

Engaging Non-State Actors in New Aid Modalities

For better development outcomes
and governance



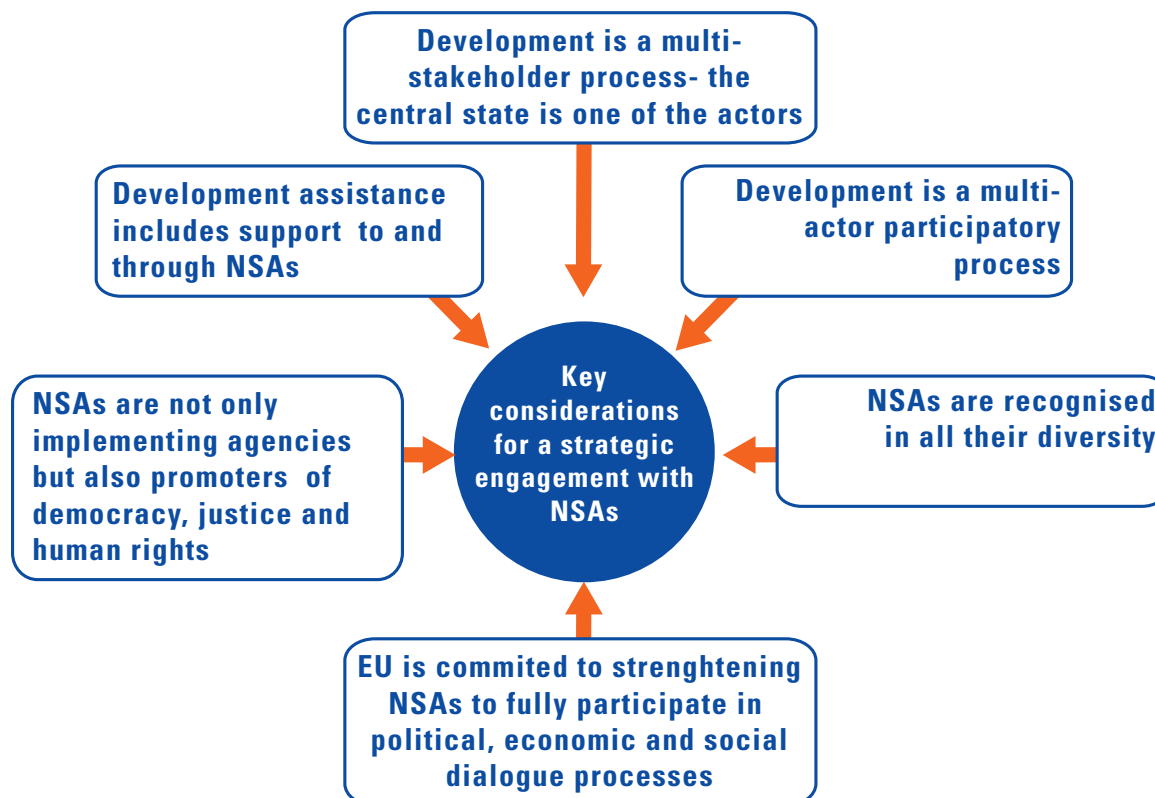
Background: why a new Reference Document?

This new EC Reference Document deals with a topic that is at the heart of three evolving processes. First of all, the EC and EU Member States have pledged to make aid more effective. Increasingly, they acknowledge that this demands a better knowledge about the context they work in and the domestic stakeholders from state and society they work with. The relations between state and society, the politics at play, the contestation or bargaining over power and resources, etc. These are all dimensions that influence development outcomes profoundly.

Secondly, in order to make their aid more effective, donors have also committed to strengthen ownership, to promote domestic accountability and to align their resources behind country policies and systems. The terminology of *New Aid Modalities* refers to the EC's use of Budget Support, and its Sector Policy Support Programmes (or Sector Wide Approaches).

One distinguishing feature of these New Aid Modalities is that they imply a stronger or deeper engagement by the EC and other donors with the state. This may involve policy dialogue on sector policies, but also on cross-sector policy tools such as the budget.

Thirdly, *participatory development* is a key feature of EC development policy. It is also an integral part of most of the policies of EU member states, as it puts a strong emphasis on the multiple roles that Non-State Actors can play in development processes. Over the years, the EC has developed instruments, tools and approaches to deal more effectively with the multitude of Non-State Actors in North and South. In that process, it identified opportunities for engaging more effectively and more strategically with Non-State Actors. This was especially the case in countries where the EC also engaged with the state through New Aid Modalities.



What is this Reference Document about?

Bringing together *Non-State Actors* and *New Aid Modalities* is not an entirely new agenda for the EC. In fact, the EC has a long tradition of working with and through NSAs. The EC is also one of the strongest promoters of New Aid Modalities. As a basis for developing further guidance, the authors built on useful evaluations, existing guidelines, audit reports, and studies. It also benefited from experiences from seven partner countries in which delegations engaged with NSAs when applying Budget Support or Sector Policy Support Programmes.

So Reference Document No 12 pools EC experiences of working with Non-State Actors, and of working with Non-State Actors in a context of applying New Aid Modalities. The document also points to the importance of deepening the knowledge about how states and societies interact, about the distribution of power and resources, about how formal and informal institutions operate. Or about how external stakeholders such as donors influence domestic change processes, etc.

This document addresses different audiences. It is primarily written on behalf of and for various EC practitioners – those working with NSAs, those dealing with EC thematic programmes and the macro-economic experts. It also may be used by civil society actors, journalists, academics or researchers who look for ways to engage more effectively with the state, with other Non-State Actors, and with donors whenever New Aid Modalities are applied.

Building on these three processes, there are three types of guidance that the document offers to the readers:

- A. strategic guidance:** this part summarises the foundations or the four fundamentals of a strategic engagement with both NSAs and the state, and provides strategic guidance.
- B. operational guidance:** already, EC practitioners have numerous guidelines for working with NSAs and for applying NAMs. *Light touch* operational guidance tries to fill the gaps for a more strategic engagement with NSAs in four clusters.

- C. smart guidance:** Finally, the document offers guidance on how to develop ‘smart partnerships’ for such ambitious agendas. It also provides clues as to what needs to be tackled within the EC for it to deliver.

A. Strategic guidance

How can the EC engage more strategically with NSAs in a context where donors engage in a close partnership with the state on poverty reduction, and in which they apply New Aid Modalities? The strategic guidance points to the need to avoid one-sided approaches. The poor record, for example, of heavy handed policy conditionality and one-sided efforts to ‘buy reforms’ invite donors to learn to play second fiddle, to try to understand how to balance their support to state and Non-State Actors. Indeed, development processes are inherently complex societal, political and institutional change processes. In order to adopt a strategic approach to NSAs, a more politically informed and inclusive perspective needs to be adopted. This is a balancing act that consists of ‘*four fundamentals* that can be broken down in further *strategic guidance*’ (see boxes):

Fundamental 1:

Treat Non-State Actors as actors.

NSAs are not mere recipients of aid, but living organisations that operate in their own right and pursue their own priorities.

1. *Recognize the diversity of NSAs:* Move beyond the usual civil society ‘suspects’.
2. *Map NSAs properly;* assess and analyse their interests, values, histories, incentives roles, functions, and governance structures.
3. *Recognize the independence of NSAs:* A meaningful contribution of NSAs is only possible if they can act as actors in their own right.

Fundamental 2: Analyse state-society relations systematically.

Development processes are inherently political processes. Land, water, opportunities, even aid are scarce resources. Access to them is restricted. Political elites wield their power to control these resources, or control the access to them. Since new aid modalities seek to strengthen the state, it matters to know whether the state is responsive to the needs of all its citizens, to the demands from organised citizenry, or whether the state primarily serves the vested interests of the elites. The operational guidance for more systematic analysis of these relations include:

1. *Shift the emphasis from a normative to an analytical approach*
2. *Introduce systematically political economy and governance analysis*
3. *Incentivize continued learning*

Fundamental 3: Use the full range of possibilities offered by New Aid Modalities.

New Aid Modalities are part of an ‘aid package’. This package consists of different EC inputs: technical and financial support, both projects and budget support, policy dialogue and performance monitoring. These inputs need to be combined in an optimal way. To do so, it is essential to answer questions related to: *the appropriate mix of support to state and Non-State Actors, the appropriate mix of NSA inputs, as well as about possible forms of cooperation among donors*. In order to answer these questions, the following guidance is offered:

1. *Combine the full range of modalities and instruments in a strategic way:* The EC has an overall responsibility for the combined impact of all its development efforts
2. *Balance support for state and Non-State Actors in a purposeful way:* The EC shares the responsibility with other donors over the longer term impact on state-society relations beyond project and programme cycles
3. *Assess opportunities and necessities to engage with NSAs outside the context of New Aid Modalities:* this is particularly relevant in circumstances of fragility or where the state remains irresponsive to NSAs and citizens
4. *Apply the principle of ‘sequencing’ support to NSAs in the context of NAMs*

Fundamental 4: Do no harm and be prepared to play new roles.

Domestic state-society relations are at the core of development, not aid inputs or donor preferences. It is key for external actors to thread carefully and to do no harm. With the EC playing new, often more political roles – of facilitator, change agent, convener, and innovator – it may become more strategic in its cooperation with Non-State Actors.

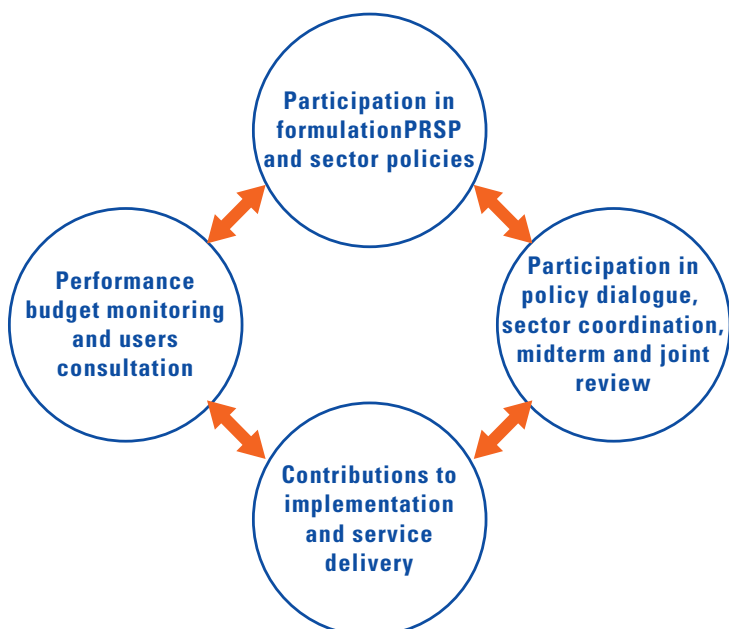
1. *Avoid one-sided technocratic approaches to aid effectiveness and the role of NSAs*
2. *Prepare for playing new EC roles based on a deeper understanding of state-society relations*

B: Operational guidance:

Experiences of working with Non-State Actors in a context where donors apply New Aid Modalities are fairly new. The ‘body of evidence’ remains fragmented. But increasingly, there is more information available, as the EC deepens *participatory development* through Non-State Actors, and as it applies New Aid Modalities more broadly. The *operational guidance* is presented in four clusters:

Cluster 1: identify opportunities and assess roles for Non-State Actors

NSAs can fulfil many roles, as illustrated in this figure. Both donors and Non-State Actors will have to reflect on what types of engagement or which entry points provide the best chances for bringing about progressive change. This guidance invites the EC to move beyond an ‘instrumental’ approach to NSAs.



Cluster 2: Carry out a context analysis before acting

What to include in the context analysis?

Dimensions of the state-society relations and the roles that NSAs play need to be factored in into the context analysis. Therefore, three steps are proposed to undertake a context analysis:

- Step 1 is about mapping Non-State Actors, at least those that matter in a particular sector or that have a say on thematic and cross-sector policy issues.
- Step 2 presents a methodology and guidance to visualize and assess governance and accountability relations.
- Step 3 deepens the context analysis by guiding the reader to areas that merit further attention. External actors are invited to look beyond the formal legal framework, or the formal administrative arrangements and norms. Indeed, what is less visible, for example in state-society relations, may matter more in terms of what is pushing or holding back change or reforms.

Cluster 3: Explore a wide range of entry points for NSA participation

EC practitioners dealing with budget support or with Sector Policy Support Programmes appreciate guidance about where to find and how to use the appropriate entry points for engaging strategically with NSAs. The EC’s cycle of operations in each project or programme (i.e. the programming, identification/formulation and implementation/monitoring) structures four questions about (i) issues to tackle, (ii) roles and entry points for NSA participation, (iii) strategic and operational questions for EC staff, and (iv) emerging good practices and tips.

Cluster 4: Choose an appropriate mix of tools to support NSAs strategically

The EC has a whole range of tools, instruments and approaches at its disposal. How can these be combined in optimal ways? No blueprint models are presented, since the choices depend on how states interact in a particular context a) with Non-State Actors, and b) with the donor community. Three areas merit particular attention for the EC:

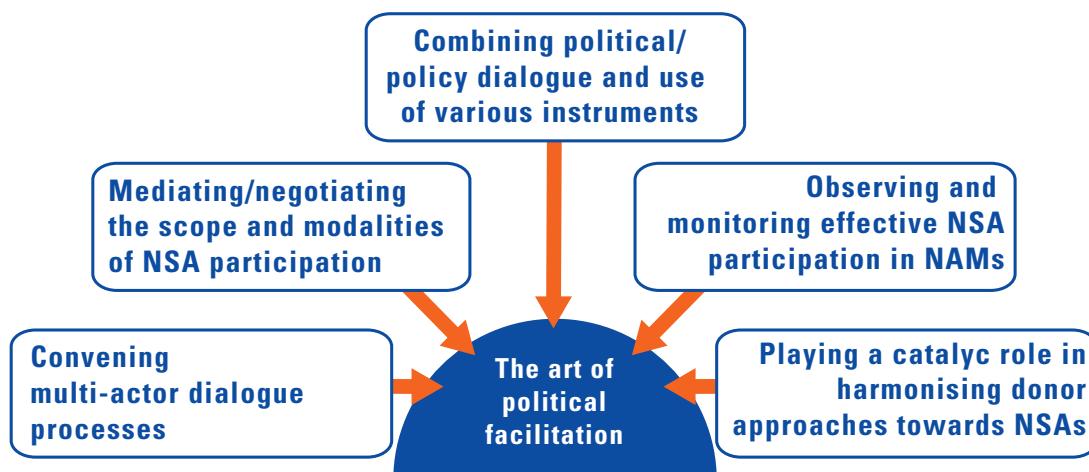
- Strengthen NSA capacities: for example the capacity to explore, find and use entry points and opportunities for engagement with the state and citizens in the context of NAMs
- Facilitate consultations and dialogue: Especially in the context of New Aid Modalities consultations and dialogue with multiple stakeholders can become more effective for identifying problems and opportunities for engaging with NSAs.
- Combine geographic and thematic instruments strategically. The question for the EC is not whether to use a thematic instrument or to use a geographic instrument, but rather how to effectively combine the two instruments. What matters is to properly assess and analyse what is needed, and match it with what is possible.

C. Smart Guidance

This is a tall agenda, with multiple facets. It's an agenda that the EC fortunately does not have to tackle on its own. Most often, other donors are also engaged in working with NSAs. Donor harmonisation and division of tasks can add value in deepening knowledge about state-society relations. But it can also lead to more effective ways of engaging with a fuller range of domestic and international Non-State Actors. International NGOs have developed expertise and capacity building skills notably in areas such as budget literacy, monitoring, service delivery, analysis, etc. Engagement with such International NGOs can widen and deepen the reach of EC support strategies. Similarly, it is argued that smart partnerships in support of this agenda can be developed with other domestic accountability institutions (such as parliament, court of auditors, the media, political parties) and with local authorities.

So what changes need to take place at the level of the EC for it to implement this demanding agenda? The EC will have to gradually get to grips with the political dimensions of development. This involves getting used to - and learning how to - play new roles: that of a *change agent*, an *honest broker*, or where circumstances allow and opportunities arise, a more creative exploration of *effective political facilitation* (see figure below).

What does it mean for the EC to adopt a political facilitation role?



Stories from the field

The EC and its development partners have already explored multiple ways to engage more strategically with Non-State Actors when they provide budget support, or when they harmonise their efforts in behind sector reform programmes.

The Reference Document took these experiences as a starting point for elaborating further guidance. It also reports seven such country cases: Morocco, Ethiopia, Ghana (2), India, South Africa, and Ecuador.

Each case highlights some striking features such the way the EC adapted the mix of instruments to the context, the type of support to NSAs, the way that different partners cooperated and divided tasks, etc.

Ethiopia: engaging with CSOs and the state in difficult circumstances

Ethiopia went through a political crisis after the federal elections in 2005. Donors suspended their programme of “Direct Budget Support”. Yet donors did not want to give up on supporting basic service delivery to the poor at district and local levels. Despite the tensions and mistrust between donors and government, donors managed to come up with an innovative programme that relied on cooperation between both the state and with civil society. This Protection of Basic Services Programme – with support from the EC – was rolled out at district and local levels in sectors such as education, health care, water and sanitation and agriculture extension.

The accountability and transparency component of this multi-stakeholder initiative was key in terms of engaging with both state and non-state actors in the context of developing, implementing and monitoring this new programme. The programme also had strong demand side component from non-state actors. It supported better data management and encouraged information flows towards users or citizens. But it also capacitated citizens to become more budget aware through budget literacy training, budget tracking and community report cards. Improved transparency from different government levels, made it more useful for citizens to raise questions about budget allocations and spending. The programme furthermore facilitated interaction between citizens, civil society organizations and local or district authorities and service providers. So these changes helped to raise citizens’ awareness and expectations, and provided incentives for collective action among citizens towards local authorities.

This has been a difficult process, certainly at times when the federal government perceives the various accountability initiatives as imposed from ‘outside’. However, at the sub-national level, this component is welcomed. A critical success factor was the willingness of donors to work together, and to adapt their engagement strategies to the context. They built on the well-established decentralisation policies and reform programmes of government. They combined capacity and financial support to state actors at district and local level with support to citizens groups, and encouraged interaction between ‘supply’ and ‘demand’ for service delivery and reforms.

Ghana: strengthening domestic accountability in the environment sector

Since a couple of years, donors engage more purposefully with non-state actors in the context of budget support or in joint sector programmes¹. And so does the government of Ghana. NSAs in Ghana have been advocating such collaboration. In sectors where civil society organisations are strong, well organized and vocal, one can see that the government has started to work with civil society organisations. The sector of natural resources offers a clear example of this evolution.

A key problem in this sector was the poor management and governance systems of natural resources, also at local level. Five donors, including the EC, have joined hands, and work in a sector programme. On the one hand, donors engage with the state in sector policy dialogue, provide sector budget support to the treasury and provide harmonised technical assistance. On the other hand, they also provide complementary support to non-state actors. This was done, for example, through facilitating opportunities to involve non-state actors in policy formulation and in monitoring and evaluating policy implementation. The results in terms of NSA participation, so far, have been encouraging. The government has also committed itself to increased engagement with NSAs in the sector of environment. CSO activities include policy dialogue, advocacy, service delivery, monitoring, formal review of the general budget support process, expenditure tracking, research and capacity development.

In order to support this shift and facilitate NSA participation, some budget support donors have familiarised themselves better with the broad range of Non-State Actors and the way the state interacts with them, or what creates incentives for collective action within

civil society. Such understanding of the power relations and the dynamics between state and society is a precondition for a more strategic donor engagement with NSAs. This involves time and energy on all sides. But it has resulted in additional support programmes to Non-State Actors. Some have pooled their funding to build on the existing capacities of Non-State Actors in areas such as engaging in policy processes (also in the emerging oil and gas industries), improving the governance of civil society organisations, engaging with parliament, relations with traditional authorities as well as intra-NSA cooperation (including the private sector).

Building the New South Africa: making the constitution work

The struggle against apartheid was principally a struggle against constitutionally enshrined racism, exclusion and exploitation. Now, South Africa is a non-racial democracy, underpinned by institutions such as a progressive constitution and bill of rights. From the apartheid years, the country has inherited a highly diversified and vigorous civil society. In the justice sector civil society includes lawyers, human rights activists, academic experts, paralegal advisors and related civil society structures. They have turned their attention to ensuring that the constitutional rights and principles in the New South Africa are translated into reality and that access to justice is broadened.

The EC supports South Africa's reform programme in the justice sector. In agreement with the Department of Justice, the EC has directed its support primarily to non-state actors. This is broadly done for two purposes and in two different ways. First, the EC provides sector budget support to the Department of

Justice. Government has committed, under this programme, to support a range of civil society organisations who contribute to a (human) rights culture. This programme component also intends to strengthen the interactions between governmental departments and civil society organisations that are active in this area.

Dialogue among the EC, government and specialised civil society organisations has resulted in a second component of the overall sector support programme. All three recognised that civil society organisations also play roles that government may not like, and hence will have difficulties in supporting financially. Some of the work and focus of civil society organisations may bring them even in conflict with state actors including the Department of Justice. Litigation cases, advocacy work and lobbying activities are obvious areas where civil society cannot operate within the remit of a formal partnership with the Department of Justice or through funding directly received from the Department. Yet this work is highly relevant and sorely needed, as the campaigns on AIDS and migration have illustrated.

Such “independent support for CSOs” is guaranteed through a separately managed programme by the EU Delegation in Pretoria. It creates a climate of trust between the different state and non-state actors by facilitating dialogue among multiple stakeholders, developing transparent management systems, and flexibly using the various tools it has at its disposal.

Ecuador: non-state actors in education

The Constitution of Ecuador recognises the right of non-state actors to participate in the design, implementation and evaluation of public policy. The current government has shown itself to be open to NSA participation in the policy process. In 2005, the EC delegation undertook a mapping exercise of Non-State Actors, and organised a high-level dialogue with them to explore possible participation in a Sector Policy Support Programme. It engaged with the government to widen the space for NSA participation in programme design. The Ministry of Education agreed to engage with NSAs in the design phase. This resulted in a far better integration of NSAs in accountability processes such as programme monitoring and continued dialogue, also at local level.

The EC creatively combined different financing modalities to realise the government’s education programme. It provided (sector) budget support, alongside a project modality geared at strengthening non-state actors. At first, the government did not support the idea of such a separate envelope. It was also uncomfortable with the proposal that NSAs would monitor government performance. The EC encouraged more inclusive dialogue between the Ministry of Education, donors and non-state actors. This reassured the ministry. Other confidence building measures included the ministry’s participation in drafting guidelines and eligibility criteria¹ for the civil society actors and their projects. The EC also agreed on a compromise, which on the one hand gave the government the opportunity to keep certain data and information confidential, and on the other hand allowed for transparency as called for by civil society.

Note

¹ One of the main challenges was to define which organisations would be eligible. It was agreed to focus on national CSOs with proven technical capacity of follow-up and monitoring of public policies. INGOs could only participate as partners of local organisations.

A living document

An on-line discussion group will be launched on the EC's **capacity4dev platform**:

<http://capacity4dev.ec.europa.eu/topic/governance-civil-society>

Other relevant websites:

EuropeAid Development and Cooperation – Publications:

http://ec.europa.eu/europeaid/infopoint/publications/index_en.htm

EuropeAid Development and Cooperation – Civil Society, a key Development Partner:

<http://ec.europa.eu/europeaid/who/partners/civil-society/>

EuropeAid Development and Cooperation – Civil Society Helpdesk:

https://webgate.ec.europa.eu/fpfis/mwikis/aidco/index.php/Main_Page

For more information:

DEVCO.E.4

Catherine de Borchgrave/André Debongnie

Acknowledgements

The process has been coordinated by the former Governance, Security, Human Rights and Gender Unit within EuropeAid, now DEVCO.

In the process, the drafting team from ECDPM could rely on inputs from various EC delegations, while also benefitting from three working sessions with different directorates: RELEX, Development and EuropeAid, as well as one workshop with civil society actors.

Both INTRAC and the Overseas Development Institute provided first studies from which this reference document was able to draw valuable insights and information.

