition: Rethinking policy, changing practice*.
[16] OECD (2014). The seven countries are: Afghanistan, DRC, Ethiopia, Pakistan, Kenya, West Bank and Gaza Strip, Iraq.
[17] See for example OECD DAC (2012*) International Support to Post-Conflict Transition: Rethinking Policy, Changing Practice* and OECD DAC (2011) *Managing risk in fragile and transitional contexts: The price of success.*
[18] May 2014.

of humanitarian aid, which itself remains underfunded.[19] As at September 2014, UNDP highlighted a shortfall of $23.9 million in three key priority areas: re-establishment of local governance, restoration of police and gendarmerie, and community security and resilience.[20] Similarly, the UN in CAR has identified a funding gap of more than $40 million in areas including economic recovery, education and health.[21]

The lack of both assessed and voluntary contributions creates a financing gap for critical early activities to build a functioning government vital to service delivery, jump-start economic activity, and invest in security sector reform – all of which are often articulated as key priorities in mission strategies and integrated plans.[22] According to the OECD (2012), "overall support to transitions[23] remains inadequate." Funding for priorities related to Peacebuilding and Statebuilding Goals (PSGs) 1, 2 and 3 are particularly under-financed.[24] ODA reported through the OECD DAC Creditors Reporting System as spending related to PSGs 1, 2 and 3 in fragile countries made up on average less than 10 percent of total estimated development assistance related to recovery from 2007-2011.[25] According to the OECD (2014), trends in fragile states where peace and security needs are the highest show no signs of shifting towards investments in security, rule of law and governance. Similarly, despite commitments to reach a minimum of 15% of spending targeted to address women's needs and ensure inclusive peacebuilding,[26] the figure stood at 7.4% in 2013.[27]

During the drawdown phase and following withdrawal, there is significant reduction in the UN's capacity in areas related to politics (including political and conflict analysis), security, monitoring and reporting (including in areas related to human rights, gender equality, and child protection), and certain areas related to governance. As the mission withdraws, there is also usually a financing gap from voluntary contributions to the UNCT for logistical support services that missions had provided. The reduction in such services is likely to impact the local economy and programme delivery, and increase UNCT operational costs of existing programmes.[28]

1.2 Increased call on the limited Peacebuilding Fund (PBF) resources

At the global level, in 2005 the General Assembly and Security Council, requested the Secretary-General to establish a multi-year standing fund to extend critical support to countries to prevent a lapse or relapse into conflict, particularly when no other sources of funding was available. Since its

[19] The CAR Common Humanitarian Fund (CHF) received on average $9 million per year from 2008 to 2013. In 2014, this annual amount more than doubled to $25 million. The CAR interagency Strategic Response Plan for 2014, appeals for $555 million. As of 31 October 2014, there is a shortfall of $218 million.
[20] *UNDP Fast Facts: Crisis in the Central African Republic* as at September 2014. http://www.undp.org/content/dam/undp/library/corporate/fast-facts/english/FF_CAR_Sept2014.pdf Accessed in October 2014.
[21] *A Multi-Partner Trust Fund for CAR – E ZINGO: Fund Prospectus* (October 2014). http://mptf.undp.org/document/download/13512
[22] Jones, B. (2009).
[23] The OECD DAC defines 'transitions' as 'countries and regions that are emerging from armed conflict or violent instability. These are normally fragile and conflict-affected situations…" OECD (2010) *Transition Financing: Building a better response.*
[24] PSG 1, 2 and 3 are: inclusive politics, security and justice.
[25] *Financing Recovery for Resilience* (2014).
[26] Secretary General's Report on Women, Peace and Security 2010 (S/2010/466) and 2013 (S/2013/525)
[27] Secretary General's Report on Women, Peace and Security 2014 (S/2014/693)
[28] *Comparative advantage analysis and 'transfer of tasks'*. Paper for the ISG (December 2013).

establishment, the Peacebuilding Fund (PBF) has become an integral and valuable component of the United Nations' peacebuilding architecture.[29] The PBF has two funding facilities which are both channeled through the UN system (UN missions and UNCTs):

i. **The Immediate Response Facility (IRF):** is a project-based tool that enables the PBF to deliver fast and catalytic funding. There is a ceiling of up to $15 million of active IRF projects at any one time per country. IRFs can be fast reacting on a case-by-case project basis. The PBF is increasingly using 'IRF packages', which allow for greater funds to flow through the IRF while maintaining a strategic focus.

ii. **The Peacebuilding and Recovery Facility (PRF):** offers longer-term support aimed at building national capacity and addressing the root causes of conflict. The PBF provides a sizeable country allocation based on an approved peacebuilding strategy[30] and delegates project approval to a country level Joint Steering Committee, co-chaired by the government and the UN and involving civil society and other development partners. In order to be considered eligible for the PRF, countries must either be on the agenda of the Peacebuilding Commission; or be approved as eligible by the Secretary-General.

The PBF plays an important role in promoting UN integration both at headquarters and in the field, as well as in financing integrated plans. Its position within the UN Secretariat creates naturally connections with DPKO and DPA, while its implementation modality is predominately through members of the UNCT.[31] Experiences show that the availability of timely funding from the PBF and UN multi-donor trust funds (MDTFs) have played a catalytic role in leveraging additional development assistance and powerful synergies between UN missions and UNCTs.[32] The recent Advisory Group end-of mandate report also highlighted the PBF's potential for enhancing UN integration and closer cooperation with other partners, particularly the World Bank.[33]

For example in CAR, one of the key priorities following the relapse into conflict was urgent payment to police and gendarmerie. The UN was called upon to provide this support in parallel with the World Bank's payment to civil servants to avoid an escalation in violence and ensure a minimum level of security. The PBF provided a fast, flexible mechanism for the United Nations system to take and manage

[29] Kluyskens, J. and Clark, L. (2014). *Review of the Peacebuilding Fund*.

[30] This plan is usually called the Peacebuilding Priority Plan and is a strategy developed by UN leadership on the ground in collaboration with Government, civil society and other development partners. Peacebuilding plans should be based on conflict analysis. Having a strong ISF makes the process easier. In cases where ISF or ISF-like documents have been discussed with Government, the PBF aims to find ways to use them more directly as the key framework and supports its implementation. For example in DRC, the PBF aims to use the new ISSSS as a basis for a grant through the Peacebuilding and Recovery Facility (PRF) in 2015. Somalia may offer another example, where the ISF has been discussed with Government, and explicitly lines up behind the Government's plan. Initial grants to Priority Plans are generally in the $5-15 million range, and are eligible for additional grants based on performance

[31] PBF funding can also be transferred to DPKO and special political missions. As at September 2014, 0.01% of PBF funding had been net transferred to DPKO in the field (Cote d'Ivoire) and 2% to DPA (Guinea-Bissau, CAR, Somalia, Yemen, Sierra Leone). In order for DPKO and DPA to receive PBF funding, a separate trust fund has to be established by the mission through DFS, which requires a terms of reference and cost plan in order for approval of an allotment from the Controller to make the funding available. Fifty percent of the PBF net transfers from 2007 to 6 November 2014 have been to UNDP. UNDP's share has dropped from over 80% in 2007 to 33% in 2014 (as at 6 November 2014). The second and third largest of PBF funding are UNICEF (8%) and UNOPS (7.6%). Source: MPTF Office GATEWAY: http://mptf.undp.org

[32] *ISF Review* (2013).

[33] United Nations Peacebuilding Fund Advisory Group 2012-2014 Summary Report to the Secretary-General. http://www.unpbf.org/wp-content/uploads/AG_report_to_the_SGfinal-07-10-14.pdf

the risks in order to meet this critical need. In partnership with DPA, DPKO and UNDP, the PBF enabled the transitional government to directly pay 3,811 police and gendarmerie from June to September 2014. Financial control mechanisms including pay list verification was conceived jointly with the World Bank and UNDP. The PBF also supported the establishment of mechanisms to verify that, in line with the Human Rights Due Diligence Policy, police and gendarmerie reported to work and did not commit grave human rights violations. The PBF through its Gender Promotion Initiative also plays an important role in bringing the UN together around implementation of the SG's Seven Point-Action Plan on gender responsive peacebuilding.

While the PBF enjoys support from a broad range of traditional and non-traditional donors, voluntary contributions to the PBF total on average $68 million a year, which the PBF aims to limit to a portfolio of 20 countries to avoid a scattering of resources, but which entails difficult prioritization as demand is higher.[34] Capitalization of the PBF depends heavily on the top contributors – more than two thirds of deposits as at October 2014 come from the top five donors.[35] Contributions are not always predictable. For example, deposits increased from $58 million in 2011, to $81 million in 2012, and dropped down to $41 million in 2013. While most traditional donors make annual contributions, DFID, Australia and most recently Finland, are the only donors with signed multi-year commitments.

While the PBF dedicates a larger proportion of its resources towards the six countries on the Peacebuilding Commission (PBC) agenda,[36] a simple average highlights that the current capitalization of the PBF limits its support to about $3.4 million per country, per year. While PBC countries continue to be a priority, the PBF has increasingly been focusing on non-PBC countries over the past three years.

The PBF directs the bulk of its resources towards mission settings – cumulatively more than 50% towards special political mission settings, and another 25% to peacekeeping operation settings. Due to its current size, the PBF plays a more important role in terms of promoting UN integration in mission settings that i) receive a lower proportion of total ODA (such as CAR), or ii) in PBC countries where the PBF has made significant investments over time (on average $47 million per PBC country, excluding Guinea-Bissau where PBF funding is suspended). In certain countries (usually non-mission settings), the PBF has promoted UN coordination and better UNCT peacebuilding efforts, based on sound conflict analyses by partnering with DPA and UNDP through their Joint Programme on Building National Capacities for Conflict Prevention. Specifically, the PBF has co-financed deployment of Peace and Development Advisors (PDAs) in three countries and has instituted a policy in its current Business Plan that it is willing to co-finance PDAs in all its formally eligible countries if requested.[37]

With additional resources, the PBF would also be uniquely placed in terms of promoting coordination between the UN and other development partners, notably the World Bank in all mission contexts, specifically at mission start-up. Valuable experiences in working closely with the Bank in CAR and Somalia can be replicated and expanded in this regard.

[34] Average contribution to the PBF from 2006 to December 2013. $540 million.
[35] DFID, Sweden, Netherlands, Norway and Japan.
[36] Liberia, Sierra Leone, Guinea, Guinea-Bissau, Burundi and CAR.
[37] Burundi, Comoros and PNG. Based on PDA deployment and funding list 15 October 2014.

1.3. Under-capitalization and under-utilization of UN country pooled funds

Based on lessons learned from engagement in fragile countries, and in line with the New Deal,[38] both UN missions and UNCTs have recognized the potential role that country pooled funds could play in addressing part of the financing gap and increasing the overall efficiency and effectiveness of peace consolidation efforts. The OECD (2010) has highlighted that "(p)ooled funding enables holistic, strategic engagement in transition environments, and significantly reduces transaction costs for donors and partner country governments alike." Well capitalized pooled funds can act as unifying gravity centres that promote national ownership and improve coordination and alignment of peace consolidation activities supported by different actors and sources of finance.[39]

The objective of a pooled fund is to supplement and build on traditional agency-based fund mobilization mechanisms in order to provide access to a critical mass of softly earmarked funding that can be used strategically to support underfunded priorities. A mix of financing instruments and modalities are needed to respond to the contiguum of needs in fragile states.[40] Based on experiences from the Common Humanitarian Funds (CHFs)[41], a pooled fund should aim at mobilizing between 10% to 20% of the overall assistance to be able to play this role as a strategic tool in support of better coherence and coordination.

Pooled funds can leverage early seed funding to catalyze larger development assistance and mobilize additional assistance, particularly from non-resident and emerging donors. For example, a Multi-Partner Trust Fund in the Central African Republic (CAR MPTF) was quickly established in March 2014 to support implementation of the Secretary-General's Six Point Proposal for CAR, as well as for more medium term efforts. In May and June, the Fund received contributions from the PBF and Norway ($4.6 million and $2 million respectively). These early contributions enabled the CAR MPTF to catalyze an additional $11.2 million from the US State Department to finance the joint UNDP, MINUSCA, UN Women 'Justice and Security Programme' under the GFP arrangement. Another 4.9 million euros is in the pipeline from the Netherlands.

Pooled funds can also provide an accountable and transparent financing instrument, which can lower operational risks in fragile environments. The timing of the release of larger development assistance is partly related to the level of risk and risk management. As pooled mechanisms that bring the UN, government, donors and civil society around the same table, trust funds can potentially improve risk management practice in fragile countries and facilitate an earlier release of ODA.[42] The OECD has recently pointed out that "(d)onors now generally accept the notion that not engaging in fragile states may be the highest risk of all. Consequently, many donors are now seeking to stay engaged during periods of political crisis and violent crisis…(T)o do so requires an ability to …manage risks at several

[38] The New Deal outlines strong international commitment to increasing the proportion of funding delivered through pooled funds using country systems.

[39] MPTF Office (2014). *Financing Recovery for Resilience*. In particular, this study highlights the role of pooled funds in strengthening synergies between humanitarian, development and climate finance. Pooled funds financed from development assistance will also better be able to coordinate efforts with humanitarian pooled funds based on strategic response plans.

[40] Marcus et al. (2012); OECD (2010, 2012).

[41] The CHFs are managed by OCHA and administered by the MPTF Office.

[42] MPTF Office (2014). *Financing Recovery for Resilience*.

levels within a complex political and institutional environment."[43] A recent paper commissioned by the Utstein Group of Donors, highlighted the potential role that pooled funds can play to better manage risk for individual development partners in these countries.[44]

In addition to the UN system, the World Bank also manages a number of country-based trusts funds in mission-settings, notably in Somalia and Afghanistan, and formerly in Sudan and South Sudan. Bank managed funds usually focus primarily on infrastructure, PSGs 4 (economic foundations) and 5 (revenue and services), and certain governance-related areas, which all complement the work of the UN. The European Union has also recently started to establish 'EU Trust Funds'. The first fund has been established for CAR and similar funds may be established for Syria and Yemen. Based on their respective focus (governance, infrastructure, livelihoods, etc.), pooled financing mechanisms can easily join forces to support common transformative changes. For example, in 2013, the Federal Government of Somalia under the New Deal and in partnership with the international community, brought together a number of different funding instruments under the common Somalia Development and Reconstruction Facility (SDRF) to support the overall transition efforts more strategically, coherently and effectively, and to ensure a greater impact of international assistance.

However, with a few notable exceptions, country-level UN pooled funds are under-utilized. Development assistance in fragile countries is usually fragmented across different donors or channeled through a proliferation of funding instruments. The risk management potential of pooled funds is seldom fully leveraged. As a result, larger development-financed UN pooled funds that are expected to support countries transition from crisis to development either do not exist or have been established long after the crisis.[45] Their initial capitalization can also require major and sustained efforts. The lack of capitalization of the UN Fund under the SDRF in Somalia after almost one year raises concerns.

Where UN pooled funds do exist, they are usually too small to act as centres of gravity for improving UN coordination, coherence and integration. Since 2007, DPKO has established 20 trust funds for 13 missions in order to mobilize voluntary contributions for individual projects at mission level.[46] Removing the five trust funds whose scope does not directly include national institutional building and peace consolidation,[47] the total average trust funds size is approximately \$3 million, substantially lower than the minimum threshold of \$5 million per annum for the establishment of all 'One Funds' adopted by the UN Development Group to keep transaction costs manageable.[48] The appropriate systems, and human resources with expertise and experience in fund operations and project management are not always readily available. As illustrated by the MINUSMA Trust Fund in support of Peace and Security in Mali, the

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[43] *OECD INCAF Room Document 3: Options Note on joint risk* assessments (September 2014), based on the OECD report on Donor Approaches to managing risks in fragile and conflict-affected states (forthcoming).

[44] Jacquand, M. and Ranii, S. (2014). *UN Development System Risk Management in Fragile States – A White Paper for the 2014 Utstein Group Spring meetings.* Center for International Cooperation, New York University.

[45] MPTF Office (2014). *Financing Recovery for Resilience*.

[46] Based on '*List of Trust Funds Administered by DFS with project descriptions'* as at late 2013. In addition, a trust fund established in Mali was included based on information included in '*Trust Fund in Support of Peace and Security in Mali Global Report 1 September 2013 – 31 March 2014'*. Information on this fund has also been included in the analysis.

[47] Such trust funds include: UNAMI Trust Fund for the United Nations Guard Contingent; UNAMI Trust Fund for Iraq-Kuwait Border Maintenance; Cameroon-Nigeria Boarder Demarcation (the only project under the UNOWA/CNMC Sub Trust Fund in Support of Political Affairs since 2011); Sub-Fund of the Trust Fund in support of the African Union Mission to Somalia (AMISOM); UNAMA aviation support to the UNDP ELECT project (the only project under the UNAMA Trust Fund since 2011).

[48] UN Development Group (UNDG) Standard Operating Procedures.

lack of standard operating procedures to support project-based modalities can be enough to result in low delivery during the start-up phase.[49]

Similarly, between 2004 and October 2014, UNCTs have established 23 funds administered by the MPTF Office in 21 fragile and conflict-affected countries.[50] While UNCT pooled funds are on average larger than mission trust funds, they also tend to be unevenly capitalized. Off these 23 UNCT established funds, the Iraq Trust Fund, accounts for 62% of total contributions received. The remaining 38% is split among 22 funds,[51] off which the Haiti Reconstruction Fund and the South Sudan Recovery Fund are also quite large ($128 million and 141 million respectively). Removing these three large funds, the total average UNCT fund size is approximately $24 million. Seven funds have a total capitalization of under $10 million. UNCT funds are established in line with UNDG guidelines and operate as pass-through mechanisms with standard operating procedures. This minimizes transaction costs and increases efficiencies by enabling each UN agency to operate in line with its own rules and procedures while adhering to a common set of processes.

Missions and UNCTs have occasionally established parallel trust funds. One of the reasons for this apparent duplication is that mission and UNCT funds often have different mandates and scopes. They also operate with different procedures and governance arrangements. Table 1 below shows the list of peace consolidation related mission trust funds with parallel UNCT established funds. A full list of peace consolidation related mission trust funds and UNCT trust funds in fragile and conflict-affected countries can be found in annex III.

[49] As at 31 March 2014, only 9% of total contributions received by the trust fund (approximately $1 million of $11 million) had been allocated to one project (‘*Trust Fund in Support of Peace and Security in Mali Global Report 1 September 2013 – 31 March 2014*’). Another eight projects, in the pipeline since March 2014, are yet to be disbursed.

[50] MPFT Office administered funds use the pass-through modality – funding is passed from donors to participating UN organizations, who uses the funds in accordance with its own rules and regulations. The list of fragile and conflict-affected countries used for this analysis is based on the 47 fragile states and economies used in the OECD Fragile States 2013 Report. In addition Mali was included due to the establishment of MINUSMA. Syria and neighbouring countries (Jordan, Lebanon, Turkey) affected by the ongoing Syrian conflict were also added, bringing the total number to 52 countries.

[51] Data is as at 10 October 2014 from the MPTF Office GATEWAY (www.mptf.undp.org) Contributions to the Iraq Trust Fund which formed one of two financing windows that operated within the International Reconstruction Fund Facility of Iraq (IRFFI) established in 2004 to sequence financing following the war in Iraq amounted to almost $1.4 billion.

Table 1: DPKO and select UNCT trust funds

Country / Region	UN Mission Trust Funds administered by DPKO/DFS[52]		UNCT established funds	
	Fund name & Mission	**Allotment in USD millions[53]**	**Fund Name**	**Capitalization USD millions [54]**
Mali	Trust Fund in support of Peace and Security in Mali MINUSMA	$11.2	National Economic and Social Stabilization Fund in Mali – UN window is under development[55]	$42.7 – National Window
Guinea-Bissau	Trust Fund for United Nations Peace Building Office in Guinea-Bissau UNIOGBIS5	$5.3		
Sierra Leone	Trust Fund to Support United Nations Peacekeeping-Related Efforts in Sierra Leone UNIPSIL[56]	$0.187	Sierra Leone MDTF	$30.9
Haiti	Trust Fund in Support of the Political Transition in Haiti MINUSTAH	$0.577	UNDG Haiti Reconstruction Fund	$127.6
DRC	Trust Fund to Support the Peace Process in the Democratic Republic of Congo MONUSCO	$0.424	DRC Stabilization and Recovery	$21.8
	Trust Fund to Support the Ituri Pacification Commission MONUSCO	$0.036		
Kosovo	Trust Fund to Support the United Nations Interim Administration in Kosovo UNMIK	$3.5		
Afghanistan	Trust Fund for Afghanistan UNAMA	$0.683		
Sudan	Trust Fund in Support of the Peace Process in Sudan UNMIS	$1.7		
Sudan - Darfur	Trust Fund for the AU-UN Joint Mediation Support Team (JMST) for Darfur UNAMID	$8.5	Darfur Peace & Stability Fund	$62.3
	Trust Fund for Lasting Peace in Darfur UNAMID	$0.186	Sudan UN Fund for recovery in Darfur	$10
Chad	Trust Fund for the Support of the Activities of the United Nations Mission in the Central African Republic and Chad MINURCAT[57]	$10		
Somalia	Sub-Fund of the Trust Fund in support of the Somali Transitional Security Institutions UNPOS	$5.3	Somalia MPTF	$0
	Trust Fund for Peace-building in Somalia UNPOS	$1.6		
West Africa	Trust Fund for Preventive Action UNOWA/CNMC	$0		

[52] Information is based on the '*List of Trust Funds Administered by DFS with project descriptions*' as at late 2013 provided by DFS. Information on delivery and results were not included in this document. In addition, a trust fund established in Mali was included based on information included in '*Trust Fund in Support of Peace and Security in Mali Global Report 1 September 2013 – 31 March 2014*'.

[53] For DPKO/DFS administered funds, the term allotment is used - which refers to the amount of funding authorized for spending by the UN Controller for projects up to but not exceeding the cash resources on hand. For the Trust Fund in support of Peace and Security in Mali, the total donor contributions is used based on information in '*Trust Fund in Support of Peace and Security in Mali Global Report 1 September 2013 – 31 March 2014'* since information on this trust fund was not included in the '*List of Trust Funds Administered by DFS with project descriptions*' as at late 2013 received from DFS.

[54] Information on UNCT established funds, administered by the MPTF Office administered funds is based on capitalization as at October 2014 from the MPTF Office GATEWAY (http://mptf.undp.org).

[55] The National Economic and Social Stabilization Fund was established by the Government of Mail in February 2013 following the crisis. It has channeled $41.5 million in voluntary contributions from the Netherlands, Spain and Denmark to support key socio-economic areas. It is administered by the MPTF Office.

[56] This fund is to be closed.

[57] This fund is to be closed.

2. Accessing, sequencing and combining financing instruments: Potential Financing Avenues

The limited availability of secured resources through assessed and voluntary contributions, particularly during mission start up and drawdowns, creates a funding gap. There is also a misalignment between planning, programming and finance for UN integration. Availability and efficient management of required funding is essential to leverage the potentially powerful synergies between UN missions and UNCTs to enhance peace consolidation efforts, manage and potentially accelerate mission draw down and reduce the risk of relapse into violence.

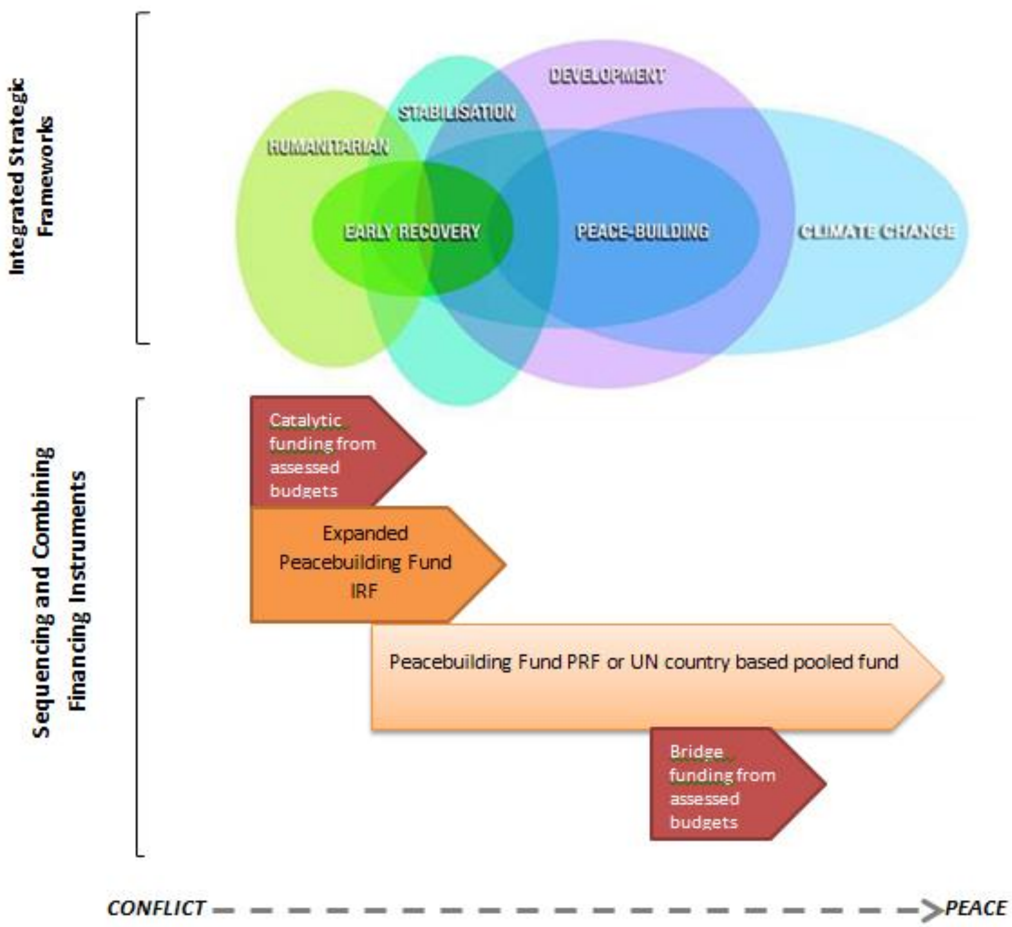
The paper presents three financing avenues. As illustrated below, these avenues are complementary and can be sequenced and combined to address existing financing gaps and better align integrated planning, programming and finance at both mission start-up and drawdown by: i) improving the efficiency and management of current financing practice; and ii) by increasing the amount of available funding. The three financing avenues are:

1. Incorporate seed and/or bridge funding into the budget of multi-dimensional missions to build or sustain peace at start-up and/or drawdown;

2. Expand the role of the Peacebuilding Fund;

3. Early establishment of well capitalized and consolidated country-level UN pooled funds based on integrated strategies or plans.

Figure 2: Sequencing different financing modalities to support peace consolidation efforts



Every country context is specific. The mix of financing instruments will need to be tailored to country unique requirements. This tailored approach will minimize the risk of duplication amongst financing modalities or between financing sources. Each financing modality is detailed below.

2.1. Incorporate seed and/or bridge funding into the budget of multi-dimensional missions to build or sustain peace at start-up and/or drawdown

As highlighted earlier, access to secured funding at mission startup and drawdown could bring a number of potential benefits. One option to secure such seed and/or bridge funding is to incorporate specific outputs for foundational peace building (in the case of start-up) or sustained peace consolidation (in the case of drawdown) in the assessed budget for peacekeeping operations**.** The purpose of such assessed contributions is to ensure missions have access to the right mix of resources required to meet multi-dimensional mandated tasks in underfunded areas.

Financing such outputs does not necessarily mean additional resources from assessed budget. Nor is it to substitute for voluntary contributions. Instead, in line with the 2014 SG's Report on civilian capacity in the aftermath of conflict, it means a change in the mix of inputs financed by the current level of resources to improve efficiency and impact. A different mix of inputs, including a greater proportion of funding for interventions such as training, small infrastructure, rehabilitation and material for national institutions, would better leverage available mission technical expertise with the programming and operational capacity of the UNCTs. This would also help to catalyze future voluntary contributions to ensure sustained support to these areas.

There is no legal or regulatory barrier for greater civilian capacity or substantive mandated initiatives to be included in peacekeeping budgets. The ACABQ has also pointed out that "there is nothing within the current authorized financial and budgetary framework that precludes a proposal for either staff or non-staff resources in support of national institutional-building in the context of the General Assembly's consideration of individual mission budget requests", where institution-building is an authorized component of a mission's mandate.[58] A clear signal and guidance from DFS to all players in this regard would help clarify any confusion around how this can be done.

However, this practice could raise concerns from some Member States, particularly in the Fifth Committee over perceived funding of core UNCT development activities from the assessed budget. Given the existing budget constraints, Member States that make large assessed contributions might be concerned that these changes do not lead to an increase in the size of the global level of approved peacekeeping resources or a diversion from core mission functions.[59] They would need to be assured that relatively modest amounts of assessed funding in a specific context can fill a critical gap that is essential to mandate implementation.

In order to fully assess opportunities and trade-offs and avoid duplication, the role of assessed contributions *vis a vis* voluntary contributions will need to be clearly delineated in terms of scope, time, budget and reporting. The actual cost-benefit of the revised approach in terms of the use of assessed contributions will need to be monitored and assessed to build on lessons learnt (shorter intervention periods, clearer exit strategy, leveraging of other sources of finance, etc.). A finer level of granularity within the budget categories would enable stakeholders to better monitor the level, and impact of resources directed towards civilian capacity related activities in line with the 2014 SG's report.

Identification of the specific mandated outputs financed from the assessed budget will require an assessment of the funding gap in sector areas. In order to determine these gaps, the mission and UNCT will need to assess i) the key peace consolidation priorities and estimated "costs" of some of the multi-dimensional elements from a sector perspective (notably the peacebuilding and statebuilding ones)[60]; ii) the distribution of responsibility based on mandate and comparative advantage; and; iii) the areas of potential alignment, duplication and synergies between the mission and UNCT.

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[58] Civilian capacity in the aftermath of conflict. Report of the Advisory Committee on Administrative and Budgetary Questions (2014). A/68/784.

[59] Global approved peacekeeping resources have continued to rise including for 2014/15. The potential approved peacekeeping funds for 2014/2015 (including a full year for UNAMID, MINUSCA, UNIS, UNMIL and UNOCI) is reaching $8.2 billion (as at 31 October 2014, DFS).

[60] PBSO is exploring how to undertake such an exercise.

The humanitarian community provides a valuable example in this regard. The Consolidated Appeals Process and more recently, the Strategic Response Plan, supported by the cluster system, creates a platform for joint prioritization of needs, costing, and coordination of implementation efforts across the humanitarian community. This enables a more effective and efficient use of the various humanitarian financing instruments, including through agency-specific mechanisms, in support of the overall response. The ISF provides a similar platform for peace consolidation. However, there is no current requirement for the ISF (or UNDAFs, which can be used as ISFs under certain circumstances) to be costed. The first ISF may also only be available a year after the mission has been established, which is particularly problematic in light of the timeline governing the budget preparation cycle. Consideration should be given to the value of an 'early ISF' or equivalent during the first year of a mission's life to facilitate determination of specific outputs to be financed through the results based budgeting (RBB) frameworks and UNCT programmes.

Implementation of activities financed by such seed and/or bridge funding could be conducted either by missions or UNCT members based on comparative advantage. There is no prohibition to the use of UNCTs by missions to carry out mandated tasks with budgeted mission resources.[61] During the start-up phase, missions usually require time before they are fully staffed and fully operational.[62] Missions can benefit from building on the existing work of the UNCT to achieve early results in certain multidimensional areas and promote early integration.

There are a few positive examples where funding from approved mission resources has been channeled to UNCT members to promote early UN integration at mission start-up or support a smoother drawdown. The most well know example took place in UNMIT in 2012/2013 budget year, when UNMIT provided $2.7 million to UNDP, UNICEF, UNWOMEN and UNFPA to implement activities in support of the missions mandate with regard to capacity development of the police, democratic governance and rule of law.[63] More recently, under the GFP arrangement, UNSOM resources are facilitating an integrated management of the rule of law unit and delivery of rule of law interventions. Two mission personnel are under UNDP contracts, which allow access to UNDP's financial system. This leverages the substantive capacity of the mission with the voluntary contributions received by UNDP to carry out mandated capacity and institution-building tasks.[64] Such integrated arrangements will help UNCT members sustain institutional building support following UNSOM's withdrawal. This example is being replicated for MINUSCA. Extending this experience to other areas with close technical linkages between missions and UNCTs (e.g child protection), and improving UNCT planning capacity in the Resident Coordinator's Office, and mission planning capacity, could also be explored. The latter will also help better align UNCT and mission efforts and leverage other additional funding for common priorities.

The arrangements governing implementation channeled through UNCT members with complementary mandates will need to be given further consideration. As mentioned earlier, the work of development agencies is based on agreement and coordination with the government. Signature of the ISF by the

[61] For more detail, see Kramer, J. (draft October 2014). "*Deployment of mission budgets through UNCT members for mandated tasks in mission settings*".
[62] According to DFS, a typical mission at start-up can experience up to a 50% vacancy rate for a year after its establishment.
[63] Kramer, J. (2014).
[64] Kramer, J. (2014).

government in Somalia provides an interesting example to reconcile differences in governance arrangements.

Clear and efficient standard operating procedures governing project management from such funding will also need to be ironed out. Mission rules and procedures and staff profiles for these seed and/or bridge peace consolidation efforts funded through the assessed budget could be expanded to support project based modalities. Management of funding from the assessed budget could also be outsourced to another UN agency. This approach is captured by the management arrangements of the mine action portion of mission budgets by UNOPS. The recent global Memorandum of Understanding between the UN Secretariat and UNOPS provides a framework for exploring similar arrangements for management of peace consolidation related outputs. An assessment of the management arrangements of funding related to QIPs[65] and DDR provided under the assessed budget may be valuable in this regard. Consideration will also need to be given to the impact of the increasing use of the Standardized Funding Model.

2.2 Expand the role of the Peacebuilding Fund[66]

The Peacebuilding Fund is well-positioned to help fill the financing gap identified in this paper. The independent review of the Peacebuilding Fund undertaken in 2013/2014 highlighted the ability of the PBF to play a larger role. Among other recommendations, it encouraged an expanded use of the IRF, efforts to increase efficiency of the PRF, and greater clarity on what it can and cannot finance, particularly in the area of 'peace dividends'. The Review, and more recently the Secretary-General's Advisory Group, has highlighted the value of the PBF to serve as an integrating force across the UN system.

Many of these issues are addressed in the 2014-2016 PBF Business Plan. The IRF ceiling per country has been raised to $15 million active per country at any given time. PBSO is also experimenting with the use of "IRF packages." This effort aims to make the IRF more proactive and to ensure that larger amounts of funding through the IRF remain strategic and coherent, while at the same time avoiding some of the transaction costs of a full PRF – a sort of "IRF/PRF hybrid". In some settings already PBSO consider it appropriate to expand the use of IRF further, though this will require endorsement by donors and partners.

Concerning the PRF, the PBF aims to find ways to use existing frameworks more and make governance mechanisms more efficient, while retaining a focus on peacebuilding. These measures, already built into the new Business Plan, provide a strong basis for launching an expanded PBF. The PBF supports the idea of larger grants to fewer countries[67] and, by implication, supporting larger average project sizes. The PBF also supports identifying new channels of providing support. It has acted as a feeder fund to

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[65] The *QIPs Lessons Learned Study* (2011) highlighted the importance of dedicated management capacity and the importance of some flexibility.
[66] This section has been prepared jointly with PBSO.
[67] The purpose of the 20 country limit is to avoid a dispersal of smaller resources.

country-level pooled funds in CAR and Somalia, which in turn channel funding directly through Governments.

As the PBF is voluntarily funded, an expanded role of the PBF would require increased and more predictable resources from both existing and new (traditional[68] and emerging) donors. The 2015 Peacebuilding Review (as well as the Strategic Review of Peace Operations) offers an opportunity to advocate for this expanded role and engage Member States in a process that could lead to its endorsement. However, the risk is that voluntary contributions may not materialize to the scale required to meet the needs.

While the 2013 PBF Review judged the PBF to have matured into a strong institution to deliver $100m of programming per year, to scale this up significantly will require making a case to donors about the additional value-added that would come with scaling-up. Promoting UN integration is a strong part of the case, but other questions should be explored as well. Some of these questions include:

- The PBF was initially designed to focus on countries that are receiving less attention (so-called 'aid orphans'). This point has been consistently reaffirmed over recent years by the Advisory Group and during the 2013 PBF Review. However, the PBF has worked in some more crowded settings, and found that there are gaps in peacebuilding programming that it can usefully fill. In addition, the PBF also has a recognized value-added to incentivise integrated programming. Perhaps the target group for PBF countries should be more explicitly expanded, at least to a greater number of mission settings?

- Is there a potential for considerable expansion of PBF work in the restoration of state authority? A common element found in many multi-dimensional peacekeeping mandates is the restoration of state authority, meaning usually a new (or renewed) presence of the state across a country's territory. This area is ripe for more integration work, as peacekeeping operations have civil affairs divisions but tend to suffer from lack of programming resources (beyond small-scale QIPs); UNDP focuses on local governance; much of the rest of the UN system is focused on service delivery in those areas; and IFI's are focused on employment and the economy.

- As the 2013 PBF Review recommended, greater clarity would be helpful in terms of what kinds and to what extent "peace dividends" (social service delivery, livelihood support) and efforts to revitalize the economy can be financed by the PBF. To be effective, these areas generally require greater levels of funding than the PBF's 'catalytic' resources. These areas (social service delivery, economic development, employment and livelihoods) are also theoretically seen to overlap more with development channels of financing causing some contestation amongst donors. But as this paper argues, since there is generally a paucity of early development finance in some mission-setting countries for key peace consolidation priorities, this is perhaps less of an issue than it may appear; the PBF should perhaps scale-up more its work in these areas, so long as it can be transparent about its financing. There is room here for greater collaboration with the Bank as well.

- Should the PBF play more of a scaling-up role in rule of law and promotion for the respect of human rights? Should the PBF move higher than the 15% target for funding going directly to women's empowerment? This would fall in behind the newly established GFP arrangement, as

[68] For example, the US who has not contributed to the PBF, but who has expressed a recent interest in making a contribution.

well as the Secretary-General's emphasis on 'Human Rights up Front'. As argued in section 2.1, a greater understanding of the costs of peacebuilding areas would enable the PBF to play a catalytic and a partial scaling-up role in a way that is coordinated with other sources of funding.

- How should we think about PBF in drawdown settings? On the one hand, the draw-down stage seems the logical time for PBF to fill the gap left behind by missions. On the other hand, by the time draw-down occurs there has been / is likely to be pressure for PBF to depart as well, on the grounds that significant progress has been made and that there are other places requiring support. The cases of Timor-Leste and Sierra Leone (prior to Ebola) may provide valuable avenues of exploration.

The PBF aims to be a catalytic donor. This is often challenging where there are limited other sources of funding to leverage. The PBF has in the past found ways[69] – and is interested in finding more – where it can serve to jump-start country level pooled funds. The PBF's value added in such situations is to perform a quality-control function or at least help validate the peacebuilding (conflict sensitive) focus of the strategy while building momentum so that it can attract other donors. The PBF could help jump-start the establishment of country funds and help scale-up a response in a rapid and timely manner.

2.3. Early establishment of well capitalized and consolidated country-level UN pooled funds based on integrated strategies or plans

A country-level UN pooled fund, financed from voluntary development assistance, may be established to build on the foundations laid by financing avenues one and/or two (particularly through the IRF) to fund implementation of integrated strategic plans. In lieu or in parallel with the establishment of a new fund, efforts should be made to consolidate existing and under-capitalized funds, as demonstrated in Somalia through the common Somalia Development and Reconstruction Facility (SDRF). Such 'common' UN MDTFs would provide donors with an accountable, transparent, results-oriented and cost-effective financing instrument, increasing the likelihood of sustained capitalization throughout the transition period.

To ensure alignment, allocations would be based on an integrated planning framework or equivalent. There is a risk that linking the financing instrument to the ISF could increase its scope beyond its intended purpose. An assessment of the financing landscape and careful fund design will be critical to align ambition and means. During these early stages, the UN could also develop a pre-defined integrated list of priority needs. Such a list of integrated priority needs was developed in CAR by the UNCT and DPA, as an emergency programmatic scope for the establishment of the CAR Multi-Partner Trust Fund (CAR MPTF) in March 2014 - weeks following the SG's Six Point Proposal for CAR. Such funds could also evolve over time in terms of their scope to support broader recovery related areas.

[69] For example in Nepal (with respect to the Nepal UN Peace Fund), in DRC around the International Security and Stabilization Strategy (ISSSS), and in South Sudan around the South Sudan Recovery Fund (SSRF).

The allocation of resources would be governed by light integrated and dynamic steering arrangement, chaired by the SRSG or DSRSG/RC/HC and including mission and UNCTs members. It could also include government or quickly evolve over time to do so.

To minimize transaction cost, such funds would follow the standard set of rules and procedures for development assistance that have been established by the UNDG.[70] It would support ODA eligible interventions, taking into consideration ongoing discussions within the OECD DAC regarding the current boundaries of ODA within the field of peace, security and justice and assuaging possible concerns regarding the use of voluntary ODA contribution for core security purposes.[71]

To supplement such a consolidation and encourage an earlier release of larger ODA, the risk management capacity of such funds should also is be leveraged. Pooled funds could spearhead joint risk assessments of contextual, programmatic and institutional risk. Such assessments can inform the formulation of risk management strategies, which set out a fund's risk tolerance, including its appetite as well as common risk safeguards, mitigation measures and contingency plans. Fund risk management strategies lower risks for individual development partners and better balance contextual risk (particularly the risk of no action) with programmatic and institutional risks. Joint work between the UN and World Bank is ongoing in Somalia to improve risk management practices and a joint risk assessment may be under consideration for CAR. The humanitarian country-based pooled funds' accountability framework also provides valuable lessons learned in this regard.

In addition to funding substantive integrated activities, a pooled fund could also finance learning and knowledge management that increases the understanding of integration policies, tools and experiences at country level (e.g. through the development of training material, trainings and knowledge exchanges). Such knowledge management processes would be particularly helpful to the UNCT to better understand and exchange experiences in integrated settings.

Like with expansion of the PBF, this avenue builds on an existing type of financing instrument, where important lessons have been learned within the UN system over the past 10 years. Similar to the PBF, the risk remains that adequate voluntary contributions will not materialize for all countries to meet the needs.

3. Conclusion and Way Forward

As pointed out by the ISF Review, financing has an important role to play in promoting UN integration and improving overall peace consolidation efforts. This paper presents three financing avenues aimed to address the current financing gap of key peace consolidation priorities, particularly during mission start-up and drawdown, by both increasing the efficiency of current financing practices and by increasing the amount of resources available. Operationalization of each financing modality poses significant

[70] See UNDG Guidance Note on Establishing, Managing and Closing Multi-Donor Trust Funds (2011) for more information in this regard: http://mdtf.undp.org/document/download/6132

[71] A stocktake of Members' positions on the current boundaries of ODA within the field of peace, security and justice (2014) has articulated the OECD DAC members' suggestions for updating the Directives to reflect the realities of peace and security assistance. Discussions are ongoing in this regard.

challenges. However, the possibility to access, sequence and combine the three different modalities offers a potentially powerful opportunity to mitigate these challenges and improve UN integration and peace consolidation efforts. The overall financial burden can be shared across the three avenues and address possible concerns in terms of potential mission budget increase or resource diversion.

At the same time, finance is no substitute for substance leadership. The quality and timeliness of the ISF is critical in terms of clarifying the roles and responsibilities between the missions and UNCTs in order to maximize alignment and synergies and minimize duplication and gaps. The results of any financing avenue will also depend on the capacity of the UN to deliver. Staff profiles, operating procedures and monitoring and evaluation efforts will need to be congruent with the ISF's ambition and actual cooperation arrangements. The clearer the mission's mandate, the easier such an exercise will be.

In terms of moving forward, this paper recommends that the Integration Working Group, in close cooperation with the MPTF Office and informal consultation with Member States, examines the pros and cons and mechanics of the three financing avenues in detail and further develops a business case for such an integrated financing approach. This should include an 'Integrated Financing Policy' or guidance that would accompany the IAP to bridge the current policy gap between integrated planning and financing. It should also elaborate the role of the ISF at country level in terms of identifying the financing gap, and better aligning planning, programming and finance. This may include an integrated financing strategy, which could form part of the ISF and identify the optimal mix of instruments based on the country's financing architecture.

This paper and any further work in this regard, may also feed into the Secretary-General's Review of Peace Operations, the 2015 Review of the Peacebuilding Architecture, and the Global Study and Review of UNSCR 1325.

Annex I: Terms of Reference

The role of financing instruments in promoting UN integration to improve stabilization and peace consolidation efforts in mission settings

I. Rationale

A number of policy and analytical documents have recently highlighted the important role that financing can play in bringing UN missions and UNCTs together around common peace consolidation efforts. The ISF Review (June 2013) notes that the relevance of the ISF depends on its link to resource mobilization, the presence of pooled funding mechanisms, or other funding systems to make its implementation meaningful and concrete. Similarly, the Policy on UN Transition in the context of mission drawdown or withdrawal (February 2013), highlights that sustained support for peacebuilding priorities requires mobilization of predictable donor funding to address resource gaps. This is particularly relevant in the context of UN transitions as voluntary funding of the UN follow-on presence is unlikely to match the resources of the assessed budgets of peacekeeping operations.

There are a number of financing mechanisms and different sources of finance that support UN mission and UNCT stabilization, peace consolidation and recovery efforts. A recent study conducted by the Multi-Partner Trust Fund Office (Financing Recovery for Resilience, 2014) found that current financing practices of recovery efforts in conflict-affected countries are fragmented and inconsistent, limiting the effectiveness of international efforts in supporting countries transition from crisis to sustainable development. The study highlights the importance of creating and strengthening linkages between various sources of finance that support recovery and makes a number of recommendations related to the role that pooled financing mechanisms can play in this regard, including:

- Early establishment of pooled funds for recovery to empower the DSRSG/HC/RC to address critical but usually underfunded areas related to inclusive politics, reconciliation and justice, while at the same time ensuring delivery of peace dividends.
- Better leveraging the potential of pooled funds to improve risk management through joint strategic and/or risk assessments, and risk management units in order to support an earlier release of voluntary development-financed contributions.
- Consolidating the large number of small recovery pooled funds into a small number of large funds to create gravity centres for alignment of efforts and coordination with other funding sources.
- Using money as a unifier to develop a common theory of change and create incentives for linkages between UN missions and UNCTs programmes (e.g. joint initiatives that leverage the technical expertise of UN missions with programming/implementation capacity of UN agencies).

Following presentation of the Financing Recovery for Resilience study at the DSRSG/HC/RC retreat in May 2014, the ISG is to discuss at its next meeting and agree on the approach to support the proposal to pilot pooled financing mechanisms in fragile and conflict-affected countries. In order to support the ISG in this regard, the IWG on behalf of the ISG is interested in further investigating the role that financing instruments could play in specifically improving stabilization and peace consolidation efforts, particularly by promoting integration between UN missions and UNCTs.

II. Objective

The objective of the study is to assess opportunities and challenges in using pooled financing instruments to improve stabilization and peace consolidation efforts, particularly by promoting integration between UN missions and UNCTs, and with a focus on contexts of mission start-ups and transition / draw down.

Specifically, the study will:

- Review existing theories of change and integrated strategies/plans in support of stabilization and peace consolidation in mission settings and current approaches to promote integration.
- Assess the current financing practice of integrated stabilization strategies or planning instruments (ISFs, UNDAF +, etc.), including the role of the PBF and a mapping of country-level pooled financing mechanisms building on the Financing Recovery for Resilience study.
- Assess the alignment between existing financing practices with the theory of change and integrated strategies/plans for stabilization and peace consolidation, including on programme continuity.
- Assess the role played by pooled financing mechanisms in support of stabilization and peace consolidation.
- Explore opportunities for better leveraging pooled financing mechanisms to promote more effective stabilization and peace consolidation efforts, particularly through integration between UN missions and UNCTs and taking note of the findings of the recent independent review and on-going activities of the DPKO-UNDP led Global Focal Point for Police, Justice and Corrections Areas in the Rule of Law in Post-conflict and other Crisis Situations in this regard.

Based on feedback from the ISG, a more in-depth guidance note could be carried out to recommend specific policies for operationalization of the findings from the study.

III. Scope

This study will focus specifically on stabilization and peace consolidation interventions financed through development finance (ODA) and non-ODA, particularly assessed contributions across the 5 PSGs. The study complements the existing report, Financing Recovery for Resilience, which looked at leveraging pooled funds to improve recovery by strengthening synergies between humanitarian, development and climate finance. Hence it will not cover but refer to humanitarian finance. Overall recommendations can be based on both studies, particularly with regard to leveraging pooled funds to support system-wide efforts.

This study will cover all mission settings (DPKO and DPA), particularly in the context of mission start-ups and transition / draw down. It may look at 3 to 5 case study pilot countries in greater detail.

IV. Proposed Methodology

- Literature and desk review of existing theories of change and integrated strategies/plans in support of stabilization and peace consolidation.
- Mapping of country-level pooled financing mechanisms and financing flows in support of stabilization and peace consolidation (building on the Financing Recovery for Resilience report).
- Structured interviews.

Note, the initial paper to the ISG will largely draw on existing research and will make recommendations for more detailed data collection and analysis to be potentially carried out for a guidance note.

V. Timeline

The initial paper to be shared with the ISG – 4th quarter of 2014.

Potential guidance note – to be defined in the study depending on the ISG's feedback and data collection requirements.

Annex II: List of pooled UN financing mechanisms to support peace consolidation and institution building[72]

Fund Name	Parent Mission / Country	Allotment / Capitalization in USD millions[73]
Administered by DPKO/DFS		
Trust Fund for United Nations Peace Building Office in Guinea-Bissau	UNIOGBIS – Guinea-Bissau	5.3
Trust Fund to Support United Nations Peacekeeping-Related Efforts in Sierra Leone	UNIPSIL – Sierra Leone	$0.187
Trust Fund in Support of the Political Transition in Haiti	MINUSTAH - Haiti	$0.577
Trust Fund to Support the Peace Process in the Democratic Republic of Congo	MONUSCO - DRC	$0.424
Trust Fund to Support the Ituri Pacification Commission	MONUSCO - DRC	$0.036
Trust Fund to Support the United Nations Interim Administration in Kosovo	UNMIK - Kosovo	$3.5
Trust Fund for Afghanistan	UNAMA - Afghanistan	$0.683
Trust Fund in Support of the Peace Process in Sudan	UNMIS - Sudan	$1.7
Trust Fund for the AU-UN Joint Mediation Support Team (JMST) for Darfur	UNAMID – Sudan - Darfur	$8.5
Trust Fund to Lasting Peace in Darfur	UNAMID – Sudan - Darfur	$0.186
Trust Fund for the Support of the Activities of the United Nations Mission in the Central African Republic and Chad	MINURCAT - Chad	$10
Sub-Fund of the Trust Fund in support of the Somali Transitional Security Institutions	UNPOS – Somalia	$5.3
Trust Fund for Peace-building in Somalia	UNPOS – Somalia	$1.6
Trust Fund for Preventive Action	UNOWA/CNMC	$0
Trust Fund in support of Peace and Security in Mali	MINUSMA - Mali	$11.2
UNCT Established Trust Funds in current mission settings		
DRC Stabilization and Recovery	DRC	$21.8
CAR MPTF	CAR	$17.9
Darfur Peace & Stability Fund	Sudan	$59.1
UNDG Haiti Reconstruction Fund	Haiti	$127.6
Iraq UNDAF Trust Fund	Iraq	$36.9
UNDG Iraq Trust Fund	Iraq	$1.4 billion

[72] Information in this table for DPKO/DFS administered funds is based on the 'List of Trust Funds Administered by DFS with project descriptions' as at late 2013 received from DFS. In addition a trust fund established in Mali was included based on information included in "Trust Fund in Support of Peace and Security in Mali Global Report 1 September 2013 – 31 March 2014'. Information on UNCT established funds, administered by the MPTF Office administered funds is based on the MPTF Office GATEWAY (http://mptf.undp.org).

[73] For DPKO/DFS administered funds, the term allotment is used - which refers to the amount of funding authorised for spending by the UN Controller for projects up to but not exceeding the cash resources on hand. For the Trust Fund in support of Peace and Security in Mali, the total donor contributions is used based on information in 'Trust Fund in Support of Peace and Security in Mali Global Report 1 September 2013 – 31 March 2014' since information on this trust fund was not included in the 'List of Trust Funds Administered by DFS with project descriptions' as at late 2013 received from DFS.

Libya Recovery Trust Fund	Libya	$6.5
Lebanon Recovery Fund	Lebanon	$51.7
occupied Palestinian territory	Occupied Palestinian Territory	$22.6
Sierra Leone MDTF	Sierra Leone	$30.9
South Sudan Recovery Fd - SSRF	South Sudan	$141.3
Yemen NDCR TF	Yemen	$14.8
Sudan UN Fund for recovery in Dafur	Sudan	$0
Somalia MPTF	Somalia	$0
UNCT Established Trust Funds in other fragile and conflict-affected countries[74] - non-mission settings		
Ethiopia One UN Fund	Ethiopia	$9.6
Kyrgyzstan One Fund	Kyrgyzstan	$10
Kiribati One UN Fund	Kiribati	$1.3
Comoros One UN Fund	Comoros	$4.4
Malawi One UN Fund	Malawi	$52.1
Nepal - UN Peace Fund	Nepal	$26.8
Pakistan One Fund	Pakistan	$81.3
Rwanda One UN Fund	Rwanda	$82.9
Syria MPTF	Syria	$0

[74] The list of fragile and conflict-affected countries used is based on the 47 fragile states and economies used in the OECD Fragile States 2013 Report. In addition Mali was included due to the establishment of MINUSMA. Syria and neighbouring countries (Jordan, Lebanon and Turkey) affected by the ongoing Syrian conflict were also added.

Annex III: List of people/agencies interviewed

1. Jonathan Robinson – Integrated Panning Officer, IAP unit (DPKO)
2. Mohammad Norshaini Jeram – Chief Policy Guidance and coordination section, Field budget and finance division – DFS
3. Anya Bille Bahncke – Policy Specialist - DOCO
4. Michael Lund – Policy Specialist - UNDP
5. Dimitri Alechkevitch – Policy Advisor – Police division OROLSI - GFP
6. Victoria Benard – Judicial Officer CLJAS/ORLSI DPKO) - GFP
7. Martin Borgeaud – Programme Specialist (Justice and Rule of Law, CAR) - GFP – UNDP
8. Yannick Hingorani – OECD, Paris (telecom)
9. Brian Williams – Chief Financing Branch – PBF
10. Mohamed Abdelaziz Ibrahim – ORLSI – DPKO GFP (Somalia Desk Officer)
11. Markay Frost – DPET/DPKO (currently on mission in MINUSMA)
12. Hannah Davis – DPKO/DFS
13. Oliver Ulich – Head Partnerships Team DPET, DPKO
14. Vesna Markovic Dasovic – UNDP PDA Joint Programme
15. Alex Shoebridge – UNDP PDA Joint Programme
16. Hans Sachs – ORLSI – DPKO
17. Yasser Baki – UK mission to the UN
18. Sebastien Lapierre – Senior Political Affairs Officers, Mali Integrated Operational Team, DPKO
19. Charles Briefel – GFP
20. Gianluca Rampolla – DPA
21. Hugh Riddell – World Bank (from Somalia)
22. Eugene Chen – US mission to the UN
23. Treena Huang – WFP New York
24. Gerald Bourke – WFP New York
25. Kimberly Deni – WFP Rome (telecom)
26. Sarah Rahman – WFP Rome (telecon)
27. Fernando Hesse - OCHA
28. Morgan Larhant – French Mission to the UN (Fifth Committee)
29. Vanessa Gouret – French Mission to the UN
30. Genevieve Boutin – UNICEF
31. Naoko Akiyama – UNICEF
32. Bruno Brant – Brazil Mission to the UN