

BULLETIN

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National Endowment for Democracy—Idea, Functioning and Lessons for the EU

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Activities of the National Endowment for Democracy (NED) could serve as food-for-thought during the debate over setting up an EU-associated non-governmental organization tasked with support for democracy. It's worth exploring to what extent the EU could adopt arrangements that would allow NED to become a respected, genuinely independent institution, while remaining dependent almost entirely on public funding.

The NED Family: Origin and Structure. NED was created in 1983 via an act of the U.S. Congress as an autonomous, non-governmental institution, yet supported directly from the U.S. federal budget. Proponents of this initiative, hailing from both major American political parties, argued that the United States should set up an instrument for the purposes of assisting American NGOs in their efforts to support democratization and strengthen the civil society in third countries. Such an arrangement was to enable aiding pro-democracy circles where official U.S. involvement would be constrained, either because of higher priorities in relations with local authorities or because such involvement would be altogether illegal, or in cases when possible beneficiaries of financial assistance wanted to avoid being directly associated with the U.S. government. In addition, funding disbursed by NED was to be made available for non-governmental initiatives carried out in countries that are under an embargo or sanctions.

NED's advocates intended to enlist both major American political parties, business and labour circles to carry out its mission, thus turning it into a cross-societal endeavour; hence, the NED family that currently comprises NED itself and four so-called core institutes: the National Democratic Institute and the International Republican Institute (loosely associated with the Democratic Party and the GOP, respectively), the Center for International Private Enterprise and the American Center for International Labor Solidarity—the former boasting ties with the U.S. Chamber of Commerce and the latter receiving support from the AFL-CIO, America's leading trade union.

NED can be seen as a crucial—if informal—intermediary in any U.S. administration's outreach towards civil society organisations. Indeed, the Quadrennial Diplomacy and Development Review, the strategic document guiding the activities of the U.S. State Department, underscores the need to engage non-governmental actors whilst supporting democracy.

Funding: Sources, Priorities and Impact on Relations with U.S. Authorities. Funding for NED comes from an annual grant from the U.S. federal budget and currently stands at \$120 million. The grant is transferred to NED's account by the State Department.

Based on long-standing practice, NED allocates 55% of this amount among the four core institutes in equal shares. The remaining monies are made available for self-standing grants directed at U.S.-based or foreign entities based on the autonomous decision of NED authorities and absent interference from the U.S. Congress or State Department. NED's core institutes are eligible to receive additional funding from U.S. government agencies, most notably from the U.S. Agency for International Development (USAID), as well as from third countries and international organisations. Neither the National Democratic Institute nor the International Republican Institute receives funding from political parties. Although NED's contributions may not amount to the largest shares

of the budgets of the four core institutes, they sometimes are exceeded by the funding coming from USAID grants, which play a prominent role thanks to the automatic nature of their disbursement, which in turn allows for greater flexibility of action.

NED and the core institutes independently set the priorities for their activities, which includes the geographical allocation of funding. Still, it is clear that these priorities are at least indirectly influenced by the broader U.S. foreign policy agenda. During the initial period of NED's existence, more than half of the resources available to it served to finance activities in Latin America. Currently, the most generous sums are channelled to Asia, the Middle East, Africa and Latin America. The Congressional Budget Justification for FY 2012 foresees a cut in overall funding for NED of 11%.

Central and Eastern Europe will be an exception in this respect. Available funding for initiatives in this region will rise by 40% to reach more than \$10 million, following the decision to augment it with resources earmarked for Belarus and Ukraine, thus far included in the same group with Russia and the countries of Central Asia. Perhaps more significantly, it has been announced that NED will expand upon existing working relationships or create new ones with civic organisations from EU member states with experience in democratic transition.

While it signifies the degree of NED's autonomy, the lack of a formal coordination mechanism of democracy-support activities with USAID and the Bureau of Democracy, Human Rights and Labour at the State Department could, in fact, be regarded as a shortcoming of NED's relations with U.S. authorities. Although both USAID and the State Department can access the financial and performance reports NED is required to submit to the U.S. Congress, U.S. government officials reported that these documents do not always deliver up-to-date information about the activities of either NED or its core institutes. A study by the U.S. Government Accountability Office (GAO) from September 2009 concluded that concerns about insufficient data exchange also were raised by NED's officers. At the same time, GAO found that NED would not oppose sharing information about its activities with U.S. officials, either to avoid duplication of effort, or to maximise returns where official U.S. assistance would face constraints, e.g., because of a ban on supporting local NGOs.

Misgivings about possible competition between the pro-democracy initiatives of the U.S. government and those funded by NED-inspired voices are advocating its complete dissolution. Such arguments are fuelled by the fact that USAID and the State Department are allowed to grant financial assistance to other NGOs under their own separate regulations, while at the same time retaining strict control over how these funds are applied. More moderate ideas include the gradual phasing out of the federal appropriation in an attempt to fund NED's grant program solely from private donations, thus eliminating the vagueness of NED's status as "a private institution funded with public money." Yet another notion sought is to abandon the privileged status enjoyed by the core institutes in their access to NED's finances, with the argument that such an arrangement in effect discriminates against other U.S. NGOs. None of these ideas has had any significant impact. A broad, bipartisan coalition spoke against any interference in how NED goes about its business—a powerful testimony to NED's status as an important pillar of America's approach to support of democracy.

A European NED? To date, NED served as a blueprint for European efforts, such as for the founders of the Westminster Foundation for Democracy. The idea of setting up an EU-funded foundation similar to NED already has been discussed in expert circles and is frequently mentioned in the European Parliament. So far, the gist of these deliberations was to streamline and simplify the manner in which European Union grants financial support to pro-democracy NGOs. If the idea of a "European NED" were to resurface during the discussion over reforms of the European Neighbourhood Policy, consideration is merited about whether the EU could adapt any of NED's solutions. NED succeeded thanks to its programmatic latitude and elasticity with which it could allocate funding. This arrangement went hand in hand with a tacit acknowledgement that NED's activities should enhance—yet not become constrained by—the official U.S. foreign policy agenda. Therefore, if a European NED were indeed to be created, a number of issues would need to be resolved, including the funding sources (the EU budget, member countries contributions or other source), the target group for funding (whether non-EU based entities could apply for funding could prove crucial) as well as the oversight prerogatives of EU institutions. A European NED would need to function alongside existing EU mechanisms that support democracy, most notably the Commission-administered European Instrument for Democracy and Human Rights (EIDHR). Finally, since non-governmental organisations would act as both partners and addressees of this initiative, its final success will depend upon involving the civil society representatives at the earliest possible stage.