



Transition Financing Delivering better results in transitional contexts

**Panel on United Nations funding
mechanisms and implications for agency
planning and prioritization**

Rome 4 March 2011



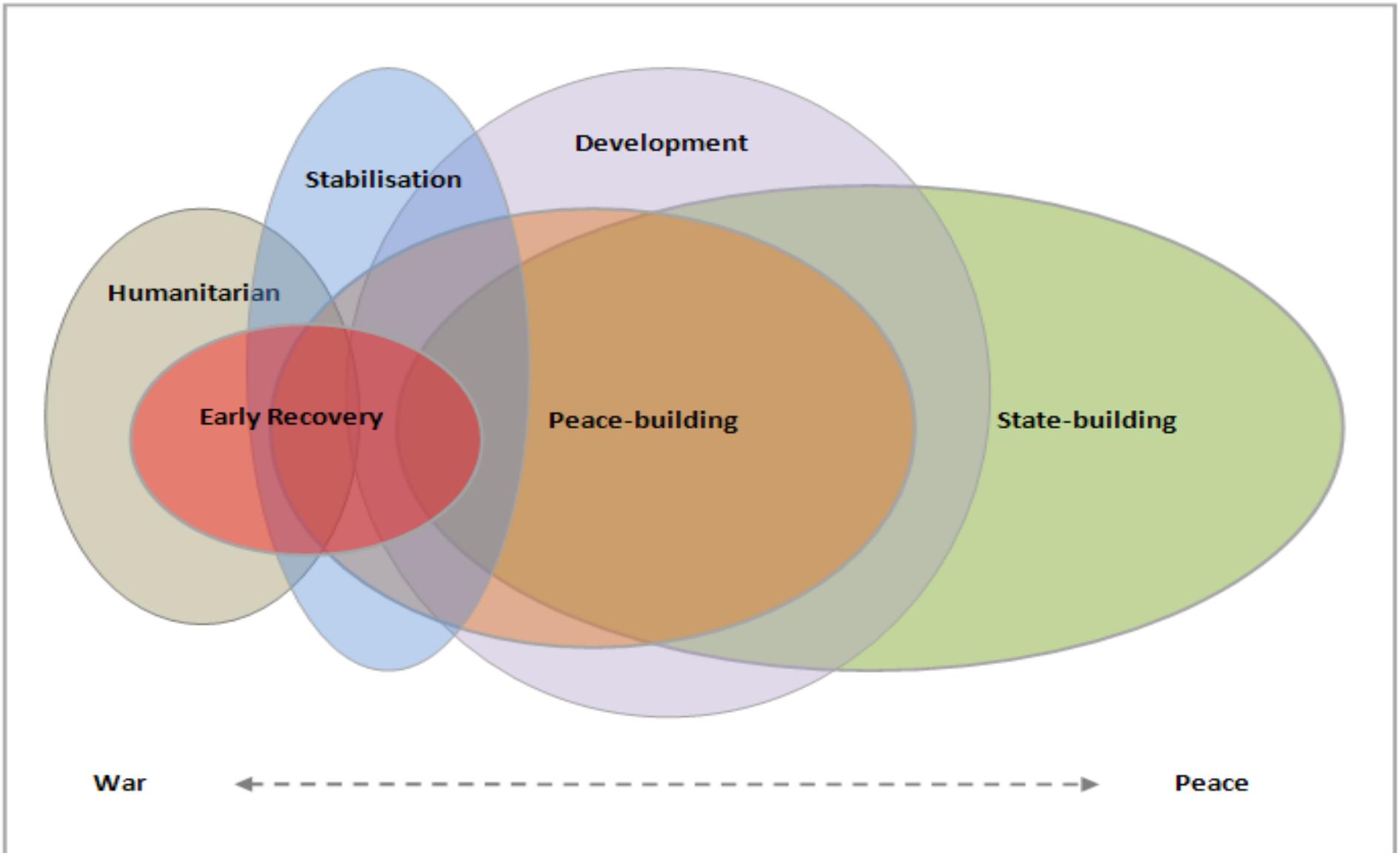


From the previous session....

- The artificial divide HUM- DEV
- Moving from non-state to state
- The Context – (resource flows)
- Donor decision - coordination
- Complexity of choice – priorities?
- Value for money (for whom?)
- Not risking enough
- Data - Transparency



Fragmented Aid architecture + Principles





Background and rationale

Background:

- Aid modalities do not respond well to post-conflict transition
- Commitments at High Level Forum on Aid Effectiveness in Accra
- UN SG's report on Peacebuilding

Objective:

- Develop Guidance on how to improve the speed, flexibility and risk acceptance of transition financing

- **“I urge donors to be bold and innovative in finding solutions that will establish flexible, rapid and predictable funding modalities for countries emerging from conflict.”**
- - *Ban Ki-moon, UN Secretary-General*



Conclusions from Transition Financing:

- Change starting point and collective understanding of transition
- Strengthen coordination of international response to avoid fragmentation and competition
- Address ownership - strengthen local capacity and systems to transfer aid “on-budget”
- Prioritise known peacebuilding and statebuilding objectives
- Sequence interventions based on absorptive capacity – gradual application of the Paris Declaration
- Simplify and improve aid instruments and modalities – build on synergies
- Encourage better risk management and acceptance – collective risk management
- Change donor policies and behaviour



Understanding Transition

Shift from:

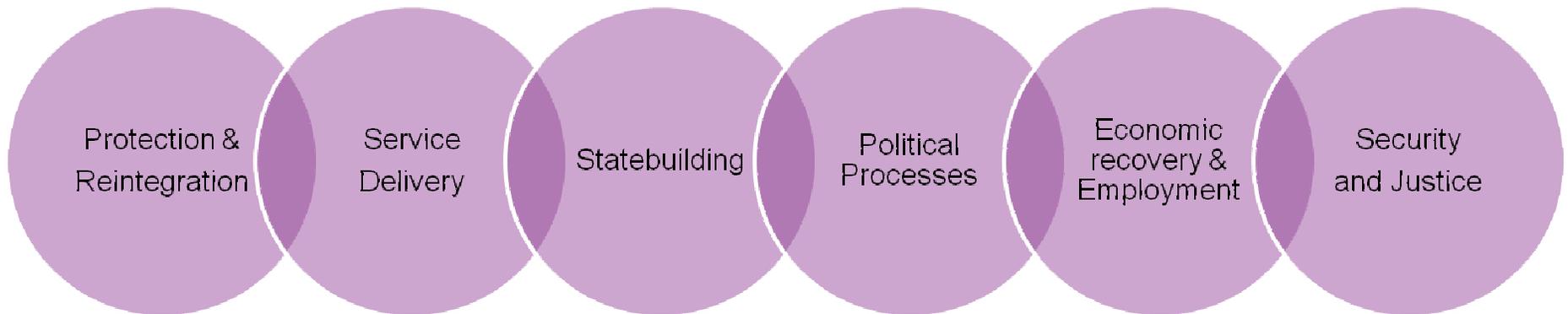
- Focus on life-saving and humanitarian principles vs making explicit political choices establishing sustainable peace and viable state structures
- Using 'humanitarian' vs 'development' aid modalities
- Working with international organisations vs local partners

Specific characteristics:

- Longer-term and non-linear process
- Shared space needed between humanitarian and development actors
- Requires adaptable mix of resources and instruments, including ODA eligible and non-ODA funds
- Requires flexible approach to national ownership



Transition Priority Areas





National Priorities: Revenue and Budgetprocess

Transition Priorities

Protection &
Reintegration

Service
Delivery

Statebuilding

Political
Processes

Economic
recovery &
Employment

Security
and Justice

Humanitarian
Action

Specialiced
Funds

MDTF

Program &
Project Support

Official Development Assistance (ODA)

Non-ODA

External Financing - Multi-and Bilateral



Towards OECD (?) Guidance for transition Financing

- Risk management
- Mutual Accountability & transparency
- Prioritisation
- Planning
- Aid instruments
- Aid Architecture
- Financing Strategy at country level



Guidance: Establish a financing strategy that:

- **Capture and clarify funding flows** - humanitarian, developmental and peace and security related (including programmable non-ODA)
- **Identify actors** and communities involved in transition activities and the relationships between them
- **Identify financing instruments** and their governance structures
- Relationship between funding flows/modalities and **national priorities** including the national budget process.
- Follow an annual planning and monitoring process in relation to critical peace and statebuilding objectives – setting out **realistic goals** and milestones
- Outline and promote **gradual application of the Paris Declaration**
- Establish a framework for mutual **accountability** (Govt – development partners / between bilateral donors) to strengthen **risk mitigation and transparency**



Financing strategy – the processes:

- It outlines and promotes a process for gradually strengthening and moving towards use of country systems
- It sets a process of gradual planning based on agreed transitional objectives (to cover both humanitarian and developmental concerns – these should include protection, security, political dialogue, statebuilding, service delivery and development investments)
- It assists in the selection and application of aid instruments to meet the prioritized objectives
- It stimulates mutual approaches to risk management and accountability frameworks



Ownership, Planning and Coordination

Ownership

- Ensure strategic focus – statebuilding
- Manage the transition – moving towards use of national systems
- Provide immediate and flexible financing for processes and capacity development – strengthen global pooled funds
- The transition trajectory - define milestones

Planning

- Annual flexible plan based on realistic assumptions
- Ensure strategic focus and prioritisation
- Linking priorities to financing modalities
- Coordination and expectation management
- Process management



Aid Instruments

- Manage transition and use instruments strategically
- Specialise instruments to transition priorities
- Improve effectiveness of pooled funding mechanisms
 - Address the time of establishment
 - Clarify and separate administrative functions (management, priority setting, and role of donors)
 - Reduce present overlap of funds
- Ensure coordination between humanitarian and development funding instruments



Risk Management and Accountability

Risk management

- Adopt appropriate risk management and mitigation approaches – moving towards a an appropriate risk culture
- Promote collective approaches - pooled risk management
- Communication and expectation management – accept high exposure to institutional risks
- Make accountability and reporting requirements more realistic and better adopted to context

Accountability

- Establishment of accountability frameworks – (between donors and between donors and partner country governments)
- Improve transparency in resource flows



Aid Architecture

Global level

- Adapt the financing strategy as a point of departure for improving engagement
- Strengthen coordination and leadership at country level
- Increase flexibility between humanitarian and development policies and procedures
- Address relationship between guiding principles
- Clarify multilateral relationships
- Agreeing on global peacebuilding and statebuilding framework

Donors

- Clarify responsibilities, strengthen engagement and risk approach
- In-country division of labour among donors
- Acknowledge role of non-ODA funds



Key Challenges

- Acceptance for gradual application of the Paris Declaration
- Addressing aid architecture – management
- Agree on set objectives / Transition Priority Areas
- Setting “default positions” for aid instruments and their management
- Establishing mutual accountability frameworks that address development results and effectiveness
- Acceptance of differentiated risk management
- Increased awareness of the purpose and use of security instruments – and the importance of use of non-ODA financing during transition