



A Network of People
Building Peace

Finance for Peace



Norwegian Ministry
of Foreign Affairs



Towards Quality Financing for Peacebuilding: Community-Focused Accountability and Locally-Led Determination

Informal Learning Session for the Civil Society-UN Dialogue Initiative

Summary Note

On Thursday, 30 November 2023, representatives of the UN, its Member States, local peacebuilders, and experts in financing for peacebuilding gathered as part of the CSO-UN Dialogue on Peacebuilding in an informal discussion entitled: “Towards Quality Financing for Peacebuilding: Community-Focused Accountability and Locally-Led Determination”. This discussion tackled the question of innovative financing approaches, moving beyond ODAs and grants, to enable locally-led determination of impact and quality financing. Participants reflected on how to strengthen a shared understanding of the impact of peacebuilding, as well as how to shift the mindset of governments, donors, the private sector, and civil society for more impactful peacebuilding financing. Overall, despite the many suggestions and examples showcased, participants have agreed that we are all only at the very beginning of the journey and look forward to hearing about the progress in next year's discussion.

The main takeaway from the discussion is the need to ensure that donors can contribute to **peacebuilding by ensuring that peacebuilding is based on community knowledge**. Local actors are best placed to lead peacebuilding processes, which is why donors should support a locally-led determination of impact. There is a need for participatory design (local peacebuilders should be helping to set the outcomes and structure), and oversight and accountability. This also requires capacity-building investments for both diverse civil society and investors and governments. Steering Committees within PBSO can offer some learning for more inclusive processes.

Participants were reminded and agreed that peacebuilding is a long-term process, which does not fit **the current projectised approach** of the donor community. Additionally, participants highlighted a growing acknowledgment within the UN that funding local peacebuilding should not be viewed merely as transactional but rather as a collaborative partnership of influence, which includes regular feedback loops. A point was raised that short-term grants can be useful to try new methodologies or for short-term activities that can rapidly respond to changes. They, however, cannot be the foundation of peacebuilding. As flexible as a grant may be, the issue of continuity will always come back after a few years. Recognising the limitations faced by the donors, it is important to combine transparency and flexibility. Flexibility will enable new information and a new understanding of the process, as well as allow for the local determination of impact.

Several innovative approaches were mentioned to generate **more quality financing for peacebuilding**. Innovative finance is a very broad toolkit. This includes anything beyond Official Development Assistance (ODA). For example, Interpeace, through its Finance for Peace initiative, has recently signed an MoU with the African Development Bank to leverage development finance for peace, including by mainstreaming peace considerations into the bank's business model. Additionally, outcomes-based finance, such as impact bonds (where returns are paid based on outcomes being achieved rather than on profits and interest), were highlighted. These can build



A Network of People
Building Peace



up the evidence base on what works beyond traditional methodologies and link together programs on climate education, livelihoods and peace outcomes, which are currently disjointed. There is also a growing field of work that is developing frameworks investors can use to verify that their investments contribute to peace outcomes. Finance for Peace's mission to create a trusted market ecosystem for peace finance led to the creation of a benchmark for defining and guiding peace impact called the Peace Finance Impact Framework, as well as the Peace Finance Standard, including the peace bond and peace equity standards. The UN also does more work to strengthen partnerships with international financial institutions that develop innovative modalities for peace-positive investments rooted in conflict analysis. IFIs can do more on monitoring and evaluation. Other modalities of merging traditional funding and entrepreneurship were mentioned.

Innovative financing, however, **should not replace the responsibilities for donor financing the commitments for which were made as part of the evolution of peacebuilding and sustaining peace** (i.e., S/RES/2282, S/RES/2558, A/76/305). Innovative approaches and donor funding should go hand-in-hand as they work on two different aspects. Innovative financing can take place in the form of outcome-based finance (for example impact bonds), investment frameworks, and SMEs. All of these innovative financing mechanisms are useful for investors to see the outcomes of their investments better.

More donors need to move from rhetoric to practice and start investing in a smart and effective way, supporting locally-determined peace outcomes at the local level. There is a space for learning from both fields to finally move the progress beyond discussions toward a practical change. It was reiterated that a lot of proposals have been made to better integrate local realities in financing; however, the practice is lacking.

Discussing the availability of resources, the point was raised: "What is frustrating is that in the context of **an endless loop of insufficiently financing peacebuilding, donors continuously question its impact.**"

Recommendations:

- **Donors should encourage story-telling and other non-traditional indicator-based methods of conveying impact and data collection.**
- **Donors should adjust projects as needed based on changes on the ground and fund innovations in locally-led resourcing more systematically.** Areas that need to be more systematically funded include research and development that disrupt the current grant-funded model of financing.
- **Local peacebuilders should create coherent methodologies that donors can put money behind.** Local peacebuilders should stop passively asking for more flexible funds, and start actively guiding donors to the gaps that need to be filled. It is their role to hold investors accountable and ensure that funding is correctly distributed.
- **The donor community should push for civil societies' seat at the table in the design of financing mechanisms, with appropriate feedback loops in place.** Local peacebuilder should capture more systematically their efforts in innovative financing to guide donors as to where they should place their funding. However, for that to happen, they need their voices to be heard. It is the public sector's responsibility to make sure that happens.



A Network of People
Building Peace

Finance for Peace



Norwegian Ministry
of Foreign Affairs



- **The role of the private sector in innovative financing must be further explored, as well as its combination with the locally-led development sector.**
- **Local peacebuilders and IFIs need to find ways to engage with each other more effectively as IFIs are agents of peace.**