

Discussion Paper<sup>1</sup>

September 2011

## How Could a European Endowment for Democracy Add Value?

State of Play: The European Union has asked for proposals from the Commission and High Representative to establish a European Endowment for Democracy (EED), along the lines of the American National Endowment for Democracy (NED). The proposal is being spearheaded by the Polish Presidency (July-December 2011) and was endorsed in Council Conclusions.<sup>2</sup> The EED may have been inspired by the US NED, but the most elaborated proposal floated is that of an International Convention, to which interested parties would sign up, in order to retain flexibility. Another suggestion has been to fund the EED under the existing Instrument for Stability. To date there is no clear decision taken on format for an EED and there is no allocated budget.<sup>3</sup>

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### Added Value

Past Council Conclusions on EU Democracy Support frequently admitted effectiveness could be improved by a more coherent approach between instruments. The new context of support towards “deep and sustainable democracy in the neighbouring countries” has allowed for this initiation of a new instrument (with the caveat that it must remain in full coherence with what exists). Already various institutional actors are grappling with the question of the relationship between the EED, the European External Action Service (EEAS) and the Commission’s DG Development and Cooperation – EuropeAid (DEVCO) (especially regarding the impact on its administrative procedures). Any new body would also need to obtain buy-in and funding from EU member states to create a flexible funding mechanism with the ability to engage in direct as well as indirect grantmaking to political actors.<sup>4</sup>

The key issue and focus of this note is on exploring the potential for added value of the EED in relation to:

1. *The actors and scope of activities supported:* What potential does the EED have to support actors and activities which are not adequately supported by the EU at the current time?
2. *Existing EU tools and modalities of support:* How will its operational toolkit add value to existing modalities of support to non-governmental actors?

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<sup>1</sup> This paper is intended to provide ideas and material for discussion. It does not express a position in favour or against the establishment of an EED, but rather focuses on the required conditions for EU funding to be more flexible and responsive to the needs of political civil society.

<sup>2</sup> Council Conclusions on the European Neighbourhood Policy, Luxembourg, 20 June 2011.

<sup>3</sup> Latest developments: The Polish presidency is pushing an EED governed by an international convention and administered by a single secretariat (emphasis on autonomy, flexibility and fast financing decisions). HR/VP Ashton/EEAS may now be pushing for a looser network format. The EAS and DEVCO are currently developing a response exploring the options available.

<sup>4</sup> A further potential actor is the European Parliament, which has a rather passive Office for the Support of Parliamentary Democracy. The possible scope and approach of Parliament (along non-partisan or ideological lines through political groups) are important factors to take into account.

## 1. Whom and What to Support?

One of the central questions relates to whether the EED should fund political parties directly and if so, with what aim and based on what criteria? The question of how important *political party work* should be for the EED, and for EU external support in general remains open, especially direct funding versus capacity development, and non-partisan funding versus support along ideological lines.

The case has been made elsewhere that political parties require support as democracy's "weakest link".<sup>5</sup> As a donor engaged in funding independent civil society across the world and predominantly in the EU's Eastern neighbourhood, the Open Society Foundations (OSF) have observed that opposition parties in authoritarian countries are usually very weak, largely because they have no chance to win, or they are stifled, co-opted, or worse, before a genuinely democratic system has developed. Post-conflict contexts, where rebel groups transform to become political stakeholders and develop into political parties, will bring additional complexities as an EED assesses potential partners. One of NED's big successes early on was support for Solidarity in Poland, a trade union representing a social movement rather than a political party as such. Even NED, whose core grantees the International Republican Institute (IRI) and National Democratic Institute (NDI) engage in party-building and support activities, does not focus exclusively on party funding. The other two core NED grantees, the Center for International Private Enterprise (CIPE) and the Solidarity Center focus on supporting private enterprise and unions respectively.

As is the case with NED, the constituency of beneficiaries for EED support could usefully be much broader than political parties and include '*civil society*' in the wider sense: NGOs, media, universities, think tanks and trade unions. Work with groups which are underrepresented in existing arrangements might also bring benefits. For example, the activities of media groups (outlets, media lawyers) are not specifically addressed under the European Instrument for Democracy and Human Rights (EIDHR), nor are diaspora organisations. An EED could also establish an envelope for individual dissidents or establish a fellowship for critical voices and future leaders to spend some time in Brussels, including being introduced to the EU institutions and member states. Perhaps the EU should create a TAIEX for dissidents.<sup>6</sup>

How and under what circumstances should the EED *provide support to governments*? If the aim is to support systems rather than target election outcomes, it would be logical for the EU to work with governments which demonstrate political will to reform key legislation (e.g. electoral code, political party laws) and set in place procedures (e.g. voter registration, reform of electoral map). OSF has frequently worked with independent civil society groups to push for such legislative changes and monitor rules of engagement around elections (limits to governmental campaigning six months before elections, abuse of public funds to promote political parties, presence of parties at polling stations etc.) but greatest effects occur where governments are willing to institute reforms themselves. Would support for governments in transition fall within the EED's scope?

There is also the issue of *geographical reach*. The EED emerged as part of the EU's response to events in the Southern neighbourhood but should it be restricted to the neighbourhood and how will it relate to the Civil Society Facility? How does it relate to the democracy support reflection started by the Council and Commission in 2009 and to the pilot scheme launched in late 2010, (which is global in scope and recently added MENA countries to its mandate)?<sup>7</sup>

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<sup>5</sup> See Tom Carothers, *Confronting the Weakest Link: Aiding Political Parties in New Democracies*, Washington, DC: Carnegie Endowment for International Peace, 2006. Available at: <http://www.carnegie.ru/publications/?fa=18808>.

<sup>6</sup> NED has a fellowship for critical voices or future leaders to spend half of their time in DC and other half in their home countries. An EED version introducing individuals to the functioning of EU institutions could be modelled on EU TAIEX (Technical Assistance and Information Exchange: <http://ec.europa.eu/enlargement/taix/>) for pre-accession and neighbouring country officials. This could build into a system of (yearlong) fellowships for political leaders in opposition. Another promising idea is schools for young politicians, especially incorporating the recent practice of mixing young individuals from the non-profit community together with 'student-politicians'.

<sup>7</sup> Council Conclusions on Democracy Support in the EU's External Relations, 13 December 2010.

A related question concerns the circumstances in which the EED should engage. For example should it only take on difficult ‘closed’ countries or post-revolutionary countries entering transition? Or operate where it has the greatest opportunity/leverage to have impact? The latter was seemingly the rationale for the choice of democracy support pilot countries in early 2010-11.<sup>8</sup>

## 2. Tools and Modalities – Avoiding Duplication?

The EED will add value if it does not duplicate or dilute activities undertaken through existing EU instruments for democracy and human rights. These include the EIDHR,<sup>9</sup> the dedicated funding instrument for Civil Society Organisations (CSOs) working on political development, as well as the Instrument for Stability, Non State Actors and Local Authorities (NSA/LA).

In the context of tightening foreign aid budgets and looming discussions about the EU’s budget for external actions the EED cannot duplicate assistance already made available by other donors. Political foundations in the EU member states have long contributed assistance to political parties and in some cases have strong networks on the ground. Discussions about an EED need to take into account how it could complement the work being done by political foundations, especially the German ones (Friedrich Ebert, Friedrich Naumann, Heinrich Boell, Konrad Adenauer, Rosa Luxembourg), the UK Westminster Foundation (supported by the main political parties), the Netherlands Institute for Multi-Party Democracy and the European Partnership for Democracy.

The nature of the EED’s relationship and level of cooperation with existing European actors (as well as coordination with US actors, NED, USAID and others) will be critical for establishing a clear role. Proponents of an EED, together with those working for more flexible arrangements for the EIDHR, would do well to take lessons from national democracy foundations and institutes in how to strike a balance between retaining flexible and nimble funding mechanisms while satisfying national administrative and auditing requirements.

To be functionally useful, the EED will require characteristics and approaches that existing EU instruments lack. This includes greater flexibility and less risk-aversion than EIDHR and a more structured approach than the Instrument for Stability.<sup>10</sup> It could bring new approaches to existing democracy support – including thinking beyond funding for political parties. Even with regard to party support, there are a range of funding models including bilateral support (direct or indirect) and joint donor support (basket fund) as well as a range of methods including capacity development, technical assistance (such as focus groups and polling/electoral research), grantmaking, inter-party dialogue, peer links (e.g. exchange visits) and political engagement.<sup>11</sup> The advantages and disadvantages of each of these approaches, as well as existing methodologies, such as under NED, require discussion.

As a donor with a long history of grantmaking to civil society, OSF engages in a range of activities to support civil society, many of which are contemplated under the EU’s Civil Society Facility for the EU’s neighbourhood and detailed in a separate policy brief on that subject (forthcoming). Distinct objectives

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<sup>8</sup> In Annex to the 13 December 2010 Council Conclusions on Democracy Support in the EU’s External Relations the proposed countries were: Republic of Moldova – for Eastern Neighbourhood; Kyrgyzstan – Central Asia; Lebanon – for Southern Neighbourhood; Ghana, Benin, Solomon Islands and Central African Republic – for ACP; Bolivia – for Latin America; Mongolia, Philippines, Indonesia and Maldives – in Asia.

<sup>9</sup> Note that a recent paper by Europeaid on EIDHR (EIDHR, Delivering on Democracy, Highlight of Semester January-June 2011) claims 60% of its operations are focused on democracy and rule of law and involve a wide range of actors.

<sup>10</sup> IFS interventions are meant to be “timely, efficient and complementary” but restricted to a maximum of 18 months and deployed “to help prevent and respond to crisis or emerging crisis and create a safe and stable environment”. Current funding includes a €4mn democracy package for Moldova, some of which has been granted to the Council of Europe. Projects are approved and fast-tracked at PSC level, with accelerated procedures for programs of less than €20mn. The total available budget for the IFS in 2010 was just over €213mn.

<sup>11</sup> Source: Overseas Development Institute study (2011) on International Assistance to Party Political and Party System Development, Leni Wild, Marta Foresti and Pilar Domingo which looked at case studies in Georgia, Uganda, Nigeria and Latin America.

and a clear division of labour between EED and the newly-established EU Civil Society Facility in the design phase could help identify interventions and help avoid unnecessary overlap. By concentrating on support for media, diaspora groups and independent political dissidents, the EED can complement EIDHR support for groups working on thematic human rights issues (including torture and death penalty) and human rights defenders, and support under the Civil Society Facility for watchdog organisations who engage in monitoring and advocacy. It would also be important to clarify the relationship between the EU democracy support pilot scheme with regard to the funding mechanism and the extent to which EED's activities should align to the five tenets of "deep democracy" as recently defined in EU policy documents relating to the ENP review.<sup>12</sup>

## THE PROS AND CONS OF A EUROPEAN NED

NED provides more than 1,000 grants each year with the average grant about US \$50,000.<sup>13</sup> In 2010 it was allocated USD 118 million for activities.<sup>14</sup>

NED has 4 core grantees: NDI, IRI, AFL-CIO (Solidarity Center/Trade Unions), Centre for International Private Enterprise (CIPE). It works with existing organisations, some of whom are party affiliated, others not. It also makes direct grants to CSOs.

Positive aspects: NED is fast moving, supporting worthy causes if headquarters backs a project. In the case of the four core grantees, there is a clear implementing partner and well-established trust.

NED funds a broad range of actors which can influence the democracy agenda: political parties, watchdogs, media, grassroots, women's groups, environmental NGOs, etc. It has also been a crucial player for human rights and accountability watchdogs, independent media, the rule of law, civic education and the development of civil society in general not only through making funds available for them, but also through providing them with core support, and with simple and flexible administrative requirements.

Negative aspects: As an independent agency a veil has developed around its activities. The State Department often does not know what NED does in certain countries and it is disconnected from the rest of the administration. This could also be read as positive in that NED often funds loud opponents of regimes (e.g. in Belarus), but not necessarily breaking the deadlock nor reaching out to the broader population. The flexible model is less accountable and leads to charges of clientelism.

Problems with transposing the NED model:

1. Picking the right implementers. Potential implementers could be existing bilateral political foundations and agencies which, at worst, could lead to in-fights among the member states, and, at best, would not represent a significant innovation from the status quo.
2. If an EED picked core implementers as NED has done, the work will be limited to what they are good at. None of the NED core groups, for example, really focuses on human rights per se, which may explain why NED itself engages in direct grantmaking.
3. NED has a three-month grant cycle, requiring large amounts of information from grantees. As one observer notes, this periodic process drives the whole organisation and results in a "formalistic, periodic sign-off." "Have an open door, not a cycle".<sup>15</sup>

<sup>12</sup> As detailed in the June 2011 ENP Review, these are: freedom of association, expression and assembly and a free press and media; the rule of law administered by an independent judiciary and right to a fair trial; fighting against corruption; security and law enforcement sector reform (including the police), and the establishment of democratic control over armed and security forces.

<sup>13</sup> NED Website: <http://www.ned.org/about/faqs>.

<sup>14</sup> FY2010 appropriations bill and audit report: <http://www.ned.org/sites/default/files/IndependentAuditorsReport2010.pdf>.

<sup>15</sup> Mark Mullen, "Steps to help build democracy", *European Voice*, 7 July 2011.

## Conclusion and Recommendations

The debates generated by the proposal for an EED provide an opportunity for EU support to (political) civil society to become more extensive and more flexible than allowed under current funding rules. The possible creation of a Convention or new agency, and/or the reform of the financial regulation affecting current funding instruments (in particular the EIDHR), deserve support if they offer less burdensome mechanisms for non-governmental actors to access and manage EU funds. The most valuable outcome of the EED debate would be if EU support became more flexible and responsive to the needs of the actors working in support of human rights and democracy.

The following section makes recommendations and highlights issues for further consideration.

### 1. Actors and Beneficiaries

- Make sure that the EED does not support only political parties but also those groups under supported or represented in the EIDHR and NSA/LA funding, e.g. media, individual dissidents, diaspora (which has a clear political agenda that aims towards improving participatory democracy in their country of origin), non-registered NGOs, think tanks and social movements. Room should also be left for the EIDHR to focus on human rights issues and defenders. The existence of a dedicated human rights instrument is a strength of the EU system vis-a-vis the NED model. Support to political parties through the EED should be non-discriminatory in the sense that it is granted to any party that supports democratic principles such as representativeness, inclusiveness, political rotation etc.
- Consider funding for individual dissidents who are targeted by authorities, particularly where the EU is a funder or has a moral obligation.<sup>16</sup> This could be hardship funding, or in the form of fellowships for critical voices and future leaders (along the lines of the NED fellowship and using a mechanism similar to TAIEX currently offered to officials) which would include placements in Brussels and/or member states, with an introduction to EU institutions and how they function, access to networks, and where necessary, temporary protection.
- Consider balancing EED support to opposition with work to support government-led systemic reforms (e.g. electoral reform, voter registration) which will enable political parties to function. This will depend on political will on the side of the government and can be funded through EED or through EU geographical instruments dealing with budget support as part of a comprehensive reform strategy.

### 2. EU Instruments and Funding Modalities

- Make clear that an EED will not diminish funding available to human rights via EIDHR. A dedicated instrument for human rights is a positive part of the EU basket of activities. It is important to safeguard funding available for EIDHR whilst prioritising reform of that instrument to make it more flexible. Ways of achieving such flexibility include: extending re-granting, removing the co-funding threshold, increasing the number of small grants, qualitative rather than quantitative monitoring.

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<sup>16</sup> For example, the recent Belarus case in which EU member states were implicated by having allowed personal data of dissidents to pass to the authorities. See: <http://freeales.fidh.net/why-is-ales-bialiatski-in-jail>.

- Establish a division of labour for neighbouring countries between EED and the ENP; the Civil Society Facility would play the role of the ‘technician’ or capacity builder, and EED that of the risk-taker.
- Demonstrate speed and flexibility in responding to demand. The EU should give funds and invest in beneficiaries rather than “hire” them to implement the donor agenda.<sup>17</sup>
- Provide core support that can be accessed without much bureaucracy and onerous reporting requirements. This is particularly important for activities by watchdog NGOs, for which there is less donor support, as in the Eastern neighbourhood and the Western Balkans. In developing and authoritarian countries, watchdogs can only challenge their authoritarian states if they can hire and keep qualified staff, which is increasingly difficult with economic crisis and funding cuts.
- Adopt flexible grant-making procedures, e.g. two-stage grants process (concept note then full proposal) and minimise burdens relating to registration and accounting, showing willingness to take risks as a donor investing in individuals and organisations.
- Consider re-granting through organisations with links in the regions to allow outreach to small NGOs, particularly in rural areas and have the capacity to handle smaller grants.
- Set aside funding for making joint grants with other donors e.g. joint donor support ‘basket fund’ where applicable (used in Uganda and Nigeria), or for example through donor collaboratives such as the Transparency and Accountability Initiative.<sup>18</sup>
- Strike a balance in overall EU funding to non-governmental actors between direct grantmaking – which allows for greater responsiveness and coverage of issues and actors, but which also requires the creation of a significant new bureaucracy – and grantmaking through existing core organisations, which may limit the scope of activities to their areas of expertise. Both methods have value. Grantmaking through established partners (the PHARE model which allows for regranting) may be preferable in order to retain flexibility in the absence of changes to the financial regulation (see below).

### 3. Mapping and Political Context

- Understand the political context, including systemic issues and incentive structures. Conduct a political and economic needs analysis in the design phase of interventions (checking what other donors have already researched) and pay close attention to local context (including systemic issues and incentive structures) in order to tailor support.<sup>19</sup>
- Build in monitoring and evaluation processes that are not overly burdensome to grantees but contribute to lesson-learning. According to the Overseas Development Institute (ODI), evaluation is not being done by donors in this field.<sup>20</sup> Context analysis and intelligence gathering are needed to ensure that donors keep track of the political landscape and pool knowledge so as

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<sup>17</sup> Mullen, Ibid.

<sup>18</sup> <http://www.transparency-initiative.org/>.

<sup>19</sup> This would include analysis of internal democracy of political parties (i.e. do they have national conferences, policy fora, organisational apparatus, mechanisms for intra-party conflict).

<sup>20</sup> See, Leni Wild, Marta Foresti and Pilar Domingo, *International assistance to political party and party system development - Synthesis report*, January 2011. Available at: <http://dipd.dk/resources/international-assistance-to-political-party-and-party-system-development/>.

to avoid situations where they are funding politically irrelevant actors, as shown by OSF's own experience in civil society support.<sup>21</sup>

- Take decisions locally as far as possible, either through increased capacity in delegations with at least two staff to deal only with human rights; a political focal-point dealing with consultations, outreach and statements, and a colleague handling EIDHR and EED project management. It may be more flexible (in both political and administrative terms) to house the EED contact point in a member state embassy or take a PHARE approach to funding, involving a hybrid-model of a national foundation with two or three EU programme officers or experts housed within it (the same applies to the ENP Civil Society Facility). This combines a need for decentralised decision-making and disbursement with the need for centralised financial accountability.
- Develop specific menus of options for support to democracy depending on a country's level of democratic development. Distinguish between countries where there are opportunities and there is political will after a revolution (e.g. Tunisia); where a power vacuum has opened, after conflict (e.g. Libya); countries in transition or in a state-building phase where there is state-party fusion (e.g. Georgia);<sup>22</sup> or closed, one-party authoritarian systems (e.g. Belarus, Burma). Consider also countries generally that enjoy a multi-party system, but risk relapsing into non-democratic practices (e.g. Senegal, Tanzania). Ensuring assistance is well adapted is of paramount importance, whilst the geographical scope (neighbourhood or global) remains an open question.
- Provide funding for election research and testing of hypotheses by making information available to all political parties; e.g. polling on what figures in other countries do the public admire. This could involve funding local and international think tanks to work together. OSF has experience of bringing organisations together to conduct research through its East-East Program; OSF also has a dedicated Think Tank Fund which has funded qualitative and quantitative research (including polling).<sup>23</sup>
- Recognise key differences between Western European and local CSOs and party structures elsewhere. Western European political parties and CSOs have to respond to membership and often have to manage expectations of the base, elsewhere there is often little or no membership and parties are often in hoc to a lead personality.

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<sup>21</sup> The 2011 ODI study refers to Konrad Adenauer funding to the Christian Democrat Party in Venezuela. For further information, see OSI-Brussels policy brief on Civil Society Facility (forthcoming).

<sup>22</sup> Where the ruling party is dominant, grantmaking could be applied along-side inter-party dialogue (this was done in Uganda through the Deepening Democracy Programme).

<sup>23</sup> For further information, see OSI-Brussels policy brief on Civil Society Facility (forthcoming).