FINANCING POLICY BRIEF SERIES
INTER-AGENCY TASK FORCE ON
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FINANCING SOLUTIONS TO INTERNAL DISPLACEMENT: BRIDGING HUMANITARIAN AID AND DEVELOPMENT FINANCE

Key messages

- Prolonged internal displacement poses a considerable challenge to the achievement of the SDGs and leaves IDPs among the world's most vulnerable populations. In 2023, 76 million people worldwide were internally displaced[1] , almost doubling from five years earlier[2]. The economic cost of internal displacement was estimated to reach USD 30 billion in 2023[3]. The High-Level Panel on Internal Displacement emphasized the need for development-oriented solutions and development financing to address both the root causes and consequences of displacement[4].

- Developed in collaboration between the Office of the Special Adviser on Solutions to Internal Displacement, UNDP, UN-Habitat and IOM, and through discussions in the Development Finance Coordination Group for Solutions to Internal Displacement[5], this policy brief highlights the pivotal role of development finance in addressing challenges faced by IDPs and supporting the implementation of solutions to internal displacement. Transitioning from humanitarian aid towards development-oriented investments that promote the economic integration of IDPs can strengthen resilience of IDPs and host communities.

- It is critical to identify the complementary roles of, and leverage potentials of, public finance, IFIs, the private sector and innovative financing mechanisms, to mobilize financial resources for scaling up investments for solutions to internal displacement.

1. Internal Displacement Monitoring Centre (IDMC), GRID 2024: Global Report on Internal Displacement (Geneva, IDMC, 2024).
2. The letter from the Member States to the United Nations Secretary-General in 2019 is available here.
3. Christelle Cazabat and Louisa Yasukawa, Unveiling the Cost of Internal Displacement (Geneva, Internal Displacement Monitoring Centre, 2021).
4. United Nations Secretary-General's High-Level Panel on Internal Displacement, Shining a Light on Internal Displacement: A Vision for the Future (New York, United Nations, 2021), page 33.
5. The full version of the policy brief can be found here (Office of the Special Adviser on Solutions to Internal Displacement website)

RELEVANT ACTION AREAS

Addressing Systemic Issues

ABOUT THIS SERIES

The Financing Policy Brief Series has been prepared by the Inter-agency Task Force on Financing for Development to inform the substantive preparations for the Fourth International Conference on Financing for Development (FfD4), to be held in Sevilla, Spain, from 30 June to 3 July 2025.

The Inter-agency Task Force on Financing for Development is comprised of more than 60 United Nations Agencies and international organizations. The policy briefs in this series were not subject to review by Task Force Members, and represent the views of the authoring organizations.

The full series is available at: https://financing.desa.un.org/iatf/report/financing-policy-brief-series

MORE ABOUT THIS TOPIC

For further information on the topic of this brief, please see:

Problem statement

Mobilizing development finance to implement solutions to internal displacement requires transitioning from humanitarian aid towards development-oriented investments that can help IDPs' economic integration and strengthen their resilience. Yet, most countries grappling with internal displacement already face significant funding shortfalls[6] and limited access to financial resources. The least developed countries (LDCs), which host 58 per cent of the global IDP population, received less than 5 per cent of international SDG-oriented investments for developing countries, and the share has been declining since 2021[7].

- **Domestic public finance** should play a central role in financing solutions to internal displacement, which is largely developmental in nature. However, the majority of financial resources allocated to addressing internal displacement are currently in the form of humanitarian aid contributed by international donors and, in the case of MICs, national governments. Governments of low- and middle-income countries are limited in their capacity for domestic resource mobilization and for public financial management, and thus often do not have appetite to prioritize solutions to internal displacement. Public spending on measures to end or mitigate internal displacement can be politically and socially sensitive, and may encounter resistance from other communities.

- **Sub-sovereign finance:** Subnational governments often lack the technical and financial capacity to respond to the demands of sudden population inflows, and they struggle to build the institutional and financial resilience required to plan, scale up and maintain service delivery in response to displacement. Fiscal transfers from national to subnational governments tend to be too slow, and access to external finance is often limited for subnational governments, because of regulatory restrictions and perceived high credit risks[8].

- **International aid architecture:** IDPs constitute 22 per cent of the total population targeted by humanitarian response plans[9]; however, the segmented nature of aid architecture, especially the often-siloed approaches between humanitarian and development funding, can impede effectively scaling up development investments for IDPs. In 2022 majority of ODA referring to IDPs are not disbursed through country systems[10]. Implementation through third-party delivery often lacks connection to a country's national development plan and fails to leverage its investment and delivery capacities.

- **IFIs**' finance, compared to other sources of finance, enables large-scale investments, provides long-term finance and utilizes country systems for project design, implementation and monitoring, strengthening government operational capacity. However, internal displacement is traditionally framed as a humanitarian issue, which does not align with IFI mandates. Political sensitivities surrounding internal displacement in some countries may discourage governments from formally recognizing the issue in their engagement with IFIs.

- **Private sector finance:** IDPs' precarious conditions, vulnerability and limited access to formal employment or financial services, security concerns and political instability, present investment risks for private sector engagement. Infrastructure gaps and low public service coverage make it challenging for businesses to provide commercial services to IDPs and host communities.

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6. Globally, 60 per cent of IDPs reside in low-income countries and 40 per cent reside in middle-income countries according to an analysis conducted by the OSA in 2024.
7. United Nations Trade and Development, SDG Investment Trends Monitor, Issue 4, September 2023.
8. World Bank Group, "Financing sustainable cities: How we're helping Africa's cities raise their credit ratings", feature story (24 October 2013).
9. ODI, Independent Review of the Humanitarian Response to Internal Displacement. Calculation based on the authors' findings on the total number of IDPs targeted by humanitarian response plans for 2019–2023.
10. OECD DAC Creditor Reporting System data (OECD Creditor Reporting System website, accessed 15 December 2024) show that in 2022, beyond projects tagged with the IDP marker, development disbursements referring to IDPs in project titles or descriptions amounted to USD 1.9 billion. Half of this amount (USD 950 million) was allocated to Ukraine and 23 per cent (USD 445 million) to 31 LDCs. For the 79 countries that received disbursements, only 27 per cent of funding flowed through country systems, with this share dropping to 11 per cent for the 31 LDCs.

- **Innovative finance:** Limited experience of development actors in applying innovative finance to IDP-specific challenges and inadequate understanding of the country and situational context may lead to the selection of financing mechanisms that may be unfit for purpose.

Policy solutions

- **Domestic public finance:** Governments are encouraged to direct public resources towards addressing the needs of IDPs in a way that is aligned with their financial and institutional capacities, in combination with broad public finance reform (including alignment of tax policies with solutions to internal displacements, for instance) as needed. It is critical to integrate solutions to internal displacement into national development plans and budgeting processes to help prioritize the support of operational expenditure from public resources.

- **Sub-sovereign finance:** Leveraging the potential of sub-sovereign finance requires strengthening their local resource mobilization capacity, for instance by empowering and incentivizing regional and local governments to more effectively administer local taxes and to develop local financing strategies. Governments should ensure early physical planning, including planning for organic population growth and consequent rising infrastructure needs, to accommodate sudden influx of IDPs. Strategic land-use planning regulations provide an opportunity to enhance land value, which subnational governments can leverage to fund public goods.

- **Aid architecture:** Strengthening inter-ministerial coordination within donor governments, as well as enhancing donor coordination and joint programming for solutions for internal displacement is essential. Emergency response should be focused on life-saving activities while encouraging early no-regret development investments. It is critical for governments to invest in strengthening the leadership of national, regional and local authorities and their capacity to support and implement development programmes through country systems.

- **IFIs:** The inclusion of indicators for monitoring progress in solutions for IDPs in the World Bank Group Scorecard and the Ten-Year Strategy of the African Development Bank Group (2024–2033) in 2024 is a significant example of mainstreaming consideration of the needs of IDPs in the financing frameworks. Facilitating access to existing concessional finance or expanding the capacity of IFIs to provide concessional finance can incentivize governments to prioritize investments in solutions to internal displacement. By integrating internal displacement into national adaptation plans and NDCs, climate finance can be leveraged.

- **Private sector finance:** Creating an enabling regulatory environment, ensuring land is available for commercial enterprises and providing local operators with access to critical services such as energy, water, transport and finance is essential to creating opportunities for local operators to contribute meaningfully to addressing IDP-related challenges. It is key to implement policies that support private sector engagement in IDP settings, and address bottlenecks for private sector development and build private sector confidence, as well as promoting the use of blended finance for solutions to internal displacement.

- **Innovative finance:** Stakeholders are encouraged to explore the potential of outcome-based finance, particularly in the high-risk settings or when financiers are willing to foster innovation in the implementation process. Diaspora finance engages migrants and their descendants in investing in their countries of origin, leveraging the financial resources and ties of the diaspora for long-term development. Impact bonds, blended finance and risk-sharing mechanisms can all serve as valuable starting points for designing innovative finance solutions tailored to the unique needs of IDPs. Development of community finance initiatives and carbon finance for solutions can also be explored as potentially effective options.

Specific recommendations for FFD4

- The outcome of the FFD4 should chart the course for leveraging and scaling up the critical role of development finance in addressing the challenges faced by IDPs and supporting the implementation of solutions to internal displacement. The outcome document and the subsequent follow-up and implementation processes should include concrete actions that can help enhance development-oriented investments that promote the economic integration of IDPs and strengthen their resilience.
- The outcome of the FFD4 should encourage strong government leadership and the willingness of governments to adopt and implement pro-solution policies. Only with such commitment can the full potential of development finance – whether from the government, IFIs or the private sector – be realized. Specific and actionable ambitions include: taking internally displaced persons into account in development finance interventions, enhancing the capacity of governments to integrate solutions to internal displacement into national development plans, and leveraging concessional and blended finance to unlock both sovereign and private sector funding for implementing such solutions.