



## Making budget support work for democracy.

The EU is by far the largest budget support provider worldwide. Budget support conforms an integral element in EU international development cooperation. While other donors have downsized their budget support portfolios in recent years, it accounted for 40% of the EU's national cooperation programmes with partner countries in 2017.<sup>1</sup> Good arguments exist that these are funds well spent: **Budget support has been able to deliver in certain result areas** – be it increased (pro-poor) public spending, improved performance in public finance management, or increased access to public services.<sup>2</sup>

Nevertheless, budget support remains controversial, not least due to its unclear relationship to democracy support. The EU has proclaimed that **budget support aims to “build and consolidate democracies”**<sup>3</sup>, yet there is limited evidence that this has materialised on a wider scale: While the aid modality can improve transparency of national budgeting processes and increase capacity of supreme audit institutions, **the observed effects of budget support on parliaments, civil society (and media) stay “weak and inconsistent”**.<sup>4</sup> The missing link gains further significance in a time in which the EU has to operate against a global trend of autocratisation and increasing attacks against **a) civil society** and **b) other key actors for democracy**.

### Challenges of working with civil society

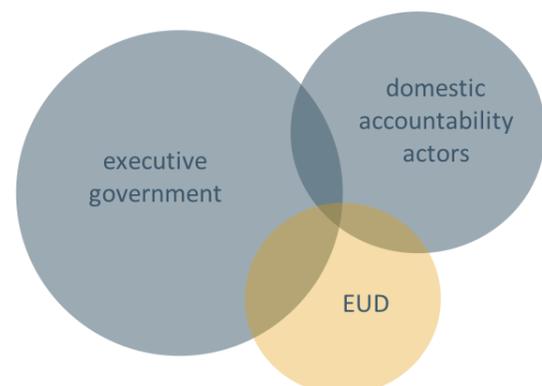
The importance of civil society in EU development cooperation has notably increased since the 2000s, as reflected in various EU policy documents, including the most recent budget support guidelines. For the EU, civil society organisations (CSOs) should play crucial roles in overseeing budget processes, partaking in policy-making, or auditing service delivery. In reality, notwithstanding a limited number of positive examples<sup>5</sup>, **synergising budget support and civil society**

**support in a systematic way remains elusive** due to various factors:

- Political sensitivity vis-à-vis partner governments (no appetite for linking budget support to civil society involvement);
- Capacity gaps on the side of CSOs (especially in policy and budget analysis);
- Difficulty of sustaining long-term engagement with a coalition of CSOs (i.e. going beyond projects);
- Staffing situation in EU delegations (EUDs) – often only one person ‘dealing with civil society’.<sup>6</sup>

### And other key actors?

The EU underlines that budget support offers a “valuable platform for dialogue with the partner country (Government, national oversight bodies, civil society, private sector and other stakeholders)”.<sup>7</sup> This is to be achieved by **the key non-financial input – policy dialogue**. Yet, often administering regular exchanges with just the partner government can be challenging – depending on its institutional capacity and willingness to reform. The experience can be even more sobering if power or information asymmetries between the executive government and actors such as the media, parliamentarians or academia come into play.<sup>8</sup>



<sup>1</sup> European Commission (2018): [Budget Support. Trends & Results 2018](#), p. 7.

<sup>2</sup> German Institute for Development Evaluation (DEval) (2017): [What we know about the effectiveness of budget support. Evaluation Synthesis](#), p. x.

<sup>3</sup> European Commission (2017a): [Budget Support Guidelines](#), p. 17.

<sup>4</sup> German Institute for Development Evaluation (2017), pp. 56ff.

<sup>5</sup> European Commission (2017a), p. 52.

<sup>6</sup> European Commission (2017b): [External Evaluation of the 11th European Development Fund \(EDF\) \(2014 –mid 2017\) Final Report. Annexes](#), pp. 218ff.

<sup>7</sup> European Commission (2017a), p. 15.

<sup>8</sup> European Commission (2011): [Engaging Non-State Actors in New Aid Modalities](#), p. 122.

Budget support evaluations suggest that under such conditions it is difficult for donor agencies to play “the role of ‘knowledge’ brokers” and to successfully “foster the ties between *academia, think tanks, public institutions and other stakeholders.*”<sup>9</sup> In fact, fulfilling other budget support requirements – ranging from monitoring indicators that condition the payment of variable tranches to meeting deadlines for reporting on performance assessments – often make it difficult to dedicate resources to facilitate broader policy dialogue.

### **EPD’s response: INSPIRED – an EU-funded method for inclusive and participatory policy dialogue**

INSPIRED was developed by the European Partnership for Democracy (EPD)<sup>10</sup> and co-funded by the EU to operationalise the 2009 Council conclusions on Democracy Support in EU’s External Relations.<sup>11</sup> Until today, it has been successfully implemented in over fifteen countries worldwide. The method can contribute to budget support in the following ways:

- Assist EUD staff in obtaining up-to-date information about the progress made by the government and other actors in a given policy sector (useful for reporting obligations in budget support);
- Allow for a constructive, sustained and structured engagement of CSOs and other stakeholders;
- Deliver concrete outcomes at behavioural level that lead to improved public policy implementation, while promoting a culture of dialogue and mutual understanding among domestic actors;
- Facilitate the locally-led and consensus-based identification of factors hindering effective policy implementation (bottlenecks, legal loopholes, etc.);
- Build capacity of domestic actors in line with requirements of the policy process;
- Contribute significantly to one of the overall goals of budget support: the consolidation of democracy in partner countries.

In short, the INSPIRED method provides the structure and the tools to conduct **a results-oriented, multi-stakeholder policy dialogue, working towards the objectives of any given budget support programme.** Concrete behavioural outcomes are achieved alongside the process that either point to improvements in policy

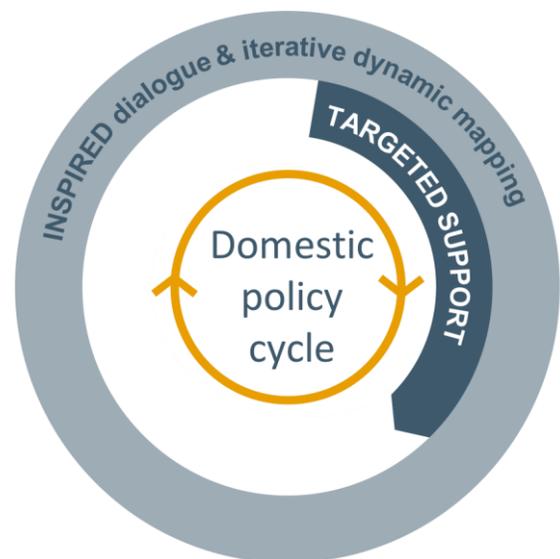
implementation by the partner government or signify important milestones for other actors.

#### **Example of an INSPIRED outcome (Kyrgyzstan)**

In early 2019, the national human rights institution in Kyrgyzstan – the Ombudsman of the Kyrgyz Republic – sent its draft annual report for 2018 to the Parliament of the Kyrgyz Republic. The draft included – for the first time – a chapter on the labour rights of persons with disabilities. The chapter was based on evidence and indicators created in the context of an INSPIRED policy dialogue that was supported by EPD in Kyrgyzstan from mid-2017 onwards: Civil society organisations worked jointly with government agencies, public institutions, interest groups and parliamentarians to identify policy priorities for the inclusion of persons with disabilities into the labour market.

The analytical core of the method is **an iterative dynamic mapping tool – the Integrated Support Framework (ISF).** The ISF allows for real-time tracking of the policy dialogue process and identifies concrete capacity gaps on the side of all involved actors. In consultation with EUDs, EPD then mobilises **expertise existent within its membership to provide targeted support to key actors.** Three examples of many:

- Supporting parliaments in post-legislative scrutiny;
- Forming natural alliances between CSOs and media actors on evidence-based policy monitoring;
- Employing high-level visits of former political leaders to improve access of CSOs to executive government.



If you are interested in using the INSPIRED method and would like to receive more information on the different support tools that are available, please contact Sebastian Bloching ([sebastianbloching@epd.eu](mailto:sebastianbloching@epd.eu)).

<sup>9</sup> European Commission (2017c): [Joint Evaluation of Budget Support Ghana, Final Report](#), p. 37.

<sup>10</sup> The European Partnership for Democracy (EPD) is a non-profit organisation supporting democracy worldwide. It comprises fourteen European civil and political society organisations from

eleven EU Member States present in Africa, Asia, Europe, the Middle East and Latin America.

<sup>11</sup> European Partnership for Democracy (2015): [Inspiring Democracy. Operating Model for Inclusive and Participatory Policy Dialogue and Integrated Democracy Support.](#)