

Leininger, Julia; Richter, Solveig

**Research Report**

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## Flexible and Unbureaucratic Democracy Promotion by the EU?

The European Endowment for Democracy between Wishful Thinking and Reality

*Solveig Richter and Julia Leininger*

In June 2012 the EU set up the European Endowment for Democracy (EED) with the aim of supporting pro-democracy actors predominantly in the European Neighbourhood and of doing so quickly, flexibly, unbureaucratically and audaciously. But wishful thinking and reality are still separated by a wide gap: first, it is doubtful that the Endowment can be sure of stable, long-term financing. While showing little willingness to support the Endowment, the EU Member States nonetheless want a right to a say in how it is run. Second, what the EU is seeking to achieve with the EED, actor-centred democracy promotion in complex situations of radical change, is a highly risky venture. Third, it is unclear how the EED is to complement existing EU instruments with similar tasks. To ensure that it has a positive impact, the Endowment should have the EU Member States' financial and political backing. It is also important for the EED to avoid duplication and develop a long-term strategy with other democracy promoters in the countries in which it operates.

On 25 June 2012 an EU working group consisting of representatives of the most important institutions (Commission, Council and Parliament) and of all the Member States agreed on the Statutes for the European Endowment for Democracy (EED). According to Article 2 of its Statutes, the Endowment is to foster and encourage democratisation and deep and sustainable democracy in countries in political transition and in societies struggling for democratisation. For now, the focus in this is on

opposition forces and civil-society groups in the European Neighbourhood. The initiators' expectations are high: although the EED is to be autonomous from the EU institutions, it is to ensure that the Union plays a more active role in democracy promotion and so compensate for serious shortcomings – particularly the bureaucratic slowness – of such existing programmes as the European Instrument for Democracy and Human Rights (EIDHR).

## **Polish initiative and political realignment of the EU**

The creation of the EED can be understood only in the context of the Polish Council Presidency and the radical political changes occurring in the Arab world in the first half of 2011. In February 2011 Polish Foreign Minister Radoslaw Sikorski put forward his proposal for a democracy fund, an idea that had already been hotly debated in Brussels for some years. Poland quite consciously wanted to serve as an example of a new form of EU democracy promotion, since the success of its own democratisation would have been inconceivable without any external support for the social movement in the country. Its democratisation had been actively promoted, for example, by the USA's National Endowment for Democracy (NED), an organisation repeatedly held up as a model during the debate on the EED. Sikorski associated his proposal not least with the hope of giving Poland's foreign policy a clearer profile during its Presidency of the Council.

With the social protests erupting in the Arab countries at the same time, Sikorski's initiative fell on fertile ground in the EU. It was welcomed, for instance, by the High Representative for Foreign Affairs and Security Policy, Catherine Ashton. For one thing, Brussels had realised that the many years of cooperation with such authoritarian regimes as Tunisia's had hardly encouraged them to undergo political change. For another, the EU had to admit that at times of radical political change, like that occurring in the North African countries, its existing instruments allowed it limited scope for action and that it could therefore give no more than rudimentary support to the democratic movements.

The debate on the EED is taking place in the context of the current realignment of the EU's foreign, development and neighbourhood policies. Under the "more-for-more" approach formulated in 2011, countries in the European Neighbourhood are to receive more support if they undertake further democratic reforms. With its

budget aid programmes, the EU is currently shifting to a more performance-related approach and conditionality. In the future, assistance is to be linked to political change in partner countries. In June 2012 the Council also adopted a Strategic Framework and Action Plan on Human Rights and Democracy, with the aim of increasing the relevance of human rights and civil society in all the EU's policy areas and instruments.

Consequently, the Arab Spring has again moved the goal of active democracy promotion higher up the EU's agenda and led to a revival of an almost forgotten debate on appropriate instruments. In May 2011 Ashton and the EU Commission came out in favour of a more flexible form of support for democracy in third countries. In December 2011 the EU Member States gave the green light for the EED and instructed a working group headed by the European External Action Service (EEAS) to draw up its Statutes.

However, this consensus on the establishment of the EED can hardly hide the fact that the EED's mode of operation and orientation continue to be disputed among the EU's institutions and Member States. Some of the latter are also ambivalent in their attitude towards the Endowment: although they want to control it, they do not intend to give it much financial or political support. The result is a mismatch between the sometimes high hopes pinned on the EED by its initiators and what is actually feasible. An unclear situation such as this may, on the one hand, give rise to complex decision-making structures that are more likely to preclude flexibility. Certain modalities for financing the Endowment and integrating it into the EU budget may similarly tend to weaken the EED on the input side. Such problems would, on the other hand, reduce the EED's impact and increase the risks in the target country already associated with the more flexible form of democracy promotion that is sought.

### **Structure of the EED: flexibility versus inclusive decision-making**

The EED will be able to act flexibly only if two requirements are satisfied: first, the control and decision-making procedures should be as lean as possible, since the Statutes give a wide range of actors the right to be involved. Second, the Member States should make voluntary contributions to ensure that the EED does not become dependent on the EU budget and is not encumbered with a large bureaucracy.

### **Extensive political control**

Institutionally, the Endowment will, according to its Statutes, be a formally autonomous private foundation established under by Belgian law and have its seat in Brussels. A seven-member Executive Committee will look after the EED's day-to-day business and take decisions on the allocation of resources. It will be chaired by a permanent Executive Director, who will be assisted by a small secretariat. The Executive Committee will report to a Board of Governors consisting of representatives of all the EU's Member States, the European Parliament (not more than nine representatives), the Commission and the EEAS and three representatives of civil-society organisations. It will meet twice a year to discuss the Endowment's long-term, strategic orientation and to oversee its budget and operational activities. In addition, it may decide a geographical expansion of the EED's engagement outside the Neighbourhood.

Although this means that the EED is to be autonomous from the EU, the Union's institutions and Member States are claiming the right to have a say in the formulation of its strategy. This ambivalence has characterised the debate on the EED from the outset: despite being in principle in favour of external democracy promotion in third countries, only a few of the EU's Member States, led by Poland and Sweden, have made an unambiguous declaration of support for the Endowment. The critics have

above all failed to see any need for a more offensive form of democracy promotion and are concerned that the Endowment should complement other EU instruments. The German government has been muted in its public support for the project, but has played an active part in the negotiations. In the European Parliament, too, there have been proponents and opponents. The proponents drove the EED's creation forward, because they want a proactive democratisation policy. The opponents' main fear is that the new body will not be sufficiently accountable or controllable. The EU Commission tended to observe the process from afar, having reservations about the possibility of the EED duplicating its own instruments (such as the EIDHR). It intends nonetheless to support the Endowment financially. Besides its supporters in Parliament and the Member States, it was principally the EEAS, in its capacity as the leader of the negotiations, that pressed for the EED's establishment.

As these opposing positions will persist in the future Board of Governors of at least 41 members, its negotiating procedures are likely to be cumbersome.

### **Uncertain financing situation**

Even after the adoption of the Statutes, there are doubts about one elementary requirement for effective democracy promotion by the EED: a financial base that is adequate and stable in the long term. Funds are to be allocated, according to the Statutes, outside the official EU budget. Voluntary contributions from the Member States are to form the essential basis for the EED's various projects, although the money will not be earmarked. The Endowment may also canvas for private donations and for EU funding.

As it is not yet known how large the EED's initial budget will be, a funding shortfall cannot be ruled out. For its organisational structure the EU Commission has indicated that it will provide EUR 6 million of financial support over four years. These

resources will probably come from the budget of the European Neighbourhood and Partnership Instrument (ENPI), because the EED's engagement will be geographically limited to the Neighbourhood for the time being.

The financing of the EED's operational activities, on the other hand, has yet to be clarified. The High Representative's appeals to the Member States for donations have so far remained unanswered. Germany, too, is still considering whether and how it intends to support the EED. During the negotiations, Poland and Sweden gave oral pledges of some EUR 5 to 10 million, but they have yet to confirm this. If at least these funds were forthcoming, the EED would have, together with the Commission's contribution, some EUR 16 to 20 million in the next few years.

To ensure sustained financing, the possibility of a fixed amount of support being provided for operational activities by the European Neighbourhood Instrument (ENI, the ENPI's successor from 2014) or even by the EIDHR is being considered during the negotiations in Brussels on the Financial Framework 2014–2020. The scale of resources obtained from the EU budget for operational measures will be one of the factors that determines the EED's flexibility. If it receives EU money, the EED will be subject to the extensive EU rules on accountability, for example. Although this will give the Council and Parliament a greater opportunity to monitor the EED, it will also increase the bureaucracy.

### **Effectiveness: great expectations versus high risks**

If the EED is to be effective and innovative in the action it takes, it should build on past experience of democracy promotion and limit known risks from the outset. From its vague and generally worded goals it is clear, however, that its founding fathers have little idea what an actor-centred form of democracy promotion is capable of achieving.

At present, the Statutes set out no more than a loose framework for the EED's engagement: they specify the time at which it is to become involved. Accordingly, the EED's work is to be directed at countries not yet undergoing or still at a very early stage of the transition to democracy. They also define the target group as pro-democracy actors in favour of a multi-party system, social movements, civil-society organisations, emerging leaders, independent media and journalists, including bloggers and social media activists, non-governmental organisations (NGOs), even if they are in exile, foundations and educational institutions. These organisations and individuals must be committed to democratic values, international human rights standards and peaceful engagement. According to the Statutes, these target groups may be direct recipients of financial assistance. Alternatively, the EED may support such implementing partners as NGOs and foundations. The Statutes also permit the EED to engage in such independent activities as seminars and publication on a limited scale.

### **Pro-democracy actors – a difficult target group**

The EU and its Member States broadly welcome the EED's basic idea of supporting pro-democracy forces and non-governmental groups with government money. Nonetheless, major differences of opinion came to light in the EED working group on how far the Endowment might intervene in a target country's political conflict and how unambiguously it might take sides. As things stand, there is no explicit reference, for example, to assisting political parties – nor is it ruled out.

The EED faces an old problem associated with international democracy promotion: identifying actors who conscientiously and resolutely call for the relaxation of authoritarian rule and advocate democratisation is difficult and time-consuming. For an institution with offices only in Brussels it is

possible only to a degree. In this respect, the EED will have to rely on the knowledge of the EU delegations. But they are specialised in cooperation with governments and have only a limited ability to assess groupings behind the official political scenes. Alternatively, the EED must rely on experienced implementing organisations, such as political foundations and NGOs. Thanks to their many years of cooperation with civil-society groups, they are familiar with local political and social circumstances. Even if it succeeds in involving reliable democracy promoters, assessing the credibility of political actors in the country will continue to be a major challenge for the EED. The extent to which a veil of democratic rhetoric conceals appropriate values and attitudes does not, as a rule, become evident until democratisation processes are under way. If, then, the EED's primary objective is to become involved at the earliest possible stage of a period of radical change, some of the forces it helps are bound to turn out to be undemocratic at a later stage.

Yet it is in precisely this respect that the EED may contribute added value: unlike the EU's official representatives (e.g. delegations) and instruments, the EED will be able, at times of radical change, to maintain contact with actors whose political orientation is still undecided or still changing, such as religious groups and political parties, provided that, in principle at least, they are committed to the above criteria.

### **Risks inherent in democracy promotion**

Democracy promotion is exposed to further risks in an autocratic regime and in the early phases of transition. First, strong external support for opposition forces may be counterproductive in an authoritarian context: such groups are either discredited in the eyes of the public or punished by the authoritarian regime for their activities. The more offensively external actors have supported human rights or pro-democracy activists in recent years, the more severely

governments have clamped down on their freedom of action. How serious the risk is, particularly in the EU's Neighbourhood, is evident from the example of Russia, where, according to recent draft legislation, NGOs receiving money from abroad must count on being subjected to closer surveillance.

Second, when an authoritarian regime opens its doors to new political and social forces, a period of uncertain transition often follows while political power structures change fundamentally. Old elites have to forgo economic and political privileges, usually to the benefit of new actors. This change can quickly lead to an escalation of violence if opposition forces set themselves against ruling elites, as the protests in Egypt in 2011 showed. The EED's goal of supporting only peaceful organisations and groups may be very quickly thwarted by the political dynamic in such situations.

Third, past instances of external support for democratisation processes show that there is room for serious doubt about the wisdom of focusing solely on pro-democracy actors. If the development of a "sustainable democracy" is to be promoted, it will be essential to establish accountable and representative government institutions. Although the new ENP strategy is aimed at such structural changes, the intention is that the EED should be autonomous from the EU, and careful dovetailing with the latter will therefore be appropriate, but is not guaranteed.

### **EU institutions: competition versus complementarity**

The EED's effectiveness will also depend on its complementing the existing EU institutions and other organisations active in the field of democracy promotion. Although its Statutes commit the EED to coherent action in relation to all the Member States' activities and bilateral programmes that receive support from the EU, they merely provide for the Board of Governors to meet the EU institutions and other democracy promoters at least once a year for consultations.

The EED initiators recommended Brussels as the place for this because communication with the EU institutions would then be easier, but geographical proximity alone is no guarantee of such communication.

#### **Added value compared to other EU institutions undecided**

The EU has long promoted democracy and human rights under its foreign, development and neighbourhood policies, a special role being played by the EIDHR and the Civil Society Facility. It is crucial, therefore, for a substantive distinction to be made between the EED and those two instruments if it is to complement their activities in a target country appropriately.

According to its Statutes, the EED is to support democratisation particularly when cooperation with governments is difficult and existing EU instruments are having no impact, whether in authoritarian states or in complex situations of radical change. The precedent cited by Poland was Belarus, where many NGOs have no access to EU money, or only by circuitous routes, because restrictive government registration rules often force them underground. A question left unanswered by the Statutes, however, is whether pro-democracy forces are to be assisted on an ad hoc basis or over a longer period. Consequently, the question of the coherence and complementarity of the EED's activities within the EU structure has also yet to be clarified, since some of the Endowment's tasks could be performed by the EIDHR or the Civil Society Facility.

Within the EIDHR framework, for example, 90 per cent of the resources allocated to small projects support the work of non-governmental groups and individuals. Although the EIDHR focuses primarily on the protection of human rights and to only a limited extent on democratisation, the danger of duplication is particularly serious in this case. Furthermore, the EIDHR makes the ad hoc financing of human rights activists possible when they are in need of protection. A proposal from the European

Parliament and the Council in December 2011 for new rules on the financing of the EIHDR would increase flexibility even further.

The Civil Society Facility set up in 2011 also assists non-governmental organisations in the European Neighbourhood. However, it is aimed at a very wide societal spectrum and not explicitly at supporting democratisation processes.

#### **Fragmentation of funding sources**

All in all, it is highly likely that the diversification of funding sources at European level will result in further fragmentation of democracy promotion at governmental and non-governmental level and obstruct the emergence of a coherent approach.

First, the distribution of new resources may cause substantive duplication. Although the EUR 6 million promised by the EU Commission to cover administrative costs will not, in the short term, put the EED in a position to compete with the EIDHR (whose budget for 2011–2013 totals some EUR 472.4 million) or the programmes assisted by the ENPI (a total of about EUR 12 billion for 2007–2013), a comparison of funds set aside for operational implementation shows that the various budgets are similar in scale: it is estimated that the EED will initially receive voluntary contributions amounting to EUR 10 to 20 million. Of the EIHDR's total budget, only about EUR 53.4 million will go to the European Neighbourhood and the Middle East from 2011 to 2013. Much the same can be said of the Civil Society Facility: for 2011 it received from the EU some EUR 26 million within the ENPI framework, and roughly the same figure is planned for 2012 and 2013. Owing to the lack of a clear distinction between the three programmes, some duplication has therefore already occurred. Nor can the possibility of the EED's establishment eventually resulting in a change in the distribution of resources within instruments (EIDHR and ENPI/ENI) be ruled out.

Second, rivalry between the traditional, non-governmental democracy promoters and the EED could break out if the EED tried to obtain EU funding. From the outset the German political foundations, for example, have voiced the criticism that its many years of work, partly funded by the EU, with reform forces would be duplicated by the EED. Although it is highly likely that the same promoters will be engaged by the EED as implementing organisations, the EED would then take on a distinct gatekeeper function in the matter of EU resources – and this despite the fact that it is to act autonomously from the EU and will not be directly accountable to the Council and Parliament for its decisions.

### **Recommendations for proceeding from wishful thinking to reality**

Numerous key questions relating to the EED have yet to be answered, since the Statutes are very vague in many places. It is for the Board of Governors, which will probably meet in September 2012 for the first time, to decide what form the strategic and operational decision-making and allocation procedures should take. The EED will not be able to start work until the first half of 2013 at the earliest. Only if it is able to take political action flexibly and the continuation of its activities in a target country in the long term is guaranteed by other EU institutions or Member States can it represent a genuine added value for EU democracy promotion. For this the following aspects are of relevance:

- ▶ *Flexibility of procedures:* If bureaucratic and cumbersome decision-making processes are to be avoided, it would be advisable, first, for the Board of Governors to exercise restraint in the EED's operational activities and for excessively formalised procedures to be avoided. The Board of Governors should confine itself to the EED's strategic orientation. In contrast, a strong Executive Committee should be able to decide on the allocation of resources and operational meas-

ures independently of the Board of Governors. The future Executive Director will also have a key role to play in this respect, since it will ultimately be for him to assert himself against the controlling interests of the Board of Governors. Second, the allocation of resources should not be guided by the EIDHR's application procedure: an innovative, alternative form of financing without excessive reporting obligations should instead be chosen.

- ▶ *Support rather than control:* The attitude of many of the Member States has hitherto been moulded by a desire to control the EED's decision-making procedures rather than guide them proactively. The risk then, however, is that the EED will be tied to financing from the EU budget and so becoming more bureaucratised. Its possible effectiveness would then bear no relation to the extensive decision-making procedures. The Member States should therefore either be more generous with their voluntary contributions to the EED or not use their voting rights in the Board of Governors. The more financial room for manoeuvre and political backing the EED receives, the more flexibly and audaciously it will actually be able to act.
- ▶ *Contextual sensitivity:* The vague description of the Endowment's tasks in the Statutes, which make no reference to practical measures, also creates opportunities: compared to the EIHDR and the Civil Society Facility, the EED will be able to add value if it cooperates closely with experienced non-governmental democracy promoters, such as private or political foundations, in the target country and joins with them in identifying (on the demand rather than the supply side) shortcomings in the assistance provided. The joint elaboration of country analyses will make it possible to design contextually sensitive measures of the type often deemed necessary for the EU's democracy promotion policy. The priority in this context might be given to such



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**SWP**  
Stiftung Wissenschaft und Politik  
German Institute for International and Security Affairs

Ludwigkirchplatz 3-4  
10719 Berlin  
Telephone +49 30 880 07-0  
Fax +49 30 880 07-100  
www.swp-berlin.org  
swp@swp-berlin.org

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democratic dynamics as the emergence of opposition forces needing help to coordinate their activities. The EED should also make a virtue of necessity by keeping its criteria for target groups as broad as possible. As the risk of misplaced promotion can hardly be avoided, the EED can distinguish itself from other EU instruments by consciously and proactively involving groups whose future development cannot be predicted.

- ▶ *Complementarity at country level:* Annual meetings and agreements in Brussels will not be enough on their own to preclude rivalry and duplication of efforts in relation to other democracy promoters. Only the Executive Director will be able to establish constant working contacts with all the EU institutions through his or her permanent post. To be complementary, however, the EED must above all develop appropriate strategies at target-country level in cooperation with other democracy promoters. Particularly at times of radical change a special envoy chosen from among the Executive Committee members might be posted permanently in the country concerned for a fixed period to take over control and coordination tasks. In the absence of country offices, however, local implementing partners will ultimately take primary responsibility for the EED's projects.

- ▶ *Long-term promotion:* Although small and short-term contributions will enable the EED to establish initial peer-to-peer contacts and to stimulate change in neighbouring countries, the pluralisation of the political scene is no more than the first step in efforts to promote the development of a sustainable democracy. They may have no effect at all or even counterproductive effects if they are not backed by a clear political strategy or if there is no continuity. From the outset, ways of ensuring long-term follow-up assistance, through such EU instruments as the EIDHR, should therefore be sought. The EED's establishment

should not result in resources in the EU being allocated to actor-centred measures at the expense of a more structurally and institutionally aligned policy.

- ▶ *Reform of the EIDHR:* It remains to be seen what relationship develops between the EED and the EIDHR and whether they will decide on an appropriate division of labour. In the worst case, EU democracy promotion may wane in the complex institutional mix. If this is to be prevented, not only should compliance with the aforementioned guidelines on the shaping of the EED be ensured, but also the continuation of the planned reform of the EIDHR on which work has already begun. After all, its shortcomings will not be eliminated simply by the establishment of a new institution. In the best case, the EED, acting coherently with the EIDHR, will actually stimulate a new dynamism in EU democracy promotion.