

The Cost of Talking Peace: Financing peace negotiation and mediation processes

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Introduction

Peace negotiation and mediation processes are standard approaches to ending armed conflicts. While the international system has put norms, structures and capacities in place to support these processes, how they are financed has not undergone a similar transformation. Funding is perceived as purely technical, though it is political in its implications and often complex in its operationalization. Consequently, it is difficult to derive good practices from other fields, particularly because, at first glance, conventional economic logic is not at play.

This research is based on 47 semi-structured interviews with those deeply involved in peace negotiations. They show that funding can be an enabling and disabling factor for negotiations. A series of inefficiencies arises in the ‘market’, though how harmful these inefficiencies are is less clear. This policy brief discusses how these inefficiencies can threaten the successful operation of negotiation and mediation processes and how they might be overcome.

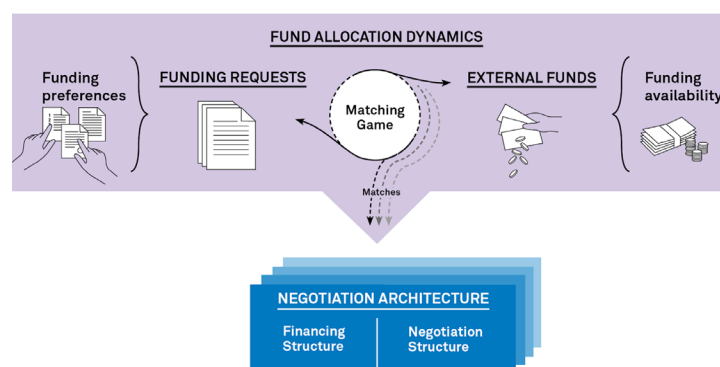
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The funding of peace negotiations can be thought of as a matching game. Funding requests are expressed by the negotiating parties and the mediator, based on the needs of the negotiation process. Attempts to match these requests with available external funds then take place. Through multiple interactions (or negotiations), this matching game seeks to allocate available funds to peace negotiation processes and to specific needs within those processes, thereby shaping the establishment and evolution of the negotiation architecture.

Since the 1990s, the funds available for peace negotiations have increased substantially, as has the multiplicity of actors engaging in such activities. The field has also become increasingly professionalized, relying on trained specialists over the ‘elder statesmen’ who were a

common feature of past negotiations. Alongside this, financial sources and instruments have diversified and funding has become increasingly projectized, designed to support an interwoven set of specific activities, rather than the process as a whole. Projectization implies that negotiation processes require many separate budgets, with diverse objectives and governing regulations.

Funding mechanisms for specific peace negotiations are heavily context dependent. Multiple funding sources exist, coming from states; multilateral organizations; non-government organizations; the private sector; as well as self-funded participation. Negotiation processes, and elements therein, often receive support from more than one of these sources.



Donors can channel funds directly or through an intermediary, to a negotiation, paying for certain elements of the process. In some situations, pooled funds are used, allowing donors to put funding into a single pot to be disbursed through a joint mechanism. Overall, pooled funds bring benefits that cannot be realized by unilateral approaches, if the donors can find a common approach, agreeing on ways to direct the funds and establishing appropriate coordination mechanisms, e.g. a steering committee.

Key Findings

Eight key issues are identified, through which funding can have enabling or disabling effects on peace negotiations:

1. The (ineffective) distribution of funding between negotiation processes, process phases and activities within processes.

The distribution of funding impacts which negotiation processes receive funding, when funding becomes available, and which elements within these processes are funded. Many factors influence the distribution of funding, like considerations of prestige and visibility, political priorities, legal constraints and the numbers of competing conflicts. Some cost items are relatively easy to fund, e.g. capacity-building for conflict parties. Others, e.g. overhead and personnel costs, operational costs and costs pertaining to the participation of listed armed groups bring greater difficulties.

2. The (insufficient) responsiveness of funding mechanisms to the changing and urgent needs of negotiation processes.

The need for rapid and flexible funding of peace negotiations may contrast with donor regulations. Given that the strategic interactions between conflict parties change rapidly, unforeseen expenses are likely to arise. Flexible funding may be necessary to keep parties at the table and sustain momentum. Donors' accountability requirements, while understandable, might inhibit funding responsiveness. Despite this, funding for peace negotiations might be becoming increasingly inflexible, e.g. the Aceh process in 2005 benefited from a flexibility of the funding arrangement that might not exist anymore.

3. The competition and (lack of) coordination between donors.

Competition for prestige or leverage may negatively affect coordination among donors. Often, competition pertains to the desire to fund specific activities and types of

processes. Additionally, different organizations compete to implement the components of processes that receive funding. All types of competition can negatively impact peace negotiations, through duplication of efforts, failure to leverage comparative advantage and the over- and underfunding of some critical components.

4. Donors seeking leverage over the negotiation processes they finance.

Donors exert leverage at the strategic level (e.g. through shaping the priorities and actions of international bodies) and at the process level (e.g. by funding certain cost items). At the strategic level, leverage is difficult to trace, as states may use financial contributions to shape an organization's priorities. Leverage at the process level is easier to detect, e.g. when donors fund some parts of a process, but not others. Earmarked funding and normative pressures are common ways to exert leverage (positively or negatively) on progress. In the intra-Syrian talks, donors pushed for inclusion mechanisms, i.e. Civil Society Support Room (CSSR) and Women Advisory Board (WAB).

5. The tension between donors' legal, institutional and administrative constraints and the nature of peace processes.

Donor constraints might become a disabling factor when they are disconnected from the realities of negotiations. This includes restrictions on engaging with listed groups, funding government agencies or supporting certain activities. Many donors are unwilling to support such budget lines, yet they are often necessary for the process. Some donors may also have more mundane restrictions, e.g. on business class flights or alcohol. Reporting requirements might create administrative burdens that limit a mediator's capacity to react to changing circumstances and distract attention from the evolution of the process.

6. The identity of donors impacts the perceived legitimacy of the negotiation process and its potential outcomes.

If donors are not considered impartial, their funding might jeopardize negotiating parties' ownership and the public legitimacy of a process. It might also undermine the financing mechanism and negotiation architecture. Transparency about the source of funding is important to build trust between parties and in the process. Some donors need to be excluded from financing processes because they are perceived to lack impartiality. Smaller states, with a history of neutrality, tend to be preferred as donors in this regard. Thus, the tension is that states which might be most willing to fund being sometimes

those whose involvement may cause the most controversy.

7. Financial incentives used well can encourage parties to participate and make progress in peace negotiations, but when used badly can slow down the process. Incentives are often characterized as ‘carrots’ (e.g. generous perks) or ‘sticks’ (e.g. threat of sanctions). Both can be used to incentivize conflict parties to come to the table and remain there. However, some incentives may prolong negotiations unnecessarily. In Aceh and Burundi, excessive per diems (i.e. those that go beyond covering the necessities of the delegation) appeared to dilute the political objective of the processes by making the negotiation phase appear more (financially) profitable than peace. They may also lead conflict parties to demand excessively large delegations. This, in turn, opens the door for patronage – over expertise – in the selection of members of each delegation. While financial incentives can certainly impact the behaviours and incentives of the conflict parties, it remains contested whether they have as significant an impact on negotiations as the broader political environment and the mediator’s abilities do.

8. Funding aspects, and how a funding mechanism is established, influence the trust between parties and in the process.

When a funding mechanism is established with the involvement of the negotiating parties and functions transparently and effectively, it is likely to contribute positively to the negotiations. Jointly establishing a funding mechanism is an important step in building trust between parties, between parties and the process, and between the parties and the mediation team and donors. Establishing such a mechanism may be perceived as a successful ‘mini-negotiation’, with the persuasive potential to create joint responsibility between the negotiation stakeholders, thereby impacting the culture of interaction between adversaries positively. The opposite also holds true, mechanisms failing to build confidence, or ‘mini-negotiations’ not yielding a positive outcome, may undermine trust and reinforce divisions.

While funding for peace negotiations can fall short in its aims, this report notes that the effects on processes are mostly in terms of efficiency losses. At the same time, this does not account for negotiation processes that never took place at all, at least partially, due to funding failures.

Policy Implications

Negotiation stakeholders and donors may draw on strategies to overcome funding challenges and maximize related opportunities. Our research highlights the following strategies.

Strategy 1: Ensuring communication and coordination

Efficient and responsive funding is critical for a well-functioning peace negotiation, for which regular communication and coordination are essential. Negotiation stakeholders should establish regular channels of communication and coordination, sharing information on the dynamics of negotiations and fostering a trust-based relationship with donors. Donors should also share vital information about the possibilities and limitations of their funding. Donor coordination helps to prevent duplication of efforts and ensure that funds

are distributed effectively.

To implement this strategy, negotiation stakeholders may designate communication focal points on funding aspects. Pooled funds, joint donor financing mechanisms with a steering committee and a fund

administrator, provide a useful structure for communication and coordination. International coordination mechanisms, e.g. groups of friends and working groups, can also facilitate donor coordination and provide structured communication with negotiation stakeholders.

Strategy 2: Diversifying funding sources

Obtaining and combining funding from various sources limits the impact of constraints by individual donors positively, e.g. different and overlapping funding cycles of donors can ensure uninterrupted funding, remedying time-bound funding agreements and delayed renewal periods. Similarly, each donor commonly has legal, institutional and administrative constraints that are unlike the constraints of other donors. Multiple, or pooled, funding sources may therefore allow for more complete funding of processes. Such diversification can also limit the ability of any single donor to exercise undue influence on a process. However, a multiplicity of separate funding sources may place a greater administrative burden and resource requirements on negotiation stakeholders. As practical steps to implement this strategy, negotiation stakeholders should be proactive and strategic in doing advanced budgeting, reaching out to potential donors and establishing pooled funds.

Strategy 3: Clearly dividing roles

A common understanding of the division of roles and responsibilities among negotiation stakeholders and donors

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should be established, to prevent tensions and ensure funding mechanisms function smoothly. To ensure clarity of roles and responsibilities, it is important to enable early and ongoing discussion between negotiation stakeholders and donors, in all phases of the negotiation process.

Strategy 4: Planning ahead

Planning, in terms of the financial needs of the negotiation process and the respective funding mechanism, is crucial for a functioning process. While negotiation processes are dynamic and needs may arise and change quickly, advanced planning, including identifying possible challenges, ensures that funding is responsive to the developments in the process. Ongoing discussion between negotiation stakeholders, already during pre-negotiations, is important to keep abreast of any funding needs, and the possible procedural and substantive agreements required by those. It may also be useful to consider experiences of similar negotiation processes. Donors should be kept informed as part of ongoing and frequent communication and coordination efforts by negotiation stakeholders.

Strategy 5: Designing tailor-made funding modalities

Funding modalities should be adapted to the nature of peace negotiations, minimizing issues related to donor-specific legal, institutional or administrative constraints. The specificities of a process are important, and the funding structure needs to respond to this. Negotiation stakeholders and donors should cooperate, openly discuss any requirements of and constraints on funding and strive for innovative and creative solutions in designing these modalities. Specifically, donors should aim to increase the flexibility of funding, e.g. by granting more unearmarked or 'loosely earmarked' funding. Simplifying the procedure to reallocate funds and expanding funding cycles should also be part of these tailor-made modalities. Longer funding cycles could be implemented through multi-year funding agreements or core funding to implementation partners. Pooled funds or subcontracting strategies can also be used to overcome institutional and administrative constraints. In this respect, different funding sources, including self-funding by negotiating parties, bring different comparative advantages to a process.

Strategy 6: Using dedicated administrative capacities

Specialized and dedicated staff should be in charge of the administration of funds in negotiation and mediation processes. Practically, this can include administrative officers in mediation teams or a separate entity that is entrusted with the professional administration of the funds. These

arrangements may serve to minimize the administrative burden and ensure appropriate administration of donor funds. Dedicated staff also provide greater accountability and responsiveness. The effective and transparent administration of funds also contributes to trust building between the negotiation parties and in the negotiation process. Negotiation stakeholders and donors may agree on these arrangements as part of a wider conversation about roles and responsibilities. Pooled funding, administered by a specific entity, may be useful to ensure that adequate capacities are available.

Strategy 7: Setting the right incentives

Funding mechanisms provide incentives which must be considered in the establishment phase. Notably, a funding mechanism should contribute to the effective functioning of negotiations. However, various sources of allocative inefficiencies in the market, including rent seeking and principal agent problems, may cause incentives that hinder a process. Where well-designed reward and punishment mechanisms are absent, self-interest is likely to be a challenge to reaching an agreement. Reward mechanisms, in particular per

diems, should be carefully defined and formalized in such a way that they align with the purpose of peace negotiations and reinforce joint rewards for the negotiating delegations. Negotiation stakeholders and donors need to be conscious about the potential incentives

provided by funding mechanisms, ensuring they do not counteract the efficient and collaborative development of peace negotiations. To avoid some of the perverse incentives that may come with external funding provided, self-funding by negotiating delegations might create a feeling of responsibility and make the engagement of the parties in the process more credible.

Strategy 8: Developing adequate funding instruments and strategic partnerships

As a long-term strategy, donors should aim to develop specific funding instruments and partnerships for peace negotiations. Such instruments would ensure that fit-for-purpose funding is available, and funds are mobilized and disbursed quickly and flexibly in response to the dynamic nature of armed conflicts and negotiations. These mechanisms could also alleviate the burden of heavily projectized funding arrangements on processes. Detailed understanding of peace negotiations, the needs that arise at different phases and the specific contexts surrounding them, are critical to effectively administering such instruments. Donors should be aware that negotiations do not produce specific results at a predefined moment. Strategic partnerships between different donors and other support actors of peace negotiations

“Funding modalities should be adapted to the nature of peace negotiations“

can also enable more effective financial support, leveraging the comparative advantages of different actors in supporting specific phases or activities. The creation of long-term partnerships between donors and support organizations might also help to deal with some of the downsides of project-based funding, e.g. through core funding. Such partnerships may also foster learning about efficient and responsible support to peace negotiations.

Jointly established between negotiation stakeholders and donors, and administrated by a trusted intermediary institution, well-managed pooled funds may incorporate several of those strategies. This was the case in the 2017 negotiations between the Colombian government and the *Ejército de Liberación Nacional* (ELN), where the fund was coordinated by a steering committee with representatives of the negotiating parties and five donors.

Conclusion

How peace negotiations are funded is, undoubtedly, important. Without financial support, many negotiations simply would not take place at all. Badly functioning funding mechanisms can lead to efficiency losses and mistrust at the negotiating table. In turn, while some conventional market logic is at play in their funding, it is a highly inefficient and complex market.

In this context, it is important – both for ongoing negotiation processes and those that could take place – to maximize the efficiency and performance of funding mechanisms through a coordinated approach between negotiating stakeholders and donors. In this regard, the set of strategies formulated in this policy brief can be used to minimize negative impact and enhance the positive contribution of funding to well-functioning peace negotiations.

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About this Brief

This policy brief discusses the findings and recommendations of a research project focused specifically on the funding of peace negotiations, led by swisspeace and ISDC - International Security and Development Center, with support from the Swiss Federal Department of Foreign Affairs (FDFA).

More information on this research project can be found in [this report](#).

The views expressed in this report are those of the authors and do not necessarily represent those of the Swiss FDFA.
