

# Report

# The Cost of Talking Peace

A political and economic analysis of financing  
peace negotiation and mediation processes

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# Executive Summary

Funding aspects are a key issue in peace negotiation and mediation processes (referred to as peace negotiations in shorthand). Yet, their role and implications are insufficiently understood. Funding for peace negotiations is often treated as a purely technical issue. However, on closer inspection, funding is fundamentally political and, as such, has a profound impact on the architecture and the dynamics of peace negotiations.

For a functioning peace negotiation process, the funding requests of the negotiation stakeholders, defined as the negotiating parties and the mediator, need to be matched with a limited pool of external funds made available by donors. This research conceptualizes this resource allocation dynamic as a matching game that consists of a series of interactions (or negotiations) with the intention of matching the existing funding requests with available external funds. The negotiation architecture that is finally applied in a given process thus results, at least to some extent, from a negotiation between the participating negotiation stakeholders and the donors.

When it comes to the overall funding market for peace negotiations, the research team found several features that define it: a) funding is endogenous to the overall negotiation architecture, b) the market became more voluminous and diversified over the years, and c) funding is increasingly "projectized" (made up of project-based funding) and professionalized.

The financing of peace negotiations is beset by a series of market failures that can undermine entire processes. While few, if any, processes have failed due to market failures, these constitute obstacles to well-functioning negotiations, contribute to increased duration of the processes, and increase their costs. To overcome the existing market failures, actors have to deal more adequately with information asymmetries and misaligned incentives, as well as with collective action problems.

The research team found eight funding-related issues that underpin the market and can influence the efficient functioning of peace negotiations in a positive or negative way. These key issues are:

- **Distribution:** While some negotiation processes – as well as specific phases or components of these processes – are overfunded, others do not receive enough support.
- **Responsiveness:** Funds are often needed more rapidly than donors can move.
- **Competition and coordination:** Donors' failure to coordinate with each other can lead to duplication of efforts and missed opportunities to make use of comparative advantages.
- **Donor leverage:** Donors, at times, use funding to influence the process, for better or worse.
- **Legal, institutional and administrative constraints:** Donors are bound by various constraints, which sometimes are not mutually compatible with the necessities of the negotiation process.

- **Legitimacy of the funding:** If donors (and funds) are not perceived as impartial, the funding mechanism itself, and therefore the whole negotiation process, can be undermined.
- **Financial incentives:** Financial incentives, such as per diems, can play an enabling or disabling role for the conduct of peace negotiations, depending on their design and application.
- **Trust:** Funding can have an important role in building trust between negotiating parties, which can underpin or undermine faith in the entire process.

To overcome funding challenges, the research came up with several strategies for negotiation stakeholders and donors:

- Establishing suitable **communication and coordination** mechanisms
- **Diversifying** funding sources
- Ensuring a clear **division of roles**
- **Planning** ahead
- Designing tailor-made **funding modalities**
- Using dedicated **administrative capacities**
- Setting the **incentives** right
- Establishing adequate funding **instruments and strategic partnerships**

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

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### 1.1 Background and knowledge gap

Since the 1990s, peace negotiations and mediation have become central elements of the international 'standard treatment', which emphasizes negotiated settlements as a preferred method for civil war termination (Gowan & Stedman, 2018). In the last three decades, the field of peace negotiation and mediation has become increasingly institutionalized, diversified and professionalized (Svensson & Onken, 2015). Normative guidelines, such as the "United Nations (UN) Guidance for Effective Mediation", have been developed. At the same time, foreign ministries and international and regional organizations have established negotiation and mediation (support) structures, new private mediation actors have emerged, and international networks have been constituted (Lanz et al., 2017).

Negotiation and mediation require funding. Yet, the role of financing and its implications are insufficiently understood by academics and practitioners alike. The growing interest in peace negotiations has not been matched by a similar interest in how they are funded. Indeed, there has been little systematic effort made to study and collate information on funding from past negotiations (Dudouet and Galvanek, 2018) and, consequently, few reflections on good practice. Funding for peace negotiations is often perceived as a purely technical issue. However, below the surface, it is also fundamentally political and, as such, might have profound impacts on the dynamics of peace negotiations themselves. Negotiations do not necessarily function according to conventional economic market logic, where those demanding a service pay for the services of those offering them. In turn, the standard concepts of demand and supply neither regulate the price of peace negotiations nor the quantity of their provision.

At the same time, these processes should not be considered as a public good, as they are certainly excludable (that is, it is easy to decide who can be included, or excluded, from a process) and likely rivalrous (that is, as there is not an infinite pool of financial and technical resources, providing to one process likely reduces providing to others). Negotiations are often decentralized and fragmented, reflecting the interests, needs and priorities of donors and negotiation stakeholders (i.e. the negotiating parties and the mediator), who do not always manage to coordinate with each other. This makes it difficult to draw understanding and potential good practices from other fields and underpins the need for specific, primary, research on the funding of peace negotiations. In turn, based on a review of the status quo, this report finds that the field of peace negotiations and mediation suffers from:

1. A lack of a conceptual clarity for the analysis of funding aspects
2. A lack of suitable data (either across or within case studies) to describe funding trends and issues
3. A lack of empirical analysis of these issues with such data, if it existed
4. An absence of analytically and empirically founded guidelines on funding peace negotiations.

### 1.2 Research project and team set-up

Against this background, ISDC (International Security and Development Center) and swisspeace jointly conducted a research project on the funding of peace negotiations, accompanied with expertise (and generous funding) from the Swiss Federal Department of Foreign Affairs (Swiss FDFA). The unique set-up of the research team combined knowledge from the fields of peace negotiations and economics, as well as qualitative and quantitative methodological approaches. The overarching goal of the project was to generate knowledge in order to inform and improve funding mechanisms for peace negotiations and mediation. In particular, the project sought to trace the evolution of the 'funding market' for peace negotiations in recent decades, and to understand how funding can act as an enabling or disabling factor for functioning peace negotiations. Based on these insights, the project carved out key considerations that offer guidance to policymakers and peace practitioners on how to navigate common challenges related to the financing of peace negotiations.

### 1.3 Scope of the research

The research focuses on peace negotiation and mediation processes, which can be understood as the particular stage, within a wider peace process, where parties negotiate a peace agreement, with or without the assistance of a mediating entity. 'Mediation' is understood as 'a process whereby a third party assists two or more parties, with their consent, to prevent, manage or resolve a conflict by helping them to develop mutually acceptable agreements' (United Nations, 2012). In other words, cases of 'mediation' are a subset of cases of 'negotiation'. Hereafter, the study therefore uses the terms 'peace negotiations' or '(peace) negotiation processes', as a term that subsumes negotiation and mediation processes.

More specifically, while understanding that peace negotiations do not proceed linearly, the project focuses on the pre-negotiation and negotiation phases.<sup>1</sup> The pre-negotiation phase, often also called 'talks about the talks', consists of the conflict parties discussing how a potential negotiation process could be designed and set up. During the negotiation phase, the actual content of the negotiations is discussed. The adoption of a peace agreement or the collapse of the talks mark the end of this phase. This research does not look at funding aspects of the implementation phase. Although this is certainly a very important phase when thinking of a process as a whole, it would have gone beyond the scope of this project and required another set of research questions and interview partners. Further research might like to consider how other phases are funded, or to test how the lessons developed in this project can be abstracted to those other phases.

By the design of this research, the team have only been able to look at funding in processes that have actually taken place. In that sense, the impact that funding (or a lack thereof) had on processes that were ripe for intervention but did not take place is a question on which the research was unable to

<sup>1</sup> For the terminology of the different phases, please see Ambassador Thomas Greminger's 2007 presentation on Mediation & Facilitation in Today's Peace Processes or Simon A Mason's 2007 publication on Mediation and Facilitation in Peace Processes.

shed light. Future research might like to consider these processes in a wider examination of the limits and opportunities in the funding market. The team also notes that, predominantly, the interviews are dominated by individuals working within 'western hemisphere' frameworks and institutions. It accepts that this provides a certain bias to the results. Future work might like to consider the nature of the market among non-Western donors and the interplay between those markets. Finally, due to limited access, the research team was able to interview only a very small number of individuals from conflict parties. The interpretation of results should therefore be understood in that context.

#### 1.4 Guiding research questions

Based on a small number of preliminary interviews and associated desk research during the inception phase of the research, four guiding research questions emerged:

1. How has the size and structure of the 'funding market' for peace negotiations evolved in the last decades, and with what implications?
2. How does financing contribute to a functioning peace negotiation process?
3. What are key elements of a functioning funding mechanism for peace negotiations?
4. What constitutes a 'typical' budget for peace negotiations?

These four questions underpinned the interview frameworks and other components of the research

#### 1.5 Methodology, data collection and analysis

This research project has made use of a range of methods to collect information about the funding aspects of peace negotiations. The research team conducted extensive desk research on the topic in order to provide background information on the field of peace negotiation and on the selected case studies. Specifically, it conducted desk research through policy documents and OECD data that served to build a general picture of the 'funding market' for peace negotiations and its evolution over time.

In the inception phase, the team conducted five preparatory interviews in order to inform and frame the research. This was followed by a further twenty-three in-depth semi-structured interviews with experts from various backgrounds, including mediators, practitioners and scholars, as well as donors. These interviews served to gather general, comparative experience regarding the key trends, challenges and good practices in the financing of peace negotiations. Additionally, four case studies were conducted, based on twenty-four country-specific semi-structured interviews. Thematic content

analysis was conducted on the interview narratives using several rounds of inductive and deductive coding. The codes were then organized into categories, from which common themes were deduced. The coding was done to structure the interview notes and to systematically analyze their content. Preliminary findings were discussed with practitioners and scholars during a consultation workshop held in Bern in February 2020.

The case studies were selected based on the following principles. First, the research team restricted attention to the post-cold-war period. Second, it selected processes that had taken place at different times throughout this period. This ensures that the case studies offer a variety of examples of contemporary peace negotiations. Third, the sample presents variations in terms of the type of mediator and geographical areas. Finally, given the sensitivity of the topic, case studies were selected in contexts where the research team had established working relationships and trusted contacts. These case studies served to gather insights into the selection of funding models and how they performed in particular circumstances as well as into challenges and best practices deriving from a given context. The case studies also allowed understanding of the relationships and contrasts between more general knowledge and the lived experiences during particular processes.

#### 1.6 Structure of the report

This report (1) presents an overview of recent trends in peace negotiations in general and in the funding for peace negotiations in particular. It (2) proposes a theoretical framework to understand the interaction between funding aspects and the negotiation structures and set-ups. It (3) highlights a series of key issues regarding the financing of peace negotiations. Finally, it (4) discusses a series of key considerations for policymakers and peace practitioners who deal with the financing of peace negotiations.

2 Based on UCPD Peace Agreement Dataset (<https://ucdp.uscd/downloads/peace/ucdp-codebook-peace-agreements-191.pdf>).

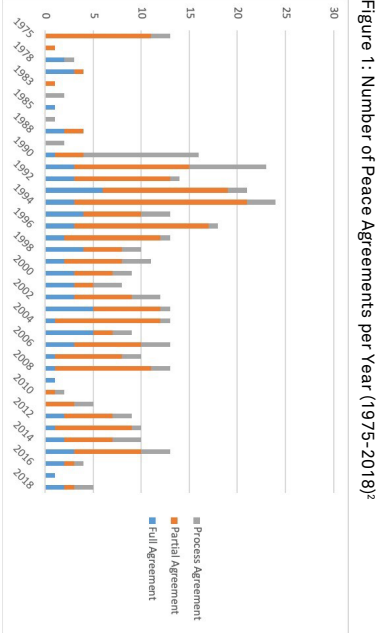
This section presents three key trends in the field of peace negotiation and mediation since the end of the cold war, followed by three mirroring trends in the financing of peace negotiations.

2.1 Trends in peace negotiations and mediation (1990 – 2020)

Peace negotiations have experienced important transformations since the end of the cold war. In the decades since, the number of civil wars terminated by negotiated settlements has substantially increased. This has occurred at a time when peacemaking organizations have become more diversified and numerous, and when the mediation field has become increasingly professionalized.

2.1.1 Trend 1: Negotiated settlement as the preferred method of civil war termination

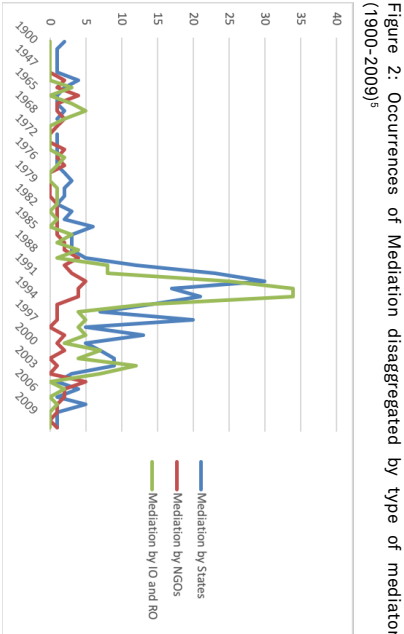
The post-cold-war era saw the emergence of a new international regime for civil war termination. While civil wars were mostly considered non-negotiable proxy wars between great powers during the cold war, this new regime was based on the 'belief that political agreement is a more appropriate end to civil wars than military victory' (Gowan & Steedman, 2018: 177). Peace negotiations progressively became the international community's preferred tool for civil war termination (Wallensteen & Svensson, 2014). Correspondingly, the number of civil wars terminated by negotiated settlements and the number of peace agreements adopted increased steeply during the 1990s (figure 1). Between 1990 and 2005, peace agreements accounted for 56% of intra-State conflict terminations, as compared to only 14% for the time period of 1946 to 1989 (Kreuz, 2010). Instances of mediation in civil wars saw a parallel increase. In absolute numbers, there was more mediation in the 1990s than in the whole time period from 1945 to 1990 (Greig & Diehl, 2012).



2.1.2 Trend 2: Peacemaking organizations multiplying and diversifying

Since the 1990s, there has also been a multiplication of peacemaking institutions, leading to a complexification of the field (Mason & Sgautamatti, 2011; Baumann & Clayton, 2017). While traditional actors remained involved in mediation and negotiation support, international and regional organizations<sup>3</sup> have developed their mediation expertise and institutional capabilities in this time, playing an increasing support role in negotiation and mediation (Lundgren, 2015; figure 2). The United Nations – whose Security Council was 'unfrozen' with the end of the cold war – became the most active mediator between 1989 and 2013 (Svensson and Onken, 2015). Subsequently, greater conflict resolution responsibilities have been progressively attributed to regional organizations (Gartner, 2011). Several non-governmental organizations (NGOs) focusing on peacemaking emerged or developed their focus on mediation as well as negotiation and mediation support in the 1990s and 2000s (Lehti, 2019).<sup>4</sup>

The proliferation of peacemaking organizations has transformed the field in many ways. Overall, it has led to a complexification in the funding and support of negotiation processes, where it is common for a multiplicity of organizations to play different roles (Crocker, Hampson & Aall, 1999). This can have a positive impact on a process if actors combine their different strengths, but certainly also poses some challenges with regard to competition and coordination. Indeed, support for mediation and negotiation remains unevenly distributed. Some peace processes became 'crowded' by actors offering external support, while others did not receive mediation assistance at all (Svensson & Onken, 2015; Lanz & Gasser, 2013).



3 Including, among others, the African Union (AU), the Economic Community of West African States (ECOWAS), the European Union (EU), the Intergovernmental Authority on Development (IGAD), the Organization of American States (OAS) and the Organization of Security and Cooperation in Europe (OSCE).

4 These include, among others, the Carter Center, the Conflict Management Initiative (CMI), the Center for Humanitarian Dialogue (HDC), Conciliation Resources (CR), the Berghof Foundation, swisspeace and ACCORD. See Mediation Support Network (MSN): <https://mediationsupportnet.atiz.ch/>.

5 Based on data from CWM dataset, available on <https://www.canterbury.ac.nz/arts/research/bercouth-data-centre/> with additional coding by the research team (types of mediator).



<sup>6</sup> <https://peaceoperationsreview.org/thematic-essays/support-mechanisms-multilateral-multi-level-and-mushrooming/>

2.1.3 Trend 3: Peace negotiation and mediation increasingly professionalized

The realization that mediation could not remain the exclusive prerogative of diplomats or former Heads of State but needed to be rooted in technical expertise and comparative knowledge has led to a variety of efforts to professionalize the field, starting in the mid-2000s (Whitfield, 2015)<sup>8</sup>.

This professionalization came about with the creation of mediation support structures in Ministries of Foreign Affairs as well as international and regional organizations, starting with the Swiss FDFA Mediation Desk in 2000 and the United Nations Mediation Support Unit in 2006. Some States also outsourced part of their mediation and negotiation support work to organizations such as swisspeace in the case of Switzerland, or NOREF for Norway. Such mediation support structures typically provide operational support, knowledge management and trainings (Lanz et al., 2017).

The field also saw the creation of professional networks of exchange for mediation practitioners. This includes the Mediation Support Network (2009), which consists of the United Nations and twenty mediation support organizations; the Network for Religious and Traditional Peacemakers (2013), which brings together different faith-based organizations involved in mediation support (Lehti, 2019: 106); and various Women Mediation Networks, aiming at promoting gender equality in the field of mediation (Möller-Loswick et al., 2019).

Finally, a mediation doctrine has progressively emerged. Alongside academic and practice-oriented research, various policy and normative frameworks specifically focusing on mediation emerged in the last decades. While the most influential is the "United Nations Guidance for Effective Mediation" (United Nations, 2012), other actors developed their own mediation strategies, for example the 2009 EU's "Concept on Strengthening of EU Mediation and Dialogue Capacities" (also see Sherriff et al., 2018: 7-8). To disseminate knowledge, share experiences, create awareness and deepen skills, different training courses focusing on peace mediation have emerged, including a Master of Advanced Studies on mediation in peace processes offered at the Federal Institute of Technology in Zurich, Switzerland (Lanz, 2017).

2.2 Trends in the financing of peace negotiations

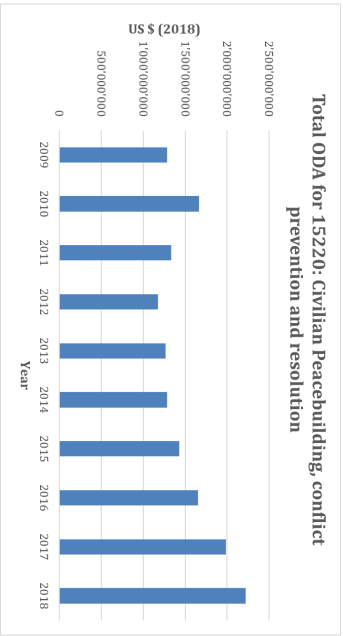
This section reviews developments in the financing of peace negotiations specifically, mirroring and influenced by the trends in the field of peace negotiation in general. In particular, the research observed an overall increase in the amount of funds available for peace negotiations, the multiplication and diversification of funding mechanisms, and the 'projectization' of funding for peace negotiations.

2.2.1 Trend 4: Increase in the amount of funding for peace negotiation and mediation

While funding for peacebuilding in general, and peace negotiations in particular, remains marginal compared to the funds attributed to humanitarian aid, development or peacekeeping (Sherriff et al., 2018), data on OECD Official Development Assistance and on the budget of mediation organizations suggests that the amount of funds invested in and for peace negotiations has increased in the post-cold-war era.

The OECD-DAC Creditor Reporting System (CRS) tracks the contributions of development assistance providers in different sectors, including conflict, peace and security. These data show an overall, although unsteady, increase in the funds attributed to 'civilian peacebuilding, conflict prevention and resolution'. The overall commitments grew by 79% between 2007 and 2016, reaching USD \$1.9 billion in 2016 (about 1% of total aid). This reflected the evolution of country contributions to conflict resolution: "...increased disbursements for civilian peacebuilding, conflict prevention and resolution were particularly evident for the EU (a 577% increase from 2007 to 2016), the UK (a 320% increase) and Germany (a 335% increase), whereas in Sweden the increase was "only" 55%" (Sherriff et al., 2018, p. 10).

Figure 3: Total Official Development Assistance (Gross Disbursements) by all official donors to developing countries for 15220: Civilian peacebuilding, conflict prevention and resolution<sup>9</sup>



An analysis of the income of non-governmental organizations working on peace negotiations and mediations points to a similar trend (Figure 4). The budget of the Centre for Humanitarian Dialogue (HD Centre) increased by 717.91% from 2000 to 2018.<sup>10</sup> The Crisis Management Initiative (CMI) budget increased by 377.84% from 2007 to 2018.<sup>9</sup> During a much shorter period of only five years, the Berghof Foundation's budget increased by 121.29%.<sup>10</sup> As a

<sup>7</sup> Figure 1 shows the evolution of funding for the purpose 15220 Civilian peacebuilding, conflict prevention and resolution, within 152: Conflict prevention and resolution, peace and security. Taken from the CRS Aid Activity Database, which shows aid flows based on individual projects. More information available at: [stats.oecd.org](https://stats.oecd.org) (OECD, nd).

<sup>8</sup> Figures calculated from the statistics given in the HD Centre Annual Reports for 2001 to 2018.

<sup>9</sup> Figures calculated from the statistics given in the CMI Annual Reports for 2007 to 2018.

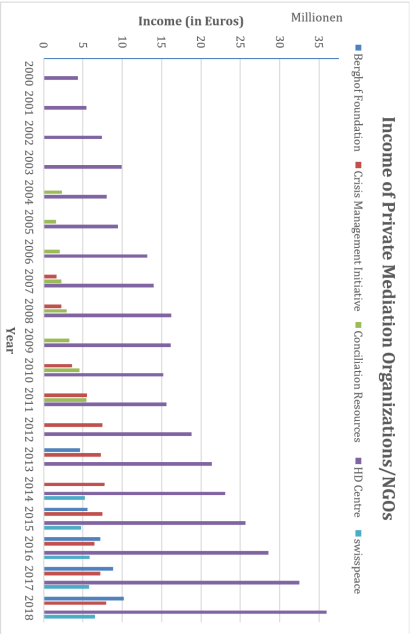
<sup>10</sup> Figures calculated from the statistics given in the Berghof Foundation Annual Reports for 2013 to 2018.



<sup>11</sup> Based on the annual reports of each organization, depending on availability. Exchange Rate from Pound/CHF into EUR calculated on 04.04.20.

peacebuilding organization, the budget of swisspeace increased from 5,544,530 CHF in 2014 to 6,854,371 CHF in 2018, with about a quarter of the budget related to mediation support.

Figure 4: Income of Private Mediation Organizations/NGOs in Euro<sup>11</sup>



2.2.2 Trend 5: Funding instruments for peace negotiation and negotiation multiplying and diversifying

While States remain the main source of funding for peace negotiations, the last decades have seen the emergence of new sources of funding and the creation of new funding instruments for peace negotiations.

Peace negotiations were, and remain, mainly funded by States. Nowadays, funding remains heavily reliant on a core group of ten big donors, comprising the United States, Norway, Switzerland, the United Kingdom, Germany, Sweden, the Netherlands, Denmark and Canada (along with the United Nations) (Sheriff et al., 2018). In the last decades, several States have become increasingly active in the field, developing new funding instruments for peace negotiations or specific budget lines for peace negotiations. These include Canada, Germany and Switzerland (OECD, 2012), as well as the Nordic Countries (Lethi, 2014). A more recent trend is the increasingly active engagement of non-Western donors, such as Turkey, China and Qatar, in conflict resolution.

Recent decades have also seen the emergence of the United Nations as a source of funding. Over time, the organization has diversified its funding instruments to finance its mediation engagements. On the one hand, it can draw on the regular budget of the Department for Political and Peacebuilding

Affairs (DPPA). These special political missions, which include offices of special envoys as well as regional offices, work on mediation and have access to the mandated budget (UNSG, 2017). On the other hand, resources from United Nations funds and programmes may also be used for mediation purposes. Importantly, peacekeeping operations also engage in mediation, which then comes out of their budget. For instance, the United Nations Multidimensional Integrated Stabilization Mission in Mali has a mediation unit to support the work of the Special Representative (UNSG, 2017). In addition to this, the funding of peace negotiation and mediation increasingly relies on extrabudgetary resources, such as voluntary contributions made by Member States through the DPA annual funding appeal (UNSG, 2017).

‘Emergency windows’ or fast-track procedures have also been established to facilitate access to funding. The Peacebuilding Fund (PBF), established in 2005 and managed by the Peacebuilding Support Office, funds activities in support of countries coming out of conflict (UNSG, 2017), which could be used to support mediation activities. The United Nations Secretary-General’s Fund for Unforeseen Circumstances may also be used in cases where a mediator has been appointed at short notice. This fund, while small, is able to respond rapidly and disburse funding when needed. The United Nations also channels in-kind support, through the work of the Mediation Support Unit, and, in particular, the deployment of experts from the Standby Team of Senior Mediation Advisors.

Regional Organizations have also developed funding instruments for peace negotiations. The European Union (EU), for example, has developed a series of funding mechanisms which could be used to fund peace negotiations. These included the Rapid Reaction Mechanism (average €20m/year, 2001-2006), the Instrument for Stability (average €230m/year, 2007-2013), the Instrument Contributing to Stability and Peace (since 2014)<sup>12</sup> and the African Peace Facility (€2.7 billion since its creation in 2009 - European Commission, 2018). In Africa, the Organization of African Unity (which later became the African Union) created a Peace Fund in 1993 (AU, 2016). The Economic Community of West African States also established a Peace Fund in 1999.

Multi-donor, conflict-specific pooled funds have been increasingly used in the last decade. Examples include the Myanmar Joint Peace Fund (JPF), which was established in 2015 to fund conflict management, negotiations and dialogue in the country (JPF, 2019). Similarly, the Nepal Peace Trust Fund (NPTF) grants funding to projects supporting the peace process there (OGorman et al., 2012).

As a result of the diversification of the funding channels for peace negotiations, contemporary peace negotiations are funded through a combination of various funding sources. This multiplication of funding channels has positive and negative consequences (Boyce and Forman, 2010), which will be discussed further in this report.

<sup>12</sup> On the Instrument Contributing to Stability and Peace, see: [https://ec.europa.eu/fpd/what-we-do/instrument-contributing-stability-and-peace-preventing-conflict-around-world\\_en](https://ec.europa.eu/fpd/what-we-do/instrument-contributing-stability-and-peace-preventing-conflict-around-world_en).

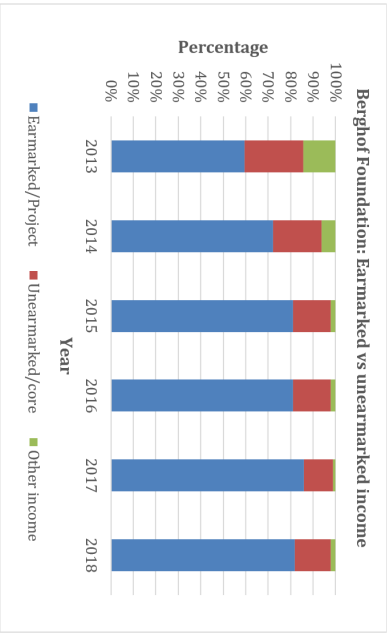
2.2.3 Trend 6: Funding for peace negotiation and mediation increasingly projectized

An additional trend is the increasing ‘projectization’ of the funding for peace negotiations, which is a critical transformation as compared to the traditional funding approach. As an interviewee put it, nobody wondered how the Versailles peace negotiations would be funded. Back in those days, peace talks were funded by Ministries of Defense.

The very notion of externally funded peace talks can be dated back to the 1990s. As external donors became part of the picture, they increasingly applied to peace negotiations the principles of result-based management and subcontracting that are commonly used in development cooperation. Following this model, funding tends to be allocated to specific projects with 1) pre-defined objectives, 2) limited time frames and 3) monitoring and evaluation reporting requirements (Buchanan, 2019; OECD, 2012: 56). The model of subcontracting was also increasingly applied, resulting in multi-layered funding structures. Different elements of peace negotiations being funded by different projects means that a multiplicity of financing tools with their respective requirements are used, placing additional administrative burdens on mediators and their support staff. Here, specialized project management staff may be needed to deal with these administrative and project-management-related requirements. Project cycles are another issue, as these might not always fit with the ad hoc nature of and short-term needs that arise during peace negotiations.

An indicator of the weight of project-based funding is its increasing share compared to core funding in the budgets of NGOs working in the field. For example, whereas 65% of the HD Centre’s funding was project-based in 2003 (HD Centre, 2004), this increased to 75% in 2016 (HD Centre, 2017). The Berghof Foundation similarly relied on project-based funding for 59% of its budget in 2013 (Berghof Foundation, 2014), a number that climbed up to 86% in 2017 (Berghof Foundation, 2018).

Figure 5: Percentage of Earmarked/Project to Unearmarked/Core Income for Berghof Foundation <sup>13</sup>



This projectization of funding for peace negotiations resulted in major changes in their funding structure. Rather than a unitary negotiation structure that would be funded by a specific funding mechanism, peace negotiations have become more composite and aggregate different projects with individual funding arrangements (the visualization of the case studies presented in chapter 3.3.1 and 3.3.4 illustrate these phenomena).

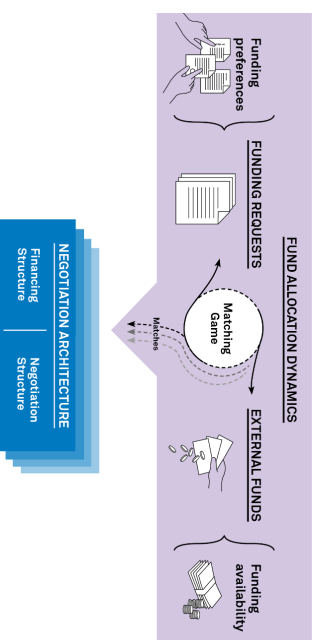
<sup>13</sup> Data from annual reports and correspondence with the Berghof Foundation.

# 3 Understanding the Financing of Peace Negotiations

This section presents the conceptual framework of the research, discusses the key cost categories of a negotiation process and illustrates the 'who' and 'how' of funding.

## 3.1 Conceptual framework

The conceptual framework presented below conceptualizes how the financing and the design of a peace negotiation process are co-constituted through a matching game between the **funding requests** expressed by the negotiation stakeholders and the **external funds** available for this particular negotiation process.



### 3.1.1 Negotiation architecture

The architecture of a peace negotiation process can be understood as formed by two different, but interconnected structures: the **negotiation structure** and the **financing structure**.

The **negotiation structure** (or negotiation design) is the framework through which peace talks are organized. It can vary across an array of dimensions. Among others, these include the number of parties, the size of the delegations, the venue of the talks, the role and number of third parties, the size of the negotiation secretariat, the duration and frequency of talks, the scope of the agenda, the format of the talks (e.g. plenary or committees), the existence and type of inclusivity mechanisms, the provision of capacity-building and expertise in the process, as well as the associated logistical and security requirements. The negotiation structure directly determines the overall cost of the peace negotiations.

The **financing structure** is the framework through which funds are transferred to the negotiation process. One can distinguish between the quantity (or amount) and the quality (or modalities) of funding being provided to a specific process. The various potential configurations, channels, and the conditions attached to funding are subsumed under the term 'funding modalities.' Funding can be provided by different sources, for example States,

## Understanding the Financing of Peace Negotiations

multilateral organization or self-funding by negotiation stakeholders, or a combination thereof. It can be transferred directly or indirectly (whereas the donor engages a partner to provide the item or implement the activity) by donors to the negotiation process or administered through a pooled fund. Funding can also vary in nature, as donors provide both in-kind and monetary contributions. Finally, a variety of conditions can be attached to funding (e.g. see section 4.1.5).

The **negotiation structure** and the **financing structure** are tightly interlinked. As the next subsection argues, they are co-constituted through a process of fund allocation.

### 3.1.2 Fund allocation dynamics

When conflict parties (and potentially a mediator) want to start or modify a peace negotiation, they generally have preferences regarding the design of this negotiation. These preferences might be informed by the needs, interests, beliefs, values, preferences, expectations and tactical considerations of the different stakeholders, as well as by the type and history of the conflict. In most cases, the proposed negotiation structure is the result of a negotiation between the conflict parties, with the possible support of a mediator. However, this proposed negotiation structure usually cannot be implemented automatically, since funds must first be found to finance it. The funds can come from two categories of sources: self-funding, whereby the parties fund the process; or external funding, whereby the funds are provided by actors that are not part of the process. When external funding is required, the negotiation stakeholders formulate **funding requests** to potential donors, in which they express their preferences for the negotiation.

On the other side, there is a limited pool of **external funds** that have to be allocated to those **funding requests**. There are different external sources for funding, such as States, international organizations, regional organizations and non-governmental organizations (NGOs), as well as the private sector. The availability of **external funds** varies for different conflict contexts, phases of conflicts and types of activities, depending on the ability and willingness of donors to fund a particular item or activity. Donors' abilities to fund depend, among others, on institutional, legal and budgetary constraints, as well as domestic or foreign policy priorities. Donors' willingness to fund depends on factors such as the prestige of the project in question, the potential for positive visibility, the perceived importance of the project, the history of engagement of a donor in a specific context, the existence of potentially competing processes overall, the number of processes in one particular context and the assessment of risks.

The **negotiation architecture** that is finally adopted results from the negotiation between negotiation stakeholders and donors. For the purpose of this research, this dynamic is conceptualized as a 'matching game' between **funding requests** and **external funds**. A matching game is understood as a series of interactions (or negotiations) with the intention of matching the requests of the negotiating parties with external funds made available by donors.

<sup>14</sup> CSSR is an effort of the United Nations Office of the Special Envoy for Syria (OSE) to facilitate the participation of civil society in the intra-Syrian talks in Geneva.

The basic logic of the matching game is straightforward. **Funding requests** are only translated into the actual funding of elements of the **negotiation structure** when they can match with available **external funds**. Two theoretical scenarios can illustrate this logic.

- In a first scenario, a **funding request** is made by negotiation stakeholders and matches available **external funds**. The request can be implemented, it becomes an element of the **negotiation structure**. The amounts and modalities of funding negotiated between the negotiation stakeholders and the donors become part of the **financing structure**.
- In a second scenario, a **funding request** made by negotiation stakeholders does not match available **external funds**. In that case (and if no self-funding applies), the **funding request** cannot be implemented and will not be part of the actual **negotiation structure**.

A second situation also needs to be considered, namely the cases where donors are able and willing to fund specific cost items without a **funding request** from negotiation stakeholders. In such cases, donors take a more proactive part in shaping the **negotiation structure**. When donors offer to fund items that were not requested, they are implemented only if they are not outwardly refused and/or prevented by the negotiation stakeholders. Two additional theoretical scenarios can illustrate this logic.

- In a third scenario, donors wish to add a specific element to the **negotiation structure**, and negotiation stakeholders accept. In that case, the item requested by the donors becomes an element of the **negotiation structure**.
- In a fourth scenario, donors wish to add a specific element, but negotiation stakeholders refuse it. In that case, the item is not implemented and does not become a part of the formal **negotiation structure**.

### 3.1.3 From theory to empirics

While the theoretical framework and the four scenarios presented above have a heuristic value, one should underline that they are purely theoretical. As such, they oversimplify reality to help understand it. This subsection highlights a series of empirical findings – relating to the actors and the outcome of the matching game – that adds some complexity and nuances to this theoretical model.

First, the actors taking part in the matching game are more complex in reality than in the model. The negotiation stakeholders tend to be less cohesive than suggested in the previous section. As such, there might be disagreement between the different negotiating parties and/or between the parties and the mediator regarding the funding request. For example, in the case of the intra-Syrian peace talks, the Civil Society Support Room<sup>14</sup> (CSSR) was implemented, although the Syrian government, as one party to the negotiations, did not voice support to this initiative and the respective funding request made by the mediator to the donors.

One should also note that an actor sometimes occupies both the position of a negotiation stakeholder and the position of a donor providing funding. This can happen in two types of cases. First, there are cases where the mediator belongs to the entity that finances parts of the negotiation process. For example, the intra-Syrian talks in Geneva are funded to a great extent through the United Nations regular budget. The United Nations is therefore both mediator and donor. Second, in many negotiation processes, part of the costs of the negotiation process are covered fully or partly through self-funding by the negotiation stakeholders themselves. This is often the case, for example, for government delegations (e.g. in Colombia). In both cases, this means that the matching game still takes place, but that the mediating organization or the negotiation stakeholders are not only on the side of **funding requests** but also on the side of **external funds**.

A second factor of complexity relates to the nature of the process of fund allocation itself. As a consequence of the above-mentioned projectization of peace negotiations, there is generally not one single **funding request** for the overall negotiation process. Rather, specific **funding requests** are formulated for each project and are the object of specific negotiations between donors and negotiation stakeholders. Another consequence of the composite nature of peace talks is that the matching game is not a single event but takes place repeatedly throughout the pre-negotiation and negotiation phases, with new requests being made while the negotiations are ongoing.<sup>15</sup> The overall **negotiation architecture** is the aggregation of the results of these various matching games. The notable increase in potential donors and funds available for peace negotiations in recent years also impacts the funding allocation dynamics.

Finally, one should note that, while the scenarios presented above assumed a binary (yes/no) type of outcome, the negotiation over fund allocation between negotiation stakeholders and donors results, in reality, in highly sophisticated middle-ground compromises influencing the **negotiation structure** as well as the **financing structure**.

## 3.2 The budgets for peace negotiations

This subsection focuses on the budgets for peace negotiations. It underlines the (1) context-dependent and (2) fragmented nature of peace negotiation budgets, before (3) presenting a list of general cost categories for peace negotiations.

### 3.2.1 The context-dependent nature of peace negotiation budgets

Virtually all the interviews conducted as part of this research stressed the heavily context-dependent nature of peace negotiations and their budgets. Just like each peace negotiation structure is planned to match the circumstances of the particular conflict, so does the financing structure. The overall cost of a negotiation process therefore depends on the factors listed in section 3.1.1.

<sup>15</sup> For the terminology of the different phases, please see Ambassador Greminger's 2007 presentation on Mediation & Facilitation in Today's Peace Processes: Centrality of Commitment, Coordination and Context or Simon A. Mason's 2007 publication on Mediation and Facilitation in Peace Processes.

<sup>16</sup> The Syrian Women's Advisory Board to the United Nations Special Envoy for Syria was established in 2016 and is composed of twelve independent Syrian women from civil society, with diverse backgrounds.

<sup>17</sup> Through the Host State Credit, Switzerland only funds activities actively requested by the UN, it does not engage pro-actively. The annual budget for peace conferences, one of the two pillars of the overall credit, is CHF 1'600'000, for the years 2020 – 2023 (for more information on the Host State Credit, see 'Federal decree concerning measures to strengthen Switzerland's role as host state during the 2020–23 period' (document in German)).

A consequence of the high variability of peace negotiation budgets is that the list of cost categories presented below (1) should be understood as elements that are generally, but not necessarily, associated with peace negotiation budgets (that is, there may be examples of processes where these categories did not appear); (2) does not have the ambition to be exhaustive; and (3) presents cost categories at a relatively high level of abstraction. When moving from this 'general' budget of a peace negotiation to a real one, some of the cost categories might thus remain empty, while others might be added to match the needs that arise due to the peculiarities of the situation. In turn, each category can be disaggregated in more specific budget lines.

3.2.2 The fragmented nature of peace negotiation budgets

A second important observation is that, due to the projected nature of the funding for contemporary peace negotiations, there mostly is not one single overall budget for a peace negotiation. Rather, there are a variety of separate budgets, featuring different objectives and regulations as they come from different sources. In the example of the intra-Syrian talks led by the United Nations, the two inclusion mechanisms, CSSR and the Women's Advisory Board (MAB)<sup>16</sup>, have separate budgets. For the CSSR, there is an overall budget, but specific budgets were also established for each implementing organization, which needed to be reframed in different budgets for fundraising and reporting for each donor (a visualization of the Syrian case study is presented in section 3.3).

Especially for larger negotiation processes, a single donor might also provide funds for the peace negotiations tapping into different instruments, depending on the different cost categories supported. In the example of the intra-Syrian talks, Switzerland is contributing to the talks through various divisions and instruments within the Swiss FDFA. This includes the FDFA's United Nations and International Organizations Division (UNIOD), using the Host State Credit which funds activities related to Switzerland's role as a host State of international conferences and organizations.<sup>17</sup> It also includes the Human Security Division (HSD), which makes use of its annual budget from the International Cooperation Credit to fund the inclusion of civil society through the CSSR. In addition, Switzerland funds the United Nations-led process indirectly through its contribution to the United Nations regular budget.

While the general budget presented below covers the whole negotiation process, a negotiation process does include many project-specific budgets in reality.

3.2.3 General cost categories for peace negotiations

In addition to the highly context-specific nature of peace negotiation processes, confidentiality issues, fragmented budgets and a lack of clarity regarding the explicit and implicit costs associated with such processes have made the collection of concrete numbers or even the provision of a meaningful cost range impossible. However, a range of common cost categories could be identified. These categories do not include the costs for implementation

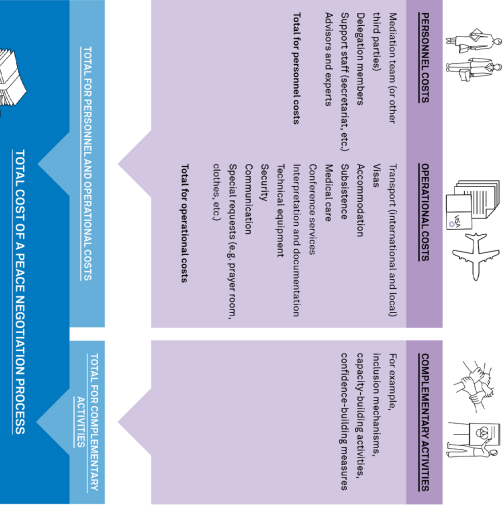
agreements (e.g. monitoring of a ceasefire or implementation of reform processes).

The key cost categories for peace negotiations can be divided into three broad categories: personnel costs, operational costs and costs related to complementary activities.

**Personnel costs** relate to persons working on the peace negotiation process itself. This includes the mediators and their teams or other possible third parties; delegation members; support staff, such as a secretariat; security and communication personnel; as well as honorariums for thematic experts and advisors.

**Operational costs** relate to the costs associated with the functioning of peace negotiations. Such costs may include travel to the venue of the talks (including international and local transportation, such as from the airport to the hotel), visas, accommodation, subsistence for members of the negotiation delegations (e.g. in-kind or through per diems), medical care and other special requirements of the negotiating delegations, the mediation team and other personnel. In addition to this, operational costs include a series of costs related to the logistics of the negotiation. These may include the costs of conference services (e.g. room rental), interpretation and documentation (e.g. transcription and record-holding), technical equipment, security and communications. The third category of costs relates to complementary activities such as inclusion mechanisms, capacity-building activities and confidence-building measures.

KEY COST CATEGORIES



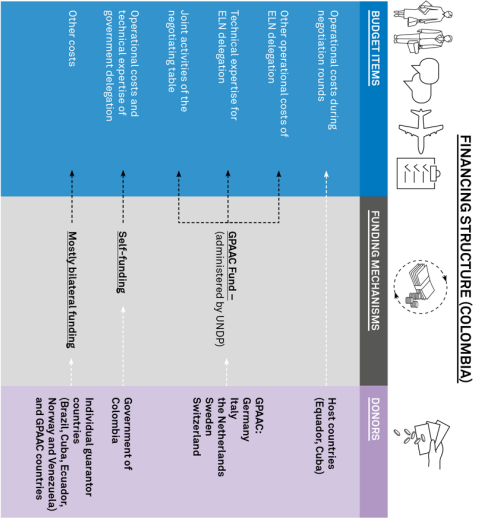


3.3 Funding mechanisms

This subsection focuses on funding mechanisms used to finance peace negotiations. It shows the diversification of funding mechanisms that has been highlighted in section 2.2, and outlines some of the specificities of each. It distinguishes between funding sources (or types of donors) and funding channels (the means through which the funds are provided from the source to the negotiations).

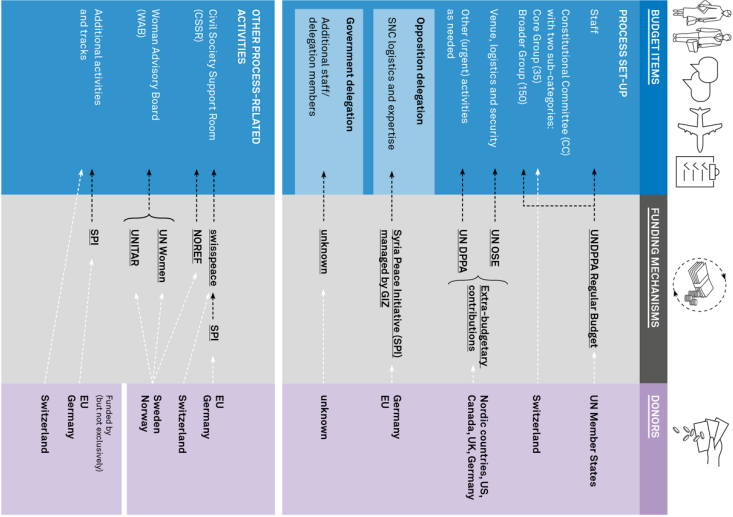
The negotiations between the Colombian government and the ELN from 2017 to 2019 can be used to illustrate the combination of different sources and channels. While the Government of Colombia self-funded its participation in the negotiations, several States, including the host countries Cuba and Ecuador, provided direct funding. In addition, a group of countries, at the request of the negotiating parties, set up a pooled fund.

Visualization of the funding mechanisms in the negotiations between the Government of Colombia and the ELN, 2017-2019 (note: this visualization is based on the interviews with case study experts on Colombia, and likely is not a full picture of the funding of the process)



The example below also shows how different parts of the intra-Syrian talks have been funded by various sources through a variety of channels. Some funds are channeled directly from a donor to an activity; other funds are channeled indirectly through an implementing partner, e.g., through NOEEF and swisspeace in case of the CSSR; or through a pooled fund, e.g. from the EU and Germany through the Syria Peace Initiative (SPI), which is managed by the German development agency GIZ. In 2018, about USD 750,000 was channeled by different donors as extrabudgetary contributions to the United Nations in its role in leading the intra-Syrian talks. These funds are used to support the Office of the United Nations Special Envoy for Syria and to cover planning for post-agreement activities, as well as to provide for backstopping by the United Nations Headquarters in New York (UNSG, 2018).

**FINANCING STRUCTURE (SYRIA)**



Visualization of the funding mechanisms of the intra-Syrian talks (note: this visualization is based on the interviews with case study experts on Syria, and likely is not a full picture of the funding of the process)

The following general funding sources exist for funding negotiation processes: States; multilateral organizations (e.g. the United Nations and regional organizations) through their regular budgets; NGOs through their core budgets; the private sector; and self-funding by negotiation stakeholders. Funding for peace negotiations often constitutes a combination of these sources. This, among other things, makes it difficult to say how much one peace negotiation really costs. As discussed above, States may use different internal budgetary sources to fund peace negotiations, depending on their role in the negotiation process and the conflict at hand. Some NGOs have acquired substantial core funding, allowing them to engage in mediation-related activities and fund peace negotiations without relying on project funding. This also points to an increasing role of private diplomacy NGOs, who are often well-placed to engage directly in supporting potential peace negotiations.

3.3.1 Funding sources

In many cases, peace negotiations are in part self-funded by the negotiating parties. In particular, governments frequently cover the cost of their own participation in peace negotiations. For example, in the Aceh process, the Indonesian government funded its own participation entirely. In the peace talks with the FARC, the Colombian Government covered a large part of the costs for the whole process. In the Burundi peace talks in Arusha, the Burundian Government provided per diems for its representatives. Depending on the case, self-funding can contribute to establishing ownership over the process and add an incentive for the negotiating parties to proceed efficiently with the negotiations.

Private sector actors may also provide funding for peace negotiations in some instances. It has been found that the higher companies perceive the cost of an armed conflict for themselves, the more likely they are to lend support to negotiations or other peacebuilding activities as a means to secure their business operations (Retberg, 2013). In South Africa, the Consultative Business Movement (CBM) funded mediators to help broker peace talks between the African National Congress and the National Party. Private sector actors have also been found to make positive contributions at the local level of conflict, i.e. where its operations take place, and may have access to key individuals, including community leaders or high-level politicians. In the Philippines, Unifrutti Tropical Philippines Inc. (UTPI) was able to provide access to the leaders of a local rebel group due to their good relations with the local community (Miller et al., 2018). There is however a limited number of private sector actors that provide funding for a negotiation process.

### 3.3.2 Direct funding

In the case of peace negotiations, direct funding means that a donor, such as a multilateral or non-governmental organization, channels the funds directly to a process, paying for different elements of the negotiation structure directly, without making use of an intermediary. Most multilateral or non-governmental organizations have a high level of discretion in the use of the regular or core budget, which allows them to provide funding directly to peace negotiations.

### 3.3.3 Indirect funding

Donors may also channel their funds through project-specific contributions to multilateral or non-governmental organizations. For instance, IGAD and the African Union, as regional organizations, have received funds from Germany to support specific negotiating processes. One of the advantages of this is that regional mechanisms are embedded in their regions, warranting more local ownership of the processes. Increasingly, NGOs receive significant project-specific funds to support negotiation processes. In Libya, for example, the United Nations, as a mediator, besides financing its own engagement through its regular budget, has drawn on NGOs, such as the HD Centre, to raise funds for some mediation-related activities.

### 3.3.4 Pooled funding

A pooled fund is a financing mechanism which allows different donors to put their funding into a single pot. These funds are a type of secondary contracting modality, permitting donors to disburse through a joint mechanism and reduce the administrative burden. Administrative tasks are outsourced to the fund administrator. In some cases, pooled funds are established as an ad hoc modality to finance a particular peace negotiation. Overall, such pooled funds may be an effective means to support peace negotiations, especially when the donors have a common approach to the direction of funds and establish appropriate coordination mechanisms, such as a steering committee. These pooled funds must have the right modalities for disbursing funds, ensuring coordination, efficiency and sustainability of funding. In order to do so, pooled funds must be premised on a common understanding, a willingness to cooperate and standard reporting procedures. One issue with pooled funds is that when this common approach is missing, decision-making in the steering committees may become cumbersome. Indeed, challenges may be encountered when it comes to competing donor interests. Nevertheless, pooled funds may be useful to ensure greater coordination, to unite donors behind a common strategy and pool the risks of funding peace negotiations.

#### Insights from the case studies on pooled funding

During the negotiations between the Colombian government and the ELN (2017-2019), the Group of Countries for the Support, Accompaniment and Cooperation (GPAAC), consisting of Germany, Italy, the Netherlands, Sweden and Switzerland, established a pooled fund administered by UNDP. The GPAAC fund covered three funding windows: Category A covered the operational cost of the ELN delegation, which included items such as work materials and health care, as well as transport and living costs incurred between negotiation rounds. Category B covered advisors and technical experts for the ELN delegation. Category C provided the possibilities for both delegations to request funding for joint activities related to the agreed upon thematic agenda of the negotiation process, i.e. public communication, joint expert support, consultations with civil society, confidence-building measures and so on. It was a structured fund, with a tentative annual budget allocated for each category. A steering committee with representatives of both negotiation delegations and the five GPAAC members decided on funding allocation based on a trimestral plan as well as urgent requests by the negotiating delegations. The logistical costs of the negotiation rounds, such as food, accommodation, transportation and security, were covered mostly by the respective host States (i.e. Ecuador and Cuba), and the governmental delegation covered the operational costs associated with its own delegation.

Multi-donor trust funds (MDTFs) are a particular type of pooled fund. To be classified as such, the money provided must be held 'in trust', meaning that it is not recognized as revenue to an organization until the funds are disbursed for a specific programme (UNICEF, n.d.). MDTFs, often used in international



development, allow countries to pool resources in order to deliver vast amounts of funding to either governments, multilateral organizations or civil society organizations (Miller, 2012). MDTFs can support a single program, multiple programs or interventions in a given country, or multi-country and cross-disciplinary interventions that address a common issue ("Pooled funding and trust funds", 2012). Thus, MDTFs often center on specific issues, such as post-conflict reconstruction (Miller, 2012), or may focus on a specific conflict context. MDTFs mobilize financial resources and have proper allocation mechanisms. They are governed as follows: MDTFs have a fund administrator (or fund manager, secretariat), mostly a United Nations agency or the World Bank, who administers and coordinates the fund (Miller, 2012). A steering committee, typically made up of representatives from donors, multilateral organizations, national governments and experts, outlines the framework and approves applications made by different organizations or entities to the fund for grants. A review board, or funding decision-making body, reviews these applications (Miller, 2012).

Often, MDTFs are highly institutionalized funding arrangements. Hence, they are public, and used to fund public phases or activities of a negotiation process. Issues may arise among donors with regards to attributability of funding for certain activities. This is closely related to competition between donors, and the lack of visibility, or the inability to claim the glory for contributing to, a specific activity within a process. Examining the United Nations Peacebuilding Fund, as an example of an MDTF, it appears that there remain many opportunities to use such funds for the financing of peace negotiations. From 2006 to 2013, for instance, only a small share of financing provided to the PBF was used to support peace negotiation and mediation processes. Only USD 3.5 million were given to the subcategory "Financing Political Dialogue", which is part of Priority Area 1 "Support the implementation of peace agreements and political dialogue". This represents only 1% of funding and 2% of projects supported. In contrast, 42% of global net transfers were awarded to Priority Area 1 overall (Cavalcante, 2019, p.244).

#### Example of a MDTF

The Joint Peace Fund (JPF) in Myanmar is an example of an MDTF. UNOPS, the Trustee and Contract Manager, is its legal representative and holds the funds. The fund is governed by a Fund Board of its donors, including Australia, Canada, Denmark, the EU, Finland, Italy, Japan, Norway, Switzerland, the United Kingdom and the United States. Established in 2015, the fund has three pillars: conflict management mechanisms, negotiations and dialogue, and participation. Funds are disbursed to the government and ethnic armed organizations (EAOs), as well as to projects that are supporting or strengthening any ceasefire agreements. As an example, the JPF funded the "Track II Informal Talks in Support of the Peace Process", implemented by the Center for Peace and Reconciliation (Joint Peace Fund, "Who we are", nd).

## 4 Funding and the Dynamics of Peace Negotiations

The extent to which the funding of peace negotiations behaves like a market is a question that underpins this research. First, when viewing donors as 'suppliers' in the sense that they 'supply' funds, it seems more logical that they would be willing to supply less money as the price increases. In other words, the supply curve should slope downwards. On the other hand, if we view negotiation parties and mediation teams as the 'demanders' in the model (in the sense that they 'demand' funds for a process they wish to be a part of), the demand curve should slope upwards. This is exactly the opposite in a standard supply-and-demand market framework, where demand goes up as price goes down; and willingness to supply goes up as price increases. Although these perverse curves have some precedent in theory, real-life examples in modern societies are extremely rare, if extant at all. At the same time, if we view 'peace' (or at least, 'functioning peace negotiations') as the good that is demanded and supplied, a more standard market framework begins to emerge. This is useful, as it provides a benchmark against which to analyze the information gleaned from the interviews.

This section first presents eight key issues that emerge from our analysis of the interview material. Subsequently, it discusses the market implications of these key narratives. Specifically, these key issues respond to research question 4: 'How does funding contribute to a functioning peace negotiation process (enabling/disabling factor)?'

### 4.1 Key issues

#### 4.1.1 Distribution

The negotiation structure and the funding structure are co-constituted in a 'matching game' between funding requests and external funding. Especially given the importance of information, this matching game might not always allow an efficient distribution of the funding. Effective distribution of funding means that external funds are efficiently matched with the actual requests of the process. When funding is efficiently distributed, negotiation stakeholders are not constrained by the quantity and quality of funding. Funds can be inefficiently distributed if some important activities are difficult to implement due to lack of funding, especially if that is matched by other components of the negotiation architecture that receive an excess of funds.

The (in)effectiveness of the distribution of funding can have a major impact on peace negotiations. It does so at three levels. First, distribution effectiveness has effects at a global level, by influencing which potential or ongoing peace negotiations receive external funding and which not. Second, distribution effectiveness has consequences with regard to the moment when funding becomes available, related to the phase of the negotiation process. Third, distribution effectiveness can vary between different elements (i.e. items or activities) of a negotiation structure at a given moment in time.

18 The anonymous, semi-structured interviews were coded: I for general interviews, A for interviews related to the Aceh case study, B for interviews related to the Burundi case study, S related to the Syria case study, and C related to the Colombia case study.

While none of the negotiation processes studied in this report experienced major issues with funding availability in general, it became clear that not all peace negotiations receive the same level of funding. As an interviewee put it, "there are processes that do not get what they need, and others that receive more than they need" (17)<sup>18</sup>. The availability of funding for specific conflicts depends on a variety of factors, in particular the political priorities of the donors and the amount of conflicts competing with each other for funding. For example, the high visibility of the Syrian conflict, its proximity to Europe, and the willingness of Western donors to see the United Nations take the lead, explain why large amounts of funds have been made available for these negotiations. In other contexts, fundraising might be more challenging. These include for example the protracted conflicts in Eastern Europe or the 'conflict within the conflict' between separatists and the central government in the South of Yemen. Uneven distribution of funding between ongoing conflicts can result in certain negotiation processes not receiving enough support, while others do not have the absorption capacity to deal with an overflow of external funds.

Funding availability also differs between various phases of the negotiation process. As compared to the later stages of a negotiation process, the early phases of conflict prevention and the initiation of peace talks appear the most difficult to fund. Conflict prevention, or engagement at the early stages of conflict escalation, appears to be underfunded because funding for peace negotiations is predominantly crisis-driven. Indeed, "many international actors only start contributing financially to efforts to initiate a peace process after a crisis or conflict has erupted" (OECD, 2012: 56; Papagianni and Wennmann, 2010). Fundraising for the initiation stage of a peace negotiation process appears challenging due to the uncertainty and discretion that characterize such a phase. Donors might prove unwilling to engage in processes that carry both humanitarian and reputational risks. As a result, early talks are often funded through the core budget of private mediation organizations that can initiate such engagements in a more low-profile way (Buchanan, 2019: 18). This difficulty to fund early phases of a negotiation process has negative consequences, since it might delay negotiations and thus prolong human suffering.

Interviews also pointed to variations in funding availability for different elements of the negotiation structure in an ongoing peace negotiation. Among items and activities that are more easily funded, interviewees listed capacity-building for conflict parties, the provision of external expertise in peace talks (sometimes in-kind by the donors themselves), the secondment of mediation staff by donors in the mediation team and inclusion mechanisms. The factors influencing higher fund availability for these activities include the lower political sensitivity, the visibility of these activities and the ability of donors to provide these in-kind, as well as a generally positive connotation. The greater availability of funding for some activities can sometimes be problematic when they do not directly match with urgent needs of the negotiation process. For example, interviewees referred to capacity-building events being organized without necessarily having a great added value for the process, or too many secondments creating imbalances in expertise within the mediation team.

Among items that are more difficult to fund, interviewees listed overheads and personnel costs (e.g. the office structure, human resources and finance staff, and the evaluation and monitoring processes) and operational costs (e.g. transport, subsistence allowances and security), as well as costs related to the participation of listed armed groups. The factors influencing lower fund availability for these activities include the higher difficulty to control the use of the funds, the lower visibility of these activities, legal constraints, higher risk and political sensitivity, or lack of interest from donors or their constituencies. Fund unavailability for specific activities can create problems in the mediation process, as elements that the parties deem essential could be left without funding. For example, difficulty to fund travel outside of the conflict zone might be detrimental to peace negotiations in contexts where travelling to a neutral ground could facilitate negotiations.

The distribution of funding may also have an impact on the symmetry between the parties to the negotiations. The nature of a peace negotiation between a government and a non-State actor often includes an inherent asymmetry on the level of capacities and funding. Differential access to resources needed for the participation in peace negotiations could result in an uneven level field in peace talks. Such an asymmetry can be addressed by providing external support, such as the costs directly associated with participation or technical expertise. However, uneven access to external funds can increase the imbalance and be a source of tensions. In the case of the Aceh peace negotiation, the GAM stated that it was not able to bring their most important negotiators to the table due to a lack of funds.

**Key take-away: Avoid excess for the futile and scarcity for the crucial.**  
There are variations in the availability of funds between different conflict contexts, phases of a negotiation process and elements of the negotiation structure. This unequal distribution of funds can become problematic when certain components are overfunded, while others struggle to find funds, and when certain conflict situations receive excess support and others not enough, or none at all.

#### 4.1.2 Responsiveness and flexibility

The very nature of political violence is that it is a confrontational, presumably non-cooperative, strategic interaction between two or more parties (Kaiyyas, 2006), which changes as conflicts endure. The same goes for peace agreements and the processes that lead to them. As fluid concepts involving multiple, iterative discussions, peace negotiations, inherently, generate new information (Brewer, 2010). The potential that unexpected expenses arise is, therefore, high. In order to keep individuals and parties at the table, or simply to satisfy desires of delegations, funding mechanisms need to be able to respond to this fluidity, which often stands in contrast to donor wishes or capacities.

Several interviewees note, both generally and specifically, that money is needed rapidly once a negotiation begins. "Rapid money giving is very important when the momentum is there." (A4). In contrast, several donors operate with long lags, meaning an additional requirement has arisen for bodies which front costs once pledges have been made. "What you have to do, you have to borrow money... you look for someone to forward money and when it's pledged, we give it back." (11).

Interviewees, in quite some detail, noted a mismatch between the cycles that are typical of a peace negotiation and the manner in which funding is apportioned. Rather, individual phases of the negotiation tend to be funded, e.g., initial sums to cover an inception period. In turn, it takes significant energy to continue to find funds for ongoing or lengthier negotiations, which can distract negotiators' attention from the process itself. "Very difficult to do project-based funding for [long] processes. Small initiatives of €200,000; the window might have already closed at the time you managed to get the money." (12).

Interviewees mention the evolution of the (in)flexibility of funding, stating that, for example, the process in Aceh was benefitted by a level of flexibility that no longer exists. This suggests that the gap between the kinds of funding that negotiations need and the type that are available for and to them will grow. In other words, inflexibility might not have been a problem in the past but is one now. "A particular challenge is that donors become more and more strict." (A2)

A funding mechanism should be responsive to the needs of the negotiation process it is designed to serve. Particular challenges include the accountability requirements of donors, as well as the continuous evolution of funding needed for a particular negotiation process. While there seems to be a general preoccupation among negotiation stakeholders that funding mechanisms could not be sufficiently responsive to their request, this research has found little evidence of existential threats arising from a lack of responsiveness. Possibly, there is a trend that the flexibility a responsive process requires is becoming harder to find in time. If this trend continues, mechanisms could become too inflexible and impose more than efficiency costs on negotiation processes. There is some potential for private diplomacy organizations and the private sector, or a combination of the two, to intervene in such situations, as they can more readily deploy funds and do not, necessarily, face the same kinds of restrictions as State and multilateral donors do. At the same time, while almost all of the private sector should benefit from a stable positive peace, free-rider and coordination problems are likely to arise. When all parties benefit, it is not clear which individuals or groups are willing or able to intervene.

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Key take-away: **Rapid money is key when momentum is there.**

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Peace negotiations tend to onset rapidly at some moment when the conflict is ripe for it to do so. Precisely when this happens is not necessarily predictable. Consequently, funds for the early phases of negotiation processes are needed rapidly and at short notice. Needs arise unexpectedly during the process as well. Funding mechanisms can inhibit progress or reduce momentum when they cannot respond to the often rapidly evolving needs.

#### 4.1.3 Coordination and competition

Competition among donors is a well-known problem in international development cooperation and peacebuilding. These issues are also very much evident in the funding for peace negotiations. This research has provided evidence of competition between donors and other third parties to be involved in a given process.

The interviewees suggest that competition among donors, especially State donors and NGOs, can have negative impacts on peace negotiations. This includes competition between donors to fund specific activities, competition to fund particular types of processes and competition between actors to access funding to support a process. Donors might compete for the prestige of supporting a negotiation process or because they hope to gain certain leverage over the process. Such competition leads to a lack of communication and coordination. As one interviewee explained, this leads to duplication of efforts, thereby causing vital funds being misused on elements that are already well-supported, while funding for other elements might still be required. This also means that State donors do not correctly leverage their comparative advantages. Instead, competition can drive donors to focus on funding the most visible and prestigious processes and aspects of processes. At the same time, other components of the process might be left underfunded due to a lack of coordination. Competition may also lead organizations to seek funding for skills they do not have, in order to maximize their involvement.

At its root, competition has a certain self-interest to get involved in processes, including 'getting the credit', prestige for financing or being involved in a high-profile peace negotiation in a visible manner. The more attractive topics and processes (presumably also the more visible) have more possible donors, therefore fostering possible competition. On the other hand, the more difficult topics (and presumably the less visible processes) struggle to find support. In this sense, donor competition may restrict the entire space in which negotiations can take place, and influence which ones take place at all. Communicating and coordinating among donors and other third parties more effectively could mean that processes, including aspects that are difficult to fund, are more effectively financed and that donors can use their positive leverage in a coordinated manner.

**An Example of Cooperation in a Complicated Negotiation**

In the intra-Syrian peace talks, donor competition was present at the implementation level. This might affect the quality of the process given that there is a focus on quick implementation, which sacrifices efficiency and quality: "It was not always the case in Syria, if you go back to the early days as you know, the Norwegians had their thing, the Brits had their thing, the Americans had their thing... It was not always pulling in the same direction. And, also, you know because when you go into one of these environment where things are not very well controlled, you have competition at the implementation level, which sometimes can be at the expense of quality." (S3)

Donor competition also distracted the opposition when they were supposed to organize themselves in preparation for negotiations with the Syrian government. One interviewee highlighted a "donor and advisory circus" in a hotel lobby in 2016, which included donors, advisors and NGOs. Rather than meeting to organize themselves for the talks, the Opposition had too many meetings with this "circus". The presence of all these individuals further meant that confidential conversations were impossible.

All in all, the issue of competition and coordination was managed well throughout this process. Donors understood that the United Nations should be in the lead of the process and coordinating the track I process. Secondly, the creation of the SPI by the EU and Germany that funded the majority of projects on the other tracks also managed to coordinate more effectively between the donors.

Indeed, competition between donors was also used positively to find funding for certain activities. According to one interviewee, the United Nations itself framed the CSSR process in such a way as to incentivize donors to fund it, and at times played the different donors against each other to achieve funding: "[...] So the UN played with this image of the CSSR as a successful process. It was presented as something desirable to fund because it worked well." (S5) In this way, donor self-interest in funding and the resulting donor competition may also be used to secure funding for a given process or activity.

Interviewees also highlighted, to a lesser extent, competition among international NGOs involved in mediation or mediation support. Some highlighted that limited funds being available in the field of peace mediation has made cooperation challenging. Mediation and mediation support NGOs may compete for the prestige of directly supporting high-level negotiation processes, as well as for the associated funding. As a result, NGO staff are hesitant to share information, contacts and knowledge with other organizations.

Coordination between donors and other third-party actors involved in negotiation processes may occur through either a "top-down" approach,

whereby one entity or actor, for example the main mediator, takes the lead and delegates tasks to the other actors. Alternatively, coordination can take the form of a network, where entities and organizations identify a common goal and agree to a certain division of tasks (Lanz and Gasser, 2013). Such coordination mechanisms may address some of the issues associated with competition that have been outlined above. Systematic coordination is also needed for processes or activities that are taking place on other tracks, as well as to ensure that processes are funded in the most efficient manner possible.

While standard economic theory would suggest that the emergence of competition should lead to increases in efficiency and specialization, this logic only appears to hold partially with regard to peace negotiation. Competition in this field has arguably led to more specialization and expertise, illustrated by the increasing number of specialized organizations working on negotiation, mediation and mediation support. However, competition has certainly affected efficiency, as it has led to the duplication of efforts and the absorption of negotiating parties, impacting both the timing and quality of the negotiation process. Effective coordination among donors, as well as between donors and negotiation stakeholders, may address some of the consequences of competition and lead to more effective financing of negotiation processes.

**Key take-away: Not joining forces might mean undermining other stakeholders.**

Competition among donors and other third parties, especially NGOs, can hinder the effective financing of peace negotiation due to the duplication of efforts and the lack of communication. It thereby adversely affects the effective distribution of funding and support to peace negotiations.

**4.1.4 Donor leverage**

Donors might, at times, seek to use their financial means to influence the structure, content or dynamics of peace negotiations. Financing a negotiation process provides donors with a certain leverage through which they then have the possibility to shape the process. In some cases, leverage might be perceived as a disabling factor, e.g. if the donors' self-interest is imposed against the interest of an effective negotiation process to end an armed conflict and build sustainable peace. In other cases, the leverage might be perceived as beneficial, e.g. when donors engage constructively with the mediators or the negotiation parties to provide required expertise in the conceptualization of the negotiation architecture or useful pressure for the negotiations to progress. Such shaping can take place at both the strategic level (that is, for example, through contributions to international bodies and associated say in the priorities and actions of those bodies) and the process level (by funding certain items or activities).

<sup>19</sup> In some instances, the deadlines are external to the process, e.g. when there are elections upcoming in a donor country.

Some interviewees mentioned, for example, that certain States indeed use their financial contributions to multilateral organizations to have a say with regard to this organization's involvement in peace negotiations, and thereby indirectly exert influence on the negotiation processes. Financial contributions might provide the possibility to influence appointments of senior staff, who can in turn affect the respective decision-making processes with regard to peace negotiations. However, the nature of shaping on the strategic level is, almost by default, more difficult to trace than the influence on the process level.

In many cases, donors have the leverage to shape a negotiation process, in an enabling or disabling way, by funding some parts of it and not funding others. On this process level, there are two main ways of leveraging influence. First, donors can influence the structure and conduct of a given process. Second, donors can influence the content. In both cases, this has obvious impacts on the outcome of a process.

According to many interviewees, earmarked funding plays a crucial role in exerting influence. From a donor's perspective, there are comprehensible reasons for earmarked funding, such as the need to ensure the efficient use of taxpayer money or broader foreign-policy and domestic agendas into which their involvement in a negotiation process must fit. The need for a certain amount of control, therefore, is understandable. However, from the perspective of the negotiation stakeholders, and in particular a mediation team in charge of a process, earmarked funding can be problematic, e.g. in cases where many donors want to fund the same activities and items or in cases where donors want to fund activities or items that are not needed at all or not at that specific moment in time. But most interviewees mentioning this particular challenge also added that this rarely derails an entire process, as there are usually creative ways around this.

Usually, shaping the structure and conduct of a mediation process is rather subtle: "It has to do with how those who have the money determine in a much more subtle way what decisions are taken over time. It does not dictate where you go in a process, but it has the capacity to persuade people of what can be negotiated or not." (13)

A common way of exerting leverage is through normative pressure, e.g. by pushing for the inclusion of certain actors (see case study box on Syria below). Speeding up a process by setting deadlines<sup>19</sup> is another common approach. One well-known and documented example is Darfur: "There, it was deadline diplomacy. We received instruction from the Brits to finish fast. When we told them we could not meet their deadlines, they threatened to withdraw funding for payment of the hotel." (18) Challenges around tight deadlines are also linked to the manner in which peace negotiations are usually financed. Negotiation processes mostly receive sums that cover between three to six months of work. After a few weeks, the next batch of funding then needs to be secured, which is often bound to visible progress. This puts a certain time pressure on the mediation team, the negotiation stakeholders and the negotiation process as a whole. Deadlines can also be motivated by other donor

concerns, such as ending atrocities quickly. However, as an interviewee put it, "asking the mediator to speed up is not to understand the nature of mediation" (18). Short time frames can create issues in the mediation process by forcing the mediation team to accelerate and find 'quick fixes' that will not prove sustainable. At the same time, deadlines can sometimes be used constructively by mediators – possibly in collusion with the donors – to accelerate negotiations that are blocked.

Donors' red lines and preferences may also impact the content of peace negotiations, although usually to a lower extent than their design and conduct. Normative and moral notions often play an important role, as the Burundian process from 1998 to 2000 exemplifies: "It contributes to failure. It leads to including in the agreement norms that are then ignored by the parties. For example, in Burundi, the Pretoria agreement includes provisions for prosecution of war crimes, this was because of donor pressures. They have been ignored since then." (18). Another way for donors to influence the content of a negotiation process is by deploying their own experts to a process. This is not only useful in positioning oneself as a donor but is, for the most part, also perceived as a low-risk and low-harm strategy. While this can, in some cases, be appreciated by those involved in a process, it can also have a negative impact – especially when the capabilities of a given expert are not needed or when it is used to steer the direction of content, instead of supporting a process in its real needs.

#### An Example of Donors Using Leverage for Good

The mechanisms for inclusion of civil society (Civil Society Support Room, CSSR) and women (Women Advisory Board, WAB) in the intra-Syrian talks were initiated by the Office of the United Nations Special Envoy. The United Nations, being the mediator as well as a big provider of funds for the peace talks, had decided that this process should be inclusive, even against the will of the conflict parties. In this sense, some State donors also tried to shape the process according to their normative preferences: "Also including women. We have seen some modest progress in terms of trying to make our values count and try to ensure them into the Syrian peace process." (S4)

#### Key take-away: Be careful with donor leverage.

With money comes the power to influence a process. Donor leverage can be exerted in manifold ways. While it can be to the benefit of a process if there is a constructive and desired interaction between donors and negotiation stakeholders that brings the negotiations forward, it can also jeopardize or even derail an entire negotiation process if the contrary is the case.

#### 4.1.5 Legal, institutional and administrative constraints

Legal and administrative constraints of donors typically affect the modalities of the funding agreement. While often unavoidable, these constraints can become a disabling factor for functioning peace negotiations when they are too disconnected from the realities of the peace negotiations. This section discusses two types of constraints, their origin and potential incompatibility with the reality of peace negotiations.

A first set of constraints results from legal or institutional regulations of donors. One of the most commonly cited limitations is funding for activities to engage with groups that are blacklisted or that take place in territories controlled by such groups. Lists of prescribed groups include the United Nations Security Council blacklist, the regulations of the United States Department of the Treasury's Office of Foreign Assets Control (OFAC) and the EU blacklist. Some donors also have specific policies not to fund governmental agencies. In addition to this, certain donors also have institutional constraints on the type of activities they can fund, e.g. political or advocacy activities or potential dual-use goods, such as computer or communication equipment. A last group of institutional constraints includes more specific, technical policies such as restrictions on funding business class flights or alcoholic beverages.

Such legal and institutional constraints are not always suited to the reality of peace negotiations. In particular, peace negotiations frequently need to engage with proscribed actors. The line is often blurry between activities that can or cannot be funded due to proximity to proscribed actors, which might make it cumbersome for mediation teams to determine what is allowed and what is not. By limiting the availability of funds to specific activities, legal and institutional conditions can thus create limits on the margin of maneuver of the mediation teams.

A second set of constraints can emerge from administrative regulations, related to the project-based nature of funding. First, some donors request project implementers to provide detailed project proposals with specific time schedules and measurable objectives. In some cases, donors earmark funds tightly based on these project proposals, limiting the margin of maneuver of how funds can be used. Second, project-based funding implies the attribution of funding for a time-limited period, usually ranging between three and twelve months. Third, project-based funding implies administrative and reporting requirements. While ensuring transparency and financial accountability is crucial, such requirements also cause a heavy burden at times, especially when different donors apply different regulations and when project periods are very short.

Project-based funding, sometimes coupled with results-based management procedures, might not always be well-suited to the nature of peace negotiations for three main reasons. First, the high unpredictability of peace negotiations is not necessarily compatible with the planning requirements of detailed project-based funding. Negotiation structures and planning often have to be adapted at short notice due to new endogenous and exogenous

developments. Administrative funding requirements can be a disabling factor for functioning negotiations in the cases where it severely limits the flexibility of the mediation team to adapt the negotiation structure and conduct to evolving conflict dynamics.

A second unpredictable feature of peace negotiations is the possibility to plan, including the time necessary to reach a meaningful agreement. Accordingly, funding deadlines might not correspond to the dynamic and often prolonged nature of peace negotiations. Project-determined timelines might cause certain elements of the negotiation structure or activities to be funded too early or not at all. In the worst-case scenario, the end of a funding cycle might mean the end of a negotiation before it has reached a conclusion.

Third, reporting requirements might represent a heavy, time-consuming administrative burden for mediation teams, secretariat staff and even conflict parties. This burden is often multiplied as negotiations are funded by multiple donors with different time frames and reporting requirements. Small mediation teams might be forced to divert the focus and energy of some of the mediation away from the actual mediation work to fundraise and handle administrative requirements. Reporting requirements can also prove extremely challenging for conflict parties that do not necessarily have the required administrative expertise.

#### **An Example on the Constraints that Can Be Imposed on a Process**

In Colombia, a challenge arose from a lack of experience in administration and accounting on the side of the ELN. This was managed in three ways. First, donor representatives supported the respective delegation members to acquire the necessary administrative competence. Second, once the fund was established, UNDP acted as the operator of the fund, thus providing the delegation with the necessary support in establishing and maintaining budgets. Third, due to legal and institutional constraints, support was provided in-kind, with all bills being paid through UNDP. A similar challenge was reported for the Bangsamoro Peace Agreement Process, notably regarding the Moro Islamic Liberation Front (MILF) in the Philippines. In both cases, administrative discussions were also used as an opportunity for trust building among parties of the negotiation process.

The CSSR in the intra-Syrian talks was funded through a complex mechanism with four donors, including Switzerland, Norway, Sweden and the SPI (which is itself funded by the EU and Germany, and implemented by GIZ). Each donor had specific budgeting and reporting requirements, with different forms and deadlines. This created, at times, a heavy administrative burden for the teams in charge of the project. The complexity of the budgets also made it challenging to ensure transparency. A related challenge was that some of the documents and information required for reporting could not be acquired in some context (e.g. taxi receipts) or could not be disclosed due to security reasons (e.g. details on travel itineraries).

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**Key take-away: Too many limitations and constraints put negotiations at risk.**

With regard to their funding for peace negotiations, donors have specific legal, institutional and administrative constraints. These constraints can at times create tension with the necessities of peace negotiations.

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4.1.6 Legitimacy of the funding

In most cases, the perception of the donors' impartiality is essential for a functioning funding mechanism. In the context of peace negotiations, if donors are not considered as impartial by the negotiation stakeholders or other key actors in the conflict context, the support they provide may be considered as negatively affecting the negotiation process. In particular, if donors are perceived to have interests in a particular outcome of the process, or are believed to favor one side over others, the funding mechanism itself, and therefore the negotiation architecture, can be undermined.

Interviewees noted that negotiating parties have a strong desire to know where the funding is coming from. Knowing who is funding the process is, clearly, a major step in the building of trust between parties and the process. This suggests that efforts at obscuring the donors of the funding mechanism is unlikely to be effective in creating perceptions of impartiality. Similarly, pooling funds, or labelling them under umbrella providers are often not valid tools (although, of course, this does not imply that the opposite is not also sometimes true). "...there is interest by the participants in where the money comes from." (S1)

Other interviewees noted the relationship between the donors themselves and the legitimacy of the process that is to be financed. In particular, it was noted that when the process or aspects of the process are funded by parties involved in the conflict, legitimacy problems arise. This likely reduces the available pool of potential donors in any given process and opens up questions about the validity of parties' self-funding<sup>2</sup> their participation. "Mediators need to be extra careful in [...] ensur[ing] that any money [...] does not come from countries linked to the conflict parties. This can be a big problem." (3).

Some countries are considered to lack impartiality in any process. These countries tend to be (former) international or post-colonial powers. Relatively small countries with a history of neutrality tend to be more favorably viewed. This creates a trade-off as those countries that might be most able to fund processes are those whose funds are least desired. Those whose funds are most desired tend to be small in absolute, if not per capita, terms. "If the US had funded this, for example, this would have been problematic... These donors (Switzerland, Norway and Sweden) were still Western powers but their image was much better." (S5)

In extreme cases, certain parts of processes might be better served by having no funding than by having funding from the wrong donor. For example, as the Rev Chris Hudson reflected, if he had received financial support from the government of the Republic of Ireland, his perceived neutrality in his engagement with Loyalist paramilitaries would have been undermined. While such a situation is not 'optimal', it shows that money might not always improve matters. In turn, some interviewees mentioned a need to turn down funding from inappropriate sources. "There has been a request from the UK and Germany... but the UN said no. They wanted to remain with more neutral actors in the context." (S1)

In turn, the identity of the donors matters to the conflict parties. Sometimes partiality can even be considered an asset, as it may also presuppose a certain leverage over the favored conflict party. Nevertheless, reflections on donor impartiality appear repeatedly, in both the general and case-study interviews, suggesting that its importance is well-known and understood. However, a requirement for impartiality can pose several questions and potential challenges for the establishment of suitable funding mechanisms, not least because it could – and probably does – place pressure on a small number of countries and organizations, while excluding others. This is especially so because impartiality is, almost, subjective in the eyes of parties. Major powers and countries with post-colonial legacies are perceived to lack impartiality, even in situations in which they are not – obviously at least – materially invested in the outcome.

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**Key take-away: Not all donors will help the negotiation.**

The perception of the donors by the negotiation stakeholders and other key actors in the conflict context is important for peace negotiations. In particular, the perceived lack of impartiality of a donor affects the legitimacy of the funding, with a possible adverse impact on the negotiation process.

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4.1.7 Financial incentives

An incentive is defined as "an external stimulus [...] that enhances or serves as motive for behavior". A positive incentive may be "an object or condition that [...] may result in goal-directed behavior", while a negative incentive is an "aversive stimulus and therefore facilitates avoidance behavior" (VandenBos, nd). Incentives in peace negotiations, sometimes referred to as 'perks for delegates', 'relate to accommodation in expensive hotels, flight tickets and generous daily allowances (or per diems) granted to incentivize conflict parties to come to the negotiating table and reach an agreement (Tieku, 2012). Conventionally, incentives are characterized as 'carrots' or 'sticks': generous perks, or the application of pressure, such as the threat of sanctions, may incentivize parties to come to the negotiation table and remain there.



However, some incentives, like high per diems and other perks, might also affect peace negotiations negatively, as they may induce parties to prolong negotiations. Respective examples come mostly from two particular case studies: Aceh and Burundi. One interviewee, a member of a former conflict party, stated that using financial incentives might lead to delegation members feeling entitled to private gains, rather than peace being the driving motive of their participation. Excessive per diems (i.e. those that go beyond covering necessities of delegates during processes and thus present a financial incentive) can thus dilute the political objectives of processes. In turn, decisions such as not staying at the designated hotel in order to maximize private gains could be made, reducing the opportunities to build relationships between the parties. Excessive incentives can also cause more direct slowdowns, as the negotiation phase might be perceived to be more profitable than the post-conflict phase. According to one interviewee: "On the side of the Burundian negotiators, there were those that saw the process as a source of financing. In these conditions, they were not really in a hurry... Thus, there were those that did not want things to advance as they needed]." (B1) In other cases, these incentives might lead to demands for larger negotiating teams, which can lack focus or cohesiveness of purpose. In some cases, nominations for delegates became based on 'jobs-patronage' rather than expertise. In others, the financial incentives and how they were distributed fueled distrust among the delegations. For example, in the Aceh case, the receipt of per diems created feelings and perceptions of unfairness (e.g. between armed actors and poorly paid civil servants), which potentially undermined (perceptions of) impartiality in and the fairness of the process.

Despite this, several interviewees stated that it remains doubtful whether per diems actually impact negotiation processes: "I'm often asked if it affects the process. If it did affect the duration, I would say it affected it very little. But it's hard to prove." (I11) Similarly, while funding impacts behaviors and incentives of the conflict parties, other factors, such as the broader political environment and ability of the mediator, are more critical (I5). Per diems may also be used as pressure points to push negotiations forward. In this way, they may be used as a negative incentive. Rather than per diems being the issue, per se, they are a double-edged sword. Moreover, it is likely both the amount and the context that are important. While materially motivated individuals might seek to maximize their private outcomes, these are likely small in comparison to the wider peace dividends that could be enjoyed after reaching an agreement; and in most cases, they are likely less important than the wider context anyway.

**Keytake-away: Get the incentives right!**

Financial incentives, positive or negative, may be used to encourage conflict parties to take part and progress in peace negotiations. Some financial incentives might also slow down the process, if they become a major motivation for participation and the focus of negotiations.

**4.1.8 Trust**

This section looks at the potential of funding mechanisms to build trust between negotiating parties, between the parties and the negotiation process and between negotiating parties and third parties, such as the mediator and donors. When funding mechanisms can be established with the involvement of the negotiating parties and function transparently and effectively, this process will build trust. However, it should not be ignored that, if funding mechanisms do not work in a way agreeable to the negotiating parties, they can have completely the opposite effect.

The joint establishment of a funding structure can, itself, help to build trust between parties, between parties and the process, and between parties and mediation teams or donors. For parties who succeed in establishing a funding mechanism that is perceived as fair and speaking to all parties' needs, it can be seen as a successful 'mini-negotiation' that has persuasive power by showing them that joint solutions can indeed be found. In other instances, donors' positive involvement in the creation of funding mechanisms have proven to be useful in establishing working trust and in getting to know more about the parties. "We worked together with the parties. It was very important. In a way it was a burden, but it was also an opportunity to build trust through the process of building this funding architecture, this budget. It allowed us to talk with the two delegations, and to negotiate with them on very technical things. It built confidence. And in many ways, their positions on technical issues already anticipated their positions on the issues that needed to be addressed in the talks." (C3) Joint responsibility can slightly alter the culture of interaction between adversary negotiation parties, and therefore shift their thinking and behavior: "It is much more than that. It [funding] built trust, it built capacities, it helped the parties to see each other progressively as viable peace partners. And most importantly, it actually helped them both to see how it is to live together and rule together." (I22)

At the same time, however, just as a good process design (or a successful 'mini-negotiation') can help to build trust and confidence, the opposite is also true. Mechanisms that do not build confidence, or in situations where 'mini-negotiations' do not successfully reach agreement, are likely to undermine trust and reinforce divisions. In particular, shocks to the funding structure can have lasting repercussions for the faith that parties have in the entire process. As one interviewee highlighted: "If funding cuts occur from one day to the next, it's not a confidence builder". (I2)

**An Example of trust building in Colombia**

In the negotiations between the ELN and the Colombian government, the establishment of a funding mechanism played a role in creating some level of trust between the parties and awareness of their ability to find creative solutions. Referring to the need for impartiality, the ELN refused for the peace negotiations to be funded by the government and insisted that the international community needed to fund the negotiations (except for the expenses of the government delegation).

At the request of the negotiating parties, Switzerland provided technical support to establish a funding mechanism, contributed to the fund and supported the negotiation process with thematic expertise, thus becoming a trusted interlocutor for both parties: “[...] the discussions around funding and logistics became an opportunity to build trust with the two parties. The work of preparing and running such a fund, if it is done well, with the understanding that it is a fundamentally political instrument, can promote trust among parties and also generate trust towards the third party and the overall process. The numerous exchanges and dialogues held with both parties in relation with the preparation of the fund and procedures certainly contributed to considerably enhance trust in Switzerland. This allowed Switzerland to be able to act as a messenger between the two parties at certain key moments.” (C3)

After some bilateral engagement by Switzerland with the negotiating parties and negotiation among the parties, both parties eventually agreed that the steering committee of the fund would include both parties as well as the five donor representatives (Switzerland, the Netherlands, Germany, Italy and Sweden). The approval of the fund manual was an early success in the negotiation between the two parties, serving as a confidence-building process and a motivating experience. UNDP became the fund administrator and, together with the parties, developed trimestral funding plans that were then submitted for approval by the fund's steering committee. Decisions in the steering committee needed to be made unanimously. Even when the main negotiation table was suspended for a while, the steering committee continued to meet. At a moment of crisis in the peace negotiations, “it was the only formal contact between the ELN and the Colombian government.” (C1)

The fact that the funding architecture can build trust and confidence is not uncontroversial. Yet, in some cases, it is clear that it is not just desirable but actually necessary. In these instances, it can thus not simply be viewed as a virtuous add-on but must be seen as a central component of a negotiation process. In other words, decisions on what to fund and when to fund it, or on changes to the funding mechanism, have to be measured both by their direct impact and by how they affect the trust in a process, particularly when that trust is considered fragile.

**Key take-away: Agreeing the funding mechanism is a step towards a peace agreement.**

Funding aspects, as integral parts of a negotiation process, have the potential to create or undermine trust between negotiating parties. In particular, the process of establishing a functioning funding mechanism can have a positive impact on building trust between the parties and in the process.

## 4.2 Implications for the funding market

What becomes clear from these key issues is that at least some conventional market logic is at play in how peace negotiations are funded. At the same time, it is a market where several interlinked risks exist. These risks are similar to what modern economics would consider as ‘market failures’, which are situations where the allocation of goods in the market is somehow inefficient or suboptimal and where the unencumbered operation of the market results in losses of value. The subsections below discuss these sources of efficiency loss from an economics perspective.

### 4.2.1 Allocative and productive inefficiency

Section 4.1.1 introduces the notion that some negotiation processes, phases of processes, or even individual activities, can be overfunded, while others are underfunded or receive no funding at all. This suggests that some expenditure has low, or even negative, marginal returns, while higher marginal returns exist elsewhere. Any overfunding increases the overall cost of production but, by implication, does not improve the outcome of the process. In other words, a poor distribution of funds undermines the efficiency of the market, potentially increasing costs, reducing the number of successful processes, or both. This means that some processes cost more than they need to; that those funds might be used to better effect in other processes; and thus, that the same success could be delivered at a lower expense – or more success delivered at the same cost.

### 4.2.2 Rent seeking

In section 4.1.3, a potential rent-seeking problem emerges, which occurs when individuals or groups seek to increase their own share without increasing the overall amount of resources available. Imagine, for a moment, a simple world where – for a short period, at least – there is a set budget available for all global peace negotiations. In this world, the only way to increase overall benefits is to deliver more negotiated solutions to conflicts. Yet, not all players have this incentive. A particular actor, for example, might seek simply to maximize its share of the available peace negotiation resources. Organizations which compete with each other for these resources likely have incentives to encroach on the comparative advantages of others, to duplicate provision or to engage in tasks for which they are not suitably qualified. A similar

concern emerges from section 4.1.7. In this situation, it is the negotiating parties who may seek to maximize their share of the resources available. This means that some potential arises for parties to use processes for their own ends, not for those intended by the negotiation. This could be to regroup militarily, for example, or to extract 'rents' (income) from the process. This potential is known to other actors, which can influence how processes are financed, what is financed, or who is invited to be part of it.

#### 4.2.3 Moral hazard

Additionally, in section 4.1.7, the potential for moral hazard arises. Moral hazard occurs when a given party does not bear the full costs of risks associated with its actions. For example, a conflict party entering a negotiation might behave differently because it has been admitted to the negotiation. This could, of course, be positive, but there is no guarantee that this will be the case. It is thus difficult to know for sure how some parties will behave in a given process, or in a given financing structure. In a situation where material participation incentives are provided, for example, the party in question does not bear the full cost of its participation. This means that incentives other than a successful and swift resolution of the process could be at play. This can be exacerbated by the funding process, just as it can be minimized, depending on the decisions made.

#### 4.2.4 Principle-agent problem

Finally, in section 4.1.5, a concern arises about the constraints (legal and otherwise) that donors place on funding. While understandable, such restrictions distort the market, not least because decisions made by one party (e.g. the donor) can impact others (e.g. the negotiating parties). Such a principle-agent problem affords the donor significant power in the negotiation and might, indeed, be a factor allowing donors leverage (see section 4.1.4). In this problem, the donor can make decisions – such as what to fund, who to fund or when to pay – that may have adverse impacts on the well-being of other parties in the process. Peace negotiations can be considered as processes involving different actors that might have different interests. For example, the donor's motivation might be maximizing prestige per monetary unit spent, whereas the negotiating parties might only be interested in a settlement. In turn, it might not be clear to the negotiating parties that the donor is acting in their best interests. The same goes in reverse, of course – if one imagines a genuine donor and a negotiating party interested only in extracting rents, similar problems can occur. This means that the balance of power in a negotiation is important; and that this balance of power can be influenced by the funding mechanism. This can have strong, negative, connotations for the process, particularly when the temptation to exercise this power is high.

## 5 Strategies to Overcome Funding Challenges and Market Failures

This section discusses strategies that might be used in order to overcome the challenges elucidated in section 4. These strategies can be applied by negotiation stakeholders or donors respectively, often requiring their collaboration in dealing with funding challenges and market failures. Based on the interviews and the analysis of market failures, this section adds further information to answer research question 4: 'How does financing contribute to a functioning peace negotiation process?'

In general terms, there are information asymmetries at the heart of moral hazard and rent seeking behavior in peace negotiations. This occurs, simply, because some of the preferences and motivations of negotiation stakeholders and donors cannot be observed by others. Several standard approaches to overcoming information asymmetries, like establishing formal contracts, signaling and screening processes, do not apply well to peace negotiations. Other approaches, such as developing intermediary institutions, which are impartial to the process, are more promising, as would establishing functioning pooled funds. Indeed, to some extent the professionalization of peace mediation is a step in this direction. The role of impartial intermediary institutions, which coordinate and administer the funding for a negotiation process, such as mediation teams or specific administrative entities, e.g. with the establishment of a pooled fund, can contribute to the effective application of the strategies mentioned below. These intermediary institutions may act as 'key organizers', helping to overcome collective action problems resulting in inefficiencies and market failures. They may support the negotiating parties, as well as the donors, in clarifying expectations and assessing funding needs in an impartial manner, thereby ensuring a smooth development of the matching game.

### 5.1 Ensuring communication and coordination

Negotiation stakeholders and donors should establish regular channels of communication and coordination among themselves. For negotiation stakeholders, it is important to keep donors updated on the evolution of the negotiations in order to create awareness about the dynamics, needs and challenges of the process, and to build a trusted relationship with them. This can help to increase the flexibility and responsiveness of donors in times of need. Moreover, donors often have experience that can be useful to identify workable funding solutions. From the perspective of donors, ongoing communication with negotiation stakeholders allows them to share information about the possibilities and limitations of their funding for the peace negotiation. Coordination among the different donors is also essential to avoid duplication of efforts, prevent undue competition and limit problems of uneven fund distribution.

To ensure efficient communication and coordination, negotiation stakeholders can designate respective focal points for donors. Depending on the particular negotiation process, these focal points can be part of the mediation team or designated by each of the negotiating delegations. Pooled funds have

also proved to provide functioning structures for communication and coordination. As part of a pooled fund, a steering committee may provide for an appropriate space to allow negotiation stakeholders and donors to exchange information, plan ahead and make funding decisions jointly. For example, in the case of the negotiations between the Colombian government and the ELN, discussions in the steering committee, with the participation of the negotiating parties, donors and the fund administrator, allowed for trustful and proactive problem-solving, ensuring that the funding responded efficiently and in a coordinate manner to the needs of the negotiation process. Other international coordination mechanisms and entities, such as groups of friends, contact groups or working groups, have also shown advantageous in ensuring coordination among donors and structure communication with negotiation stakeholders.

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**Key take-away:** Negotiation stakeholders and donors should maintain regular communication and ensure coordination among themselves in order to enable efficient and responsive funding for the negotiation process.

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## 5.2 Diversifying funding sources

Negotiation stakeholders may diversify the sources of funding for a given negotiation process. Seeking funding from multiple donors and combining them in strategic ways can allow maximizing the comparative advantages of each donor, as well as minimizing the impact of constraints imposed by particular donors and the leverage they can exert. This strategy can specifically help negotiation stakeholders to address problems of fund responsiveness. For example, the process of attribution of regular United Nations budget is done on an annual basis and is thus not very responsive to unforeseen and emergency needs. To deal with this challenge in the intra-Syrian talks, the OSE relies on alternative source of funding, such as extrabudgetary funding and working with implementing partners, to cover for such needs. Diversifying funding sources can also address challenges with donor-specific constraints. For instance, the combination of multiple donors with different, overlapping funding cycles has allowed the CSSR mechanisms in the intra-Syrian talks to run uninterruptedly, despite time-bound funding agreements and delayed renewal periods. In Colombia and Myanmar, the combination of multiple donors in a pooled fund allowed circumventing the legal constraints (e.g. blacklists, restriction to fund certain activities) of some of the donors. Finally, this strategy might also allow negotiation stakeholders to resist potential undue pressure from the donors, as was the case in the Philippines and in Burundi. On the downside, it should be stressed that the multiplication of funding sources can create other challenges, including a heavy administrative burden. The successful implementation of this strategy requires a strategic and proactive approach by negotiation stakeholders, including some form of advanced budgeting, outreach to potential donors and the establishment of pooled funds.

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**Key take-away:** Negotiation stakeholders may attempt to diversify and combine funding sources strategically to maximize benefits, limit constraints and enhance flexibility.

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## 5.3 Ensuring a clear division of roles

Establishing a common understanding of the division of roles and responsibility between negotiation stakeholders and donors has also proven beneficial to prevent tensions and ensure functioning funding mechanisms. For instance, in the intra-Syrian talks, the donors that were interviewed expressed a clear understanding that the United Nations had the lead in terms of designing and implementing the process. Such clarity in the distribution of roles can be implemented rather informally or more formally by establishing terms of understandings. In the case of the negotiation between the Colombian government and the ELN, the mandate of the GPAAQ, provided by the parties, clearly defined its role in providing funding and technical support on the one hand, while accompanying the processes diplomatically on the other hand. In order to ensure clarity between negotiation stakeholders and donors, it is important to enable early and ongoing discussion about their respective roles and responsibilities, in accordance with the particular phase of the negotiation process.

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**Key take-away:** Negotiation stakeholders and donors should agree on the division of roles and responsibilities from the early stages of the collaboration.

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## 5.4 Planning ahead

Negotiation stakeholders and donors need to plan ahead when it comes to the financial needs of the negotiation process and the respective funding mechanisms. While the financing needs evolve dynamically with the negotiation process, planning ahead provides the opportunity to foster the responsiveness of funding and anticipate possible challenges. Already during pre-negotiation, negotiation stakeholders may discuss the funding of the peace negotiation. Planning ahead requires the necessary discussion among negotiation stakeholders about the funding needs of the negotiation structure and possible procedural and substantive agreements among them. It may also be useful to consider experiences and lessons learnt from similar negotiation processes. Discussion among negotiation stakeholders should be relayed to donors as part of their ongoing communication and coordination.

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**Key take-away:** Funding aspects of peace negotiation should be an integral part of discussions among negotiation stakeholders, relaying the necessary information about their advanced planning to donors.

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### 5.5 [Designing tailor-made funding modalities](#)

As underlined in section 4.1.5, many challenges can arise from donor-specific legal, institutional and administrative constraints, and their implications for the modalities of funding. To minimize these issues, donors should strive, to the extent possible, to adapt funding modalities to the nature of peace negotiations. In particular, they should aim for increased flexibility of funding – for example by allowing unearmarked or ‘loosely earmarked’ funding or simplifying procedures for the reallocation of funds. Donors should also aim at longer funding cycles – for example through multi-year funding agreements or core funding for implementation partners. While it might not always be possible to address donor-related constraints, negotiation stakeholders and donors have used creative funding structures, pooled funds or subcontracting strategies to overcome legal and institutional constraints. It is useful to consider the comparative advantage of different funding sources. Finally, the possibility of negotiation stakeholders funding some part of the process by themselves should not be forgotten while designing the funding structure of a process. In order to design tailor-made modalities, negotiation stakeholders and donors need to work together, exchanging openly about requirements and constraints of funding and seeking innovative solutions. After all, the particular funding structure needs to respond to the specificity of the process at hand.

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**Key take-away:** Through transparent communication, negotiation stakeholders and donors need to design and adapt the funding in accordance with the specificities of the negotiation process.

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### 5.6 [Using dedicated administrative capacities](#)

The administration of funds should be assigned to specialized and dedicated staff. This may involve the inclusion of administrative officers in mediation teams, or an arrangement to ensure the professional administration of funds by a separate entity, as in the case of a pooled fund or indirect funding. Such arrangements can reduce the administrative burden on negotiation stakeholders and guarantee the appropriate administrative implementation of funds for donors, thereby strengthening the trust among negotiation stakeholders and donors and ensuring greater transparency, accountability and responsiveness. The specifics of such arrangements may be agreed on between negotiation stakeholders and donors as part of their discussion on the division of roles and responsibilities. Depending on the case, a pooled fund may provide an opportunity to ensure adequate administrative capacities.

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**Key take-away:** Using adequate administrative arrangements, with specialized and dedicated staff, reduces the administrative burden on negotiation stakeholders and builds trust.

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### 5.7 [Setting the right incentives](#)

When establishing funding mechanisms, it is important to consider the incentives they provide. Funding mechanisms should promote the effective realization of peace negotiations, including coordination among negotiation stakeholders and between negotiation stakeholders and donors. Rent seeking and principle-agent problems (as well as many of the sources of allocative inefficiencies in the market) may foster a misalignment of incentives. Such issues are particularly problematic in the absence of well-designed reward and punishment mechanisms. In the absence of these mechanisms, self-interest is likely to undermine efforts to reach a common goal. While it is unlikely that punishment regimes make sense in the context of the circumstances that require peace negotiations, there is a clear role for defining and formalizing reward mechanisms, although careful thought is required. As noted in section 4.1.7, extrinsic rewards might compromise the quality and nature of the negotiation process. Hence, incentives provided by the funding mechanism should align with the purpose of the peace negotiation, reinforcing joint rewards for the negotiating parties. Self-funding can also enhance the feeling of responsibility and the credible engagement of the negotiating parties, helping to avoid some of the negative incentives that can be created by external funding for conflict parties.

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**Key take-away:** Negotiation stakeholders and donors need to be conscious about the potential incentives provided by funding mechanisms, ensuring the avoidance of incentives that work against the efficient and collaborative development of peace negotiations.

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### 5.8 [Developing adequate funding instruments and strategic partnerships](#)

As a more long-term and structural strategy, peace negotiation donors should seek to develop funding instruments and partnerships that are specifically adapted to the nature of peace negotiations. Such mechanisms can be created within foreign ministries, multilateral organizations or NGOs. They might aim at ensuring the availability of fit-for-purpose funding, with the ability to mobilize funds quickly and flexibly in response to the dynamics related to armed conflicts and peace negotiations, thereby reducing the burden of highly project-specific funding arrangements. The administration of such funding instruments requires an in-depth understanding of peace negotiations, including the needs at particular stages of the process, and the specific contexts in which they may take place. Especially for State donors, this requires an awareness that support to peace negotiations does not yield assured and time-bound results.

Strategic partnerships between different support actors for peace negotiations can also enable effective financial assistance, leveraging the particular comparative advantages of different actors in funding particular phases or activities in peace negotiations. As part of these funding

## 6 Conclusions

instruments and partnerships, it is also important to enhance knowledge and learning about efficient and responsible support to peace negotiations. The creation of long-term partnerships between particular donors and organizations might also help to deal with some of the downsides of project-based funding. The development of lasting relationships of trust between specific donors and implementers can, for example, facilitate the provision of core funding and enhance the flexibility of donors with specific conditions, deadlines or reporting requirements.

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**Keytake-away:** Donors of peace negotiations should seek to strengthen specific funding instruments tailored to the needs of peace negotiations, and to enhance strategic partnerships among themselves and with other actors involved in supporting peace negotiations.

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The manner in which peace negotiations are funded is, undoubtedly, important. Indeed, in many situations, peace negotiations would simply not take place at all without external financial support, regardless of how ripe the situation might be. Some conflict parties lack the resources – especially in terms of finances and capabilities – to engage in such a process. Alternatively, they want to ensure the impartiality of the process through external funding. In other situations, resources might run out before a productive negotiation can reach an agreement. However, there is a slightly more fundamental question at the core of this research, which asks about when funding is an enabling factor, improving both the process and outcome of a negotiation, and when it might become an inhibiting factor.

The research team's initial thinking, for example, suggested a direct link running from the negotiation structure to funding. That is, that a negotiation structure was agreed upon by the conflict parties and funding sought. In this case, the lack of funding would, then, inhibit certain aspects of the negotiation process, or the process as a whole. In reality, the negotiation structure is the outcome of complicated negotiation between the negotiation stakeholders as a first step, and between the negotiation stakeholders and the donors as a second step. The second step is necessary to match the desired negotiation structure with the required funding. This research shows that negotiation structures are, at least in parts, the joint outcomes of a repeated series of interactions between all actors involved. In this way, the negotiation structure not only influences the funding needs, but the funding availability also has some impact on the negotiation structure. This suggests that the establishment of good funding structures is fundamental to, and a part of, a peace negotiation process.

When looking at the evolution of the funding market, the research team finds that, overall, funding for peacebuilding generally, and peace negotiations specifically, is only a fraction of funding dedicated to development or peacekeeping, and that there is a major reliance on a small number of big donors. At the same time, while small, the market is growing and is doing so in the context of peace negotiations being a preferred way of ending armed conflicts. Accompanying this is a diversification of funding instruments used to channel the funds to peace negotiations. While a preference for bilateral funding appears to persist, pooled funds are increasingly used.

The research team's in-depth analysis revealed eight key issues through which funding aspects can have enabling or disabling effects on the functioning of peace negotiations. These relate to:

1. Distribution: The (uneven) distribution of funds between various processes, phases or activities
2. Responsiveness and flexibility: The (insufficient) responsiveness of existing funding mechanisms to urgent requests from the field
3. Coordination and competition: The promises and pitfalls of coordination between donors and negotiation stakeholders
4. Donor leverage: The risks and opportunities associated with donor leverage in the processes they finance

5. Constraints: The tension that might arise between the nature of peace negotiations and donors' legal, institutional and administrative constraints
6. Legitimacy: The impact of donor identity on the legitimacy of the peace negotiation
7. Incentives: The (beneficial or perverse) incentives that funding can create
8. Trust: The potential for funding to serve to build trust between conflict parties

From an economic perspective, it can be observed that there is at least some conventional market logic at play in the funding of peace negotiations, but this logic is at play in a highly inefficient and difficult market. Indeed, reassessing these key issues through an economic lens shows that several market failures are present in the funding market for peace negotiations, mapping onto three key concepts: information asymmetries, misaligned incentives and collective action problems. In combination, these findings suggest that the evolution of the funding market has occurred, in part, to deal with some of these failings. At the same time, despite this evolution, the market remains inefficient and several sources of failure are still prevalent. In turn, cognizance of these threats is needed, as is an understanding of how they can be overcome – both in the abstract and specifically – by negotiation processes.

This report finally formulated a set of strategies that can be used by practitioners – including mediators, conflict parties and donors – to minimize negative impact and enhance the positive contribution of funding to well-functioning peace negotiations. The research suggests that pooled funding mechanisms, when jointly established between negotiation stakeholders and donors, may incorporate several of those strategies. The strategies include:

1. Establishing suitable communication and coordination mechanisms
2. Diversifying funding sources
3. Ensuring a clear division of roles
4. Planning ahead
5. Designing tailor-made funding modalities and instruments
6. Using dedicated administrative capacities
7. Setting the incentives right
8. Establishing adequate funding instruments and strategic partnerships

At first sight, the financing of peace negotiations appears like a technical issue calling for technical solutions. However, the current report suggests that the funding of peace negotiations is also fundamentally political in both its constitution and its outcomes. In this context, it is surprising that so little work has sought to learn about the funding of peace negotiations, or the funding of peace processes more generally. Our research addresses this knowledge gap directly, but also opens various avenues for future research on the topic. These might include comparative research on the effect of the different financing mechanisms (such as pooled funds) on the dynamics of peace negotiations, policy-oriented research on the role of the mediator as a fundraiser, and – as this study focuses on the negotiation phase – an in-depth exploration of the financial aspects of the implementation of peace agreements.



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## 8 About swisspeace and ISDC

swisspeace is a practice-oriented peace research institute. It analyses the causes of violent conflicts and develops strategies for their peaceful transformation. swisspeace aims to contribute to the improvement of conflict prevention and conflict transformation by producing innovative research, shaping discourses on international peace policy, developing and applying new peace-building tools and methodologies, supporting and advising other peace actors, as well as by providing and facilitating spaces for analysis, discussion, critical reflection and learning. swisspeace is an associated institute of the University of Basel and member of the Swiss Academy of Humanities and Social Sciences. Its most important partners and clients are the Swiss Federal Department of Foreign Affairs, the State Secretariat for Education, Research and Innovation, international organizations, think tanks and NGOs.

ISDC – International Security and Development Center is a non-profit academic institute based in Berlin, Germany. ISDC conducts research to improve lives and livelihoods shaped by violent conflict, fragility and humanitarian emergencies. It was founded in 2014 to bridge the themes of peace and development and their respective communities in academia, policy and practice, which often discuss and act in isolation from each other. The core research team at ISDC is defined by the rigorous analytical skills and microeconomic thinking honed in their education and apply this knowledge to questions connecting peace and security and development. ISDC is based in Berlin, where two world wars were initiated. The team lives and works in a city which reminds them on a daily basis of the horrors of political violence and the dangers of weak political institutions. They are privileged to experience freedom, peace and prosperity today. The team hence conducts its research to improve people's lives and living conditions in less developed and less secure contexts, so that one day every one anywhere in the world can live as securely and comfortably as they do today.

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