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Designing Effective Financing for Peacebuilding:

Financing Mechanisms to Support Local Peacebuilders

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Introduction

Local peacebuilders and their networks are widely recognised as critical agents in meaningfully building and sustaining peace. Local organisations are on the front lines of society and, as first responders to rising tensions, they have critical expertise and knowledge regarding what is driving conflict and what is required to (re)build peace in a manner that is legitimate and therefore sustainable, particularly at the local level. They also have the relationships needed to facilitate action.

Yet, there is a dire gap in resourcing local peacebuilding work: not only in terms of the amount of funding ultimately reaching local organisations¹, but also – and perhaps more importantly – in terms of *which local organisations* can access that funding and *what type of peacebuilding work* is supported.

The primary audience for this paper is bilateral funders and those who are in key positions to catalyse change in the funding system. The international donor community (ie bilateral donor governments as well as multilateral funding facilities) continues to struggle to find ways to directly support local peacebuilding actors, allowing them to drive priorities when it comes to programming and implementation. Too often, local organisations are relegated to working as sub-contractors implementing policy and programmatic goals of someone else in the aid ecosystem. This prevents them from implementing their own solutions to the problems that they themselves are best positioned to understand and solve.

This working paper aims to advance efforts to provide concrete suggestions to donor governments and fund managers on how to more effectively resource locally-led peacebuilding, drawing on lessons learned and insights gained from other sectors. The paper takes note of the challenges faced by the international donor community to directly support local peacebuilders and acknowledges that there are real limitations to what is possible in terms of adjusting the current funding model. However, this does not mean that it is altogether impossible to address limitations and to increase the efficacy of peacebuilding programming.

First, the paper outlines *a set of principles* derived from the dialogue on peacebuilding financing that has taken place over several years that should serve to guide funding decisions. Then, several *concrete points of intervention* to begin shifting the funding system are identified, along with tools and models that could be adapted to peacebuilders. We envision these principles and points of intervention as a starting point, for additional thinking and work on the ideas and issues raised within the paper, and for further conversations with donors and fund managers to jointly identify the most viable *pathways to take the process of shifting the funding system going forward*.

The paper reflects a collaborative process between the project partners, including: desk research and the experiences of the lead author and organisers; a series of conversations with bilateral fund managers; a focus group with a senior panel of expert advisors; and interviews with the directors of a number of what we have considered to be more flexible and innovative funding mechanisms.²

It is worth noting that our conversations with donors, local peacebuilders and mechanism managers were met with enthusiasm, affirming that the ambition to change the system – so it is more effective at funding grassroots peacebuilders – exists. Equally, recognising that we each face challenges wherever we ‘sit’ in the system, the goal of this project has been to listen, suggest creative alternatives and together, work towards solutions that acknowledge the funding realities from donor and local perspectives.

Setting the Scene

The importance of local ownership over peacebuilding processes is widely acknowledged in the international policy discourse. In the wake of the COVID-19 pandemic for instance, the international donor community has embraced the notion of ‘local resilience’ as one of the central elements of the agenda to build back better, acknowledging that to create more inclusive and resilient societies, post-pandemic recovery should be designed and led by local actors. This aligns with a broader societal movement that calls for a decolonisation of aid,³ creating new impetus to critically reassess the international aid system and to address the power imbalances inherent in the current donor system.

Global policy that guides the field of peacebuilding has followed suit in this regard⁴, with key policy documents underlining that sustainable peace requires meaningful engagement of local stakeholders.⁵ However, the question of *how to localise funding to achieve meaningful engagement of local peacebuilders remains largely unanswered*.

The current aid system is set up in a way that sees billions of dollars awarded every year to global intermediary organisations and entities (like INGOs and global or in-country pooled funds) with robust due diligence capacities; yet, these groups are often less equipped to design and implement effective solutions to local problems. Such a system is inefficient and ultimately undermines sustainable impact of donor resources.

Ongoing debates on how to improve peacebuilding financing focus predominantly on how to increase volumes and predictability of funding⁶, and less so on considering how to improve the quality of funding – and as part of that consideration who receives that funding.

Efforts so far to operationalise donor ambitions to strengthen the engagement of local stakeholders in peacebuilding processes have been mostly limited to encouraging intermediary entities to enhance their partnerships with local organisations. The UN Peacebuilding Fund (PBF), for example, in response to donor requests has committed in its latest 2020–2024 Strategy to expand partnerships with civil society organisations and explore new avenues to make funding available for community-based organisations, recognising that civil society organisations can implement programmes in areas where UN access and presence is more limited.⁷ While this will be a step forward in creating more funding opportunities for local peacebuilders, it is important to recognise that the PBF in essence is not structured or staffed to provide resources directly to local organisations – and that subsequently the threshold for eligibility for PBF funding in most cases can only be met by (local offices of) international non-government organisations (INGO). Similarly, donors increasingly design their tender procedures for supporting in-country peacebuilding efforts in such a way that it requires eligible contractors to build coalitions with local organisations. However, evaluations point out that the resulting programming does not give agency to local peacebuilders, and that it is still the INGOs that enter into programming negotiations with donors.⁸

Well-known Challenges to Funding Locally-led Peacebuilding

Meaningful engagement of local peacebuilders in internationally supported peacebuilding efforts is severely hampered by the fact that funding is, in most cases, not directly accessible to local organisations. There are several factors that create barriers for donors to fund local peacebuilders directly:

1. Fiduciary Rules – Bilateral donors need to adhere to fiduciary rules and regulations that come with the fact that they are spending taxpayers’ money, and that they are accountable to their respective parliaments for how that money is spent. In this regard, there is an expectation that money is spent in accordance with policy objectives and oversight practices, and in such a way that results (as defined by donors) are achieved. Acknowledging that peacebuilding is a complex process in rapidly changing environments which often means there is no guarantee that money spent will lead to the intended results, donors opt to channel their funding through ‘trusted’ entities that are expected to have the capacity to adhere to due diligence requirements, and to be capable of applying results frameworks that are recognisable and usable for donors.

2. Risk Management – Donors face an inherent risk aversion that is present in most parliaments and institutions – with fiduciary risks (eg corruption or misuse of funds) and the risk of reputational damage (eg money being used to support terrorist groups) being the most prominent. This is balanced against the realisation that supporting peacebuilding is an inherently political – and as such risky – endeavour. Again, this leads donors to opt for channeling their funding through trusted entities that have the ability to absorb the fallout of potential negative developments and failures, allowing donors to “stay out of harm’s way.” Added to this, despite evidence pointing in the opposite direction⁹, there is a very persistent assumption that the risk of misuse of funds is much higher when money is channeled through local organisations.

3. Capacity – There are also practical reasons why donors are not channeling their funding directly to local peacebuilders, and those relate to capacity. On the one hand, there is the narrative that local organisations lack capacity to absorb larger amounts of money; many argue this refrain must shift from definitions of ‘capacity’ – as well as impact and trustworthiness – through an international versus local lens.¹⁰ The work of many local organisations also may require smaller amounts of funding as compared to multi-million-dollar awards standard to many governments. This reality means that donors would need to manage a multitude of smaller contracts when working with local organisations, for which they lack the capacity on their end. This may be deemed inefficient due to multiple transaction costs (though channeling funding through intermediary organisations, including for-profit contractors, also incurs significant overhead costs). In many cases, local organisations face challenges in adhering to the fiduciary and reporting requirements set by donors (if they even meet the threshold of these requirements). Critical questions are being asked about the need for local organisations to even invest in building this capacity, taking into account that it would draw resources away from what they are best at doing: building local peace.

4. Political nature of peacebuilding – Most donors understand their engagements in peacebuilding processes in foreign contexts as inherently political and as serving a political agenda. For many donors, scrutiny of these engagements – and the results they are expected to show – are linked to political agendas as defined by their parliaments. Thus, their capacity to support peacebuilding that is “locally-led” will always be mitigated by principles of national ownership and the expectations of

constituencies in the donor country. The task, therefore, is to find a way of negotiating local priorities with the realities of political expectations to which donors are beholden.

5. Demonstrating impact – Peacebuilding can encompass a broad range of activities – from economic empowerment to reconciliation – which speak to a process of social transformation that doesn't lend itself neatly to the indicators and outcomes that the international system has come to value. Often, the same expectations of the results frameworks common to development activities in education or health care are transferred to peacebuilding; yet, these frameworks are not well-suited to capturing processes that underpin a peaceful and pluralistic society – for example, 'consensus building' or 'increased empathy and inter-cultural understanding'. More work needs to be done to translate these processes into indicators and outcomes and understand how to collect related data and analyse results, including allocating reasonable budgets to these activities.

While these are all frequently cited and longstanding challenges of the international aid system, there is more room to maneuver than generally assumed. Through this paper, we aim to provide concrete suggestions for the donor community and fund managers to start overcoming these obstacles and try new approaches, in order to begin shifting the aid system, to allow for more effectively resourced locally-led peacebuilding.

Principles

The international donor community should prioritise modalities that enable local peacebuilders to set their own agenda; better generate, implement, and scale their own solutions; and processes and sustain their work outside of the cycle of external grants. The principles elaborated below are derived from dialogue that has been ongoing for the past several years – they reflect a general consensus on the tenets of financing local peacebuilding actors.¹¹

Specific principles of financing local peacebuilding include:

- > Utilise the **most flexible funding instruments** available to support local peacebuilders, preferably providing unearmarked and not project-focused funding.
- > Invest in mechanisms that **generate sustainability** for local organisations, so they can break the cycle of dependence on external grant funding.
- > Prioritise **participatory funding approaches** that cross thematic silos and are intersectional. For example,

participatory grantmaking approaches that involve local organisations and donors allow local actors to make decisions about how to allocate resources while also addressing the latter's political realities.

- > Fund **people**, not projects. Focus on a mix of urgent needs, entrepreneurial and innovative ideas and those that build long term infrastructure for the movement and ecosystem of peacebuilding organisations.
- > When funding through INGOs or intermediaries, **create standards for authentic partnership** with local organisations based on their needs, and develop accountability processes to uphold those standards.
- > Conceptualise **resources beyond money**. Support networks and work which strengthens horizontal and vertical relationships, as well as trust between and among activists, funders and experts (local and international) that enable the reciprocal sharing of information and non-financial resources.
- > Support **community-led determination** of impact and less administrative burden through **flexible, qualitative or verbal monitoring and evaluation**, and regular reflection on and assessment of learning and progress.
- > Consider **realistic and transparent approaches to risk**. Various risks involved in supporting a peacebuilding process should be discussed, and underlying assumptions should be dispelled upfront – resulting in a joint and realistic risk assessment and mitigation strategy co-created by donors and funding recipients.

It is important to note that despite these principles being widely accepted and reiterated, they have yet to be put into practice systematically. There is a need to keep advocating for these concepts so they move from rhetoric to *being consistently adopted by the international donor community*. At the same time, we also need *operational entry points to change a complex system*. We take these principles as a starting point, with the goal of using them to move beyond the discussion of concepts to considering how we might create or adapt funding mechanisms to fund local peacebuilders in practice.

Many avenues to shift the system have previously been explored in the humanitarian sector through the concept of 'good humanitarian donorship' and the Grand Bargain that was launched during the World Humanitarian Summit in 2016. While there was significant energy and political momentum for these initiatives initially, the Grand Bargain has failed to deliver results for local organisations, and the good humanitarian donorship approach has not evolved significantly after its initial conception. Nevertheless, the lessons learned from such efforts as applied to peacebuilding are important and included in this paper.

Levers of Intervention to Shift Power in the Funding Ecosystem

Investing in creative and new approaches to more effectively fund locally-led peacebuilding efforts is essential. Simultaneously, there are aspects of the current funding system that are unlikely to change. Some of the obstacles to shifting the donor aid system mentioned previously exist because of practicalities, necessities or limitations on the part of both of donors and local actors. Within this current system, however, there is still the possibility of redesigning and reimagining certain roles, approaches and tools. Our goal then is to suggest points of entry – levers of change – that acknowledge the necessities of the current structures but begin to create change in practices where possible. We highlight areas that could have a catalytic effect in shifting resources – and agency – to local actors, with the goal of focusing donors’ efforts and lessening the disconnect between organisations that are well-positioned to attract donor funding and those that are impactful in a particular context.

We present three entry points, acknowledging that in practice they are not discrete but rather interconnected:

- 1. Role/Actors (‘who’) –** Re-imagining the role of the ‘intermediary’
- 2. Tools/Mechanisms (‘how’) –** Re-imagining how funds are distributed and deployed
- 3. Interventions/Programming (‘what’) –** Re-imagining what funds support

Who: Re-imagining the role of the ‘intermediary’

The current funding ecosystem has developed in such a way that one of the essential functions of intermediaries (or re-grantors – funders that distribute foreign aid usually in small(er) grants) is to absorb risks and to respond to the administrative requirements of donors, including assuming the burden of raising financing for local partners and performing due diligence. This model can free local organisations to focus more specifically on their programmatic work; however, this structure in most cases perpetuates a top-down approach to identifying priorities, continuing the practice of implementing what donors think is important rather than engaging with local actors to focus on what they think is important.¹²

Conversations with bilateral fund managers reinforce that the intermediary model is a useful one due to the reality that on the donor side there is limited capacity to disburse and manage funding in the amounts that small local organisations can absorb. Further, many fund

managers are required to obligate significant amounts of funding, and these systems are not incentivised or adequately staffed to allow funders to undertake the additional administrative work required to find and manage smaller awards to lesser-known organisations.

There are active conversations in the donor and INGO community that examine the future of INGOs¹³ and acknowledge the inefficiencies and challenges with this model. When funding passes through multiple layers of organisations, the power over resources and programmatic decisions almost always lies with those who have the most access to the donors and who may be less equipped to design effective solutions to local problems.

One way to address some of the challenges inherent in the intermediary model is to articulate who within the aid chain is best positioned to undertake which task in a responsible way, guided by standards that intermediary funders and INGOs should exhibit to best support locally-led peacebuilding.

Key roles that INGOs can play, include but are not limited to:

- Advocating to their donor governments and serving as a translator and communicator of the powerful work of local organisations to their own domestic constituencies and audience. For example, a South Sudanese local peacebuilding organisation may not necessarily understand domestic political debate in countries such as Sweden, the United States or the Netherlands – and it is arguably also not their job to understand these discussions;
- Designing and managing participatory resource allocation processes with local organisations that flip the current roles so that, for example, donors sign contracts with local organisations who implement programming and INGOs are mainly responsible for administrative oversight;
- Working with local organisations to conduct capacity building assessments based on the local organisations’ perceptions of their needs, not the criteria of the international donor, and then helping the organisations meet those needs;
- Exchanging knowledge; facilitating access to expertise and ideas; and building networks across countries, regions and internationally to which local organisations may have limited access; and,
- Thinking creatively about how to sustainably resource local peacebuilders’ work, another area in which global partners have access to creative solutions that cross contexts and sectors. A capacity building exercise could also include sustainability plans for local NGOs beyond the grant or proposed project.

In order to implement any of these activities, we must first start with generating locally-led criteria for what counts as local organisation (e.g., based in the country in which they operate; majority of leadership positions filled by nationals from the country of operation; etc). The fact that there is currently no commonly understood definition across donors of what ‘local’ means is a significant obstacle to ensuring that ‘local’ organisations are adequately resourced. This could be the subject of a follow-up paper, drawing on the significant body of research that addresses locally-led peacebuilding and consultations with local peacebuilders themselves.¹⁴ Second, guidelines for intermediaries could then operationalise the values of authentic partnership, for example, requiring an exploration of how the INGO works with or plans to work with the local organisation over time outside the boundaries of one programme or project, in this way deterring the practice of INGO’s ‘courting’ local organisations for the sake of one tender process and prioritising building trusted partnerships. Finally, donors could also try new models such as creating a strategy to build oversight and due diligence capacity ‘hubs’ within national contexts relying on national expertise. These hubs could support local organisations, rather than the default of relying on INGOs or external auditors.¹⁵

An important related question speaks to how donors are held accountable to operationalising the values of authentic partnerships beyond ‘check-the-box’ application exercises or ‘assessments’ that don’t relate to the real work of local peacebuilding organisations. Within the humanitarian sector, while putting what people whose lives are affected by crises say they need at the center of humanitarian efforts is a core tenet, it is increasingly acknowledged that the system is not held accountable for the degree to which it does this effectively.¹⁶ To remedy this, UN Under-Secretary General for Humanitarian Affairs Mark Lowcock recently suggested piloting an Independent Commission for Voices in Crisis. While an independent commission is not the right oversight structure for every process, this idea of accountability for funding commitments and impact in local communities needs to be developed and implemented for donors in general, and equally with regard to commitments to localisation.

How: Re-imagining how funds are distributed and deployed

The funding landscape has changed in the last two decades and the range of ‘providers’ of capital varies significantly beyond bilateral and multilateral grants (e.g., impact investors, corporations interested in environmental, social and governance outcomes, high net-worth individuals, family philanthropic offices,

etc.). There is increasing attention being drawn to regional philanthropy¹⁷ and foundations; regional financing processes such as impact investing; and the role of the national private sector in funding social change. As suggested in a recent publication by the Dag Hammarskjöld Foundation, private sector funders could be more systematically engaged in funding peacebuilding in a principled way.¹⁸

These trends represent important opportunities to leverage new resources and to attract potential funders who have more flexibility and a higher risk tolerance to support the new approaches identified below, as well as understand the context and have a stake in the wellbeing of their own societies. Further, by engaging regional and national actors in funding social issues in their own countries, important opportunities for dialogue and evolution of social norms can be created.

The international donor community can intentionally invest in mechanisms and processes that get funding to the local level in participatory and sustainable ways, ensuring that these resources reach local peacebuilders, that decisions on resource allocation are made more democratically and inclusively than traditional donor processes allow and that local peacebuilders can sustain their work outside of the ‘usual’ subset of traditional peacebuilding funders.¹⁹

Some of the innovative ways in which the international donor community has set up mechanisms that promote agency are highlighted below, as well as models – such as community philanthropy – for generating resources. There needs to be more research, development and piloting with regard to how these different approaches might work to support local peacebuilders, and particularly in conflict-affected countries. In some cases, there are legal barriers to the way in which Official Development Assistance (ODA) is structured that prevent foreign aid from being deployed in more flexible or income-generating ways, for example, to help local organisations buy property so they can stop paying and potentially charge rent instead. Indeed, many of the challenges noted in this paper relate to the need to advocate to parliaments regarding the re-structuring of foreign assistance funds to make them more effective. Ultimately, advocacy – and perhaps joint strategies on the part of fund managers who all face similar lines of questioning from their governments – is needed to address issues such as: risk appetite; the timing of budget cycles; the release of funding and the related constraints on periods of program implementation; and the expectations of “impact” and the “return on investment” in supporting peacebuilding and local actors. This is another potential role for the international community.

Examples of mechanisms that promote local agency:

Cash Transfers

Cash transfers, an increasingly widespread tool often used to assist refugees and to address humanitarian crises, are considered to provide more flexibility to both donor and recipient; be less burdensome; and provide more dignity to and support the agency of those on the receiving end of aid. This mechanism for distributing funding has been shown to have a positive impact on recipients' ability to meet basic needs and improve their quality of life. In fact, the humanitarian assistance field has now determined that cash transfers²⁰ are among the most effective means of addressing the consequences of forced displacement. The principles and assumptions behind cash transfers – that beneficiaries make the best decisions about the use of resources, regardless of the issue – have been expanded upon through other work, for example, Give Directly. Give Directly has given individuals cash in the wake of the COVID-19 pandemic to support urgent needs, as well as their regular programming which is predicated on movement towards a Universal Basic Income that may lift individuals out of poverty. Direct cash transfers can also take the form of scholarships, honoraria, emergency assistance funding, and community-guided seed funding or prize funding awarded through a competition.

Utilising cash more systematically as a modality to fund local peacebuilders would need to be explored further. This mechanism has been primarily utilised to support individual or household-level programming through support for basic needs or livelihoods. The corollary with peacebuilding would need to be thought through but could include scholarships or small grants to entrepreneurs – essentially, any type of unrestricted funding to an individual or organisation is a form of cash transfer. Further, the above principles also frame approaches such as trust-based and participatory philanthropy, shifting flexible resources into the hands of local actors who make decisions about how best to spend them. Indeed, in the wake of the coronavirus pandemic, more than 700 US-based foundations signed a pledge²¹ to adopt changes that make grants unrestricted and as flexible as possible. How this can be replicated with bilateral and multilateral funders and over the long-term – not just in the midst of a global crisis – is an important question.

Community Philanthropy

Community-led philanthropy and community-based lending are predicated on communities defining their own priorities and working to generate their own assets in order to address local priorities. This speaks to principles of giving local organisations agency through flexible and sustainable resources. Community-led savings and loan schemes, pioneered by Grameen Bank more than two decades ago, provided evidence that investors can fund a social cause (poverty alleviation) and get their money back. There is now a significant body of evidence²² from a range of sectors demonstrating that community-led financing works in alleviating poverty and achieving social change goals.²³

There is potential to build on these efforts through models pioneered by, among others, Foundations for Peace, the Global Fund for Community Foundations, and Spark Microgrants, which focus on how external actors can empower local communities to determine priorities and spend resources. These efforts are gaining momentum with donors; for example, the Dutch Ministry of Foreign Affairs recently awarded a 24 million EUR grant to a consortium of organisations to support community philanthropy and human rights across seven countries, particularly aimed at freedom of expression and understanding communities contributing to their own social challenges as a form of increased democratic participation. The Inter-American Foundation, a US Government entity, is also currently supporting a program to develop networks of community philanthropy and has funded other innovative approaches²⁴ to financing local organisations in the region. There is a history of establishing and supporting community foundations around the world with the largest concentration being primarily US-focused (more than 750 to-date²⁵), however this approach has not fully emerged as a mainstream funding vehicle yet.

Methodologies and approaches of community philanthropy could be explored with an eye to replicating them. A research-led program could provide evidence that cash transfers for peace – that is, community-led and participatory financing – have a measurable impact on violence prevention and

peacebuilding. Another approach could be to seed community foundations; support giving circles; or the organic growth of community philanthropy in locations where such an approach either does not yet exist or is functioning in a more informal manner.

Outcome-based and Innovative Financing Approaches

Innovative finance involves adapting new tools (such as outcome-based financing like social impact bonds and outcome funds) and emerging technologies (such as blockchain) to conflict-affected countries. While innovative finance does not have a precise definition, it does have several key signatures: adapting existing financing tools to make them more effective; addressing a gap in funding, particularly through leveraging more flexible funding (not project-specific resources); integrating new tools into existing funding approaches; providing efficient funding at the national level and thereby enabling countries to establish their own priorities; and financing innovation.²⁶ These hold the possibility of radically disrupting traditional funding models.

Innovative tools that have been developed in other sectors that could be applied to peacebuilding include social/development impact bonds, community bonds or outcome funds. A bond is a public-private partnership that allows private (impact) investors to provide upfront capital for public projects that deliver social and environmental outcomes. If the project succeeds, the investors are repaid by the Government (Social Impact Bonds) or an aid agency or other philanthropic funder (Development Impact Bonds) with capital plus interest. If the project fails, the interest and part of the capital is lost.

Launched in Scotland in 2018, community bonds are an instrument designed to attract small-scale, grassroots investors to a 'loan fund' that will provide affordable, micro, unsecured loans to social enterprises. Outcomes funds are an innovative financing vehicle that is structured upon a framework in which payment(s) are only made to a grantee if and/or when pre-agreed societal outcomes are achieved. This tool may be better suited to complex social change processes where one intervention can lead to a number of outcomes.

Social impact bonds and outcomes funds are typically leveraged to fund large-scale development or humanitarian projects and have not been structured or adapted to fund locally-led efforts;

however, theoretically, any type of activity that can be measured through outcomes could be funded this way. One challenge with impact bonds is they require a closely verifiable causal relationship between intervention and specific outcome, and thus may not be suited for processes that involve complex constellations of variables where it is harder to discern whether said intervention directly led to the proposed impacts. That being said, the first social impact bond to fund girls' education managed by the NGO Education Girls²⁷ surpassed both its target outcomes related to learning and enrollment of girls in school, demonstrating that it is possible to use this tool for social change processes such as educating girls.

Pooled Funds/Multi-Partner Trust Funds

Pooled funds allow an individual or institution to access opportunities of a scale often only available to larger investors, with the goal of delivering timely, coordinated and principled assistance. Within the UN system, pooled funds are considered by the Multi-Partner Trust Fund Office (MPTF office) to be a relatively new modality for funding joint action with supposed greater flexibility.²⁸ Examples include the PBF, the Sustainable Development Goal (SDG) Fund and a various country-specific funds usually managed at the national level (eg MPTF for Somalia and MPTF for Colombia).

A number of interesting and innovative examples of pooled funds exist to support local priority-setting and flexible grantmaking. For example, the European Endowment for Democracy (EED) is a multi-partner trust fund established by the European Union (EU) and EU Member states in 2013 and supported by 15 government donors in 2020. The mission of the EED is to provide flexible, 'demand driven' support to a range of democracy efforts and activists. The Fund's model is expressly to support activities – short term such as a campaign or long term such as media training program – that are deemed essential in that context through a rolling application process that doesn't dictate technical categories or priority areas. The EED is also able to provide cash, fund unregistered organisations and take action that may be expressly considered 'risky' by other funders.

Another example of an innovative pooled fund that addresses a specific issue area is the Freedom Fund, a pooled fund established by a group of five private philanthropic donors that works to end modern slavery. The Fund invests in local organisations with a focus on seven geographic 'hotspots' in four

countries known to have high incidences of modern slavery. This model is not focused on geographic scale but rather where additional resources can have exponential impact. Some innovative aspects of the Fund include that programming in each hotspot is unique and tailored to the particular context. However, the approach is consistently informed by six principles: concentrating limited resources in these hotspots; supporting sustainability through a focus on local NGOs; providing capacity-building to these NGOs through dedicated funding; clustering and building networks among geographically proximate NGOs with a particular focus on advocacy coalitions to influence underlying systems of power; investing in data and research; and deliberately connecting partners to the global anti-slavery movement, supporting them to have a voice in convenings and international fora. The Freedom Fund has invested in over 100 local organisations and has piloted a range of different interventions, from programming focused on education and prevention to providing services to survivors, creating systems change by advocating for policy reform and engaging with business to improve labor practices. Despite the small number of programming locations, the Fund's approach to impact is through working at multiple levels

with a range of partners, including communities, governments and businesses. Scale is achieved through rigorous evaluation; robust participation in global dialogue with practitioners and funders to ensure the lessons are used to replicate successful models; and working to influence international legislation and business supply chain practices.

There are ways – as demonstrated above – in which this funding mechanism could be designed according to the principles involved in financing local peacebuilding, including participatory and flexible processes. However, the degree to which they include participatory processes that shift power to local communities has traditionally been limited. While pooled funds have certain advantages including more capacity to reach local organisations and promoting programming across different sectors, they are generally focused on benefits to donors such as pooling risk and reducing administrative burdens. These funds typically replicate the same resource delivery processes and modalities that keep priorities, power and decision-making in the hands of far-off donors and require that local actors are constantly raising additional funding. Avenues for addressing these challenges need to be explored further.

What: Re-imagining what funds support

The types of interventions and programming funded by donors and funding mechanisms determine to a large extent the impact of peacebuilding support. While deciding which interventions and programming are most relevant is of course highly context-specific, we do see room to explore a number of overarching approaches to start shifting towards programming that is better aligned to local peacebuilding priorities. Most importantly, the international donor community must shift from a narrow 'project implementation and accountability for results' approach to one that embraces adaptive learning.²⁹ Such an approach focuses on learning and responding in real time to sociopolitical realities, continually assessing and understanding impact and success and adjusting program implementation accordingly. This requires flexible resources utilisation and is centered around locally-led knowledge generation, on the basis of which donors can engage in strategic conversations with their partners in an effort to align local needs and priorities with the political expectations and realities of the donor country.

As noted earlier, there must be more investment in a shared definition of what constitutes 'impact' in peacebuilding in order to advocate to parliaments for support to local peacebuilders. Critically, this must include how communities understand impact and success, rather than applying metrics that become blueprints generated at the international level.³⁰ More work needs to be done to translate peacebuilding processes into viable results indicators and outcomes. This requires an investment in strengthening skills and capacity to collect related data and analyse results, acknowledging that collecting peacebuilding results requires a different approach than collecting 'standard' development results. Donors and fund managers should allocate reasonable budgets to these activities, which could also be tackled at the level of strategic planning for any particular funding portfolio. As the types of transformational changes that constitute peacebuilding results are often difficult to see in the short-term, this planning could also include longitudinal and "ripple-effect" evaluations which involve returning – even years later in some cases – to understand the long-term impact of donor funding.

Conclusions

In order for donors to make funding commitments in accordance with the principles outlined in this paper, it is necessary to have both a *policy mandate* and an *operational framework* that enable predictable multi-year funding with the goal of supporting transformative peacebuilding – specifically, a risk-tolerant approach that positions local communities at the heart of decision-making.

Each of the above entry points could begin to shift the donor system towards funding local peacebuilding more effectively – through re-shaping critical roles in the existing system; utilising non-traditional approaches to distribute resources; and applying innovative, flexible and adaptive approaches to programming which place local priorities and learning at their core. It is possible to address these issues through existing or new funding mechanisms, and both are important. Some existing mechanisms, however, are more adaptable to the needs of local actors than others.

None of the approaches above are a quick fix. More work needs to be done to explore which types of existing funding mechanisms – for example, country-specific funds – may be suitable for adaptation, and what the limits of these existing tools are in terms of supporting local actors directly. Change within existing systems that are risk-averse is time-consuming. It can also take months of research and development to structure a new mechanism such as a social impact bond, including bringing in non-traditional funders and building a common lexicon and set of expectations. Thus, the process of exploring the adaptability of existing mechanisms must be undertaken in parallel to seeding innovative new approaches if this issue is to be addressed in a timely manner. This will happen over years of testing, learning and adaptation.

The examples here speak to the possibility for innovation, and the fact that the seeds of that change exist.

This paper aims to present a set of working ideas and examples – many of which are already supported by the bilateral donor community beyond the peacebuilding sector and could be adapted – with the goal of illuminating pathways focused on what can be done to better support local peacebuilders, versus perennially focusing on the obstacles. Future lines of effort could include:

- Developing a pilot mechanism that would articulate operationally how to test some of the tools or approaches suggested here with local peacebuilders;
- Looking specifically at how existing funds – including UN Multi-Partner Trust Funds at the country level – could be adapted to reflect the agreed-upon principles and processes that support local actors;
- While acknowledging that not all INGOs operate in the same way, create a set of principles based on best practices to which intermediaries should adhere and establish how to hold them as well as donors accountable to those principles;
- While acknowledging that not all 'local' organisations are the same, better defining what 'local' means in a funding context;
- Better defining 'peacebuilding impact', and in turn translating peacebuilding processes into viable results indicators and outcomes; and
- Creating an advocacy platform that addresses the concerns of parliaments – many of which are common across governments and ultimately shape how, when and with what expectations and constraints funding is disbursed.

Endnotes

- ¹ The COVID-19 pandemic has underlined this fact once more. In Syria for example, despite being responsible for three-quarters of programme implementation, local NGOs secured less than 1% of total direct and less than 10% of total indirect COVID-19 related funding. Indeed, according to Development Initiatives, direct funding to local and national groups declined, from 3.5 percent in 2016 to 2.1 percent in 2020. See Jon Blum, 2020, Localization in the COVID-19 Era, www.interaction.org/blog/localization-in-the-covid-19-era/; Christian Els, Kholoud Mansour El Nils Carstensen, 2016, Funding to national and local humanitarian actors in Syria: Between sub-contracting and partnerships, www.local2global.info/wp-content/uploads/L2GP_funding_Syria_May_2016.pdf; Development Initiatives, 2020, Progress Report, <https://devinit.org/what-we-do/?nav=header>.
- ² The funding mechanisms identified for this exercise exist largely outside of the peacebuilding space and were considered based on their experiences in more effectively, sustainably and inclusively getting resources to local actors.
- ³ See PeaceDirect, Alliance for Peacebuilding, WCAPS, Adeso, 2021, Time to Decolonise Aid at: www.peacedirect.org/wp-content/uploads/2021/05/PD-Decolonising-Aid-Report-2.pdf
- ⁴ Id.
- ⁵ See for instance the 2020 dual UN Resolutions on Peacebuilding and Sustaining Peace (A/RES/75/201-S/RES/2558) that recognise local peacebuilders as critical partners in peacebuilding; and the 2020 UN Secretary-General's Report on Peacebuilding and Sustaining Peace (A/74/976-S/2020/773) which states that peace is more sustainable when peacebuilding efforts are locally owned, led and implemented (Box 4, p. 13).
- ⁶ See for instance the letter of the Group of Independent Imminent Persons that provided input for the 2020 UN Peacebuilding Architecture Review, 23 June 2020, www.un.org/peacebuilding/sites/www.un.org/peacebuilding/files/documents/pga_letter-pbc-10_july.pdf, and the subsequent debates on 'good peacebuilding donorship'.
- ⁷ See the Peacebuilding Fund's 2020-2024 Strategy at: www.un.org/peacebuilding/content/peacebuilding-fund-strategy-2020-24.
- ⁸ See for instance this 2019 evaluation of Dutch peacebuilding tender procedures: www.un.org/peacebuilding/content/peacebuilding-fund-strategy-2020-24
- ⁹ While we are not aware of empirical research that compares corruption at different levels of the aid system, it is well documented that the issue of aid 'leakage' is pervasive in general; for example, see recent reports on corruption in Congo. See Phillip Kleinfeld El Paisley Dodds, 2020, Leaked review exposes scale of aid corruption and abuse in Congo, www.thenewhumanitarian.org/investigation/2020/06/12/Congo-aid-corruption-abuse-DFID-DRC-UN-NGOs. Conversations with a number of funders or funding intermediaries for this project indicated that the level of fraud amongst local non-governmental organisation (NGO) grantees was limited to nominal. For example, one interviewee estimated that 10% of funded projects over a 5-year period had problems in this regard; another noted that out of 250 grants to community-based organisations (CBOs) over a 10-year period, only one had resulted in fraudulent activity.
- ¹⁰ For more information, see The New Humanitarian, 2021, EU Commissioner's Views on Localisation Create a Stir, www.thenewhumanitarian.org/opinion/2021/3/18/Readers-react-EU-commissioners-views-on-localisation-create-a-stir?utm_source=The+New+Humanitarian&utm_campaign=aa8abbd3fe-EMAIL_CAMPAIGN_2020_12_11_Weekly_COPY_01&utm_medium=email&utm_term=0_d842d98289-aa8abbd3fe-75633154
- ¹¹ These principles are drawn from Peace and Security Funders Group, Funding Local Peacebuilding: Guiding Principles and Strategies for Funders, 2020 (at: <https://static1.squarespace.com/static/521b8763e4b03dae28cd3e72/t/5e602648838a9a2168d3cf43/1588602452826/Guiding+Principles+for+Funding+Locally+Led+PB.pdf>) and Radical Flexibility Fund, 10 Radical Actions: Funding Local Social Change, 2021 (at: <https://radicalflexibility.org/10-radical-actions>).
- ¹² For a recent discussion on the challenges with this architecture within USAID, see: <https://foreignpolicy.com/2021/05/18/usaid-biden-power-contracts-money-procurement/>
- ¹³ See for example 'The RINGO Project: Re-imagining the INGO and the Role of Global Civil Society', <https://rightscolab.org/ringo/>.
- ¹⁴ For example, Séverine Autesserre, Susanna Campbell, Pamina Firchow, Roger MacGinty and Oliver Richmond have written extensively about the critique of liberal, international approaches and the 'local' in peacebuilding.
- ¹⁵ Local talent could be utilised to build these hubs in accordance with globally accepted industry standards, for example, the International Financial Reporting Standards. (at: www.ifrs.org/issued-standards/list-of-standards/).
- ¹⁶ Mark Lowcock recently suggested that the problem with the humanitarian system is that '...agencies do not pay enough attention to what people caught up in crises say they want, and then trying to give that to them', noting that the incentives in the system are not strong enough to put people's needs at the center and '...the humanitarian system is not held accountable for what people ask for versus what they receive. There is no independent assessment of how agencies perform in this regard. Accountability runs mostly to the donors, not to the affected people'. For more information, see: <https://reliefweb.int/report/world/what-s-wrong-humanitarian-aid-system-and-how-fix-it-remarks-under-secretary-general>
- ¹⁷ Jan Schwier, Craig Wallington, Maddie Holland, Wendy Magoronga, 2020, Research Brief: The Landscape of Large-Scale Giving by African Philanthropists from 2010 to 2019, www.bridgespan.org/insights/library/philanthropy/landscape-of-large-scale-giving-in-africa.
- ¹⁸ Riva Kantowitz, Ebba Berggrund and Sigrid Gruener, 2021, Financing Peacebuilding: The Role of Private-Sector Actors, www.daghammarskjold.se/publication/financing-peacebuilding/.
- ¹⁹ GPPAC's Youth Peace and Security (YPS) Working Group – a group of young local peacebuilders members of GPPAC - led the development of the YPS Small Grants scheme to support other young actors and made decisions on the distribution of grants. Through this initiative, young men and women achieved meaningful and sustainable results in their respective communities and were able to strengthen youth leadership across sectors and institutions while offering inspiring examples to be replicated elsewhere. For more information, see: www.gppac.net/news/best-practices-financing-peacebuilding-funding-stream-youth-youth

- ²⁰ See the “Cash transfers for refugees: the economic and social effects of a programme in Jordan” article by Jessica Hagen-Zanker, Rebecca Holmes at: <https://odi.org/en/publications/cash-transfers-for-refugees-the-economic-and-social-effects-of-a-programme-in-jordan/>
- ²¹ See the Call to action: Philanthropy’s Commitment during COVID-19 by the Council on Foundations: www.cof.org/news/call-action-philanthropys-commitment-during-covid-19.
- ²² See the “Impact of savings groups on the lives of the poor” article by D. Karlan, B. Savonitto, B. Thuysbaert, and C. Udry at: www.cof.org/news/call-action-philanthropys-commitment-during-covid-19.
- ²³ For more information, see: www.peacedirect.org/us/publications/radicalflexibility/
- ²⁴ See the “Investments for Impact: A Visit to Costa Rican Microbusinesses” article by Nicole Stinson at: www.iaf.gov/content/story/investments-for-impact-a-visit-to-costa-rican-microbusinesses/.
- ²⁵ See the list of community foundations published by the Council on Foundations at: www.cof.org/foundation-type/community-foundations-taxonomy.
- ²⁶ For more information, see: Riva Kantowitz, 2018, Innovative Finance to Sustain Peace, Mapping Ideas, https://cic.nyu.edu/sites/default/files/kantowitz_innovative_financing_for_peace_final_jan_2019_web_o.pdf
- ²⁷ See more about Educate Girls’ Development Impact Bond at: www.educategirls.ngo/dib.aspx
- ²⁸ For more information, see: DHF, 2020, Financing the UN Development System: Time to Walk the Talk, www.daghammarskjold.se/publication/unds-2020/
- ²⁹ See the “Putting Learning at the Centre: Adaptive Development Programming in Practice” article by Craig Valters, Clare Cummings, Hamish Nixon at: <https://odi.org/en/publications/putting-learning-at-the-centre-adaptive-development-programming-in-practice/>
- ³⁰ See for example Everyday Peace Indicators: www.everydaypeaceindicators.org/copy-of-research-projects



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