

Moving the EU from a Laggard to a Leader in Democracy Assistance: The Potential Role of the European Endowment for Democracy

Hrant Kostanyan & Magdalena Nasieniak

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Summary

The EU has consistently stressed the primacy of democracy assistance in its pronouncements on EU external policy, but its actions have noticeably lagged behind. At the heart of the problem are the absence of available appropriate instruments, incoherent external action and convoluted decision-making procedures that require the mobilisation of unanimity and the political backing of all 27 EU member states. The Arab Spring once again highlighted the EU's inability to react swiftly and decisively to the extraordinary events unfolding in its neighbourhood.

The realisation that the EU needs a less 'traditional' and more rapid and flexible instrument for democracy assistance prompted reflections on the new European Endowment for Democracy (EED). Poland jump-started the process by presenting the initial draft proposal about a year ago. The final result of stormy political discussions in the meantime is soon to be presented in the form of a statute officially establishing the EED.

In examining the process of the EED's establishment, this Policy Brief arrives at three

main conclusions. First, the initial ambitious proposals of the EED were diluted in the attempt to have all the EU member states on board. This resulted in the attenuation of a number of intended innovative aspects caused by lengthy political bargaining between the EU governments with divergent interests. Despite such an inclusive membership however, the EED did not secure all member states' political backing.

Secondly, having all EU member states represented in the Board of Governors did not automatically translate into tangible financial support for the EED. Thus far, a minority of the member states have made informal promises to provide funds, and the European Commission has pledged to match the amount collected.

Thirdly, despite these setbacks, the ongoing discussions over a more detailed operating framework of the EED however offer another opportunity to empower the new 'instrument' with intended added value. To this end, we provide four recommendations for specific areas that are expected to be of key importance in making the EED a real game changer in the EU's democratic assistance.

Hrant Kostanyan is a Visiting Research Fellow at CEPS and a PhD candidate at the Centre for EU Studies at the University of Ghent, Belgium. Magdalena Nasieniak is a PhD candidate at the Department of Politics, International Studies and Languages at the University of Bath. This paper is based on confidential interviews with officials from the EU institutions and civil society involved in setting up the European Endowment for Democracy. The authors would like to thank the interviewees for their time and invaluable contributions to this study.

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Who pulls the strings?

According to the draft version of the statute, the EED will operate as a private foundation under Belgian law, which better serves the purposes of the instrument than the international convention originally proposed by Poland. The legal foundation of an international convention would require ratification of an international agreement, with varying procedures in each of the member states, which could have further delayed the setting up of the EED. The decision to base the EED headquarters in Brussels facilitates cooperation with the rest of the Brussels-based institutions and member states representations.

The EED will operate under the strategic guidance and oversight of a Board of Governors while a more streamlined decision-making process will take place in the Executive Committee. The administrative functions will be handled by the Secretariat which is to be as compact as possible to keep the operating costs to a minimum.

The Board of Governors is to consist of one representative from the Foreign Offices for each member state (plus Croatia), with each having one vote regardless of their financial support.¹ With no specific details on the selection criteria for representatives, departments working on aid, development and democratisation are expected to be given priority. The European External Action Service (EEAS) is to be represented by an official from the office of the High Representative for Foreign Affairs and Security Policy (HRVP). There is no specification as to who will represent the European Commission. The representative of the Directorate-General for Development and Cooperation-EuropeAid (DG DEVCO) will therefore be the most desirable choice in particular for providing specific contributions on the financial side and in assessing the feasibility of projects.

The European Parliament is offered nine seats on the Board. This is important in view of securing political backing for the EED. There is also the question of which Members of the EP will become

¹ The voting rules were the subject of the fiercest debate dragging on from September 2011, with some of the member states arguing that tying the voting rights to the level of financial contribution would be the main incentive for member states to provide funding.

Board members. Some MEPs predominantly from the EP's Committee on Foreign Affairs (AFET) have already contributed to the composition of the EED.² The EP can bring added value to the project if its representation is chosen on the grounds of expertise and experience and if the idea of non-partisan contribution is maintained.

The decision to include representation of civil society, advocated by the EEAS, aims to strengthen the expertise capacity, but also brings neutrality to the external perception of the EED. However, the notion, as discussed, of including merely three representatives indicates a potential danger of minimising their importance vis-à-vis other members of the Board. The representation of civil society and the EU institutions could become particularly important in ensuring that the EED is perceived as neutral and distant from the individual national interests of the member states. It will also be important in case a member state would like to distance itself vis-à-vis a particular government of the targeted third country.

Keeping the Board of Governors at the highest political level is a must in order to mobilise and maintain political will and support for the EED. Nevertheless, the current composition of the Board makes the EED a 'very' political animal that might create a situation where political discussions are dominated by nationally and institutionally driven interests, consequently making it extremely difficult to reach an agreement.

The Executive Committee, which will be drawn from the Board of Governors, should grant a large amount of discretion to counterbalance the over-politicisation of the Board of Governors. This would permit the Executive Committee to distance itself from the particular national and institutional interests and instructions. It would therefore avoid constant and time-consuming politicking typical of the EU and emerge as the body that will provide the EED with a flexible and rapid decision-making. The Committee should be authorised to make decisions based on the feasibility of the proposed support and the

² See "Report with a proposal for a European Parliament recommendation to the Council on the modalities for the possible establishment of a European Endowment for Democracy (EED)", 2011/2245(INI) March 2012.

impact it could have on strengthening democracy in the country in question, independently of the priorities of a member government.

The Executive Committee is to consist of seven members, headed by an Executive Director, from which one seat is reserved for the EP, two seats for the member states and the remaining three will be decided by the Board of Governors. These three seats should be allocated to the members of civil society balancing its underrepresentation in the Board of Governors as well as for the purpose of securing the neutrality of the decisions taken. All Committee members should have particular expertise in democracy support and assistance at the national or/and European level.

Appointing the Executive Director will be another opportunity to strengthen the capacities of the EED. It would be commendable to select a person who already has relevant European experience and thus the understanding of the EU's formal and informal political and inter-institutional dynamics. He or she should also be chosen based on a strong personality and a reputation for toughness in order to enable the EED to be proactive and assertive.

On the one hand, the choice of setting up the EED under Belgian law might suggest that those involved in the process favoured granting the Executive Committee substantial independence in its decision-making, which usually is the case with Belgian NGOs. On the other hand, the criteria for representation in the Executive Committee are vague and the process of filling the positions might turn into another cycle of political bargaining between the EU member states and institutions, thus potentially limiting the discretion of the Executive Committee.

Budget

The fact that thus far the EED failed to secure official contributions from the majority of member states could be the biggest hindrance of the instrument. To date, only Poland and Sweden have informally pledged contributions of €5 million each, and the Commission is expected to match that amount with funds transferred from the European Neighbourhood and Partnership Instrument (ENPI). This sum is nowhere large enough to permit the EED to perform its expected role. There is a need for substantial contributions

by the member states on an ongoing basis to make sure that the EED can operate properly.

Moreover, the budget will be split into two parts: funds originating from the Commission and funds from the EU member states. The Commission's money will be allocated under strict EU regulations, which 'by definition' limits the flexibility of the EED. These follows complicated process including but not limited to multi-annual programming, a lengthy and complex application process, registration in the Potential Applicant Data Online Registration (PADOR), reporting requirements, accountability rules, limitations for re-granting and the need to secure co-financing on the part of applicants.

The contributions coming from the individual EU member states will be managed under separate rules in line with the rules of the accountability and transparency of the contributing member state. Most of the funding coming from member states, however, is more flexible and also fungible and thus can be mixed with other funding, while making it subject to 'common' rules established by the EED. These regulations should be fast, flexible and non-bureaucratic, with no requirement of co-funding from the beneficiaries.

The most obvious approach in managing these two budget lines would be to use the funds originating from the Commission for operational costs of the EED and for the 'traditional' democracy assistance activities. The money allocated by the EU member states could be used for the truly high-risk and innovative projects that require rapid and flexible interventions.

Mobilising additional funding

The EED will need to mobilise funding beyond the member states' and the Commission's direct contributions. The money transfer from the ENPI to the EED's budget is a one-time undertaking, providing the project with start-up capital. Removing the link between the voting weight of the member state representatives and funding contributions severely limits the incentive for the member states to fund the EED. The peer-pressure effect can act as additional motivation, particularly for countries that already enjoy a strong reputation in democracy assistance. This will only be the case, however, if the EED is

perceived as capable of acting where other instruments cannot.

The EED might need to develop a funding strategy by identifying various possible sources for securing additional money. Fundraising should be taken into account as one of the possible manners of gathering additional support. As illustrated by the example of donor conferences organised by the EU and/or member states, such as the recent ones for Belarus initiated by Poland, for Moldova led by the EU and for Georgia organised jointly by the Commission and World Bank. Such events can be successful in mobilising ad-hoc funds, especially for countries that are high on the political agenda for either good or bad reasons at the given time.

Promotion of joint projects with other organisations, such as the US National Endowment for Democracy (NED), the UN and the Council of Europe, could increase available sources of funding. The EED should promote the pooling of resources through so-called 'basket funding'. To avoid stirring up controversy over the nature of particular organisations, the choice should be made carefully each time. The EED should be able to identify preferable partner organisations in advance in order to speed up the process and streamline the cooperation. Once the EED proves its value by developing a strong and uncontroversial brand, it will become easier to mobilise additional funding.

Funding criteria

Setting clear yet flexible criteria for funding will be a challenging task. On the one hand, detailed criteria could limit the possibility of the decision-making becoming a subject of nationally or institutionally-driven policy agendas. Working rules can be established to minimise in particular ongoing debates between the member states on prioritising the Eastern vs. the Southern Neighbourhood as well as the institutional 'turf battles' between the EEAS, the Commission and the EP. On the other hand, setting the funding criteria too narrowly could undermine the flexibility of the EED. Therefore, establishing a general framework for funding criteria could result in agreeing on a minimum common denominator without undermining the flexibility of the instrument.

The identification of the beneficiaries in the draft version of the statute has been kept rather general, with the EED supporting pro-democratic movements and activists. This indicates a flexible approach towards identifying potential grant recipients that could trigger and lead the democratic transition. The flexibility of the EED is also maintained in the fact that it will allocate funding without prior consent of local authorities and governments.

Transparency and accountability

The highly sensitive circumstances in which the EED will operate will pose a particular challenge to ensure a correct balance between achieving transparency and accountability while not compromising the confidentiality and safety of supported individuals and organisations.

On the one hand, the proposed two-stage assessment system with reports being produced by the both Executive Director and the externally delegated audit will ensure sufficient transparency and accountability of the EED. These will assess the effectiveness of the programme in light of the motives behind the decisions taken. On the other hand, the EED will need to be prepared to deviate from its 'regular' accountability rules in some cases in order to provide discrete support where it is necessary. This creates additional incentive of committing to the accountability standards internally among the member states, institutions and civil society groups involved in EED's decision making, rather than being imposed externally.

Creating synergies

Ensuring a cooperative relationship between actors working in the field of democracy support is a must in order to make sure that the creation of the EED does not stimulate further wasteful competition over already limited funding in this area. Particularly in the current climate of financial austerity, the presence of various actors taking part in democracy assistance should be seen as an asset, not as a rivalry for the same source of funding. Therefore, it is necessary to set up general guidelines for developing cooperation between the EED and other actors operating in this field so the joint effort multiplies individual resources and capacities.

In addition, emphasis should be placed on a possibility of promoting regional projects. As seen in the case of the Arab Spring, other regions too can undergo similar transitions. The EED can advocate closer cooperation between countries by supporting exchange of experience and good practices. Moreover, through facilitating a peer-pressure where possible, the EED could aim to reinforce commitments of targeted countries to democratic values.

Building up the expertise capacity

There is no one model of democracy and thus there is no single policy of democracy assistance. Moreover, with the composition of the Executive Committee changing on a regular basis, there is a need to institutionalise the internal development of knowledge and expertise into a set of working procedures and an internal handbook on the implementation to streamline the decision-making process. This is expected to be largely a process of 'learning by doing'.

Since the EED will not operate through the network of local offices, at least in the early stages of its existence, and with no representation in targeted countries, the Secretariat General should become a centre for coordinating information management from various sources. Those recruited to work in the EED should not be generalists but rather specialists on the targeted regions and countries.

Furthermore, the EED will need to make use of existing expertise in the EP, the Commission, the EEAS and EU Delegations as well as in the EU member state capitals and diplomatic representations.

Promoted particularly by the EEAS and the EP, civil society groups have already managed to leave their footprint on the EED's modalities during numerous conferences, consultations and interventions in the EP's Committee of Foreign Affairs (AFET). The expertise of these groups in managing democracy assistance, which is generally perceived as efficient and effective, should be further sought by the EED.

Developing inclusive political stage

On the one hand, the EED's funding will be used in high-risk environments. It will be tempting to select and target countries already in the spotlight

and/or those showing more promise as the EU's assistance would be more visible. On the other hand, support for the countries not experiencing major shake-ups might prove to be less spectacular but equally necessary to ensure the ability of the democratic groups to trigger a change in the future. Consequently, the EED should be employed in both pre-transition and transition stages and maintained until other EU instruments are activated in order to provide sustainable support.

The EED must moreover provide funding for governments, local authorities and parliaments willing to reform and embark on democratic transformation. Consequently, the EED should welcome all possible stakeholders in the targeted country and equip them to take part in the political process and democratic transformation. Only the broadest possible political dialogue can produce sustainable democracy. This might be particularly difficult in the regions and countries where the transition is followed by conflicts. In such cases, the EED's activities would have to be accompanied by extensive reconciliation process.

It will be important to find a compromise between supporting big and thus usually better organised groups with a proven record and grassroots organisations often perceived as marginal and ineffective. In order to engage underdeveloped organisations, there should be no requirements for co-financing and the application process should be straightforward. The EED's support should aim at strengthening the capacity of these organisations. The renewal of-grants without restrictions imposed on the number of times renewal can be requested is usually the most flexible form of funding and thus the EED should include this option.

The EED should support actors who are underrepresented on the local political stage and have limited administrative or other capacities. Such actors are not able to play a meaningful role on their own and are also not capable of applying for EU funding due to a lack of human and financial resources. Depending on the local context, such vulnerable groups are often women, youth and minorities, but also opposition parties. The EED should be cautious not to follow the lists of 'usual suspects', which is often the case with the EU Delegations, instead aiming for inclusion of diverse participation.

Supporting local ownership

For decades, a major criticism of the EU's engagement in the neighbourhood has been its insufficient attention to the needs of the partner countries and pursuing its own agenda. This led to the situation where many the organisations, notably in the countries of the Eastern Partnership, have pursued the priorities specified by the EU funding programmes but not necessarily those corresponding to their needs in advancing democratic standards.

The EED must aim to facilitate a favourable environment for the local communities to make decisions on their own terms. Inadequate involvement of representatives of partner countries at the programming level of the EU's financial instruments and insufficient consideration paid to expertise of the local society have often led to the situation where the EU's implementation of democracy assistance is detached from the local context. It is therefore crucial for the EED to involve democratic representatives of the targeted countries in the discussions at the earliest possible stage to ensure that the design of the support is the most appropriate. Such demand-driven support focusing on particular needs of the country could promote local involvement and thus strengthen local ownership of the democratisation process.

Since the EED will operate globally, it will have to deal with diverse communities with different political, cultural and religious sensitivities requiring adoption of an individual approach in each case. Such country-specific strategies should be based on an impact assessment with reference to the decision whether or not to grant the support, but also to the nature of the provided support. The need for an informed decision, based on diversely gathered information and impact assessment analyses, in combination with the urgency for immediate action would have to be incorporated into developing a smart and fast track approach.

Ensuring coherent action

The addition of a new instrument to the EU's existing diverse portfolio for democracy promotion increases the need for vertical, inter-institutional, horizontal and external coherence. Avoiding duplication across various levels

becomes even more challenging. The need for a comprehensive framework for EU democracy promotion becomes even more pressing. Such an overarching strategy will strengthen the efficiency and coordination between the EU's geographical and thematic programmes.

By acting on the basis of a fast and flexible approach, the EED's support is often expected to be ad hoc and fragmented. Therefore, it is necessary to integrate it into a wider strategy linked to the other instruments in general and the European Instrument for Democracy and Human Rights (EIDHR) in particular with the aim of creating a coherent action framework for subsequent stages of democratic transformation. Specifically, the EED could become an instrument for funding projects that would not qualify under other EU instruments. Instruments and programmes such as the EIDHR,³ the Instrument of Stability, the Civil Society Facility and the Non-State Actors and Local Authorities programme should be scrutinised to identify the gaps.

The principle of complementarity should be upheld in all aspects of the EED's operations.⁴ Close cooperation between the EED, the EEAS, the Commission and the member states is the key to ensuring a coherent and sustainable framework of support. The role of the EEAS and the Commission will be crucial in order to provide the EED's decision-makers with knowledge on how the other EU instruments work and thus plan how the support should be continued at the later stage.

EU delegations in the targeted countries could serve as a primary source of information on the situation on the ground and advice on what works best in a particular context. Their input should be used by the EEAS and DG DEVCO for drafting short and medium-term impact analyses that should serve as a basis for making decisions and granting support. Subsequently they should be incorporated in the comprehensive and longer-term action plans producing a coherent response

³ The EIDHR, for example, has been criticised for not giving enough support to non-registered beneficiaries.

⁴ Nevertheless, the EED is not responsible for providing the complementarity of the strategies. This is a task for the HRVP, the EEAS and the Commission, but the EED can exert additional pressure.

towards developing sustainable democracy in a given country.

Finally, the cooperation with other international and multilateral organisations, as well as individual member states present on the ground will help avoid duplication of effort. EU Delegations should be also helpful in identifying other potential sources of funding and partner organisations interested in teaming up for joint projects. The key challenge would be to design an information-sharing procedure which would enable for fast exchanges between all actors and to ensure confidentiality of often highly sensitive information.

Making a difference

EU's democracy assistance, as seen particularly on the example of the southern neighbourhood, has an ambiguous tradition of democracy efforts often being a hostage to political and security concerns or/and economic opportunities. Therefore, with the paradigm shift in the European Neighbourhood Policy (ENP) towards the "more for more" concept, requiring evidence of achievement as a precondition for receiving more funding, the EU can no longer avoid firmly stating the primacy of supporting democratic aspirations in third countries. The European Consensus on Democracy should be finally agreed on, adopted and implemented. The ENP concept of 'deep and sustainable democracy', contained in the declaration on the establishment of the EED,⁵ can be used as a starting point towards elaborating what kind of democracy the EU wants to promote. This would subsequently allow for identifying possible dimensions of democracy assistance and concrete actions that should be supported.

The existence of active political parties is a defining measure for an inclusive political environment. The direct funding for political parties by the EED is expected to meet resistance by a number of member states. This is one of the areas where the EED's initial value could be lost in due course of political bargaining. The example of the EIDHR support given for political parties via political foundations has proved to work well

and without creating contentious implications for EU's support. Therefore, one of the options could be to use political foundations as a point of indirect transfer of funding. However, with growing operational confidence, the EED should be allowed to directly support the political parties based on the principle of non-partisan engagement on an ad-hoc basis. This would require guidelines and good practices on what works best in particular situations. Thus, by building on the experience of other organisations, the NED and political foundations in particular, the EED should be able to judge whether it is more effective and appropriate to provide indirect or direct funding, depending on the circumstances.

The EED should not become a substitute for a firmer and more political support of the EU in its democracy assistance in and of itself. Its implementation of practical measures should be accompanied by activities of the relevant European institutions as well as member states, of course, where this is possible and does not compromise the need to ensure discrete or/and neutral engagement.

The EED should gradually stretch geographically in terms of support and membership including but not limited to countries of the EFTA and the candidate countries. In the short term, the EED could contribute to the development of the EU delegations by helping them to become local hubs of democracy assistance for other organisations. In the medium term, the EED could develop its own regional offices.

Ultimately, the EED could contribute to a vastly improved implementation of the EU's democracy assistance, which has particularly been seen as its weakest link. Adoption of a more flexible and 'fast-track' path of assessing needs and immediate granting of money could deliver almost immediate tangible results. The EED needs therefore to become an instrument free of nationally-driven decisions, European 'turf wars' and cumbersome bureaucracy. The Endowment can and should take on the challenge of making the EU a truly committed, pro-active and effective leader of democracy assistance.

⁵ See "Declaration on Establishing the European Endowment for Democracy, 18764/11, Council of the European Union", 20 December 2011.

Recommendations

1. The EED will need a strong political backing in particular from the EU member states. However, the 'checks and balances' within the decision-making process of the EED should be insured. To this end, striking the right balance between the roles of the Board of Governors and the Executive Committee as well as strong presence of civil society to transcend member states' narrow political concerns is of key importance. Inclusion of civil society will additionally enrich the EED with their practical experience.
2. The decision-making process within the EED should be smart, fast and flexible for the use of the funds originating from the EU member states. The EED should aim for a budget that is comparable to that of the US National Endowment for Democracy or of some EU member states' foundations in order to be capable of properly implementing its ambitious agenda.
3. Leadership in democracy assistance requires a capacity for real risk-taking, which the EU has lacked so far. As opposed to the 'more for more' principle, which has become the backbone of the ENP, the EED should follow a 'more for less' rationale for intervening in countries where efforts at democratic reform are still deeply constrained. This new approach will require 'learning by doing' exercises while regular impact assessments should aim to minimise possibility of failure. Fear of failure, however, should no longer be allowed to inhibit the EU's support for democracy.
4. The Board of Governors, the Executive Committee as well as the staff of the EED should be composed of specialists who are capable of tabling substantive proposals and innovative methods. Those involved in the EED should refrain from turning it into a platform for constant politicking and the defence of narrow national interests.