



## Promoting Democracy through Civil Society:

### How to Step up the EU's Policy towards the Eastern Neighbourhood

**Kristi Raik**

#### Abstract

The European Union has successfully supported democratisation in its new Eastern member states and candidate countries. Now it needs to become more engaged in those post-communist countries where democratisation is incomplete or stalled. This study argues that civil society should be a more important priority of democracy promotion in the EU's Eastern neighbourhood and calls for a strategic and differentiated approach designed according to the stage of democratisation in the target country. The paper focuses on three countries that represent three types of cases in the eastern neighbourhood: Ukraine, which has become a 're-transition' country after the Orange Revolution; Moldova, where we can observe a prolonged transition; and Belarus, an outright dictatorship. One of the well-known obstacles to enhancing the EU's support to civil society in these countries is posed by the bureaucratic procedures of aid programmes. However, even if the rules were substantially reformed, it would still be difficult for the European Commission to work extensively with NGOs in foreign countries for political as well as institutional reasons. Hence, the EU should create new mechanisms of democracy assistance. The German and US foundations set up specifically for this purpose have proved to be a model with many advantages; similar European foundation(s) could be an invaluable tool for supporting pro-democratic forces in authoritarian countries in particular. The paper also examines two other exemplary models for the European neighbourhood policy: the Swedish practice to channel support through domestic NGOs, and the EU's own policy, which has only been applied in candidate countries so far, to use local civil society development foundations.

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# PROMOTING DEMOCRACY THROUGH CIVIL SOCIETY

## HOW TO STEP UP THE EU'S POLICY TOWARDS THE EASTERN NEIGHBOURHOOD

KRISTI RAIK

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### 1. Introduction

The importance of civil society for democracy and democratisation has become widely acknowledged as part of the post-cold war democratic paradigm. The very concept of civil society re-emerged in political and academic discourse along with the democratic transitions in Central and Eastern Europe in the late 1980s. Since then it has made its way into the democracy promotion policies of all major Western states and organisations. The central role of peaceful civic activity in bringing about political change was reaffirmed by the recent transitions in Georgia and Ukraine.

The share of assistance targeted to civil society as part of the democracy programmes of international donors has remained surprisingly small.<sup>1</sup> In the case of the EU, civil society has gradually gained a more important position in its policies of democracy promotion. However, the EU is only just learning to create effective instruments for supporting civil society. While democracy promotion is a relatively new issue on the EU's external relations agenda, having emerged only after the end of the cold war, the emphasis on civil society is an even more recent phenomenon. As this study shows, the EU has given less support to civil society in its Eastern neighbourhood than some other major donors.

Since the collapse of the Soviet bloc, the EU has successfully supported democratisation in many Central and Eastern European countries (CEECs). Now it needs to become more engaged in the post-communist countries where democratisation is incomplete or stalled. There is a need for specific analysis on how the EU can support civil society, and thereby democratisation, in such countries more effectively.

This study explores two questions in particular:

- What kind of support to civil society is needed in the EU's Eastern neighbourhood, taking into consideration the stage of democracy (or lack thereof) in the different neighbouring countries?
- How can the EU develop specific strategies and mechanisms of civil society assistance, responding to the conditions and needs of different types of countries in the neighbourhood?

The study focuses on Ukraine, Moldova and Belarus as three types of cases among the Eastern neighbour countries. Of course, the other Eastern EU neighbours each have their specific features, aims and needs, but the three cases represent different categories that help us to analyse the situation in the region and design responsive policies of the EU.

Before taking a closer look at the three countries and the EU's respective policies, this paper reviews the functions of civil society for democracy and democratisation. This analysis will indicate what kind of assistance is needed in the neighbouring countries. The second part of the paper tackles the situation of democracy and civil society in Ukraine, Moldova and Belarus, defined as cases of re-transition, prolonged transition and pre-transition, respectively. The third

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<sup>1</sup> See tables below and Freedom House (2005b).

part analyses the EU's assistance to civil society in the three countries, compares the EU with other donors, and outlines improvements to the EU strategy and mechanisms of civil society support.

## **2. The added value of civil society**

### **2.1 Improved quality, effectiveness and stability of democracy**

A democratic political system not only allows, but also encourages its citizens to take active part in public life. It is one of the key features of democracy that people act together in an organised manner in order to formulate and express their interests, values and identities. Civil society, as understood in this study, is the sphere where such organised, 'bottom-up' activity takes place. It is by definition independent from the state and the business sector, as indicated by the concept of 'third sector', which is often used interchangeably with 'civil society'. While the former refers more narrowly to voluntary non-profit organisations, the latter also incorporates interest groups, social partners, movements, networks and ad hoc groupings. There is thus a wide variety of civil society actors that do not necessarily share more with each other than the core characteristics of being voluntary, independent, non-profit, open, public, legal and non-violent. These principles distinguish civil society from 'uncivil' society, in other words independent and organised 'bottom-up' activity that is illegal and violates democratic values (such as extremist groups and organised crime).<sup>2</sup>

The existence of civil society obviously requires a democratic political system that guarantees the civic freedoms of association, opinion and speech. On the other hand, the functioning of democracy requires civic activity, and the quality and strength of democracy are defined, among other things, by the level of civil society.<sup>3</sup> Above all, it is politically-oriented civic activity – politically in a broad sense, aimed at having an impact on public life and the functioning of (a certain aspect of) society – that helps to create a sustainable democracy. Politically-oriented civil society stands close to two other sectors that are also inevitable for democracy: the media and political parties (the media, however, is often commercial as opposed to the non-profit nature of civil society; and political parties, unlike civil society organisations, strive for power in state institutions). Civil society also includes many groups and organisations that do not have a direct relevance for democracy, for instance sports clubs and cultural associations and many other kinds of leisure activities. Even the non-political forms of civic activity may, however, contribute to generating trust and solidarity among citizens, which are essential for a democratic community.<sup>4</sup>

Both citizens and democratic leaders have plenty of reasons to safeguard an independent sphere of civic activity and try to make it flourish. It is useful to make a distinction between the functions of civil society and political participation for the democratic system on the one hand and citizens on the other.<sup>5</sup>

From the viewpoint of the democratic system, an active, well-organised citizenry may enhance the stability of the system and the effectiveness and efficiency of decision-making in many ways. First, NGOs and interest groups provide public authorities with valuable information and

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<sup>2</sup> Cf. Kopecky & Mudde (2003).

<sup>3</sup> The argument goes back to de Tocqueville (1998 [1835, 1840]) among others.

<sup>4</sup> Robert Putnam's famous study (1993) on civic traditions in Italy shows a positive association between civic activity and democracy. It has been criticised, however, for not distinguishing between different forms of civic activity, all of which do not seem to make a difference for democracy (see e.g. Seligson, 1999).

<sup>5</sup> Cf. Birch (1993, pp. 82-92) on political participation.

expertise on the problems and needs of society, the expectations of citizens and ways to address the problems and satisfy the needs. It is thus in the interest of decision-makers to consult relevant NGOs and listen to their views in order to take responsive and well-informed decisions. This concerns both expert information, which is more or less objective (e.g. provided by think-tanks and professional organisations) and the subjective opinion of stakeholders of different policies (the line between the two being far from clear-cut).

Second, civic activity has an educational function: it teaches responsible social and political action and respect for the public interest. In other words, people become better citizens through being active in civil society.<sup>6</sup> Participation creates social capital and contributes to social order. This brings us to the third, closely related point: people are more likely to approve public decisions and comply with common rules and norms if they take part in public life themselves and feel that they have a say in the decision-making.

Fourth, civil society helps the state to take care of social tasks. It is in the interest of public authorities to support NGOs that are active in the social sphere and can ease the burden of the state. And fifth, civil society is not only a channel for the citizens to reach the state and influence public policy, but also a channel for the state to communicate its decisions and policies to the people. For example, NGOs have been of great help in spreading information about the EU in candidate countries and helping people to form their opinion.

From the viewpoint of citizens, civil society is first and foremost a channel for protecting and promoting the values and interests of different groups. One of the main tools for doing this is policy advocacy that aims to influence public authorities. Social partners and lobbying groups that have a strong influence on political decision-making in many democratic countries are the clearest examples of this type of activity. Importantly, civil society is a pluralist space where even small groups that cannot easily bring their views to the decision-makers through representative channels can make themselves heard – hence, it helps minorities to defend themselves against the tyranny of the majority. In addition to direct influence on policy-making, civic activity also has a broader function of shaping public opinion and bringing the views of different groups to general attention.

Civic activity aimed at influencing public life increasingly takes place not only on the national level, but also in regional, international and global arenas. Environmental organisations, human rights activists and minority groups, among others, have a considerable voice in the international community. The large scale of NGOs and interest groups represented in Brussels is a sign of a nascent European civil society that provides a channel for citizens to directly influence policy-making in the EU. The borders of European civil society extend the borders of the EU, as NGO networks and various forms of grassroots-level interaction incorporate groups from outside the Union. Such linkages are an important means of promoting European values and integrating outsiders into the transnational democratic community.

Secondly, it is a classical function of civil society to exercise control over power-holders and to prevent the concentration and misuse of power. In this watchdog and countervailing role, NGOs complement the media as they scrutinise the work of public officials, demand openness and accountability, and expose possible misbehaviour. For example, NGOs have a significant role in the fight against corruption. Another important task of NGOs in democratising countries is to observe the election process.

Thirdly, coming back to the role of NGOs as providers of social services, civil society can perform social tasks, such as taking care of children and the elderly, helping disadvantaged groups, promoting public health for example through fighting HIV/AIDS, etc. This may be

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<sup>6</sup> This idea was first developed at length by J.S. Mill (1991[1861]).

particularly valuable in poor societies where the state has limited resources for social services. There is also a tendency in wealthier countries to delegate social tasks from public authorities to NGOs that are in many cases able to provide high-quality social services at a lower cost than the state or business sector.

Finally, if one of the virtues of democracy is to enable people to live a good life, one should not underestimate the personal and emotional satisfaction that civic activity can give. Participation in public life can be seen as a value in itself that belongs to the 'good life', creates community spirit and promotes the common good. From a more individualistic perspective, civic activity offers opportunities for self-fulfilment, for doing something meaningful and rewarding and at the same time developing one's personal skills and possibly promoting professional advancement. NGOs are indeed an attractive employer especially for young people in many transition countries as well as old democracies.

## 2.2 From democratic transition to consolidation

The functions described above reflect the situation in established democracies with a relatively strong civil society. In transition countries, there is no such civil society to begin with, although there are some forms of organised civic activity in all societies. The process of democratisation includes the creation of civic organisations that are able to perform these functions, and the development of relations between the state and civil society so as to allow the latter to contribute to the functioning of democracy. (The end result does not have to be and cannot be the same everywhere, copying the model of Western NGOs, lobbyists and interest groups. The basic idea of allowing bottom-up civic activity to take part in governing public life leaves space for variation.)

While the main hindrance to independent civil society is obviously the lack of democracy, there are also other considerable obstacles that need to be addressed in the course of democratisation. One of them is socio-economic conditions: many social studies show a correlation between the level of welfare and education on the one hand and civic activity on the other.<sup>7</sup> This is valid for both a comparison between countries and differences within societies: poorer countries display lower levels of civic activity, and weaker social groups tend to be more passive everywhere. Therefore, poverty reduction has to be an important part of supporting civic activity.

Another group of factors that accounts for the weakness of civil society is history, tradition and culture – if people are simply not accustomed to defending their interests and taking active part in public life, they do not easily change their habits even if the political system becomes more favourable to civic activity. Previous regime type is a particularly strong factor in explaining the level of civil society. Comparison of three types of countries – post-communist, post-authoritarian and old democracies – shows that previous experience of communist rule has the most negative impact on civic activity. Civil society is considerably stronger in post-authoritarian countries and, not surprisingly, most vibrant in older democracies.<sup>8</sup>

The relative weakness of civil society in non-democratic and democratising countries does not mean, however, that it cannot play a major role in breaking down authoritarian systems and establishing democracy. Civil society has had a unique role in the democratisation of Central and Eastern Europe, even though this sector remains weak in post-communist countries in comparison with old democracies. It is important to note that the weakness indicated by social studies is defined by quantitative measures (the number of NGOs and the extent of individual participation). The quality and intensity of existing groups may compensate for the numerical

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<sup>7</sup> E.g. Birch (1993, p. 83).

<sup>8</sup> Howard (2002).

weakness.<sup>9</sup> There were few organised groups and a small number of citizens actively involved in initiating the transition in the CEECs, but these groups managed to mobilise the masses and speak in the name of whole nations in the revolutionary events.

In very general terms, civil society is needed in democratisation for two purposes: first, to move the process forward and second, to prevent it from sliding backwards. (Likewise, in established democracies, the task of civil society is to strengthen the system and to prevent its erosion or collapse.) What is important for external donors to acknowledge is that the role of civil society is different in different stages of democratisation: the pre-transition, transition and consolidation phase. This continuum is open-ended in both ways: it is difficult to assess whether an authoritarian country is in a pre-transition phase, and it is questionable whether we should regard any democracy as fully consolidated. In hindsight, we may say that dissidents in the former Soviet bloc were preparing for decades for the transition that finally occurred in the late 1980s. Before the latter half of 1980s, however, hardly any expert would have called the Soviet Union a pre-transition country. Presuming the possibility of transition in any authoritarian state, let us include all of them in the category of pre-transition countries.

In a *pre-transition* country, such as Belarus, where democracy and civic freedoms do not exist or are severely restricted, there is limited space, if any, for civil society that is open, public, legal and independent. The primary task of civic activity is therefore to work for political change that creates the conditions for the normal functioning of civil society. It is essential for pro-democratic groups to maintain independent communications and try to reach the broader public through alternative media. This is needed above all the spreading of information about their own goals and activities in order to mobilise support and make people believe that they offer a credible alternative to the authoritarian regime. It is also necessary to de-legitimise the incumbent leader by making available uncensored information about matters such as corruption, nepotism and violations of human rights.<sup>10</sup>

If the state does not allow democratic freedoms, such activity has to violate some of the underlying principles of civil society, notably openness and legality. Instead of taking place in the public sphere, politically-oriented civic activity is forced underground and treated by the regime as criminal. Under such circumstances, the very concept of civil society needs to be specified: in non-democratic countries it entails, first, dissident groups that are not allowed to act publicly but that work for democratic change more or less hidden, and second, groups that are allowed by the regime to be active, but are autonomous and do not work for the regime – usually such groups are non-political. Thirdly, there are fake NGOs established and supported by the regime that are not, of course, classified as civil society.

These specifications cause some difficulty for making a distinction between civil and uncivil society, and between true NGOs that are bottom-up and autonomous, and fake NGOs that are established by and dependent on the government. Pro-democratic groups may be forced to violate the law, which makes them vulnerable to being discredited and degraded by the regime. On the other hand, criminals and other groups that are ‘uncivil’ according to democratic standards may try to portray themselves as victims of the repressive system and seek legitimacy in the eyes of external actors. It is also difficult, if not impossible, to get reliable data and have an overview of non-state actors in authoritarian states. It is a complicated, but all the more essential task for external donors in such circumstances to find reliable partners and to deliver assistance to independent pro-democratic forces. Obviously external actors can do very little through formal channels of assistance that are approved by the non-democratic government.

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<sup>9</sup> Kubik (2005).

<sup>10</sup> Freedom House (2005a).

Therefore the independence of civil society aid from the recipient country's government is more crucial than in other stages of democratisation.

In order for civil society to *initiate transition*, it needs to organise a united opposition front that is able to mobilise the masses – as it did in the recent revolutions in Ukraine and Georgia, and even more broadly in late 1980s in Eastern and Central Europe. At this stage of democratisation, large-scale civic engagement is probably more important than ever. The democratic opposition is more likely to succeed if the following preconditions are in place: the regime is not fully authoritarian but allows some civic freedom (note the effect of *perestroika* and *glasnost* in the USSR); the incumbent leader is unpopular; there is at least some independent media; independent NGOs are able to monitor elections; and the regime is not united and cannot rely on the military, police and security forces in case of mass demonstrations.<sup>11</sup> All these factors contributed to change in Ukraine and Georgia, but the situation in Belarus looks far less promising, as described below.

In the breakthrough phase, one of the main challenges for external donors is the pace of events. In order to be able to give effective assistance, donors need to be represented on the ground and have sufficient financial and administrative flexibility that allows them to react to changing circumstances and assist key actors.

The *transition phase*, starting from the overthrow of the old regime and covering the establishment of the new system, is a hard test for civil society. The developments in the CEECs in the first half of 1990s, when the initial wave of mass mobilisation was replaced by general apathy and disillusionment, illustrate well the challenges. The locus of change shifted from mass protests to negotiations among the elites (although negotiations also played a role during mass demonstrations). Many of the non-state actors that had been involved in overthrowing the authoritarian leadership claimed a rightful place at tables where the new system was agreed on. The distinction between political and civil society was blurred, as many activists and groups moved from the sphere of civil society to political parties and became the new powerholders – the best-known individual examples being Vaclav Havel and Lech Walesa. Having destroyed their common enemy – the authoritarian regime – the broad pro-democratic coalitions started to crack.

Many people were not satisfied with the extent to which civil society was included in the process of creating the new system. Apparently the establishment of new institutions did not suffice to give legitimacy to the new political leaders, or to offer enough opportunities for citizens to have a say in political processes. Economic hardships and the increase of social problems worsened the situation. Civic activity and general enthusiasm about liberation gave way to disappointment and alienation from politics of large segments of CEEC citizens.<sup>12</sup>

By the latter half of 1990s, the major institutional reforms were completed in most of the CEECs, and the question of how to guarantee the *consolidation* and improve the quality of new democracies rose to the fore. Civil society started to receive increasing attention again as a means to consolidate democracy. Systematic inclusion of NGOs in policy-making gradually became a serious concern for external donors as well as domestic political elites. The understanding of civil society changed: while in the late 1980s the concept referred to a vibrant, active citizenry and large-scale political participation, now the focus shifted to professional interest groups and NGOs.<sup>13</sup>

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<sup>11</sup> McFaul (2005).

<sup>12</sup> Merkel (2001, p. 102).

<sup>13</sup> Fagan (2005); Diamond (1996).



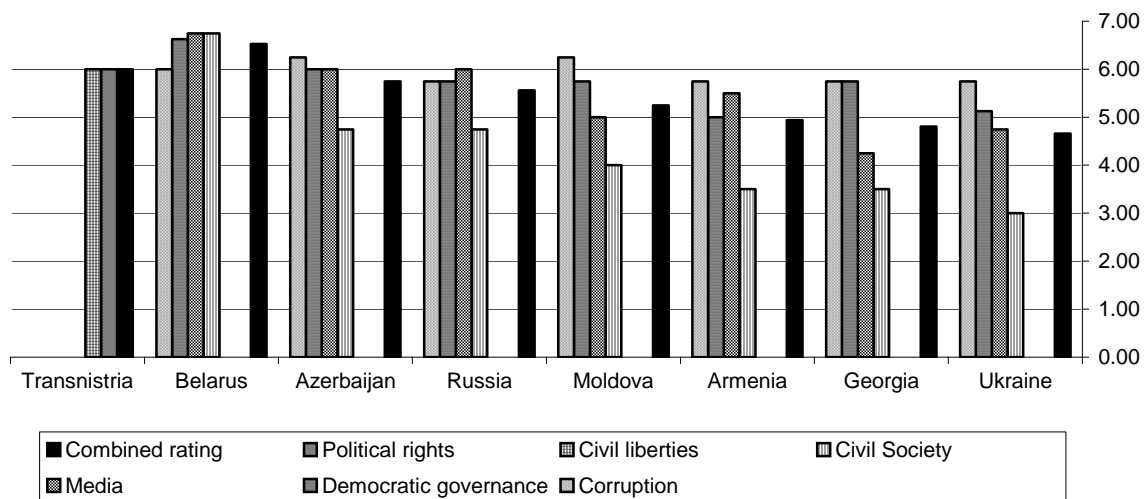
Concluding from the experience of the CEECs, it is worth to stress that mass mobilisation of civil society in the pre-transition phase is likely to be followed by a downward wave during transition. The primary question in the latter stage is the inclusion of civil society in negotiations over the new rules. Key decisions, above all a new constitution that is usually introduced in the transition phase, need to be based on broad consensus. The consolidation phase opens up more space for systematic inclusion of non-state actors in different areas of public policy. At the same time the common fight of pro-democratic forces for regime change is replaced with political pluralisation and struggle between various group interests.

### 3. Civil society in the eastern neighbourhood: a force for democratisation?

#### 3.1 The state of democracy: three types of neighbours in the east

The development of post-communist countries proves that democratisation is often not a linear process, moving steadily from one phase to the next. While the new EU member states have moved forward more or less consistently, with only Slovakia having experienced considerable setbacks in the 1990s, the democratisation of the CIS countries has for the most part stalled or moved backwards since the early 1990s, never making it from the transition to the consolidation phase. Before the revolutions in Ukraine and Georgia, an increasing number of experts started to question whether one should talk about the CIS as transition countries any longer or accept that they had established hybrid systems that fell into a grey zone between democracy and authoritarianism.<sup>14</sup> According to the widely used Freedom House classification, most of the CIS countries were “semi-free” and combined elements of democratic competition with authoritarian leadership.

Figure 1. Freedom House ratings for the Eastern neighbouring countries of the EU in 2005



Sources: For the CIS countries, *Nations in Transit 2005*; for Transnistria, “Disputed and Related Territories”, in *Freedom in the World 2005*, Freedom House.

The ‘colour revolutions’ disproved the pessimistic assessments and raised hopes about a renewed wave of democratisation in post-communist Europe. Ukraine and Georgia have undoubtedly had a huge impact on the whole post-Soviet space. Pro-democratic forces in many

<sup>14</sup> Zakaria (1997); Carothers (1999); Ottaway (2003); Levitsky & Way (2002).

countries have been inspired by the revolutions and gained new belief in the possibility of change. On the dark side, several (semi-)authoritarian leaders have tightened control over political opposition and civil society and introduced new restrictions of political freedoms as a ‘vaccine’ against the spread of the ‘democracy virus’.

As a result, the differences among the CIS countries in terms of the level of democracy have grown bigger. These may be temporary cleavages, as the pressure to move towards democracy has also grown in the whole region. Nonetheless, for the time being, we may distinguish between *three types of countries in the Eastern neighbourhood*. The key difference from the viewpoint of civil society and democratisation is the commitment of leadership to democratic reforms.

First, there are two post-revolutionary or ‘*re-transition*’ (renewed transition) cases, Ukraine and Georgia, where the new leaders are committed to democratisation, but the system is unstable and fragile. The revolutions were a widespread reaction of citizens against corrupt and discredited leaders, and a popular call for a new political culture. The problems of the previous regime do not, however, disappear overnight. Above all, it is the high level of corruption – one of the main reasons for popular protest during the revolutions – that continues to plague both Ukraine and Georgia (see Figure 1). Ukraine as well as Georgia are still categorised as ‘semi-free’ by the Freedom House, although their ratings have slightly improved after the revolutions. Before the Orange Revolution, Ukraine was less democratic than, for example, Moldova, and represented a typical case of ‘competitive authoritarianism’ – a regime combining political competition with authoritarian government.<sup>15</sup> The fact that political opposition and independent NGOs were allowed to exist, in spite of harassment and discrimination by the powerholders, was a crucial factor behind the Orange Revolution. International support was also indispensable for the Yushchenko camp, although the revolution was “homegrown” and to a large extent funded from domestic sources.<sup>16</sup>

These countries are comparable with the CEECs in the late 1980s and early 1990s. There are some differences, however, that make their transition more complicated and uncertain. First, there is not as strong and broad-based commitment to democracy among the political elites and the population in general as there was in central and east European countries.<sup>17</sup> Second, the previous regimes in the current re-transition countries were home-grown, as opposed to the externally imposed communist regime in the CEECs, and enjoyed considerable support among the people. We should not forget that in the presidential elections of 2004, close to one-half of the Ukrainians (44% of those who participated in the final round of elections) favoured the opposition candidate, the former Prime Minister Viktor Yanukovitch, and a year later, in December 2005, his party was supported by one-fourth of the population.<sup>18</sup> Third, western support to Ukraine, not to speak of the other smaller CIS countries, is much weaker than it was, for example, to Poland in the late 1980s and early 1990s. The third difference does not, however, concern the Baltic countries, which received little support from the West in their fight for independence and were not seen as potential members of the EU and NATO until the latter half of 1990s. The Baltic countries thus serve as an encouraging example to the other former Soviet republics, although one has to acknowledge that their historical, social and economic

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<sup>15</sup> Levitsky & Way (2002); Way (2005).

<sup>16</sup> Kuzio (2005, pp. 127-129).

<sup>17</sup> For example, belief in the capability of democracy to deal with the problems of the country has been considerably lower and readiness to accept authoritarian rule considerably higher in Ukraine than in CEECs. See Fuchs & Klingemann (2002); Ulram & Plasser (2003).

<sup>18</sup> Radio Free Europe, 9 December 2005.

preconditions for democratisation were in many respects better than in the rest of the former Soviet Union.

Bearing the differences in mind, the governments of the re-transition countries need similar support for implementing political and economic reforms as has been given to the CEECs since the late 1980s. It is worth noting that most of the Phare assistance to the CEECs was initially directed to economic restructuring and the rebuilding of infrastructure, which supported economic recovery and integration with the West. Institution-building in accordance with European norms, as well as support to civil society, became important priorities of EU assistance in the 1990s.

Second, we find countries of *prolonged transition* that are relatively stable and have adopted some elements of democracy, but have not completed the transition – for example, Moldova. There is considerable variation within this group; Moldova has always been one of the most democratic countries in the CIS and is now moving closer to the re-transition countries. Russia, by contrast, which has also been in the grey zone between democracy and authoritarianism since the collapse of the Soviet Union, has recently shifted towards authoritarianism.

In Moldova, the elections held between 1990 and 2001 all brought about serious changes in the political landscape, and the parliament was relatively strong and able to constrain the powers of the president. The regime was never as repressive as in Ukraine, not to speak of Belarus, which is at least partly explained by the weakness of government: the leadership simply lacked the resources and capabilities required for imposing authoritarianism. On the other hand, the political opposition and civil society have also been relatively weak, not posing a serious threat to the semi-democratic government.<sup>19</sup> The Communist party that won the elections in 2001 introduced new restrictions on political freedoms. In the following years, the media, especially television, was to a considerable extent controlled by the state, corruption remained widespread and political competition weakly developed.

The latest parliamentary elections held in March 2005 were won again by the Communist party, with 46% of the votes. Yet the elections marked a decisive turn: the communists renounced their orientation towards Russia and made a choice in favour of European integration. There is thus new willingness among the Moldovan political elite to carry on with reform, but not the kind of rigorous commitment that motivated for instance the Baltic leaders in the early 1990s. The government is looking towards the EU for support in its renewed reform efforts, but ironically the same weakness that did not allow it to establish more authoritarian rule is also a hindrance to effective democratic and economic reforms. Moldova's capacity to absorb external assistance is limited. One of the main challenges is therefore to strengthen the state and help the government to develop better skills of policy planning and implementation. Another major challenge is to carry out economic reforms that would make the country more attractive for foreign companies, help to curb the exceptionally high level of emigration and eventually lift Moldova from its present status of being the poorest country in Europe.

The weakness of the state and the economy are largely explained by the internal split of the country. The breakaway region of Transnistria has been a *de facto* separate state since the early 1990s, but the regime is illegitimate and lacks international recognition. It has survived thanks to military assistance from Russia and the presence of Russian troops, and illegal trade of drugs and arms. The government is authoritarian and severely restricts political and civic freedoms. For several years the OSCE was the only Western institution engaged in attempts to solve the conflict together with Russia and Ukraine. Recently the EU has become more involved, and the

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<sup>19</sup> Way (2002) characterises the Moldovan system as 'pluralism by default'.

European turn of Ukraine and Moldova has raised hopes about reaching a solution.<sup>20</sup> However, it remains an extremely complicated task to find a peaceful solution that would not legitimise the Transnistrian leadership and satisfy the interests of all parties.

The most serious threat to the Transnistrian regime would probably be successful democratisation and Europeanisation of Moldova. If Moldova were to become an attractive model in the eyes of the population of Transnistria, it would be far more difficult for the Transnistrian leaders to maintain their current position. The attempts to solve the Transnistrian conflict should thus not be prioritised over the promotion of political and economic reforms in Moldova, and the former should not be seen as a precondition to the latter.

In terms of the level of democracy and civil society, Transnistria belongs to the third category of countries in the EU's eastern neighbourhood: hard-line *authoritarian regimes*. Of course the fact that Belarus is a sovereign state, whereas Transnistria is not, makes these two cases very different and requires different strategies of democracy promotion by external actors. While the key issue in the latter case is to reach an international agreement on the status of Transnistria, in Belarus the change has to be initiated by domestic forces. The prospects are not positive considering the firm position of President Lukashenka, extensive government control over all public life and the weakness of opposition.

President Lukashenka came to power in 1994 as a result of relatively free and fair elections. He soon established authoritarian control over the state machinery and the media and imposed restrictions on the opposition and civil society. Over the years Lukashenka has developed an extensive policy of *pre-empting* political opposition – which differs essentially from the semi-authoritarian CIS leaders who have rather *reacted* against rising political competitors.<sup>21</sup> He has not only succeeded in repressing opposition, but he has also maintained his popularity among a large share of the population – independent surveys show that he is supported by approximately 40% of the population. He is popular especially among the rural population and elderly people who are afraid of becoming the losers in any transition if major changes were to occur.<sup>22</sup>

Unlike in Ukraine before the Orange Revolution and in other semi-authoritarian CIS countries, the Belarusian opposition is excluded from public institutions. In previous elections, the opposition has been fragmented and unable to offer a viable alternative to Lukashenka's rule. With a view to the next presidential elections to be held in March 2006, the pro-democratic groups have made an effort to learn from past mistakes and join forces behind a common candidate, Alyaksandr Milinkevich. However, Lukashenka has strengthened repressive and pre-emptive measures after the Orange Revolution in order to ensure that similar events will not occur in Belarus.<sup>23</sup> Since there is no possibility of anything close to a fair campaign in Belarus, Lukashenka is likely to maintain his popularity. The opportunities for change are also reduced by the passivity and apathy of the population and the fact that many Belarusians value the relative welfare and social stability ensured by the current regime.<sup>24</sup>

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<sup>20</sup> See Popescu (2005).

<sup>21</sup> Silitski (2005b).

<sup>22</sup> Surveys conducted by the Belarusian National Institute for Socioeconomic and Political Studies (the institute was forced to close down by the Belarusian authorities in 2005) and the Pontis Foundation of Bratislava; see Centre for Eastern Studies (2005); Marples (2005).

<sup>23</sup> See Silitski (2005a); Pontis Foundation (2005b).

<sup>24</sup> GDP per capita and average wages are higher in Belarus than in Ukraine. See IMF statistics at <http://www.imf.org/external/pubs/ft/scr/2005/cr05218.pdf> and <http://www.imf.org/external/pubs/ft/scr/2005/cr05417.pdf>

### 3.2 The strengths and weaknesses of civil society

In each of the three categories of countries – re-transition, prolonged transition and authoritarian – the contribution that civil society can make to democratisation is different, and external support should be designed accordingly. In spite of the differences, we can also note some common features, strengths as well as weaknesses, of civil society in Ukraine, Belarus and Moldova.<sup>25</sup> The strong sides of NGOs in all the three countries include the following:

- The number of NGOs is fairly large, all fields of activity are covered.
- There is a considerable number of active and professional people with a lot of experience in societal activity.
- NGOs offer good possibilities for self-realisation, especially for young people.
- NGOs are flexible and innovative, they promote reforms and quickly adapt to changes.
- Domestic NGO networks exist, although their cooperation could be improved.
- Many NGOs have active relations with partners in democratic countries.

There are also many common problems that occur in all the three countries:

- Civil society is still relatively weak, and distant and unknown to a large part of the population.
- The general attitude towards NGOs is sceptical (better in Ukraine than in the other two countries).
- The membership base of NGOs is narrow.
- Most NGOs suffer from constant lack of resources (both funds and skilled activists).
- Domestic sources of funding are minimal (again, the situation is better in Ukraine).
- NGOs depend on foreign aid.
- Many professional NGOs that have close links with the West are elitist and distant from the population (in part this is due to the nature of organisations: the most professional NGOs include many analytical centres that do not aim at a broad membership base).
- There is unhealthy competition between NGOs because all compete for the same funds.
- Sustainability of NGOs is weak, many organisations live from project to project.
- Umbrella organisations that could advocate the views and interests of broad civil society groups are weak.
- In some NGO activities, there is lack of openness, use of external aid for wrong purposes, corruption and nepotism.
- Many existing (i.e. registered) organisations do not really function.
- Little knowledge of the English language is a major obstacle to receiving foreign support and developing contacts with the West.

As the Orange Revolution colourfully proved, civil society is more vibrant in Ukraine than in other EU neighbour countries. In 2004, the number of NGOs was approximately 40,000, which is not far from Poland where the corresponding figure was 52,000. It is estimated, however, that only about 10% of the existing organisations were actually active.<sup>26</sup> The previous regime of Kuchma tried to control and restrict the activities of NGOs and to damage their public image, accusing them of representing foreign countries and acting against national interests.

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<sup>25</sup> Raik (2005).

<sup>26</sup> USAID (2005).

Nonetheless, even before the Orange Revolution, the legal environment of NGOs was improving and some of the organisations had developed high professional skills.<sup>27</sup>

The downside of increased professionalism of some NGOs is the widening gap between, on the one hand, the 'top' NGOs that are mostly based in the capital and, on the other hand, the rural areas where the sector is much weaker. There are also considerable differences between the eastern and western parts of Ukraine. Civil society is considerably stronger in the latter regions that have been historically linked to the West and where the Soviet legacy is weaker and the mentality of the people is more similar to that in the western neighbouring countries.

The number of registered NGOs is relatively lower in Moldova than in Ukraine – 3,156 in 2004, about half of which were actually active. Similarly to Ukraine, NGO activity is concentrated to larger cities. The legal basis for the operation of NGOs is relatively favourable, but has not been respected by the authorities.<sup>28</sup> The government has tried to control foreign aid and to interfere in the activities of NGOs. Cooperation between the state and civil society is hampered by mutual distrust and by the lack of tradition and skills on both sides to work together.

The image and credibility of civil society is weak in all the neighbouring countries (although somewhat more positive in Ukraine): NGOs are not well known in society and many people hold sceptical attitudes towards them. Many NGOs are seen to defend the interests of their leaders or narrow interest groups instead of working for the common good of whole society. Not all NGOs have lived up to the democratic standards: there have been cases of misuse of resources and lack of openness, which easily discredit the whole sector. The level of services provided by NGOs has not always been high either. The good work done by NGOs is often not visible to the public, and the public communication skills of NGOs are weak.

In spite of the problems, the situation in Moldova is bright, in comparison with Transnistria where basic political freedoms are severely restricted and the few existing independent NGOs are regularly harassed by the authorities. Due to a lack of reliable studies, little is known about public opinion there. There are numerous government 'NGOs', including trade unions and youth and student organisations that spread official propaganda and defend the regime against foreign interference. In 2005, the number of registered NGOs was about 600, but it has been estimated that only 20 of them are truly independent.<sup>29</sup> It is important to support the independent NGOs to increase contacts with the rest of Moldova.

In Belarus the regime imposes similar restrictions on civil society as in Transnistria. Most of the population has little contact with the outside world and is effectively brainwashed by the authorities. Nearly all information channels, including all television channels, are controlled by the president (also the Russian television, which is popular among the people, is censored). The number of NGOs is lower than in neighbouring countries, 2,300 in 2005, and has decreased in the recent years as a result of new restrictions.<sup>30</sup> It is estimated that there are a few hundred really independent NGOs. Some of them are not officially registered; many have been closed down by the authorities but still continue to operate. Since independent NGOs are not allowed to operate legally, many of them exist informally. The state makes propaganda against NGOs in the media, accusing many well-known organisations or their active members of breaching the law and damaging national interests.

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<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Belitser (2005); Freedom House (2005).

<sup>30</sup> Centre for Eastern Studies (2005).

The legal conditions are extremely unfavourable for NGO activity. The registration of organisations is complex and costly (100-200\$), and NGOs are frequently fined by the authorities. Foreign assistance needs to be approved by officials and is subject to taxation (up to 30%). The government has drawn up black lists of organisations that are not allowed to initiate projects or receive foreign aid. It is thus difficult to support Belarusian NGOs from outside, and representatives of many donors have left the country. There is bitterness among activists because of the low level of external support and little interest of the West in their efforts. The donors that still do operate in Belarus, however, can fairly easily find local partners; there is a huge demand for support among the still existing NGOs. The situation differs from Ukraine where civil society is not able to absorb all the assistance that is available from foreign donors.

In addition to the political and legal restrictions, the low level of civic activity is explained by the passive mentality of people and the lack of national and civic awareness. People are also afraid of participating in organisations because the propaganda has scared them off. The image of NGOs is not good either. Many people are particularly sceptical towards political parties, but also towards NGOs connected with politics. The reason is not only the state propaganda but also the low level of success of the organisations. It is commonly believed that NGOs do not offer solutions to the problems of ordinary people. Furthermore, the Western neighbours and institutions that support civil society are seen as hostile.

The still existing independent civil society is politicised because, in order for NGOs to have any future at all in Belarus, they have to promote regime change. The exclusion of opposition parties from state institutions also politicises the sphere of civil society where pro-democratic parties and NGOs cooperate. A negative side of the politicisation is that many non-political NGOs suffer from the same repressions as politically oriented NGOs. The regime tends to see any kind of independent civic activity as a threat.

### **3.3 Diverse needs for support**

The easiest and most promising targets of external aid are obviously the re-transition countries where assistance to civil society does not have to face obstacles imposed by the government and the state is open to cooperation with NGOs. In the re-transition countries, it is obviously more important and fruitful to support the government than it is in less reform-minded states. When it comes to civil society, the following activities deserve particular attention. First, NGOs can help to broaden the base of domestic support for democracy. As noted above, democratic values and principles are not as widely shared in the Eastern neighbours of the EU as they are in the new member states. Second, closely related to the first point, special attention needs to be paid to the regions that did not support the revolution and where civil society is weaker. The cleavage between eastern and western Ukraine that came to the fore during the Orange Revolution can be reduced by encouraging contacts and networking between NGOs from the different regions. People from the eastern and western regions have often never visited the other 'side' and there are few interpersonal contacts, which reinforces mutual suspicions and negative attitudes.

In Moldova, which is a case of prolonged transition, it is even more necessary than in the re-transition countries to strengthen the overall capacities of NGOs and their image in society. The classical watchdog role of civil society is also essential, since the current political leaders have a serious past record of misuse of power and violations of democratic norms. It is the task of civil society to follow their performance and demand improvements where necessary. Furthermore, the contribution of NGOs to poverty reduction and dealing with socially disadvantaged groups is particularly important in Moldova. In addition to concrete help, such activity helps to improve the image of NGOs and convince people that civil society can do good and necessary work for ordinary people.

In Ukraine, Moldova and other neighbours that are willing to integrate with the EU, the European Neighbourhood Policy (ENP) could and should be used as an effective tool for promoting different forms of cooperation between civil society and the state: policy advice, inclusion in policy-making, delegation of social tasks to NGOs, etc. This would require consistent inclusion of civil society on the agenda of political dialogue between the EU and neighbouring governments, as well as the involvement of NGOs in the preparation and implementation of the ENP Action Plans. Public authorities need to be encouraged to include NGOs in policy process and seek for partners among non-state actors. It is also important to offer assistance and expertise to governments in order to improve the legislative environment of NGO activity, for instance in matters of taxation and local philanthropy. NGOs on their behalf need help for improving their capacity to be involved in public policy-making. Among other things, this requires better skills to formulate their positions and communicate them to the authorities and the broader public and, where appropriate, establish regular contacts with officials. The neighbouring countries can learn from the experience of new EU members that have just recently built up the legal and institutional framework for cooperation between civil society and the state.

On the whole, the assistance directed to NGOs should support the orientation of these countries towards the EU, as has been the case in the CEECs. The experiences of EU policy towards candidate countries should be applied in EU policy towards the eastern neighbours. It has been a special priority of EU aid to civil society in candidate countries to strengthen those fields of civic activity that are necessary for the implementation of EU legislation – primarily environmental protection, socio-economic development and social and health issues.<sup>31</sup> The EU has also promoted partnership between civil society and the state as well as the professionalisation of NGOs by supporting their involvement in the preparations for EU membership. European integration is also promoted by increased contacts and cooperation of NGOs with their partners in the EU.

The difficulties of supporting civil society in an authoritarian environment, such as Belarus and Transnistria, were discussed above. In such cases it is relatively easier for external donors to try to support (seemingly) non-political activity. Assistance to pro-democratic groups has to be given more or less secretly or indirectly. For obvious reasons donor organisations do not wish to make public detailed information about such aid. As it is difficult to allocate assistance on the ground, it often needs to be channelled through neighbouring countries or NGOs based outside the target country. Events organised outside the target country are a common form of assistance in such cases. It also helps civil society if individuals (instead of organisations) receive support, for example, for study trips and travelling abroad. Alternative information channels are also essential. In general, all forms of linkages with the outside world tend to undermine the authoritarian leadership,<sup>32</sup> whereas policies of isolation and sanctions are not likely to have a democratising impact.

In all the neighbouring countries, donors should address the weaknesses of NGOs listed above. The professional NGOs that tend to have closer links with Western donors and partners than the local population should be encouraged to broaden their membership base and work more on public communication. Sustainability of NGOs can be improved by longer-term assistance programmes, improvement of organisational capacities and skills and broadening of funding sources. It is also a common problem that donors regularly support the same, well-known organisations that have acquired a monopoly position, and it is difficult for new applicants to

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<sup>31</sup> EU aid to civil society in the Eastern candidate countries is examined more closely in Raik (2003, pp. 205-222).

<sup>32</sup> Levitsky & Way (2005).



receive aid. It requires an extra effort from donors to search for new partners and diversify the scale of recipients of aid.

While it is much easier for external donors to support civil society in democratising countries than in authoritarian ones, civil society assistance should not be a reward to countries that are successful democratisers. As a rule, democracy aid as such is not conditional – it is neither offered as a carrot to reform-minded countries, nor used as a stick against non-democracies. Civil society and independent media need at least as much, if not more aid in repressive societies as they do in democratising countries. Thus, political conditionality, which has become a popular instrument of democracy promotion, must not be linked to democracy aid, but to overall assistance given to the governments of developing and transition countries. It is common, for example, to suspend aid to countries that violate the principles of democracy and human rights (such as Belarus) and to increase support to transition governments that effectively carry out reforms (such as Ukraine). Neither the EU nor any Western country, however, applies democratic conditionality in a systematic manner, the main reason being that strategic interests and pragmatic calculations tend to override the idealist aim of democracy promotion.<sup>33</sup> The EU should aim to systematically reward governments that are committed to democratisation by establishing a clear linkage between the progress of democratisation and overall assistance given to governments.

## **4. EU assistance in transition**

### **4.1 Overview and comparison with other donors**

Since the collapse of the former Soviet block, the EU has been a major actor in its eastern neighbourhood. In the 1990s it focused on assisting applicant countries in Central and Eastern Europe. Meanwhile, relations with the CIS were dominated by Russia, while the other countries in the region were implicitly left to the Russian sphere of influence and received little attention and support from the EU. Enlargement increased the EU's interest towards the western CIS countries that now became common neighbours of the EU and Russia. The ENP and the increase of EU assistance to its new eastern neighbours are concrete effects of eastern enlargement on the EU's external relations.

The main instrument of EU assistance to the CIS countries has been the Tacis programme that was launched in 1991. During the period from 1991 to 2005 the Tacis provided close to €7000 million to these countries, out of which more than €731 million went to Ukraine, Belarus and Moldova. While the Tacis programme accounts for almost two thirds (64%) of EU funding to these three countries, there are a number of other instruments through which the EU has assisted its eastern neighbours, including macro-financial assistance, humanitarian aid (ECHO), the Food Security Programme, and the European Initiative for Democracy and Human Rights (EIDHR). Altogether, the EU has allocated €2723 million to the three countries since 1991. Comparison with assistance to Poland shows the relatively modest engagement of the EU in this region: in 1991-2003 Poland received altogether €5710 million of EU funds, which is more than the total Tacis programme during the same period.

Since 2000 the Tacis national programmes have had three priority areas for each target country. In Ukraine and Moldova the main priorities are the same: institutional, legal and administrative reform; private sector and economic development; and support in addressing the social consequences of transition. In addition to these three focus areas, a considerable proportion of the funding to Ukraine has been targeted at improving nuclear safety by modernising the country's nuclear capacity and recovering the Chernobyl site. The latest Tacis programme for

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<sup>33</sup> See Smith (2003, pp. 134-144) on the EU's political conditionality policy.

Belarus for 2005-2006 reflects the frozen relations between the EU and president Lukashenka, addressing mainly the development of local civil society and the needs of the population. Much of technical assistance to Belarus has been hampered since the decision taken by the Belarusian government in 2003 to require international donors to go through a registration process that enables the government to scrutinise each assistance project and decide whether or not it is approved for tax exemption. Since the EU has been unwilling to support the authoritarian regime, Belarus has received considerably less assistance than Ukraine and Moldova (see tables below).

Table 1. Assistance of major donors to Ukraine, 1998-2004 (million €)

Donor	Total assistance	Assistance to democracy/ % of total	Assistance to NGOs/ % of total
United States	€222.1	€370.2 ≈ 30%	€77.09 ≈ 6%
European Union	€26.2	€33.8 ≈ 16%	€6.4 ≈ 2%
Germany	€28.2	€2.52 ≈ 1%*	N/A
United Kingdom	€7.5	€1 ≈ 14%	€0.76 ≈ 1%
Sweden	€1.5	€6.1 ≈ 51%	€0.92 ≈ 3%
Netherlands	€6.9	€5.19 ≈ 31%*	N/A

\* Assistance to civil society not included.

Sources: European Commission; OECD, *International Development Statistics (IDS) online* ([www.oecd.org/dac/stats/idsonline](http://www.oecd.org/dac/stats/idsonline)).

Table 2. Assistance of major donors to Belarus, 1998-2004 (million €)

Donor	Total assistance	Assistance to democracy/ % of total	Assistance to NGOs/ % of total
European Union	€4.22	N/A*	€4.4 ≈ 5%
Germany	€3.87	€6.37 ≈ 15%**	N/A
United States	€5.52	€2.07 ≈ 90%	€7.80 ≈ 50%
Sweden	€2.57	€8.22 ≈ 65%	€3.7 ≈ 29%
Netherlands	€2.1	€1.92 ≈ 37%**	N/A
United Kingdom	€1.77	€0.23 ≈ 13%	€0.03 ≈ 2%

\* No complete data on EU aid to democracy in Belarus are available. In 1999-2005, EIDHR programme provided €5.7 million (≈ 7% of total assistance) to Belarus.

\*\* Assistance to civil society not included.

Sources: European Commission; OECD, *International Development Statistics (IDS) online* ([www.oecd.org/dac/stats/idsonline](http://www.oecd.org/dac/stats/idsonline)).

Table 3. Assistance of major donors to Moldova, 1998-2004 (million €)

Donor	Total assistance	Assistance to democracy/ % of total	Assistance to NGOs/ % of total
United States	€12.83	€1.83 ≈ 34%	€1.27 ≈ 2%
European Union	€14.6	N/A*	€5.6 ≈ 5%
Netherlands	€5.06	€6.27 ≈ 14%**	N/A
Sweden	€1.41	€10.8 ≈ 50%	€0.23 ≈ 1%
Germany	€9.52	€4.53 ≈ 23%**	N/A
United Kingdom	€6.88	€0.67 ≈ 4%	€0.23 ≈ 1%

\* No complete data on EU aid to democracy in Moldova are available. In 1999-2005, EIDHR programme provided €1.1 million (≈ 1% of total assistance) to Moldova.

\*\* Assistance to civil society not included.

Sources: European Commission; OECD, *International Development Statistics (IDS) online* ([www.oecd.org/dac/stats/idsonline](http://www.oecd.org/dac/stats/idsonline)).

In 1998-2004, only a small percentage of the total assistance (2% in the case of Ukraine and 5% in both Belarus and Moldova) was given to civil society. The main instruments for supporting civil society have been the Tacis-based LIEN (Link Inter European NGOs) Programme, its successor the Institution Building Partnership Programme (IBPP) and the EIDHR. While the purpose of LIEN and IBPP has been to interlink European NGOs with the local civil society, the EIDHR has a more thematic approach, offering support to NGOs active in the areas of human rights, democratisation and conflict prevention.

Since 1991, the amount of Tacis funding has steadily increased in the region, with the exception of Belarus. For example, in 1995 the overall Tacis funding to the three countries was €70 million, whereas the budget line for 2005-06 foresees a total of €264 million. At the same time the proportion of funding allocated to democratisation and civil society has gradually increased. For example, Ukraine should receive €10 million for institutional, legal, and administrative reform in 2004-06, out of which €10 million goes to civil society, media and democracy. This continues along the same lines as the programme for 2001-04, which allocated €1.1 million for NGO support.

The EU has been the second largest contributor to Ukraine as well as Moldova, with the US being by far the most significant donor to both countries. It is noteworthy that in Ukraine the EU has directed a considerably smaller share of its assistance to democracy and civil society than the US. The EU has focused on technical assistance and the institutional dimension of democratisation, whereas the US has concentrated more on 'bottom-up' democratisation, through supporting civil society. Two other major donors, Germany and the Netherlands, channel most of civil society aid through political foundations and NGOs, which have a policy of keeping their assistance confidential, thus making cross-sector comparisons more difficult.

In Belarus, the EU was clearly the largest western donor in 1998-2004. However, civil society was a far more important priority for the US, which gave approximately four times more aid (€17.80 million) to Belarusian NGOs than the EU. Belarus is also a high priority for Sweden, which has allocated almost the same amount of assistance to local civil society as the EU. As a

result of increasing restrictions imposed by the Belarusian government on foreign development assistance, the donor community in general has increasingly focused assistance on civil society.

The new European orientation of Ukraine, Georgia and Moldova has considerably increased the EU's leverage on these countries. These changes have to be effectively used by the EU as an opportunity to make its neighbourhood more democratic and stable. This requires enhanced commitment and support to the neighbours. While a more proactive approach is necessary, the EU should also aim to maintain one of the advantages that it has over the other major western actor in the region, the US – the perceived neutral and benign nature of the EU's assistance. As opposed to the US, which forcefully promotes its strategic interests around the world, the EU is a soft power and a normative power whose influence provokes far less resistance than that of the US. So far the power to spread European norms and ideas has been effectively used only through enlargement. The ENP has yet to show whether it provides a framework for creating effective tools for the promotion of democracy.

The new policy will be supported by a new financial programme, the European Neighbourhood and Partnership Instrument (ENPI), which will replace previous assistance programmes and become the main channel of EU aid to all neighbouring countries from 2007 onwards.<sup>34</sup> Stressing the Union's enhanced commitment to this area, the Commission has proposed that funding to neighbouring countries should be doubled (from €8.5 billion altogether for the Mediterranean region and TACIS in 2000-06 to €14.9 billion for the ENPI in 2007-13).

## 4.2 The main problems of EU aid to civil society

There is currently a gap between rhetoric and practice with regard to EU support to civil society in the neighbourhood. One of the main aims of the ENP is to promote the neighbouring countries' 'commitment to shared values'. Support to civil society is defined as one of the "priorities intended to strengthen commitment to these values". The role of civil society is noted in the ENP strategy in connection to various spheres: youth work, science and education, culture, cross-border cooperation, local administration, the environment, the fight against corruption and consumer protection.<sup>35</sup> The EU-Ukraine Action Plan also calls for "involvement of the citizens in the decision-making process, including through civil society organisations".<sup>36</sup> In practice, however, civil society in the neighbouring countries has received little support from the EU, and it has not been a priority to include non-state actors in the preparation and implementation of the action plans. There are at least five major reasons for the failure to implement the rhetoric in practice: weakness of strategy, lack of common political will, bureaucratic rules, insufficient resources and tense relations between the EU institutions.

*First, the EU lacks a specific strategy of supporting civil society.*<sup>37</sup> The ENP strategy and action plans pay more attention to civil society than any earlier documents concerning the Union's relations with its Eastern neighbours (excluding candidate countries). However, the ENP does not contain a specific analysis or vision of the role of civil society or ways of supporting it. This

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<sup>34</sup> The ENPI will be one of the six instruments of external assistance that will replace the existing numerous programmes and constitutes a far simpler funding system.

<sup>35</sup> European Commission (2004).

<sup>36</sup> EU-Ukraine Action Plan, approved by the EU-Ukraine Co-operation Council in February 2005.

<sup>37</sup> It is welcome that in the context of reforming the structure of external assistance programmes, the Commission has started a discussion on a new thematic programme on democracy and human rights. One of the strategic objectives proposed by the Commission is a stronger role of civil society in democracy promotion (Consultation Paper: Thematic Programme for the promotion of democracy and human rights worldwide, DG RELEX/B/5.12.07).

is part of a broader problem – the ‘scattered and *ad hoc* approach’ of the EU to democracy promotion. Democratic principles “permeate all Community policies, programmes and projects”, but in practice they have not been consistently followed.<sup>38</sup> NGOs are assisted through different programmes and there are no general guidelines to be followed by the different departments, units and officials working with this sector. The organisational structure could be improved so as to make civil society support more coherent. The plurality of programmes as such is not necessarily a problem if coordination and common guidelines are developed. The author of this study agrees with earlier recommendations to establish a coordinating unit in the Commission to deal with all assistance to NGOs.<sup>39</sup> The work of such a unit should be based on a set of guidelines to be followed by all programmes in this field. There is also a need for specific guidelines for assisting civil society in democratising countries.

Furthermore, the ENP on the whole suffers from numerous weaknesses that do not allow it to function as an effective instrument of promoting the EU’s aims – including the strengthening of civil society – in the neighbourhood. It makes far too many lists of priorities, but says little about how to prioritise among the priorities and how to actually implement them. It also fails to provide sufficient motivation or ‘carrots’ to the neighbouring countries to adopt the EU’s norms and values. Even though domestic commitment is essential for democratisation, external impetus could give a stronger and possibly crucial additional push to reforms.

*Second, the EU is not clear about its overall strategic aims in the Eastern neighbourhood, and there is lack of political will on the side of some member states to develop a more pro-active strategy.* While the new Eastern member states are eager to give all the possible support to the democratisation of Eastern neighbours, including the prospect of membership in the EU, some old members are very sceptical about stepping up the Union’s engagement in the region. In the aftermath of the latest enlargement and the French and Dutch “no” to the Constitutional Treaty, there is a serious concern that the Union would not be able to function with an ever-growing number of member states. In the case of Eastern neighbours, there is also an important external reason for caution, shared in particular by the old large member states: one does not wish to irritate Russia or to let the European aspirations of some CIS countries harm relations with the largest Eastern neighbour of the EU.

*The third major obstacle to effective civil society support is bureaucracy, in particular the overly strict Financial Regulation of the EU.* Several recent studies analyse in detail the problems caused by the Regulation for NGOs that are supported by the Commission; it is sufficient in this context to mention the main points.<sup>40</sup> In brief, the system is criticised for raising the costs, increasing uncertainty and reducing the effectiveness of NGOs that seek funding from the Commission. The Regulation imposes tight financial control with auditing rules that are far stricter than the usual standards in both public and private sectors. The extensive and complicated reporting requirements pose a further extra burden on recipients of aid.

The rules are so complex that few Commission officials properly understand them, and different units and departments interpret them differently. Responsibility for any possible shortcomings or misuse of funds is carried by individual officials who therefore try to follow the rules painstakingly. Furthermore, the procedure takes such a long time – several years from programming until actual payments – that local conditions and needs may change radically in the interim period, and few NGOs in transition countries are able to plan their work so far in advance. Since the procedures are extremely slow, laborious and costly, it is particularly

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<sup>38</sup> Youngs et al. (2005, pp. 14-15).

<sup>39</sup> F.M. Partners Limited (2005); Soto (2005).

<sup>40</sup> F.M. Partners Limited (2005); Soto (2005).

difficult for small NGOs to apply for EU funding. It is indeed common knowledge among activists in the neighbouring countries that the procedures of EU aid programmes are very unfavourable for NGOs. Most organisations prefer to work with other donors that are more flexible and less bureaucratic.

*Fourth, the Commission does not have sufficient human and organisational resources for allocating assistance to civil society.* NGO projects are relatively small and therefore require more work than larger allocations to governments. This problem is of course multiplied by the Financial Regulation which is a costly burden not only for recipients, but also the Commission itself. The management of external aid in general became a more and more difficult task for the Commission during the 1990s when the amount of aid grew vastly. Lack of resources to manage the aid programmes caused huge difficulties with delivery: implementation was very slow and the quality of programmes was low.

The problems led to a reform process that started in 2000. The organisational reform included the establishment of EuropeAid in 2001, which is a separate Commission office responsible for the technical work and the selection and implementation of projects. Political and strategic planning and the preparation of multi-annual programmes belong to the tasks of the DG external relations or development. An important part of the reforms has been the decentralisation or “devolution” of responsibilities and resources to the Commission’s delegations in the recipient countries. The delegations have gradually been granted an increased role in the management of programmes, dialogue with partners on the local level and coordination with other donors. By 2005, an average of 70% of aid funds was managed by the delegations.<sup>41</sup>

The increased role of local delegations is undoubtedly positive for civil society assistance that requires interaction with local partners and good knowledge of situation on the ground. It may also create positive dynamics that the political relations and technical assistance are ‘under the same roof’, managed by the same institution. It should thus be easier to ensure a linkage between political planning and technical assistance. It is more common among donors that the political level and technical assistance operate separately, which makes coordination more difficult. However, the management of civil society projects is a considerable new burden for the delegations, as it takes a lot of time and energy (again the Financial Regulation enhances the problem). Adding new tasks to the delegations is hardly the best possible way to increase NGO assistance. Rather, the EU should look for new channels of assisting NGOs, such as foundations linked to the EU or established on the ground (see more below).

*Fifth, EU support to democratisation and civil society is a victim of inter-institutional tensions and struggle for power inside the EU.* The very introduction of the Financial Regulation was an overreaction of the Parliament to relatively minor problems of fraud in the Commission. Now the MEPs are criticising the Commission for being overly bureaucratic, slow and ineffective in allocating external aid, especially aid to NGOs, but the rules that make it so difficult for the Commission to support NGOs have been required by the Parliament itself.<sup>42</sup> The reform of the aid mechanism is complicated by the power struggle in the field of EU foreign policy. The Parliament fights for a stronger role in external affairs, which is justified from the viewpoint of division of power and democratic governance in the EU, but takes time and resources (as democratic decision-making usually does). The Commission, on the other hand, has designed its proposal for a new system of external aid in a way that increases its independence and reduces opportunities for parliamentary control. Most member states for their part are sceptical towards, if not expressly against, increasing the power of any supranational institution in the area of

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<sup>41</sup> Before the reforms, approximately 45% of funds were managed jointly with Brussels and the rest centrally (European Commission, 2005).

<sup>42</sup> Emerson et al. (2005, p. 223).

foreign policy, which is more sensitive to national interests and national sovereignty than most other policy fields. Even if there is an agreement about the need for reform, it is no easy task to reach a common understanding among the EU institutions on appropriate solutions. There is a danger that the fight for power overrides the aim of increasing the effectiveness of aid.

The Parliament has been the strongest propagator of enhanced EU support to democratisation and civil society. The EIDHR was created in 1994 on the initiative of the Parliament, and there are several recent proposals from MEPs as to how the EU could step up and reform its activity in this field. One of the main positions of the Parliament concerning the ENPI is the need to pay more attention to democracy, human rights and civil society. Unsurprisingly, the Parliament also foresees a stronger parliamentary control and involvement in the planning and implementation of the ENPI.<sup>43</sup> Especially MEPs from the new member states who promote a more active EU policy in the Eastern neighbourhood are very critical of the current policy and the work of the Commission.

Finally, it is particularly difficult for the EU to work with civil society in non-democratic countries where its bureaucratic rules often pose insurmountable obstacles and political agreement among the institutions and member states is particularly difficult to reach. The EU is not alone in facing this challenge: the aid of western governments is also focused on democratising countries, while much less is done in non-democratic countries. As a rule neither the EU nor governmental aid agencies support political groups, and this rule applies also to groups fighting against dictatorships. It is understandable that governments and the EU Commission reject open and systematic involvement in political struggles of other countries. At the same time it is essential for democracy promotion to support pro-democratic political forces in authoritarian countries. A way to avoid accusations of political interference is to channel aid through foundations and NGOs, as described below.

It also used to be a problem that support to NGOs was subject to approval of the recipient country's government, in order to avoid accusations of intervening in the internal affairs of sovereign states. Such practice is in conflict with the very idea of civil society as a sphere that is independent from the government. It is welcome that the Commission has acknowledged the necessity to assist civil society directly, without the involvement of government of the recipient country. It is crucial to maintain this principle and make it a rule in civil society aid. Otherwise it would be difficult to promote democratisation through NGOs and help civil society to develop the variety of functions and tasks that it has in democracy. Moreover, it would be paradoxical if the EU as a post-sovereign entity would continue to cling to the traditional, strict interpretation of state sovereignty which does not allow external aid to civil society.

### **4.3 Looking for new channels: Foundations and NGOs**

Several western countries channel some of their external aid through foundations that are formally independent from the state. In practice the foundations function as quasi-governmental actors that are publicly funded and to some extent supervised by the government. Their activity is in line with official foreign policy and thus helps to pursue the overall goals of external aid. One of the main priorities, or in some cases the sole purpose of the foundations is democracy promotion. Their programmes are most often directed at non-state actors and civil society – an area where the foundations are able to work more effectively than governments and thus really bring an added value to official policy.

The most significant foundations of this kind are the German *Stiftungen* (see Box 1), which have existed longer than similar organisations in other countries and have served as a successful

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<sup>43</sup> European Parliament, Committee on Foreign Affairs, Draft Report, 7.7.2005, 2004/0219(COD).

model for many other countries. For Germany, one of the main reasons for channelling aid through foundations has been a wish to avoid accusations of interfering in the internal affairs of other states – an issue that was particularly sensitive for the Germans after World War II when the system was established. The budget of the *Stiftungen* is many times larger than that of their counterparts elsewhere. Although it constitutes a small share (around 3%) of the German development assistance funds, the foundations have made an essential contribution to democratisation in many countries, including Eastern Europe. The second-most significant case is the US system of external aid where the foundations have also played an important role during the past two decades (see Box 2). A more recent and smaller example is the Westminster Foundation for Democracy (WFD), which was established by the UK government in 1992.<sup>44</sup>

In comparison with official foreign aid, the main advantages of foundations are the following:

- Foundations are more flexible and innovative, and not constrained by long-term strategies of governmental assistance.
- They are able to react to changing local circumstances faster than governments.
- Foundations are less bureaucratic and not constrained by the same legal and procedural requirements as government agencies.
- Demands for accountability and evaluation are less strict than in the case of government agencies.
- While aid from foreign governments to non-state actors tends to be seen as illegitimate foreign political interference, aid from foundations is more acceptable in recipient countries.
- As non-state actors, foundations are more suitable for promoting civil society than governments.
- Foundations are much better than governments at acting in non-democratic countries.

It may also be seen as an advantage that the foundations are open about promoting certain values and being partisan.<sup>45</sup> Official aid from governments, by contrast, claims to be neutral, but in practice democracy assistance is always influenced by the specific model of the donor country.<sup>46</sup> It is also positive that the system of foundations increases the pluralism of external aid. Different areas require different kinds of approaches (for example, it is natural that large infrastructure projects are based on inter-governmental cooperation, whereas local participation is best promoted by non-governmental actors), and from the viewpoint of non-state actors in recipient countries it is welcome that they can seek support from a variety of sources.

The establishment of a special European democracy foundation has recently been discussed in the EU, and the European Parliament has expressed its support to the idea.<sup>47</sup> The ability of foundations to work in non-democratic countries should be stressed in particular with a view to the difficulties faced by the European Commission in promoting civil society and human rights in Belarus. An independent foundation would enable the EU to support Belarus in a much more effective and flexible manner than what is possible through the Commission's programmes.<sup>48</sup>

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<sup>44</sup> The WFD is accountable to the Parliament through the Foreign and Commonwealth Office, but independent of the government in setting its priorities and choosing projects. The main parties and several non-state actors are represented at the Board of Governors, the decision-making body of the foundation.

<sup>45</sup> Mair (1997).

<sup>46</sup> See e.g. Crawford (2001).

<sup>47</sup> European Parliament (2005). According to the report, the Parliament “considers it useful to establish a special European fund to support, in an efficient and flexible manner, initiatives promoting parliamentary democracy in neighbouring countries”. The report was adopted by the Parliament on 18 January 2006.

<sup>48</sup> Several experts have called for a special EU Fund for Belarus or a broader Democracy Fund that would make possible more flexible and fast EU support to Belarusian civil society and democratic forces. See Ahlin (2005); Boratynski (2005); Lynch (2005); Pontis Foundation (2005).



*Box 1. German foundations – The pioneers of non-governmental political aid*

The German political foundations (*Stiftungen*) are non-profit organisations that constitute the non-governmental element of Germany's development policy. Although formally separate from the party-political system, the six major foundations are closely linked to political parties: Friedrich Ebert Stiftung to the Social Democrats, Konrad Adenauer Stiftung to the Christian Democrats, Friedrich Naumann Stiftung to the Liberals, Hanns Seidel Stiftung to the Bavarian Christian Social Union, Heinrich Böll Stiftung to the Greens, and Rosa Luxemburg Stiftung to the Socialists. The German model was created after the World War II and has more recently inspired several other Western countries to establish similar foundations.

While the Federal Government and a number of smaller implementing organisations provide technical and financial assistance, the foundations (as well as churches and some smaller NGOs) offer assistance to the political and socio-cultural development of the recipient country. The funding of *Stiftungen* is systematic and guaranteed by law. In 2004, the German government allocated €72.95 million (2.9%) out of the total Official Development Assistance budget of €6,064.3 million to the foundations. The funding is allocated in proportion to the representation in the Bundestag of the parties with which they are associated (in 2004, the distribution was as follows: FES 35%, KAS 31.5%, FNS 11.17%, HSS 11.17%, HBS 11.17%, and RLS 4%).

Although the foundations are formally independent of their host parties, their activities reflect the worldviews of the latter. For example the FES is more inclined to cooperate with trade unions, while the KAS and HSS prefer partnerships with civil society organisations with a certain religious background, and with business associations. The FNS tends to cooperate with business associations and also with law societies, legal resource centres and human rights groups. The HBS favours green and ecological groups and the RLS emancipatory and egalitarian ones. The partners are typically local authorities and associations of municipalities, political parties, parliaments, NGOs and (citizens) education and research institutions.

Since the end of the Cold War, the *Stiftungen* have gradually put more focus on Eastern Europe and Eurasia. In comparison with other European NGOs, however, they still give a relatively small share of their funds to this region (in 2002-03, for example, it was around 18% of the annual project expenditures). As regards Ukraine, Belarus and Moldova, all the foundations are active in one or more of them. The Ebert Stiftung has an office in Kiev for Ukraine, Belarus and Moldova, and branches in both Minsk and Chisinau. Its activities focus on supporting political, economic and social transformation, regional cooperation, the strengthening of relations with the EU, independent media and youth political activism. The Adenauer Stiftung has an office in Kiev and offers assistance also to Moldova and Belarus through its German offices. It focuses on fostering the integration of Eastern European states to European and Transatlantic structures. Its priorities in Ukraine are security political dialogue, the promotion of market economy and the rule of law, and independent media. The HSS has an office only in Kiev and focuses more clearly on Ukraine, emphasising similar goals as the KAS. The FNS, in turn, does not have an office in any of the three countries, but instead it coordinates its activities in Ukraine and Belarus through its Warsaw office, and its activities in Moldova through its Bucharest branch. In addition, the FNS is active in the CIS region through its Moscow office. The activities focus on promoting the rule of law, decentralisation, regional governance and media, active civil society and human rights. Since 2004, the HBS Warsaw branch has increasingly worked with Ukraine, promoting civil society, human rights, gender and environmental issues, as well as wider social transformation. The RLS aims at promoting civil society dialogue in the reform states of former Soviet area. It coordinates the programme through its Moscow office.

*Box 2. US democracy assistance and the special role of foundation*

There are numerous agencies that contribute to the US democracy assistance, ranging from government ministries to private, non-governmental foundations. The State Department focuses on the political dimension of democracy aid, while other ministries, such as the Department of Defense and the Department of Justice, host democracy promotion initiatives in their own field. By far the largest provider of American democracy assistance is the US Agency for International Development (USAID) with an annual budget of €7.266 million (2006), out of which €53 million is allocated to the promotion of democracy and local governance. The USAID is an independent federal government agency, although its activities are overseen by the State Department. Its democracy promotion programmes cover the rule of law, human rights, elections, free media, civil society and democratic governance.

In addition to the federal agencies, there are three private – or rather, quasi-governmental – foundations that constitute a significant element of the US democracy aid: the National Endowment for Democracy (NED), the Asia Foundation and the Eurasia Foundation (EF). They are funded by the government and draw additional resources from a wide range of private donors and international organisations. Inspired by the German model of foundations, the NED was established in 1983. In addition to direct grants, it allocates aid through other US donors, including the International Republican Institute affiliated to the Republican Party and the National Democratic Institute for International Affairs affiliated to the Democratic Party. The EF is active in the former Soviet region and was established in 1993, motivated by the collapse of the Soviet Union. In comparison with the USAID, the foundations focus more on civil society and are more active in non-democratic countries.

The NED and the EF have made a major contribution to the transition of the former Eastern bloc countries. The two foundations are both active in Ukraine, Belarus and Moldova. The NED's programmes in Ukraine offer funding to a large number of NGOs, think tanks and private organisations that promote youth politics, independent media, fair elections, academia, legal aid, civic education, human rights, gender issues and trade union activity. The EF, in turn, supports improved self-government at local and regional levels, promotes citizen feedback on government reform, cross-border initiatives, corporate citizenship, rural development and rural councils. It works with officials and civil society actors, as well as businesses, and has its regional office for Moldova, Belarus, and Ukraine in Kiev. In Belarus, the NED focuses on the election process, independent media, NGO development, youth activism and human rights by cooperating with local NGOs and training pro-democracy politicians and parties. The EF focuses its Belarus activities on business associations, private enterprise development in agriculture and rural green tourism services, access to information, credit union operations and cooperation, creating a good business climate for small- and medium-sized businesses, and mechanisms and procedures for alternative dispute resolution. In Moldova, the NED has since 2003 focused on strengthening civil society, independent media, transparency of the political process, the promotion of economic reform and workers' rights by working with local civil society actors. Through its regional office in Kiev and the local branch at Chisinau, the EF has supported anti-corruption measures, cross-sector cooperation and elections.

It may also be seen as an advantage that the foundations are open about promoting certain values and being partisan.<sup>49</sup> Official aid from governments, by contrast, claims to be neutral, but in practice democracy assistance is always influenced by the specific model of the donor country.<sup>50</sup> It is also positive that the system of foundations increases the pluralism of external

<sup>49</sup> Mair (1997).

<sup>50</sup> See e.g. Crawford (2001).

aid. Different areas require different kinds of approaches (for example, it is natural that large infrastructure projects are based on inter-governmental cooperation, whereas local participation is best promoted by non-governmental actors), and from the viewpoint of non-state actors in recipient countries it is welcome that they can seek support from a variety of sources.

The establishment of a special European democracy foundation has recently been discussed in the EU, and the European Parliament has expressed its support to the idea.<sup>51</sup> The ability of foundations to work in non-democratic countries should be stressed in particular with a view to the difficulties faced by the European Commission in promoting civil society and human rights in Belarus. An independent foundation would enable the EU to support Belarus in a much more effective and flexible manner than what is possible through the Commission's programmes.<sup>52</sup>

Beside foundations, some governments have long-term partners among domestic NGOs that function as channels to allocate external assistance to non-state actors in other countries. (Where foundations exist, it is one of their tasks to support democracy promotion and development projects of domestic NGOs.) The Swedish governmental aid agency SIDA delegates a lot of external assistance to NGOs through Forum Syd, an umbrella organisation of close to 200 Swedish organisations working with development assistance (see more in Box 3). The Dutch government also works with several NGO partners (including Cordaid and Novib) in the field of development aid. In comparison with the foundation model, the Swedish and Dutch policies do not have a similar formal and permanent basis. The NGOs that work as partners of government are more independent than the foundations, although they are also accountable to public authorities for the public funding that they receive. The division of labour is the same in both cases: in the field of democracy promotion, governments work mainly with institution-building, and foundations and/or NGOs support civil society.

In countries where the democratisation process is more advanced, the EU can use local civil society foundations as a channel to assist NGOs. The EU has applied this model in several candidate countries: Bulgaria, the Czech Republic, Poland, Romania and Slovakia (see Box 4). One of the main advantages of such model is that local foundations know the local conditions and needs better than external donors and have better contacts on the ground. This is particularly helpful for reaching rural areas and disadvantaged groups. In addition, the management costs of local foundations are considerably lower than these of foreign organisations.

This model requires that the government of the recipient country respects independent civil society activity and does not try to intervene in the foundation's work. It is also essential that the foundations can work smoothly with the local Commission delegation and are considered legitimate and objective in the local context. This solution is prone to the misuse of funds and corruption. On the other hand, it may give an impetus to self-sustainable development of the NGO sector, local networking and the strengthening of civil society norms and ethics. In the EU's Eastern neighbourhood, Ukraine could be the first case of introducing this model. The new member states that have experienced this model themselves can play a key role in helping Ukraine to establish a civil society foundation with a similar profile.

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<sup>51</sup> European Parliament (2005). According to the report, the Parliament "considers it useful to establish a special European fund to support, in an efficient and flexible manner, initiatives promoting parliamentary democracy in neighbouring countries". The report was adopted by the Parliament on 18 January 2006.

<sup>52</sup> Several experts have called for a special EU Fund for Belarus or a broader Democracy Fund that would make possible more flexible and fast EU support to Belarusian civil society and democratic forces. See Ahlin (2005); Boratynski (2005); Lynch (2005); Pontis Foundation (2005).

*Box 3. Swedish model: Civil society aid through domestic NGOs*

The Swedish Agency for International Development (SIDA) is a government agency under the foreign ministry. SIDA and the foreign ministry work closely together in pursuing the goals of Swedish development cooperation. The main guidelines of this work (general goals, budgets and target countries) are laid down by the parliament and government. One of the main priorities of SIDA is support to democratisation and human rights, an area that is seen as inherently linked to overall development and poverty reduction.

SIDA has offices in about 50 target countries around the world. The field offices prepare draft country plans and develop contacts with local experts and partners. SIDA's own staff, however, seldom works with the development projects that it supports. Instead, it allocates money to hundreds of Swedish NGOs and to a lesser extent to multilateral organisations and NGOs in partner countries and other countries. For example, in 2004 SIDA's total development cooperation budget (excluding administrative expenses) was 12.4 billion SEK, out of which 1.1 billion was allocated to projects carried out by 13 Swedish NGOs that are the main partners of SIDA. These partner organisations include the Swedish NGO Centre for Development Cooperation called Forum Syd, trade union, Olof Palme International Center and some religious organisations. As a rule, the organisations themselves contribute 20% of the costs of their projects.

In 2004, total assistance from SIDA to Eastern Europe and Central Asia was close to €150 million, with Russia as the largest recipient (about €34 million) and Ukraine the fourth largest (over €6 million) (although these countries are not classified as developing countries, they are included under the policy area of development cooperation by SIDA). Most of assistance to Russia, Ukraine and Belarus, approximately 85%, was channelled through Swedish organisations.

SIDA's interest in Ukraine, Belarus and Moldova has been increasing over the past years, and assistance to the region is foreseen to grow further in future. More than half of SIDA aid to these countries is targeted to democratisation and civil society. In the cases of Ukraine and Moldova, most of the assistance goes to the government with an aim to support institution-building and European-oriented reforms. In Moldova there is also a strong focus on poverty reduction. In Belarus civil society is a higher priority and local NGOs receive almost one-third of the total funds. SIDA has had no difficulties to find partners in Belarus, but in 2005 it became more and more difficult to work with civil society in the country because of new restrictions and control imposed by the Belarusian authorities. The interest of Swedish NGOs to work with Belarus has been enhanced by offering 100% of SIDA funding for projects with Belarus. In Ukraine and Moldova it has been more difficult to stimulate demand among local NGOs than in Belarus, one of the reasons being that there is much more assistance available from numerous foreign donors. SIDA is willing to give more support to NGOs in these two countries if local demand increases.

In order to ensure the independence of civil society, the governments of recipient countries are not involved in the procedure of supporting local NGOs.

*Box 4. EU Phare model: Civil society aid through local foundations*

In Bulgaria, the Czech Republic, Poland, Romania and Slovakia, the EU Phare funds targeted to NGOs have been redistributed by local civil society development foundations. These foundations are independent from the government, although in some cases the government has been involved in establishing them with an aim to promote the development of civil society in their country. The foundations have either acted as the Implementation Agencies of Phare civil society programmes or provided technical assistance to the government in allocating Phare aid to NGOs. In the former case, the foundation is responsible for the overall implementation of programmes, including the initiation and management of grant schemes, contracting, monitoring and evaluation. In the latter case, the foundation assists the government and the local Commission delegation in designing the calls for proposals, selecting projects that receive funding, monitoring the projects, etc. The foundations have played an important role in identifying the needs of NGOs in their country and helping external donors to design programmes that respond to the local needs.

For example, the Czech Civil Society Development Foundation (NROS) was established in 1993 by a government decision. The initial purpose of the Foundation was to administer the EU Phare Civil Society Development Programme. The distribution of external funding has been just one of the many tasks of the foundation. In addition, it has supported the development of the NGO sector in the country through providing information, training and technical assistance and carrying out research. It has promoted the integration of the Roma community, human rights, social services and many other types of NGO activity. The NROS has increasingly drawn funds from other sources as well in addition to the EU. In 1998-2004, it allocated grants in total worth nearly €77 million, including €17.5 million of EU Phare funds. (During the same period, the EU gave slightly less assistance to the NGOs of Ukraine, a country whose population is almost five times larger than that of the Czech Republic.) The average size of a project was about €14,000, and the recipient NGO was usually required to co-finance at least 20% of the total project costs. Since the EU accession of the country in 2004, the NROS has been responsible for administering assistance to Czech NGOs from the EU's structural funds.

To take another example, the Romanian Civil Society Development Foundation was founded in 1994, with a similar mission as its Czech counterpart. Since then it has been active in training local NGOs and managing or providing assistance to grant programmes of several donors. During 1999-2005, the EU allocated altogether €34 million to the Romanian civil society through three programmes: the Phare civil society programme, Access and EIDHR. The foundation assisted the Romanian Ministry of Finance and the European Commission delegation with the management of these programmes. The tasks of the foundation were very similar to those of the Czech NROS described above, although formally the grants were transferred through the ministry. The size of Phare grants to Romanian NGOs was mostly below €10,000, and the EU contributed up to 90% of the total costs of each project.

## 5. Conclusions and policy recommendations

- One should not underestimate the potential of civil society to bring about democratisation. Peaceful civic activity deserves to be a more important priority of external democracy promotion, especially in countries where the government is non-democratic and thus non-state actors are the only possible recipients of democracy assistance. The EU should thus take a more strategic approach to supporting civil society in its neighbourhood and make it a high political priority not only in rhetoric, but also in practice by developing more appropriate and flexible instruments.

- So far the EU's support to civil society and democratisation in its Eastern neighbouring countries has been far too small in light of the fact that this field is defined as one of the top priorities of the neighbourhood policy. In the case of Ukraine, the US has not only contributed considerably larger amounts of overall assistance, but also given a far larger proportion of its aid to civil society and democratisation. In Belarus the EU was the largest western donor in 1998-2004, but the US gave four times more aid to Belarusian NGOs than the EU, and Sweden allocated almost the same amount of assistance to civil society as the EU.
- Civil society support should be designed in accordance with the stage of democratisation in the recipient country, in order to ensure that it is an integral and effective part of democracy promotion strategy. The role of civil society in democratisation varies considerably in different phases of the process:
  - In the pre-transition phase, the main task of civil society is to organise united opposition and mobilise the masses to demand change. Even if transition is not likely to occur in the near future, like in the case of Belarus, it is important to maintain civic activity and support potential leaders of democratic reforms.
  - In the transition phase the focus shifts to political elites, including the leaders of politically-oriented civil society, who agree upon the new system. There is limited room for large-scale involvement of civil society.
  - During consolidation, the functions of civil society diversify and different forms of relations and cooperation between civic organisations and the state are developed, including the classical watchdog role, policy advocacy and provision of social services.
- The EU's Eastern neighbour countries may be divided into three categories on the basis of their level of democracy (or lack of it). The key difference between the three groups is the commitment of political leadership to democratic reforms.
  - Ukraine and Georgia are 're-transition' countries where the recent revolutions brought to power leaders who are committed to European-oriented political and economic reforms. The new regimes in these countries are still fragile and unstabilised, but they may be soon entering the phase of democratic consolidation. To a large extent they need the same kind of support to institution-building and economic reforms as was given to the CEECs in the late 1980s and the first half of 1990s. Assistance to NGOs should aim to promote the consolidation of democracy through broadening public support to reforms and strengthening different functions of civil society.
  - Moldova is a case of prolonged transition that is stuck between the transition and consolidation phases and needs support for strengthening the very foundations of democracy, including the NGO sector, which is weaker there than in the re-transition countries. The recent re-orientation of Moldovan leadership towards European integration has given the EU new leverage and better opportunities to effectively promote democratisation.
  - Belarus is the only outright authoritarian regime in the EU's Eastern neighbourhood. Transnistria is a similar case in terms of the extent of political restrictions and repressions. In such cases, democracy assistance obviously has to be directed to non-state actors. The EU should considerably increase aid to civil society in Belarus, with an aim to reach the same level of civil society support as in democratising countries. Currently there is a huge gap: for example Moldovan civil society receives much more assistance from the EU than Belarusian (the gap is small in absolute terms, but far larger considering that the population of Belarus is more than twice the size of the

Moldovan population). Since it is very difficult for the Commission itself to work with civil society in non-democratic countries, assistance must be channelled through non-state partners (NGOs, foundations and international organisations).

- If the EU is serious about making civil society a more important priority of external assistance, it should adjust its aid mechanisms considerably. First, the Financial Regulation is a serious obstacle to working with NGOs and should be reformed so as to enable more user-friendly funding that reduces the bureaucratic burden of both the Commission and the beneficiaries.<sup>53</sup> Second, the Commission is not well suited to support NGOs, even if the Financial Regulation will be changed. The Commission should continue to focus on assisting governments in carrying out political and economic reforms. The allocation of civil society support should for the most part be delegated to other organisations: European foundations established specifically for this purpose, European NGOs, and civil society foundations in recipient countries. These channels may be used simultaneously, since plurality of funding sources helps to address the plurality of organisations and needs on the ground.
- The establishment of a European foundation(s) to support democratisation and civil society is worth a serious consideration as an opportunity to step up EU activity in this field. International practice suggests that private foundations that receive regular public funding are one of the best ways of supporting civil society in foreign countries. Foundations can work more effectively especially in non-democratic countries, since they are not constrained by the same bureaucratic requirements as the Commission. (A) European foundation(s) could be designed according to the model of the US National Endowment for Democracy and the Eurasia Foundation or the German *Stiftungen*. In the latter case, they could be attached to party groups in the European Parliament. This solution would not only help the EU support civil society elsewhere, but also contribute to the strengthening of European parties and European civil society, which is very much needed for the Union itself.
- In addition to foundation(s) (or perhaps as an alternative to foundations), the EU should develop long-term partnerships with European NGOs working with democratisation and development cooperation. This would also support civil society not only outside the EU, but in Europe as a whole. As we know, the EU is already working with NGOs in this field, but the cooperation is hampered by its bureaucratic rules.
- In more advanced neighbouring countries that have reached the phase of democratic consolidation, the EU could apply the Phare model that has been used in several candidate countries: deliver assistance to NGOs through national civil society development foundations. In this case it is important that the foundations are trustworthy partners that are considered legitimate and objective in the local context. In the EU's Eastern neighbourhood, Ukraine has the best potential for introducing this model.
- The Commission funds NGOs through numerous programmes, and there are no general guidelines to be followed by the different departments, units and officials working with this sector. The plurality of programmes needs to be accompanied by better coordination and common guidelines. The Commission should therefore establish a coordinating unit to deal with all assistance to NGOs. There is also a need for specific guidelines for assisting civil society in democratising countries.
- The EU should develop its neighbourhood policy into an effective tool for promoting cooperation between civil society and the state. This would require consistent inclusion of civil society on the agenda of political dialogue between the EU and neighbouring

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<sup>53</sup> See F.M. Partners Limited (2005); Soto (2005).

governments, as well as the involvement of NGOs in the preparation and implementation of the ENP Action Plans. Public authorities need to be encouraged to include NGOs in the policy process and look for partners among non-state actors. It is also important to offer assistance and expertise to governments in order to improve the legislative environment of NGO activity, for instance in matters of taxation and local philanthropy. The neighbouring countries can learn from the experience of new EU members that have just recently built up the legal and institutional framework for cooperation between civil society and the state.

- One of the aims of EU civil society aid is to create multiple links between citizens of the EU and neighbouring countries. Such horizontal linkages should be promoted more actively because they are an important basis for long-term democratic and peaceful development in the neighbourhood. Assistance to NGOs is not sufficient, but needs to be supported by other means of reducing barriers between the EU and the neighbouring countries, such as more flexible visa policies and reduction of welfare gaps on EU borders. There is also scope for increasing educational and cultural exchange programmes and study tours.
- A danger involved in developing a stronger strategy of civil society support is that the EU might lose its current image of being neutral and benign. The EU's reputation differs from that of many foreign governments, especially the US, whose assistance to civil society is often criticised for being a tool to intervene in domestic affairs of other states and to promote national strategic interests. A way to avoid such criticism is to diversify channels of aid and delegate work to non-state partners.
- Assisting NGOs differs from working with governments and the business sector. The differences are based on the nature of civil society as a sphere of non-profit, bottom-up, voluntary activity that is autonomous from the state. Therefore one of the key principles to be followed in civil society aid is that, as a rule, the government of the recipient country should not be involved in the process of assisting NGOs. (Of course recipient governments may still use some of the assistance that they get from the EU for supporting civil society.)
- Civil society assistance should not be a reward to countries that are successful democratisers. In other words, support to civil society and democratisation should not be conditional as such. However, the EU should systematically reward governments that are committed to democratisation by establishing a clear linkage between the progress of democratisation and overall assistance given to governments. To sum up: give more overall assistance to governments that are committed to democratic reform, and give more democracy aid, with a focus on civil society, to countries that are non-democratic.



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