Tools and Methods Series
Reference Document N° 12

EuropeAid

Engaging Non-State Actors in New Aid Modalities

For better development outcomes and governance

January 2011

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CONTENTS

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This document has been prepared by the European Centre for Development Policy Management – ECDPM (Jan Vanheukelom, Jean Bossuyt, Gemma Piñol Puig) within the Aid Delivery Methods Programme of the European Commission.

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 could rely on inputs from various EC delegations, while also benefiting from three working sessions with different directorates from both RELEX 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.

The insights, lessons and experiences on state-society relations, and on working strategically with NSAs in a context of budget support or Sector Policy Support Programmes change continuously. An online Working Group will try to capture these changes, lessons and evolving insights:

http://capacity4dev.ec.europa.eu/

List of acronyms

AAA	Accra Agenda for Action
ACP	African, Caribbean and Pacific States
AEF	Aid effectiveness Forum
AIDCO	EuropeAid Cooperation Office
CSPs	Country Strategy Papers
CPA	Cotonou Partnership Agreement
CSO	Civil Society Organisation
DAC	OECD Development Assistance Committee
DEV	European Commission Directorate General for Development
DFID	UK Department for International Development
EC	European Commission
EDF	European Development Fund
EU	European Union
GBS	General Budget Support
GOVNET	OECD-DAC network on Governance
IBP	International Budget Project
INTRAC	International NGO Training and Research Centre
OECD	Organisation for Economic Co-operation and Development
OECD-DAC	Organisation for Economic Co-operation and Development – Development Assistance Committee
MDBS	Multi Donor Budget Support
MDGs	Millenium Development Goals
NAM	New Aid Modality
NGO	Non-governmental organisation
NIP	National Indicative Programme
NSA	Non-State Actors
ODI	Overseas Development Institute
PAF	Performance Assessment Framework
PBA	Programme Based Approach
PEFA	Public Expenditure and Financial Accountability
PRSP	Poverty Reduction Strategy Papers
RELEX	European Commission External Relations Directorate
SBS	Sector Budget Support
SPSP	Sector Policy Support Programme
SWAp	Sector-Wide Approach
UNDP	United Nations Development Programme
WB	World Bank

EXECUTIVE SUMMARY

Background: Why bring non-state actors and new aid modalities together?

The EC and EU Member States have pledged to make aid more effective. They do so at a time when a stronger emphasis is given to context specificity and better knowledge of in-country development actors and processes. It is an ambitious and demanding agenda, and some parts of that evolving agenda are more promising than others, particularly when a number of processes converge and actors work together. More specifically, this document integrates three such processes and builds on multiple inputs and experiences from a range of actors. It also provides guidance for a variety of EC practitioners to reinforce cooperation. In doing so, it intends to encourage or strengthen linkages between both actors and processes, so that aid efforts become more effective inputs to domestic development processes.

A first process relates to the EC efforts to apply and improve aid modalities that have been purposefully re-designed in support of effectiveness principles – in particular ownership, alignment and accountability. Such aid modalities include Budget Support (BS) and the Sector-Wide Approaches (SWAp) or the Sector Policy Support Programmes (SPSP). This document refers to budget support and Sector Policy Support Programmes as *New Aid Modalities* or NAMs. Budget Support is not merely the transfer of financial resources to the treasury of a partner country,but is an 'aid package' that also consists of policy dialogue, results in orientation and monitoring, as well as efforts to harmonise. As a package and as part of the new aid architecture, Budget Support aims to strenghten partner country ownership, alignment and accountability.

The second process is about EC initiatives to engage more effectively and strategically with Non-State Actors (NSAs). This is an integral part of the EU's 'participatory development' policy. This policy puts NSAs central in development processes and seeks to make the ownership principle inclusive, enabling NSAs to contribute fully to these change processes. Experiences by the EC with participatory development point to the need and the possibility to develop a better understanding of NSAs in their full diversity of roles, functions, and agendas. These experiences also warn against overly positive views and the necessity to recognise that not every non-state actor is a development actor. There are many *un-civil* NSAs.

A third process relates to the efforts to deepen the knowledge about the relations between state and society. Some donors, parts of the research community and some non-governmental organizations emphasize the need not to treat NSAs in isolation. It is argued that the focus should be on a broader variety of actors, and not just on 'strengthening NSAs' on the one hand and supporting state 'capacity' on the other hand. Development is an intrinsically context specific and political change process. *New aid modalities* precisely allow external development partners (whether donors, International NGOs, multilateral agencies etc.) to a) engage in new, more comprehensive and strategic ways with NSAs, and b) move closer to a partner country's key state institutions – including the budget and budgeting processes. In doing so, they affect the relations between state and society in multiple ways. There is also a need to sharpen the knowledge about how donors and other external players affect the relations between the state and citizens/non-state actors, about how institutions function and about the way in which politics help shape development outcomes.

This document both benefited from and contributed to these ongoing EC processes. The process to make budget support more effective – involving consultations and the development of new guidelines – informed it. The authors, moreover, benefited from the ongoing *Structured Dialogue* ([1]) with civil society and local authorities. While doing so, they also provided inputs into the process of dialogue on more effective cooperation between the EC, EU Member States, civil society organisations and local authorities as well as the European Parliament. The EC also integrates a stronger 'political economy' approach to its context analysis (for example in its guidelines for budget support and in the revised manual for Project and Programme Cycle Management (in preparation). This Reference Document may also contribute to operationalise the EC's Governance Analysis Framework in sector operations, as well as to improvements to the division of labour and coordination (within the broader EU agenda on the Operational Framework on Aid Effectiveness leading up to the Fourth High Level Forum in South Korea, at the end of 2011).

Different groups of EC practitioners engage in these three processes, or are involved in managing and steering them. First, there is the group of practitioners who mainly specialise in working with and through NSAs. This is already a diversified field of practice. Secondly, there are the macro economic experts. A third category consists of practitioners or experts dealing with thematic programmes, including governance advisors, some of which work on cross-crutting issues. All these categories of practitioners don't automatically speak the same language. So this reference document seeks to overcome this hurdle by bridging processes and different groups of practitioners. It presents a complex and challenging agenda, but in the various discussions with EC experts in the field and at headquarters, it was stressed that this agenda deserves attention and support.

1) The Structured Dialogue (2010 — 2011) is an initiative with which the European Commission (EC) wishes to respond to the conclusion of several reports evaluations through the civil society organizations, Court of Auditors report), to the request of civil society organizations, local authorities and the European Parliament, in the frame of the Accra agenda for action.

How to engage strategically with NSAs in new aid modalities?

The EC has assigned more and more important roles to NSAs as it developed its policy of *participatory development*. Development is not the preserve of governments or state institutions; development requires engaged societies and citizenry, effective states and responsive governments. The stated EC policy is to engage with NSAs as actors in their own right, actors that can fulfil multiple roles rather than merely implementing what donor agencies have in mind, or what partner governments allow them to do in a top down manner.

Why then improve NSA participation within the context of working with new aid modalities? To answer this question it is important to explain what is so new about these aid modalities such as (sector) budget support, which have been around for quite some time. The essence of ***new aid modalities*** is that they are designed to fulfil some of the promises and principles of the aid effectiveness agenda as developed in Paris (2005) and further refined in Accra (2008). However, principles such as ownership, accountability and alignment have proven to be problematic in both interpretation and implementation.

Civil society pressures and a growing emphasis on the relationships between state and society prompted the EC to look more carefully at the double potential of budget support and Sector Policy Support Programmes. First, these modalities have the potential to support the agenda of participatory development with non-state actors. Secondly, they open perspectives for deepening the understanding of the full range of actors – both state and non-state – that can be involved in progressive changIn developing this rationale, the EC needs to avoid a few trappings: there are no blueprint models for ideal state-society relations. Nor is there room for an ***angelic*** view of non-state actors that automatically equate NSAs with progressive forces. At all times, external actors need to remain critical about real and potential roles of state and non-state actors. But they also need to remain mindful of their own roles and effects in change or development processes. Often they overestimate their influence in short and direct support programmes. Or they underestimate the potential of indirect and long-term work, for example where state and non-state actors interact in reducing poverty, or in making states more developmental.

Building on past experiences

Bringing together these two strands of work – non-state actors and new aid modalities – is not an entirely new agenda for the EC. First of all, the EC has already a long history of working with and through civil society. It has developed over the years a fairly sophisticated policy framework, a variety of operational guidance, a diversity of support instruments and engagement mechanisms. The EC also has experience with involving NSAs in policy and tool development.

Secondly, in areas where the EC uses new aid modalities, several delegations have begun to engage with NSAs. Different entry points along the cycle of operations are being used to involve NSAs. In doing so, delegations have regularly combined various EC instruments. Thirdly, there are a number of other developments that reinforce the importance of NSAs in NAMs. The emphasis on governance and on political dimensions in the EC sector operations also implies a stronger engagement with both state and non-state actors in sector work.

The study has documented the emerging EC experiences in a number of partner countries. A lot of these experiences are still ***work in progress***; but the country cases illustrate challenges and opportunities for a strategic engagement with NSAs.

Despite these efforts, though, the EC still struggles with the political dimensions of engaging with civil society. A global evaluation of EC aid to and through CSOs pointed out that often NSAs are treated and supported in isolation from other state and non-state actors, that the state-society relations are insufficiently understood, and that the political and institutional complexities in a particular context often escape donor attention. Hence opportunities for engaging with NSAs in more systematic and strategic ways remain untapped, especially in contexts where the EC has numerous potential entry points through its application of new aid modalities.

A basic perspective on engaging with NSAs – strategic guidance

How to engage more strategically with NSAs in a context where donors engage in a close partnership with the state on poverty reduction and apply new aid modalities? The strategic guidance offered by this document 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 changes. 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**:

- **Fundamental 1: *Treat non-state actors as actors***, meaning that they should not be reduced to instruments, or to mere 'recipients of aid'. They are living structures that operate in their own right, and pursue their own priorities.

Strategic guidance #1

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

- **Fundamental 2: *State-society relations need to be systematically analysed***. Development processes are inherently political processes. Resources, land, opportunities, even aid are scarce resources, and often 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 interests of the elites. The operational guidance for more systematic analysis of these relations include:

Strategic guidance #2

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.*** NAMs can be seen as an 'aid package' with different EC inputs (instruments, financing modalities and dialogue arrangements), with various state and non-state actors, and with multiple forms of collective action among donors or different degrees of harmonisation. Hence four core questions need to be addressed for combining these variables in context specific ways:
  - *What is the appropriate mix of state and non-state actors?*
  - *What is the appropriate mix of NSA inputs?*
  - *What is the appropriate mix of EC inputs?*
  - *What are the appropriate forms of cooperation among donors?*

Strategic guidance #3

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

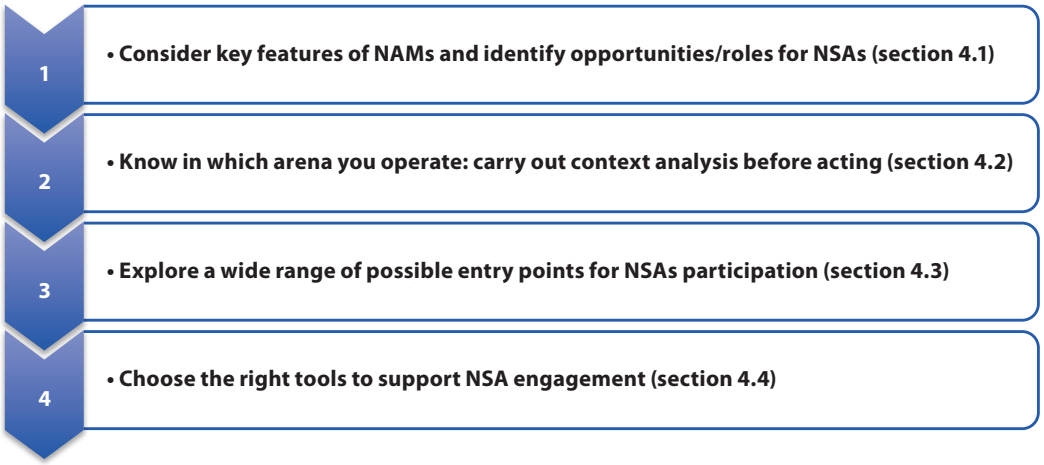
no harm. With the EC playing new, often more political roles – of facilitator, change agent, convener, and innovator – it may undertake relevant strategic cooperation with non-state actors.

Strategic guidance #4

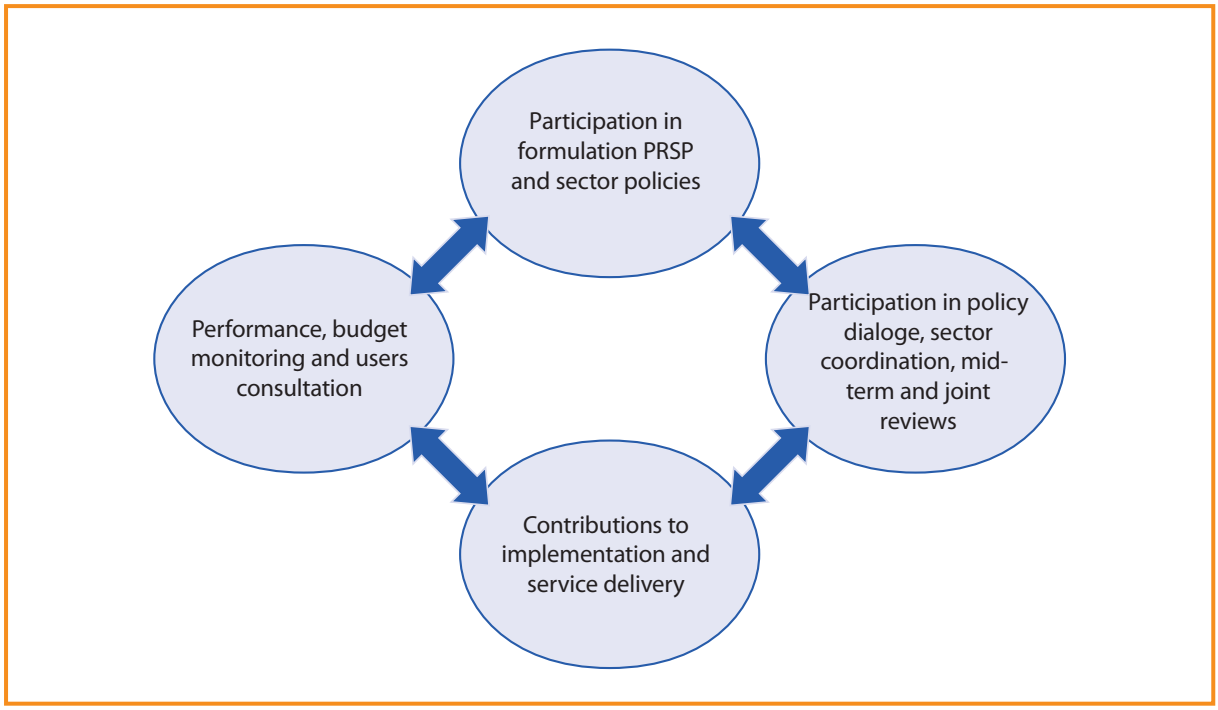
1. *Avoid one-sided technocratic approaches to aid effectiveness and the role of NSAs.*
2. *Prepare for playing new EC roles based on a deeper understanding of state-society relations.*

How to strategically engage with NSAs – operational guidance

Experiences of working with NSAs in a context where the EC and other donors apply Budget Support or develop a Sector Policy Support Programme are fairly new. The 'body of evidence' remains fragmented, but is increasing while the experiences of working with NAMs and with NSAs expand and deepen. Therefore, the *operational guidance* sets out four signposts on the road to a more strategic involvement of NSAs in new aid modalities.



The first signpost presents the basic features of the EC approaches to NAMs. Both Budget Support and SPSPs are in fact *standardized packages*. Such aid packages contain multiple actors/beneficiaries, multiple EC inputs (including money, technical expertise, policy dialogue etc.) and an emphasis on ownership and harmonisation. These modalities are constantly being debated and adapted. This signpost unpacks the various entry points for NSA engagement and highlights *four most important roles* that non-state actors can play in NAMs (see figure below).



The second signpost points to the need to properly understand NSAs as actors in their particular context. A proper context analysis is a key component of any effort to engage more strategically with NSAs. What to include in the context analysis? The nature and potential of *new aid modalities* is such that it allows the EC and other donors to engage with core institutions of the state on policy issues such as priorities in public spending and how the state apparatus is organised. These dimensions need to be factored in into the context analysis, as well as a proper assessment of the state-society relations and the roles that NSAs play. 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 relations and accountability.
- *Step 3* deepens the context analysis by guiding the reader to a few areas that require attention. External actors are invited to look beyond the formal legal framework, or the formal administrative arrangements and norms. Indeed, what is less visible may matter more in terms of what is pushing or holding back change or reforms, or where power and influence really are at work.

The third signpost provides guidance about finding and utilising the appropriate entry points for engaging strategically with NSAs. It takes the EC's *cycle of operations* as a guiding principle. In the three major phases in the cycle of operations – the programming, identification/formulation and implementation/monitoring – four key questions need to be addressed:

- *What are the issues to tackle in each phase?*
- *What are the potential roles and entry points for NSA participation?*
- *What are the main strategic and operational questions to be considered by EC staff?*
- *And what are emerging good practices and tools, tips?*

Once the mapping has been undertaken and the context analysed, **the fourth signpost** deals with how to engage with NSAs. This signpost is about *combining the tools, approaches and instruments* that the EC has at its disposal. No blueprints or models are presented. The choices to be made depend on how states interact (a) with non-state actors and (b) with the donor community. Three areas merit particular attention for the EC when it seeks to match tools, approaches and instruments to context:

- *Strengthening the NSA capacities to explore, find and use entry points and opportunities for engagement with the state and citizens in the context of NAMs*: the form and content that such capacity development may take will depend on a careful assessment of state-NSA relations

- *Consultations and dialogue*: Especially in the context of *new aid modalities* consultations and dialogue with multiple stakeholders can become more effective tools for identifying problems and opportunities for engaging with NSAs in their diverse roles and functions.
- *Combining geographic and thematic instruments strategically.* Often, it is not a matter of either-or, but rather of combining the two instruments. The guidance avoids being prescriptive or normative. What matters is to properly assess and analyse what is needed, and match it with what is possible. An environment in which the state is open to working with NSAs, but has little capacity to do so can trigger a different choice of tools, capacity strategies and instruments than an environment in which NSAs are under pressure from the state.

Operational guidance #1: on combining tools, approaches and instruments

- Properly assess the space for NSA consultation and explore opportunities to enhance it.
- Clearly define the purpose of the consultation and differentiate the approach.
- Build on domestic potential and dynamics of consultation.
- Prioritize quality consultation over numbers: less may be more.
- Broaden involvement in preparations and actual consultation processes among EC staff – ensure continuity.
- Consider capacity support to NSAs as a continuous process.
- Reflect on the variety of NSA roles and accompanying capacity support.
- Combine financial instruments strategically in terms of needs and opportunities.

Developing smart partnerships

The agenda that emerges has multiple facets. This is even more so since multiple donors and international NGOs are engaged in working with non-state partners in a country where new aid modalities are being applied. This agenda can be taken forward more effectively by developing smart partnerships with three categories of actors: other donors, domestic state related accountability actors, and local authorities.

One core component of new aid modalities is donor harmonisation. Efforts at harmonisation can add value in deepening knowledge about state-society relations, about formal and informal institutions and about the ways in which these institutions determine the incentives or obstacles for progressive changes. Such knowledge can inform strategic approaches by multiple donors – through division of labour and smart partnerships – with a fuller range of domestic and international non-state actors. Joint donor efforts can also be targeted at strengthening an enabling environment for effective state-society relations. Joint work, moreover, can improve coherent and sustainable ways of technical and financial support to internal and external NSAs.

Secondly, through their engagement with core institutions of the state, donors also can contribute to improved accountability and transparency. Again, this is a complex agenda with numerous pitfalls. Yet harmonisation can reduce the current fragmented support to different accountability institutions, and result in more systemic approaches. This means that attention has to go to how political parties, parliaments, supreme audit institutions, the media and citizens interact, and create incentives – or obstacles – for progressive change.

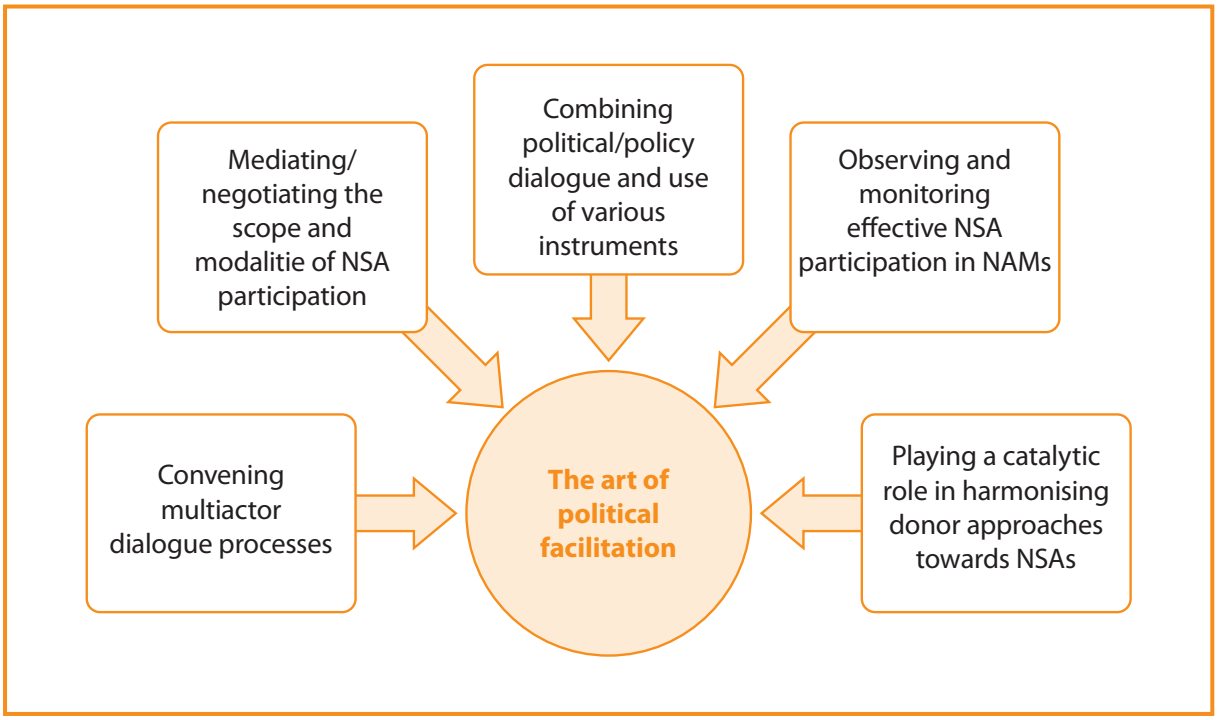
A **third** category of smart partnerships involves local governments. Decentralisation processes take many forms. There are some examples of EC support to strengthening capacities of local authorities alongside non-state actors within the context of new aid modalities.

Operational guidance #2: on smart partnerships

- Pro-actively assess and discuss other donor's capacities and development strategies in terms of the potential for more harmonised knowledge development.
- Build on — and strengthen — the domestic capacity to assess, research and debate development issues.
- Facilitate transparency and learning opportunities among donors and between donors and NSAs.
- Lead or contribute to efforts to enhance harmonisation and division of labour in strategy development, capacity and financial support to a broad range of internal and international NGOs.
- Consider domestic accountability as a 'system' that ought to be supported in the long-term and less through isolated, donor-driven actions.
- Use 'political economy' analysis to better understand strengths and weaknesses of the different accountability actors and institutions, as well as their inter-relationships.
- Analyse properly donor effects on accountability relations and institutions, or their effects on responsiveness of state institutions.
- Contribute to donor transparency and to a greater sensitivity for facilitating or promoting collective action.

Changes at the EC level to engage more strategically with NSAs

What changes need to take place at the level of the EC in order to implement this comprehensive and demanding agenda? If the EC intends to overcome the operational and strategic hurdles when it engages with NSAs in the context of new aid modalities, it will have to gradually get to grips with the political dimensions of development. This involves getting used to — and learning 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.



This is a tall agenda, aiming to link three ongoing processes: one in support of a strategic engagement with NSAs; a second one in support of developing effective new aid modalities or approaches; and a third one that connects these processes with efforts to deepen the understanding about politics and development and the nature of state-society relations.

In order to implement this agenda and to assume the various roles that come with it, the EC ought to prioritise and incentivise learning and develop a set of specific capacities.

Operational guidance #3: on overcoming operational and strategic hurdles within the EC

The following capacities merit special attention, support and incentives:

- the capacity to carry out political economy analysis, interpret the findings and use the results,
- the capacity to deal in creative and holistic ways with NSAs,
- the capacity to conduct effective policy/political dialogue,
- the capacity to adopt a process approach to implementation,
- the capacity to monitor results and to learn from experience,
- the capacity to communicate, network and build long-term relations.

A living document

It is the ambition of most documents to be used, read and spread around. This one is no different. In order to *beef up its performance*, an online discussion group will be launched on the EC's **capacity4dev platform**. This discussion group will serve two purposes: one is to gradually broaden the experience base and to sharpen the lessons that can be drawn from it. Secondly, it will try to connect practitioners involved in one or more of the ongoing processes related to non-state actors, new aid modalities and efforts to make aid more effective.

Ultimately, these efforts are not merely about making aid more effective. In engaging with non-state actors, with state institutions, with partner country governments – especially in a context where new aid modalities are being applied – the EC seeks to lever domestic processes for change that lead to poverty reduction and development. In this sense aid can contribute to – never substitute for – development effectiveness

Introduction

Development thinking evolved quite dramatically over the last decade. The limited results achieved with externally driven aid policies led to a renewed emphasis on 'ownership' (as a precondition to sustainable development) and a 're-discovery of the state' (as a central agent in the development process). The Paris Declaration on Aid Effectiveness (2005) reflects this new thinking. It calls upon donor agencies to support nationally owned development strategies and to shift from project approaches to macroeconomic and sector approaches, implemented through 'new aid modalities' such as Budget Support and Sector Wide Approaches or Sector Policy Support Programmes (see box 1). The EC/EU are key partners in the ongoing process to make the aid system more effective and to ensure alignment with country systems, through, among other things, the increased use of budget support. This Reference Document emphasises new aid modalities because of their link with the Aid Effectiveness Agenda.

Box 1. On terminology: what is so 'new' about *'new aid modalities'?*

Budget support as a method for financing a partner country's budget has been around for a long time. In this document, we refer to a new generation of budget support that emerged in the new millennium as part of the efforts to make aid more effective. The EC does not see budget support as a mere transfer of financial resources to the National Treasury of a partner country. It considers budget support to be part of a 'cooperation or aid package' that not only consists of financial transfers, but also of policy dialogue, performance assessments and capacity-building. The EC also considers budget support to be a 'preferred aid modality' because of its potential to live up to the commitments to the Paris principles on aid effectiveness such as improved harmonisation, ownership and alignment.

If applied in support of sector objectives, budget support is called ***sector budget support.*** Efforts to improve the effectiveness of aid in such sector work have resulted in ***Sector Policy Support Programmes*** (Outside the EC, such approaches are often referred to as Sector-wide Approach or SWAp). In SPSPs, donors also commit to the principles of alignment, harmonisation, ownership, results orientation and accountability. In a SPSP donors can choose to combine both projects and (sector) budget support. The EC generally favours the use of sector budget support in its ***Sector Policy Support Programmes.***

For these reasons, this document refers to budget support and SPSP as ***new aid modalities.***

The policy shift towards supporting national policy processes is generally regarded as positive from a development perspective as it puts the state back in the driving seat and paves the way for a new, result-oriented compact between partner countries and donors. Yet it also carries risks. It can lead to a re-centralization of power and resources in the hands of the government. This fits uneasily with the current view of development as a multi-actor process, to be owned by a variety of local stakeholders, including ***'non-state actors'***, the private sector and local governments. In many third countries, the democratic culture and governance systems are still relatively weak. Using NAMs in such environments may turn to be a perilous exercise in the absence of domestic institutions (e.g. parliaments, courts) and of civil society organizations with the capacity to hold governments to account. Furthermore, the new policy framework is not necessarily compatible with existing commitments towards non-state actors. From 2000 onwards, the EC/EU embraced the principle of ***participatory development***, which recognizes civil society organizations as legitimate actors in the development process. They should be enabled to express voice, participate in political, social and economic dialogue processes, demand accountability and be involved in monitoring public action.

One would therefore expect NSAs to be fully involved in the implementation of the Paris Declaration and related shift towards NAMs. In practice, however, it has proven difficult to ensure such an inclusion. This, in turn, has fuelled fears that the use of NAMs could weaken the role of NSAs, reduce the space available to them in national policy processes, curtail direct dialogue opportunities with donors and decrease overall funding levels.

The successor to the Paris High Level Summit on Aid Effectiveness in Accra (2008) acknowledged the democratic deficit in the post-Paris aid architecture. The Accra Agenda for Action calls for a much stronger engagement of NSAs in order to deepen the dialogue on national policies, to improve development effectiveness and to strengthen domestic accountability. The task at hand for the EC is to better connect the aid effectiveness agenda (and related use of NAMs) with the participatory development principles (with their focus on ensuring an effective mobilization/empowerment of NSAs). In this scenario, NAMs do not merely refer to alternative funding mechanisms but constitute a key instrument in support of a national policy processes to whose success NSAs can contribute. This agenda is shared

with other donors who are also looking for ways and means to better integrate NSAs in NAMs for better development outcomes and governance.

This document seeks to respond to this challenge and relatively new field of action. It builds on existing EC experiences of supporting civil society and implementing new aid modalities. It aims to provide guidance to EC staff on how to engage in a more strategic and effective manner with NSAs. Such strategic engagement with NSAs in a context where the EC applies new aid modalities should enable them to effectively participate in the dialogue, implementation and monitoring of global and sector development policies of their countries.

The current document looks primarily at the role of NSAs in EC development cooperation strategies and NAMs. Still, it recognises the need to systematically broaden the scope and also consider the involvement of civil society in national policy processes that take place independently of donor support programmes. The interaction between the two types of processes (national mechanisms and donor induced consultations) is a key factor to be taken into account.

The document is targeted at EC staff involved in macroeconomic support, sector operations, governance programmes and civil society development. These various forms of expertise are invited to work together in order to improve the effectiveness of budget support operations while empowering and enabling non-state actors to play their legitimate roles in the development process.

The structure of the document is as follows:

- ***Chapter 1*** examines why the issue of NSA participation in NAMs is now on the agenda and why the EC should address this link upfront.
- ***Chapter 2*** reviews current EC engagement with NSAs in general and in the specific context of EC supported policies and programmes based on new aid modalities. It notes a growing interest for including NSAs in NAMs as well as promising new practices. Yet a coherent strategy to tap the full NSA potential in strategic ways is still often missing.
- ***Chapter 3*** therefore proposes a strategic approach to engaging NSAs in NAMs. It formulates a set of fundamentals and operational principles to underpin this strategy.
- Based on emerging good practices in the field, ***Chapter 4*** provides an operational agenda, a menu of operational guidelines, tools and tips to develop country specific approaches aimed at better integrating NSAs in NAMs all along the cycle of operations.
- ***Chapter 5*** argues that the EC should not strive to achieve this ambitious agenda on its own but rather seek smart partnerships with other actors.
- ***Chapter 6*** explores how the EC could strengthen its overall capacity to deal strategically with NSAs in NAMs.

The document builds on two previous studies, carried out respectively by INTRAC and ODI. It benefited from several workshops with EC staff in headquarters, from consultations with EC delegations that pioneered NSAs involvement in NAMs (see also country cases and experiences throughout this document), as well as a workshop with European NSAs in the context of the Structured Dialogue.

1. Why is NSA participation in new aid modalities increasingly on the agenda

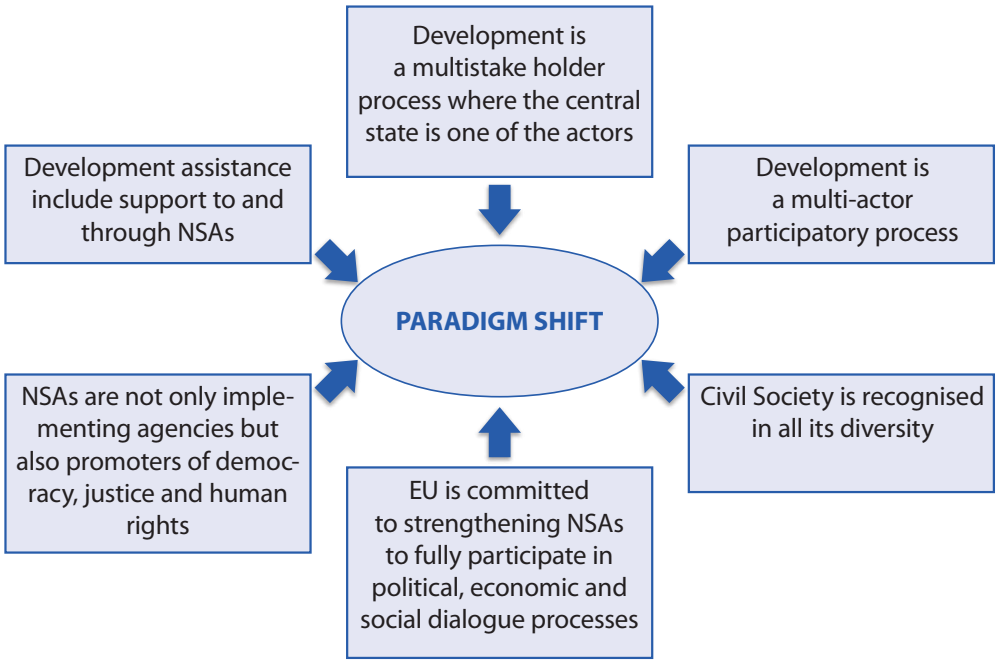
1.1 The starting point: the rise of the participatory development agenda

In order to understand why the issue of non-state actor participation in the new aid modalities is gaining momentum, it is important to go back to the late 1990s. Building on the democratic openings in the developing world after the fall of the Berlin Wall, the international community adopted a more sophisticated and ambitious vision on the role of civil society in development and cooperation processes. Under the new paradigm (Figure (1) development is no longer only the preserve of central governments, but a multi-actor participatory process, requiring both effective states and engaged societies. Civil society organizations, in all their diversity, should no longer be regarded as 'beneficiaries' of aid projects or as mere implementing agencies. They should be considered as legitimate ***'actors'*** in their own right with a distinct identity and added value. This holds particularly true for their role as social and political agents of democratisation and governance (through participation in dialogue processes, advocacy campaigns and increased demands for accountability).

The EC also embraced the participatory development agenda. The Cotonou Partnership Agreement signed in 2000, was the first major EC policy document that legally enshrined the participation of a wide range of non-state actors ([2]) as a fundamental principle of ACP cooperation (article 2) and spelled out basic rules and modalities for this to happen in all spheres of cooperation (article 4-8). The Communication on the Participation of Non-State Actors in Development Policy (2002) is explicit on the need to associate NSAs in the five key stages of the development process: preparation of national strategies and of EC country response strategy; policy dialogue in sectors of intervention; implementation and review.

In the European Consensus on Development (2005), the EC reiterated its political commitment to ensuring CSO participation of 'all stakeholders in countries' development and in the political, social and economic dialogue processes'; to 'building capacity for these actors'; to 'strengthen their voice' and to provide aid 'through different modalities that can be complementary, including support to and via the civil society'. Opening up space for the participation of these actors became part of the democratic governance agenda. In this political vision, supporting the participation of civil society is regarded as a means to promote democracy, social justice and governance; to increase the relevance of development policies and programmes; and to improve development results, ownership and accountability.

Figure 1: The New Paradigm of Participatory Development



2) For a definition of the concept of 'non-state actors' see Methodological tool 1. In this document, the terms of civil society organisations (CSOs) and non-state actors are used interchangeably.

1.2 The Paris Declaration and civil society: a difficult marriage

The Paris Declaration on Aid Effectiveness (2005) is a landmark in the process to rationalize the aid system, built up over the last four decades. Donors and recipients agreed on a new compact, the Paris Declaration, based on the principles of ownership, alignment, harmonisation, results-based management and mutual accountability. The centrepiece of the new approach rested on bringing the state 'back in' as a key development partner and grand coordinator of development policies, programmes, budgets and actors.

The Paris Declaration includes strong commitments to Programme Based Approaches as opposed to the conventional aid mechanisms focused on individual projects. The European Consensus on development (2006) recognizes that various EC instruments can be used in complementary fashion to deliver development assistance. In practice, however, new aid modalities such as general Budget Support and Sector Policy Support Programmes quickly became more prominent. They were seen as the logical consequence of the desire to support countries in the development of their own national and sectoral policies and programmes. In the framework of the Paris Declaration, the EU has notably committed itself to channel 50 % of government-to-government assistance through country systems, including by increasing the percentage of EU assistance through budget support or sector wide approaches.

Civil society organisations were not hostile to the principles embedded in the Paris Agenda, particularly its focus on ownership and better governance of aid. The potential benefits of budget support were also acknowledged provided the shift was made in a transparent and accountable manner and with due guarantees for effective CSO participation.

Yet these guarantees were hard to obtain during the initial years of implementation. The Paris Declaration recognized the need for a broad ownership of national development policies and proper accountability to citizens and Parliament. However it did not elaborate on the role of civil society in the whole process. As a result, most initiatives in relation to this agenda were largely state-centric and donor-driven. They had a 'technical' focus and seemed primarily concerned with reducing the transaction costs of aid management, by channelling funds through the State, preferably using the instrument of budget support. There was limited critical reflection on the impact of the aid effectiveness process on civil society, its new role, added value, required support and appropriate funding modalities within the new architecture. Typically, the Paris Declaration had no indicators regarding democratisation as well as participation of civil society. Civil society's potential added value in terms of contributing to dialogue processes, advocating for policy changes, claiming rights or demanding accountability remained largely under-utilised.

Civil society (in the North and South) criticised this technical, largely mechanistic interpretation of the principles of ownership and alignment. In their view it led to tensions with the participatory development agenda, which called for a mainstreaming of civil society participation in all relevant development processes. They also expressed major concerns on the possible negative impact that the implementation of the Paris Declaration, as initially conceived, might have on their operating space and work (see Box 2)

Box 2. The potential negative impact of the Paris Declaration on the role of CSOs

A technocratic approach to implementing the Paris Declaration, narrowly focused on improving aid management, is seen to carry the following potential risks:

- The recentralisation of development and aid resources in the hands of governments without the necessary countervailing powers and (downward) accountability checks.
- The politicisation of aid delivered through the CSO channel by control-oriented governments hiding behind the seemingly technical agenda of harmonisation and alignment.
- The 'instrumentalisation' of civil society as sub-contractors for service delivery.
- Reduced space for meaningful CSO involvement in policy dialogue processes.
- A weakened capacity to act as watchdog agency.
- Decreasing financial flows channelled through CSOs.

1.3 From Paris to Accra: Overcoming the democratic deficit by bringing in civil society

The Paris Declaration was reviewed during the High Level Forum on Aid Effectiveness in Accra in 2008. The resulting Accra Agenda for Action acknowledges the democratic deficit in the emerging new aid architecture. It calls for a much stronger involvement of a wide range of domestic actors including civil society. It thus paves the way for a greater convergence between the Paris Declaration and the participatory development agenda. **Four push factors** contribute to the growing convergence between both agendas:

- ***Pressure from civil society.***

In the run-up to the High Level Forum on Aid Effectiveness in Accra, there was a substantial mobilisation of civil society actors. Policy positions were prepared and aimed at enriching the scope of the Paris Declaration through the creation of an Advisory Group on Civil Society and Aid Effectiveness. The proposals emanating from this process included demands to (i) broaden the notion of ownership to encompass a shared national vision (not just a government vision); (ii) focus on 'development effectiveness' (as opposed to 'aid effectiveness'); (iii) give a stronger role for civil society in managing for results (to hold governments to account) and (iv) complement the search for mutual accountability with strengthened domestic accountability systems towards citizens.

- ***Focus on civil society in the Accra Agenda for Action (AAA).***

The High Level Forum clearly opted for a more 'political' approach to the whole issue of aid effectiveness. It emphasised in particular the need to 'increase the capacity of all development actors, including parliament and CSOs' as well as to 'deepen […] engagement with civil society organisations' through improved coordination of CSO efforts with government programmes and enhanced roles for CSOs in terms of ensuring domestic accountability for results (by acting as checks and balance institutions).

- ***Attention to political dimensions in development and aid.***

The international donor community has dramatically increased its support for political and institutional reforms in third countries. In the process, several donors (including the EC) increasingly seek to understand the 'political economy' underlying state-civil society relations. They pay more attention to prevailing rules, interests, power relations and how resources and opportunities are distributed. These core governance dimensions – often less visible, yet present behind the façade – largely determine how authority is exercised, on whose behalf institutions function, and how the relations between rulers and organized groups in society or citizens operate. Budget support has the potential to bring donors 'closer' to national policy processes in a given country. This position can help identify possibilities to further open the democratic space for civil society participation in national change or development processes.

Politics and political economy: definitions

Politics can best be understood as '*all the many activities of cooperation, conflict and negotiation involved in decisions about the use, production and distribution of resources*, whether these activities are formal or informal, public or private, or a mixture of all. Such a basic conception enables us to think of politics as a ***necessary*** activity which occurs wherever two or more people are engaged in making decisions about resources. It also facilitates ways of integrating both conventional ideas about ***politics*** (power, authority and collective decision-making) and ***economics*** (allocation of scarce resources) into a broader understanding of the relations between them'. ([3])

Political Economy is 'the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time'. ([4])

- ***Increased local demand for accountability.***

In many countries around the world, civil society groups and citizens are organising themselves from the bottom-up in order to obtain more effective participation in policy processes, transparency and accountability. These broader societal demands reflect local dynamics aimed at deepening the functioning of democracy for better development results (at country level, in a given sector, at local level). Examples include public hearings, participatory audits, public opinion surveys on the quality of services, expenditure tracking initiatives, etc. Many of these processes take place

3) Leftwich, A. (2008) *Developmental states, effective states and poverty reduction: The primacy of politics,* UNRISD Project on Poverty Reduction and Policy Regimes.
4) *Political Economy How-To-Note,* A DFID Practice Paper, January 2009.

outside aid-related policies and programmes. They can provide domestic building blocks for the implementation of the broader accountability agenda of the Accra Agenda for Action (with its focus on domestic accountability and the role of civil society therein).

The combined pressure of these four push factors has led to a growing convergence between the Paris/Accra agendas and the participatory development agenda. The challenge at hand is now to consistently and effectively 'connect' these two agendas in donor supported global development and sector policies and programmes.

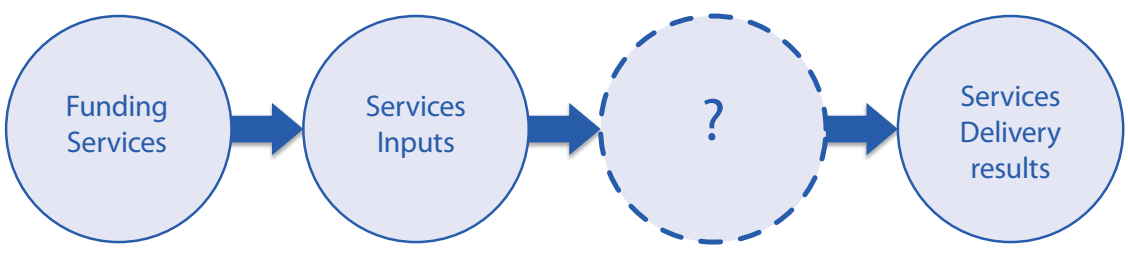
1.4 Why should the EC enhance NSA engagement in NAMs?

There appear to be at least five good reasons/incentives for the EC to enhance NSA participation in NAMs:

- ***Ensuring a more consistent application of EC commitments towards NSAs made under the Accra Agenda for Action.*** So far, the coherence between both agendas has been rather limited (chapter 2), albeit with notable exceptions.
- ***Protecting the space and continuing political support for the use of new aid modalities*** against poor governance and fiduciary risk by supporting the emergence and consolidation of domestic institutions (from both political and civil society) with the capacity to assess government performance, control budget expenditures and demand accountability. Empowered domestic institutions may constitute effective allies in EU longer-term efforts to use budget support as a conduit for institutional reforms and to inform purposeful political and/or policy dialogue.
- ***Obtaining a more realistic assessment of the feasibility of reforms*** supported through new aid modalities by applying a *political economy* approach and identifying the possible 'drivers of change'. This includes assessing in a realistic manner the transformational capacity of NSAs as agents of democratization and governance in a given society.
- ***Making budget support work for service delivery.*** Sector budget support is increasingly used to promote better basic service delivery. A recent study on 'Sector Budget Support in Practice" (5) shows that SBS can be an effective aid modality to achieve this. Evidence suggests that it helps to ensure greater efficiency in the use of public resources and in supporting the quantity or expansion of services. However, SBS has been less successful in addressing issues of *quality and equity*. A key reason for this is that recipient governments focus almost exclusively on 'upstream' planning and budgeting aspects of an SBS. They have less attention (incentives) to what is needed 'downstream' to ensure the effective transformation of the resources involved into quality services. Sectoral approaches to date have not sufficiently addressed the so-called '*missing middle'* in the service delivery chain, as illustrated in the figure below.

  When negotiating on sector policies, usually the parties spend a lot of time and energy discussing funding issues (first circle) and the type of services to be improved (second circle). However, much less attention is generally given to the next stage of the service delivery chain, i.e. the processes and systems that are needed to properly organise the actual delivery of services on the ground. This part of the chain (the third circle) remains often a black box, hence the notion of the 'missing middle' in sector budget support to service provision. If 'results' are to be achieved (fourth circle), particularly in terms of quality and equity of service provision, this 'missing middle' should be taken much more seriously. In practical terms, it means addressing upfront the following operational questions: *What processes will make it possible to manage the frontline service providers? How can the actual delivery of services best be monitored? How to deal with (often major) human resource constraints? How to ensure accountability for service provision*?

Figure 2: The missing middle in sector budget support to service provision



Source: 'Making sector budget support work for service delivery: good practice recommendations', ODI Project Briefing N.37, February 2010.

5) ODI (2010), *Making sector budget support work for service delivery: good practice recommendations.* ODI Project Briefing No 37.

- ***Looking beyond aid and clarifying the broader results to be achieved through NAMs.*** The potential contribution of NAMs should not be narrowed down to improving aid effectiveness and related development outcomes. By ensuring a strategic involvement of NSAs in NAMs, the EC may also contribute to important ***'political outcomes'*** such as enhancing democratic ownership and accountability.

1.5 Critical reflections on the role of NSA in development

While there is a growing recognition of the valuable roles NSAs can play in the development process (as service providers, experts in their fields, watchdogs, implementers and funders of development programmes) ([6]) there is also reason for caution. When considering engagement strategies with NSAs due account should be taken of some limitations, assumptions, pitfalls and challenges ([7]).

- ***The specific relation between NSAs and the state***

The state was out of favour with many development thinkers and practitioners for much of the 1970s and 1980s. This was mainly a reaction to what was perceived of as gross state inefficiencies, an inability of the state to manage development processes effectively and elite capture of the state to serve its own purposes. As a result, the solution advocated was a reduction of the role of the state and a retraction of state functions. These were replaced with market led systems that were supposed to correct the inefficiencies of the state. However, these approaches were increasingly recognised as flawed or ineffective in meeting development challenges. Thus, from the mid-1990s onwards thinking focused on the extent to which the state could be strengthened to protect the provision of basic services and act as a coordinating mechanism for development policies, programmes, budgets and actors.

- ***State capacity and responsiveness go hand in hand***

Support to NSAs has, in parallel, focused on strengthening engagement with the state. As Unsworth highlights, 'The state itself plays a critical role in the constitution of civil society… [and] the ability to aggregate interests and channel them through representative institutions is an essential ingredient in creating state capacity to respond" ([8]).In other words, state capacity and responsiveness to demand go hand in hand. This implies that NSAs can play important roles as interlocutors between the state and its citizens. As Hudson states 'domestic accountability emerges (or doesn't) through the operation of accountability systems that bring together a variety of institutions" ([9]). NSAs may comprise some of these institutions but the key focus should remain on the state and the quality of its relationship with citizens.

- ***The relationship between voice and accountability***

NSAs occupy part of the 'civil society space' between states and their citizens, and can play important roles in strengthening citizens' voice and accountability, something that may help to produce better development outcomes. But it is important to challenge some dominant assumptions regarding the linkages between voice and accountability. As a recent evaluation highlighted, 'it cannot be easily assumed that strengthening voice on its own will somehow lead to improved accountability" ([10]). Whether voice contributes to accountability depends largely on political context and whether states are effective, capable or willing to respond to citizens' demands. It is also important to critically reflect on who is able to have 'voice', and how representative they are, as not all voices are equal or equally heard. Voice may undermine accountability where it strengthens the 'voice' of particular individuals or groups and weakens accountability to broader sections of society. This makes it necessary to question simplistic models assuming some sort of an automatic casual link between greater voice and more accountability.

- ***The diversity and legitimacy of NSAs***

NSAs are not a homogenous group, nor do they represent one set of interests. They are not exempt from the political and power dynamics that shape the rest of the polity. The role of NSAs should not be accepted uncritically or naively.

Over the last 15 years, there has been a massive proliferation in the breadth and number of NSAs in many developing countries. This rapid expansion calls for prudence in assuming the inherent 'good' of various NSAs. Unsworth questions the simplistic dichotomy between civil society as an 'autonomous, democratic sphere', in opposition to an 'authoritarian state'. In reality, there may be as many challenges posed by 'civil' society as there are positives. For example, reviews conducted in Mozambique and Nepal found that a proliferation of civil society organisations did not necessarily reveal the strength of the political system, as many groups (particularly NGOs) were in reality 'little more than personal enterprises' and vehicles for receiving funds. Moreover, there is a dominant tendency to focus on the 'usual suspects' in terms of NSAs such as national NGOs. This can lead to a lack of questioning of the legitimacy, rep-

6) INTRAC (2009). *The participation of NSAs in poverty reduction strategies, sector approaches and monitoring of policy implementation*.
7) This section largely draws from the ODI study on NSAs and New Aid Modalities that preceded the elaboration of this document.
8) Unsworth, S. (2006) *Getting Better Governance: Insights from new Research*, Dublin: Trócaire Development Review.
9) Hudson, A. (2009) Background Paper for the Launch of the Work-stream on Aid and Domestic Accountability, Paris: OECD DAC Network on Governance.
10) Rocha Menocal, A. and Sharma, B. (2008) Joint Evaluation of Citizens' Voice and Accountability: Synthesis Report, London: DFID.

resentativeness and credibility of these actors. But it has also excluded 'non-traditional' actors such as trade unions, social movements, and religious groups ([11]).

- ***Engaging NSAs: Do No Harm***

Kelsall highlights the need to understand both formal and informal accountabilities, and reminds us that donors can do harm to existing accountability relationships where they do not 'go with the grain' of existing relationships. For example, he cites work by Jim Igoe which found that a pastoralist NGO in northern Tanzania 'built from grassroots on patron-client ties with elders' was forced by donors to adopt a written constitution and formal procedures, resulting in the distancing of the organisation's leadership from its grassroots base and undermining its effectiveness ([12]). More broadly, there is a danger that templates or models of NSAs are adopted, that are at odds with the local context. This reaffirms the necessity of grounding any engagement with NSAs in a strong understanding of political context and adopting a 'do no harm' approach for engagement. Political economy analysis can provide useful tools to better understand the political context, including incentives and power structures.

11) Ibid.
12) Kelsall, T. (2008) *Going with the grain in African development?* Power and Politics in Africa, Discussion Paper No 1 London: ODI.

2. EC experiences in engaging with NSAs

2.1 The EC has a fairly sophisticated policy framework to deal with Non-State Actors

NSAs in North and South have taken on ever expanding roles and responsibilities. From the late 1990s onwards they are increasingly active in the struggle for better governance and accountability in their respective countries and regions. The EC and EU Member States have recognized these trends and formally embraced *participatory development* as a fundamental principle of cooperation. Ever since, major efforts have been made to further develop the EC policy framework to engage with NSAs in their dual role as 'service providers' and 'governance actors' (in promoting democracy, human rights, social justice and accountability). In the process, the EC further specified its commitments towards NSAs in terms of dialogue opportunities, support modalities and funding instruments.

All these policy documents clearly indicate that NSA participation is more than an instrument for improving aid effectiveness. They recognize that NSA involvement is about giving people a voice and a role in their own development. It is about constructing social capital, democratic societies and accountable states. Precisely because of this broader set of political goals, the policy documents call upon the EC to adopt a societal transformation perspective when engaging with NSAs.

In response to this, EC interventions in favour of NSAs have gradually gained in importance, relevance and solidity, particularly at field level. New opportunities have thus been created for NSAs to:

- Participate in upstream policy processes (e.g. Poverty Reduction Strategy Paper).
- Be consulted in EC programming processes, leading in several cases to the formulation of clear strategies towards NSAs in Country Strategy Papers.
- For these CSPs to be based on a proper consideration of the added value of NSAs, a recognition of their various roles, as well as a greater complementarily in the use of instruments in support of civil society.
- Participate in state-building processes in fragile, conflict and post-conflict countries.
- Be supported through geographic instruments, both as implementing agencies and as dialogue partners.
- Obtain increasing amounts of funding for advocacy work.
- Benefit from a new generation of capacity development programmes (especially in the ACP countries) with a clear objective to enable them as 'actors' to play their legitimate role in development.

2.2 Mixed track record in implementation

It takes time to translate a new policy into a consistent set of implementation strategies and practices. This also holds true for *participatory development*, formally adopted in 2000, which marked a major break with the state-centric approaches that dominated EC cooperation for a long time.

Ten years later it could be argued that the EC finds itself in the midst of a transition process in terms of implementing the NSA agenda. Positive developments can be observed in many partner countries (across sectors of intervention and instruments). However, these innovative approaches co-exist with traditional top-down, supply-driven and/or instrumental approaches to working with NSAs. This analysis is corroborated by two recent reports dealing with EC support to NSAs. Both the independent Evaluation on 'EC aid delivered through civil society organisations' (2008) and the European Court of Auditors report on 'The Commission's management of NSA involvement in EC Development Cooperation' (2009) reach largely similar conclusions: a lot of progress has been achieved, yet important challenges remain to be addressed in order to effectively apply stated policy ambitions towards NSAs. These include:

(iii) ensuring political and managerial leadership (particularly in 'difficult partnerships');

(iv) adopting a country specific overall strategic approach to working with NSAs;

(v) improving consultation mechanisms;

(vi) mainstreaming participation across sectors and areas;

(vii) investing in knowledge on civil society processes; and identifying more suitable procedures to engage strategically with NSAs.

The two reports also make the point that the EC finds it difficult (much alike other donor agencies) to come to terms with the ***'politics'*** of engaging with civil society. The political dimensions of civil society support are pervasive. Despite all the rhetorical declarations in favour of participatory development, many southern governments are reluctant to allow space for a meaningful participation of NSAs and for genuine accountability checks. The lines between state and civil society are often blurred. Attempts to co-opt or 'instrumentalize' civil society are part of the game. At the same time, simplistic dichotomies between civil society as a 'democratic sphere' in opposition to an authoritarian state' should be avoided (section 1.5).

This puts donor agencies in a difficult position. Supporting civil society as governance actors is not simply a matter of providing financial resources and capacity support. It also requires a willingness to act as a ***'political player'.*** This is demanding in that it implies that the EC and other donors beef up their understanding of the political dimensions in the context in which they operate the relations between state and society, the role of elites, etc. It also implies not to adopt a too 'angelic view' of NSAs, and to properly assess their interests, roles, governance structures and transformational capacity ([13]). Such improved understanding may inform donors to engage in processes to broaden or defend the space for NSAs to operate in.

2.3 Involving NSAs in NAMs: work in progress

The evaluation of EC aid delivered through civil society found that there was initially a fairly limited strategic reflection at EC level on the impact of the new aid architecture on NSAs, and the possible incompatibilities between the Paris Agendas and EC commitments made in terms of participatory development. Not enough attention was given to the new roles that NSAs could play in NAMs particularly in terms of ensuring downward accountability. The evaluation also pointed to the limited use of civil society as a channel for aid delivery (e.g. in sector operations) and to the need for donors to harmonise support to NSAs, as promised in the Paris Declaration.

Yet things evolved over time. Gradually the issue of NSA participation in NAMs gained momentum, as evidenced by:

- ***Ongoing policy debate on the role of civil society.*** In the run-up to the High Level Forum in Accra, there was a growing policy debate on the topic, both within the EC/EU and in international forums (e.g. the DAC Advisory group on CSO and Aid Effectiveness). These helped to shape the Accra Agenda for Action by creating more space for an effective NSA participation. The debate is ongoing at various levels.
- ***Innovations in the field.*** Several EC Delegations did not wait for concrete policy guidelines to involve NSAs in NAMs, particularly in sector programmes. EC Guidelines on GBS/SBS put an emphasis on involving NSAs in consultation and coordination frameworks. In practice, several EC Delegations went further. They undertook innovative experiments, using a diversity of entry points for NSA participation in various phases of the cycle of operations (e.g. policy design and policy dialogue; sector coordination frameworks; implementation; monitoring and evaluation of results and impacts) often combining various instruments in the process. These pioneering experiences will be further detailed in chapter 4. They were instrumental in broadening the political support to NSA participation in NAMs.
- ***Inclusion of references to the role of NSAs in new EC guidelines.*** The growing awareness of the potentially virtuous linkages between NSAs and NAMs are also reflected in recently issued EC guidelines and reference documents (see Box 3).
- ***The launch of a 'Structured Dialogue for an efficient partnership in development' (2010).*** This initiative reflects a renewed attempt by the EC to engage in a direct dialogue with NSAs (as well as local governments) on the most suitable ways to organize partnership relations, while taking into account the dynamics of the international cooperation system. One of the working groups deals explicitly with the topic of 'Complementarity and Coherence within the Accra Agenda for Action'. It recognizes the linkage between the calls for democratic ownership (included in the AAA) and the EC/EU support to the principle of participatory development (i.e. development as a multi-stakeholder process). It acknowledges that achieving this dual commitment (multi-actor partnerships and development effectiveness) 'requires a rethinking of key notions like ownership, alignment or accountability' and 'confronts the EC with new strategic and operational challenges', particularly with regard to its role as a 'political player'.

13) For an overview of the pitfalls of such an 'angelic view' on civil society, see Molenaers, N. and R. Renard. 2009. *The Trouble with Participation: Assessing the New Aid Paradigm.* In: *Doing Good or Doing Better*, The Scientific Council for Government Policy, the Netherlands), Amsterdam University Press, 2010.

Box 3: Increased recognition of the role of NSAs in NAMs

Several recent EC guidelines or reference documents illustrate the increased recognition of the roles of NSAs:

- *References to the role of NSAs are included in the EC Guidelines on both General Budget Support and Support to Sector Programmes ([14])* (for more details see Chapter 4.1).
- *The EC Reference Document on 'Addressing and Analyzing Governance in Sector Operations' (2008)* emphasizes the central role NSAs can play in democratic governance processes. The document outlines a sector governance analysis framework that deliberately puts NSAs in the centre. This is based on the premise that ultimately the government should eventually be controlled and governed by the people and accountable to the people (see also chapter 4.2).
- *The EC Reference Document No 5 on 'Sector Approaches in Agriculture and Rural Development' (2008)* highlights the multiple roles NSAs (referred to as civil society) play agriculture and rural development.
- *The Programming Guide for Strategy Papers* (2009) stresses the need for a multi-dimensional approach to capacity development, which includes developing the 'advocacy capacity' as well as the 'role of supervisor' regarding the actions of state institutions. It calls upon EC Delegations to ensure the involvement of NSAs in 'macroeconomic support programmes and/or the sectoral programmes in which those have an added value'. It furthermore suggests that the required capacity development for NSAs can be ensured 'either by the specific reinforcement programme of the capacities of NSAs […] or by means of technical assistance components that accompany in general the macroeconomic or sectoral support or finally, in unfavourable political contexts, by means of the thematic programmes'.

2.4 Shifting to a higher gear

The issue of NSA participation in NAMs is clearly on the agenda and likely to stay there. New opportunities will arise to deal with the topic in the context of ongoing change processes within the EC such as the ongoing revision of the guidelines for the provision of budget support or the planned review of the Project Cycle Management Guide. The preparation of the next High Level Forum on Aid Effectiveness in 2011 provides an additional momentum to deepen the debate on the role of NSAs in NAMs and specify how this objective could be achieved in practice. The civil society community is also increasingly engaging in the topic and making proposals on effective implementation strategies. EC Delegations are displaying a growing interest in integrating NSA components in budget support' aid packages'.

All this suggests the EC should move to a higher gear. This implies:

- Recognising that there is potential for greater involvement of NSAs in NAMs with a view to deepening national ownership and domestic accountability.
- Defining a more strategic approach to involve NSAs in NAMs. This is needed to avoid an instrumental approach to engaging with NSAs. This would allow the EC to specify the rationale for a stronger engagement with NSAs in NAMs 'why are we doing this?'; to frame the NSA participation in the broader framework of national policy processes and state-civil society relations 'what are the governance processes we try to influence?'; and to clarify the role of the EC (and other donors) in these processes 'what new roles do we have to take up in order to ensure an effective participation of NSAs?'.

Chapter 3 elaborates what it could mean to engage strategically with NSAs in the context of NAMs.

14) EC (2007). *Guidelines on the Programming, Design & Management of General Budget Support*. Guidelines No 1, AIDCO-DEV-RELEX (January 2007) and EC (2007). *Support to sector Programmes. Covering the three financing modalities: Sector Budget support, Pool Funding and EC project procedures*. July 2007.

3. A Strategic Engagement with Non-State Actors in New Aid Modalities – the Overall Approach

3.1 The basic perspective: getting the balance right between state and society

The analysis in chapter 2 suggests there is a growing consensus on the need to review the role of NSAs in NAMs. Yet there are different ways to carry out such a review.

One approach is rather technical and instrumental. It starts from the practical need to improve the use of NAMs as an important channel for aid resources. It amounts to identifying where NSAs could enrich the process between donors and partner governments when they design and implement budget support operations or Sector Programmes. The focus would be on possible NSA contributions to a better aid process and management of the instrument of budget support. In such an *instrumental setting*, official parties could agree to open avenues for a well confined participation of a pre-selected group of NSAs that can help to address a specific set of largely donor and partner government related concerns in the use of NAMs.

Another approach adopts a broader, political perspective. It takes the whole issue of NSA roles in NAMs as the entry point to address a more fundamental question: *how to get the right balance between state and non-state actors in development processes?* The new aid architecture stresses the importance of ownership and accountability, but offers little guidance as to how to obtain country ownership. The more nuanced view that is emerging from the aid effectiveness debates and from research puts the relations between state, non-state actors and citizens more at the centre of development. This view is premised on the assumption that change has to be driven from within – by the interaction of domestic actors – not from outside. So donors have to deepen their understanding of the relations between state, society and NSAs. This will help them assess more realistically their possible contributions to progressive change, and how to play second fiddle. It will also contribute to strike a more effective balance in their support to state and non-state actors.

This balance is often missing in national policy processes as well as in the application of NAMs. There still is a tendency among donors to overestimate their own influence on domestic politics. NSAs are too often appreciated in function of donor agendas and of available aid instruments. The flip side is that NSAs are not sufficiently valued as actors in their own right, as actors that engage with citizens and with the state outside of the project cycles and development agendas of donors.

In this broader political perspective, working with and through the state remains the cornerstone of the new aid architecture. Yet this needs to go hand in hand with rebalancing the focus on citizens and non-state actors. Indeed, NSAs are key actors that fulfil critical functions in endogenous political processes, contesting abuse of power, demanding government accountability, and bargaining on behalf of groups of citizens, thereby promoting public institutions that contribute to development. So there is a need to support the emergence and/or consolidation of NSAs in the public sphere as intermediaries between the state and citizens.

In this perspective, the NAMs are not seen to be the centre of gravity but rather as a conduit or a vehicle to work towards this new equilibrium. For the EC it means rethinking both the overall approach to engaging with NSAs and its own role in providing external assistance.

In order to do so, **four fundamentals** should be prioritised:

- Treat non-state actors as actors.
- Analyse state-society relations systematically.
- Explore and support the full potential of NSAs in and beyond NAM.
- Do no harm and be prepared to play new roles.

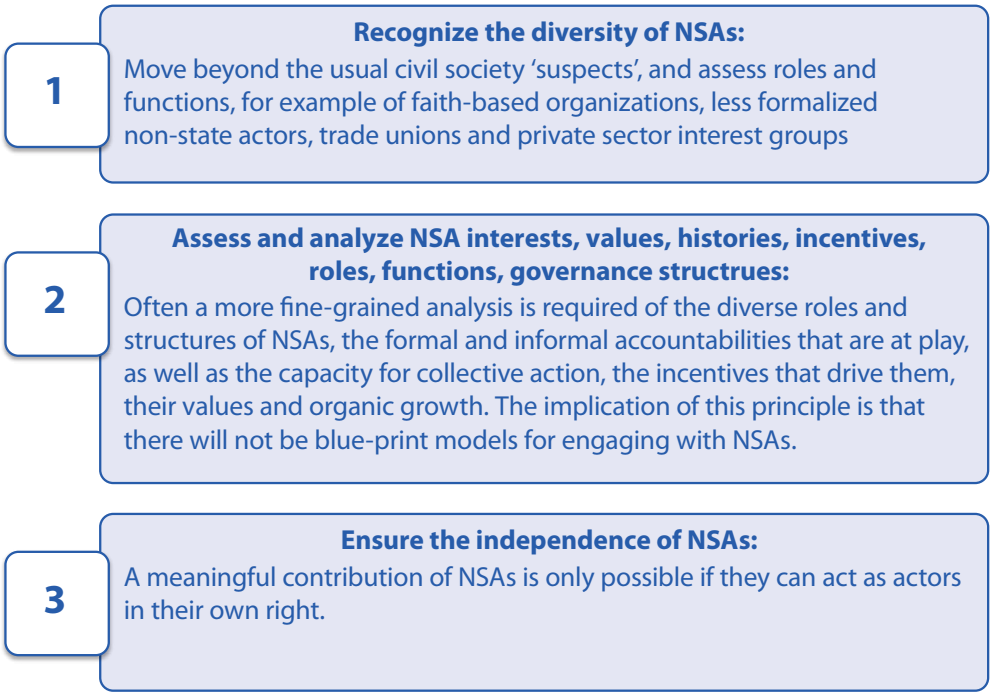
3.2 Four fundamentals and their operational principles

3.2.1 Treat non-state actors as actors

This is the first prerequisite for a more strategic engagement with NSAs in NAMs. It means overcoming instrumental approaches to supporting NSAs, which are still fairly prevalent in current donor practices. What does it mean to deal with NSAs as 'actors'? First, it implies recognizing the specific identity of NSAs in their complex diversity as living

– and often fragile – (governance) structures, existing in their own right, having a history, particular roots in society, interests and priorities they pursue. Second, it means accepting entering into relationships with NSAs that are based on shared objectives and mutual understanding of rights and responsibilities. A more strategic engagement demands a relationship that moves beyond funding. Third, it requires a focus on empowering NSAs as indispensable and independent actors in the national political processes.
In order to treat NSAs as actors the following **operational principles** should be respected:

Figure 3: Operational principles



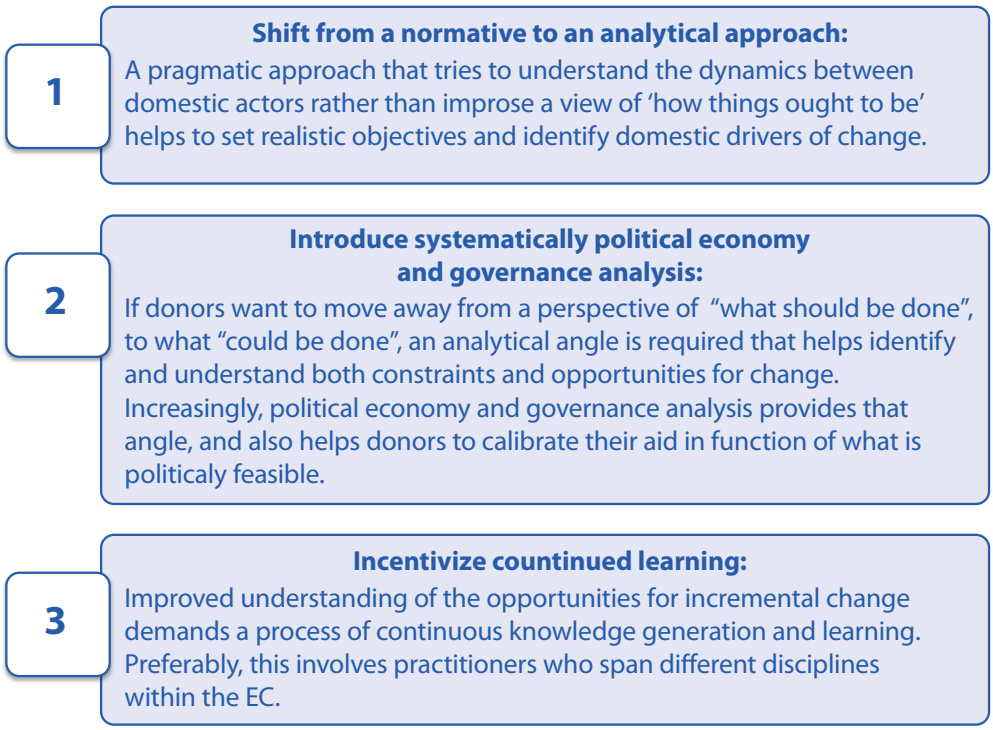
3.2.2 Analyse state-society relations systematically

Donors increasingly admit that development processes are essentially political processes about real life issues of power and political economy. Often, the technocratic and managerial language of aid hides the underlying conflict-ridden nature of such processes. The concept of broad based ownership, for example, alludes to an idea of national consensus. In reality, however, aid is about hard choices and priorities in an environment of need, exclusion and scarcity. So what does this mean when donors jointly seek to strengthen the state, while also strengthening domestic accountability and broadening the basis for ownership? Such an ambitious development agenda demands a strong knowledge about state-society relations: the way public authority functions, the interests and power of key stakeholders, the incentives that determine their preferences and actions, how institutions are organised in formal and informal ways, the incentives for collective action, etc.

Typical questions include: *How and why do organised groups in society interact with the state through political processes of bargaining and confrontation? What political space is there for dissent and debate? What formal and informal accountability arrangements are in place? Who are the likely losers or winners of reforms? What incentivises collective action?*

In order to analyse state-society relations more systematically and effectively the following **operational principles** are proposed:

Figure 4: Operational principles



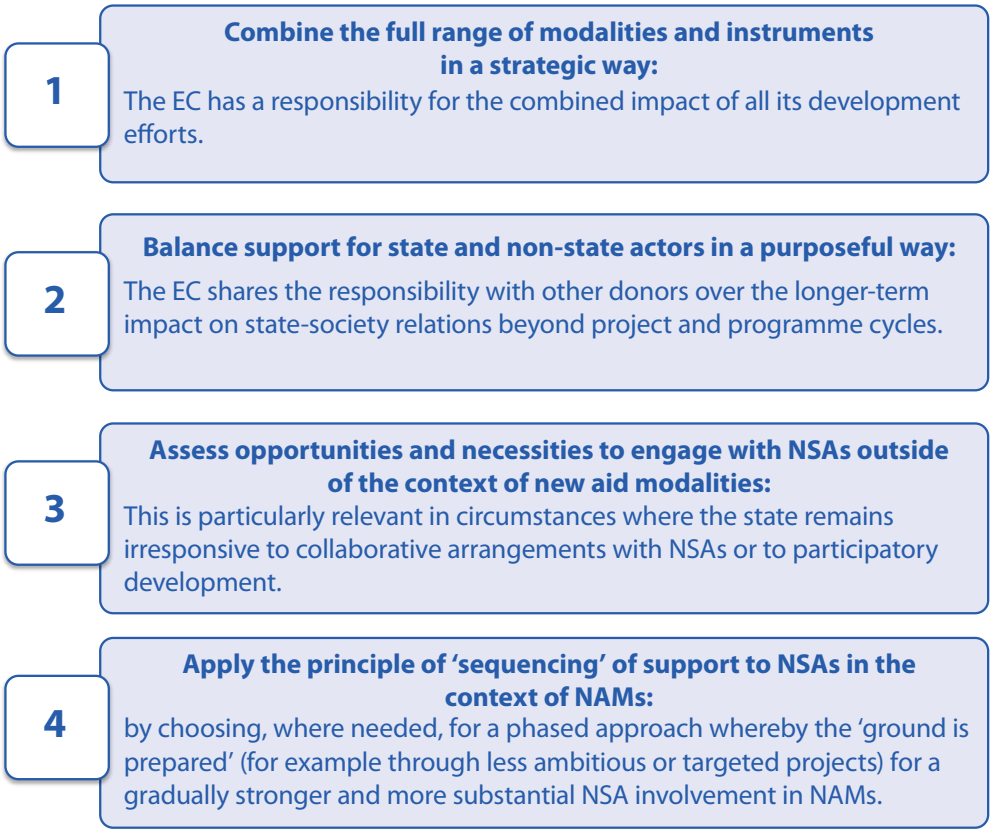
3.2.3 Explore and support the full potential of NSA involvement in and beyond NAM

Budget support and SPSPs have developed as two responses to challenges to make aid more effective. In budget support the emphasis is more on donor alignment with national policies and systems of partner governments. In SPSPs the emphasis is on sector specific policy development, an involvement of all relevant sector stakeholders and an effective mix of financing modalities (projects, pool funds and budget support). In both modalities the EC can engage more strategically with a whole range of state actors (ranging from checks and balance institutions to the executive, regulatory and other public agencies). It can also combine this with support to NSAs in their full diversity. Moreover, the EC can do this in a harmonised and coordinated way with other donors. Asking the following questions can help determine the context appropriate combination between these variables –the actors, instruments, and cooperation modalities:

- ***What is the appropriate mix of state and non-state actors?*** In many countries the space for constructive partnerships may be restricted. In trying to determine the appropriate mix of state and non-state actors, one should start with analyzing where NSAs themselves see the scope for engaging with the state. Pertinent questions include: *What space is there for NSAs to mobilize citizens, and to interact with government and other state bodies? What is their added value? And how can the EC fully utilize access to both state and non-state actors to improve the space for collaborative arrangements? When to push and when to facilitate NSA participation?*
- ***What is the appropriate mix of NSA inputs?*** The types of inputs to be expected from NSAs vary across countries. They range from participation in the dialogue on partner country Poverty Reduction Strategies and sector policies; contributions to service delivery, capacity development, advocacy, monitoring, and participation in the review of the conditionality framework and in policy dialogue. There is no blueprint. A proper assessment of NSA strengths and weaknesses as well as levels of ambition and agendas should inform how best to combine NSA inputs.
- ***What is the appropriate mix of EC inputs?*** The EC is well positioned to combine its instruments (geographic and thematic ones), financing modalities (projects, common pool funds, budget support), and dialogue opportunities (at policy and political levels) to back up its strategic choices with regard to state and non-state actors. Yet experience suggests it is not an easy task to strategically combine all these assets.

- ***What are the appropriate forms of cooperation among donors?*** What happens when the choice or range of EC tools or instruments proves to be inappropriate to provide this strategic support to NSAs? After all, NSAs are diverse and their constraints can be substantial. Still, the EC is well placed among EU Member States and other donors to promote more harmonised and common strategic approaches to NSAs. These forms can range from information exchange with other development partners, joint learning, division of labour, and an active pursuit of collective action that diminishes the managerial burden on NSAs and enhances their capacities to produce an added value.
- ***What to do in difficult environments?*** There are, however, other – more extreme – cases to consider. What if avenues for constructive cooperation between state and non-state actors dwindle or are non-existent? The space for NSAs to 'participate' in new aid modalities changes over time; it can widen, but also shrink. In political settings where partner governments do not allow for meaningful cooperation with NSAs, the EC is faced with difficult choices; choices in terms of the form and content of its policy dialogue, but also in terms of opportunities to work with NSAs outside the framework of NAMs– which can take the form of capacity development, pilot projects, support to independent research, watchdog functions, and to independent media, etc. The default position that this document promotes is one of continued engagement with NSAs, even in non-conducive environments.

Figure 5: Operational principles



3.2.4 Do no harm – be prepared to play new roles

The commitment to shift the ownership of aid and development processes from donors to partner countries is an integral part of the NAM agenda. Yet the role and influence of donors in the application of NAMs remains strong. A narrow donor perspective often results in a lack of insight of state-society interactions and in a poor understanding of political reform readiness and the nature of capacity and political constraints to institutional transformation. Poorly informed aid programmes also risk strengthening or prolonging the existing power imbalances and dysfunctions in the relations between state and non-state actors.

This basic perspective asks the EC to make a major shift in thinking and practice: domestic state-society relations are at the core of development, not aid. It means moving from a 'conventional perspective' to a new 'strategic perspective' on dealing with NSAs in NAMs. This shift in perspective will also demand that the EC combines the more technical parts of the aid agenda with new, often more political roles including:

- *the role of facilitator* by promoting functional cooperation between state and NSAs;
- *the role of convener* of NSAs, donors, and others;
- *the role of change agent* by pro-actively exploiting windows of opportunities for supporting reform;
- *and the role of innovator* by promoting knowledge development on critical issues such as the link between accountability and domestic resource mobilization.

Figure 6: Operational principles

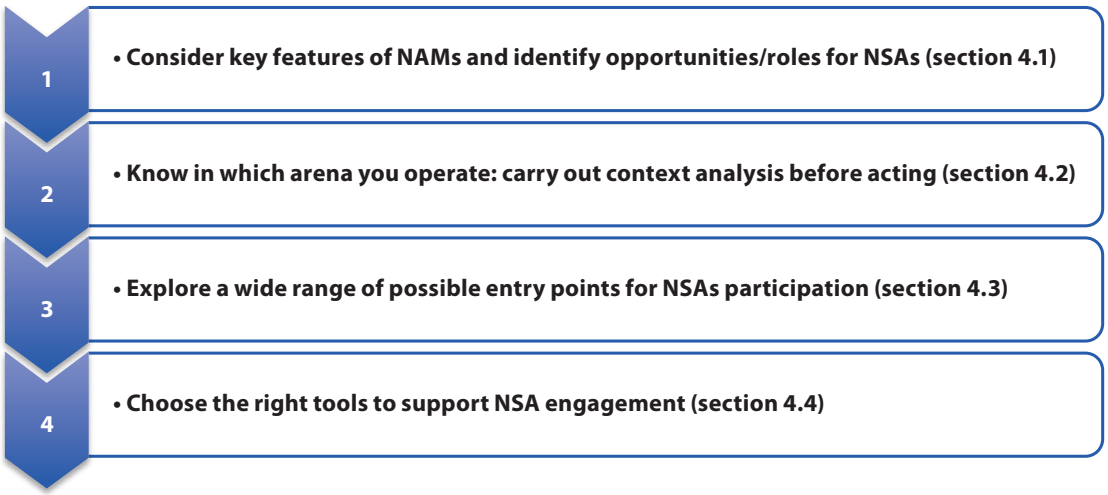
For more details on the broader roles to be assumed by the EC in the new aid architecture see Chapter 6. Annex 1 provides a schematic overview of differences between the conventional approach to non-state actors and the characteristics of a more strategic engagement with NSA.

4. How to Engage Strategically with NSAs in NAMs?

This chapter provides operational guidance on how to apply the proposed 'strategic approach' to involving NSAs in NAMs all along the cycle of operations. It builds on emerging good practices of both the EC and other donor agencies. However, this is a relatively new field of action. Further experimentation, stocktaking and learning will be needed in the years to come. Blueprints for donor action make little sense. The local context will largely determine what is feasible in terms of NSA participation at a given moment in a particular country or sector. This also means there is a limit to the provision of generic guidance on possible NSAs engagement strategies. The guidelines, tools and tips below should therefore be considered as a menu of options rather than as a manual offering modular recipes.

In order to structure the operational guidance, a roadmap consisting of **four major signposts** is proposed to think strategically and pragmatically about NSA engagement in NAMs in a variety of contexts, building on existing EC approaches and tools. This is not meant to represent a linear, mechanistic pathway. The purpose is rather to focus on the key operational challenges that the EC is likely to encounter when trying to upgrade NSA participation in NAMs for achieving better development outcomes and governance.

Figure 7: Roadmap- four signposts



4.1 Signpost 1: Key features of NAMs and related opportunities and roles for NSAs

The first signpost is to look more closely at the evolving nature of the new aid modalities used by the EC to deliver on the aid effectiveness agenda. The search for a strategic engagement with NSAs starts with an analysis of the features of budget support, sector wide approaches or SPSPs, and the various windows of opportunity or entry points they provide for NSA participation.

4.1.1 A quick reminder of EC approaches to budget support

Budget support is 'the transfer of financial resources of an external financing agency to the National Treasury of a partner country, following the respect by the latter of agreed conditions for payment. The financial resources thus received are part of the global resources of the partner country and consequently used in accordance with the public financial management system of the partner country" ([15])

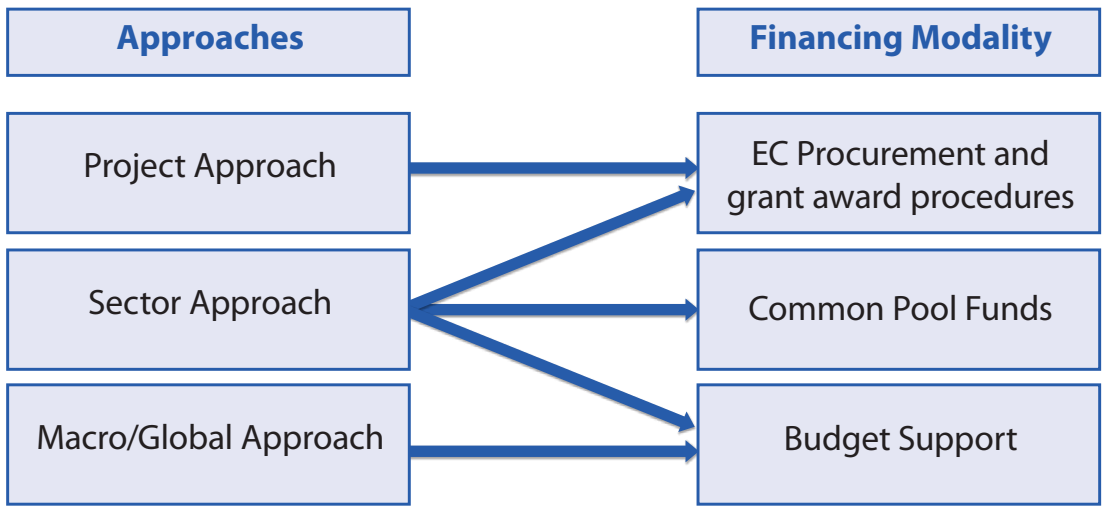
General budget support (GBS) is a donor to government relationship based on the transfer of funds from the donor government(s) to the treasury of the recipient government. The transfer is made upon the fulfilment of certain general conditions as well as of specific performance indicators, measuring progress in implementation. It is the only funding

15) EC (2007). *Aid Delivery Methods: Guidelines on the programming, design and management of general budget support,* Brussels, EC.

modality available to the EC that reflects a macroeconomic and global approach to development cooperation. GBS is accompanied by policy dialogue between donor and recipients governments. It involves alignment with country policies and systems as well as harmonisation among contributing donors.

A sector approach aims to bring key stakeholders such as governments, donors and NSAs together to increase national ownership over sector policy and resource allocation while reducing transaction costs. Traditionally sector approaches have been supported by a variety of financing modalities, including grant awards and common pool funds. However, in line with aid effectiveness principles, the EC is increasingly moving towards ***sector budget support*** (SBS) as the preferred modality to fund sector approaches with a view of ensuring better links between national policies, plans and budgets. Figure 8 ([16]) below visualises these different methods.

Figure 8: Aid Delivery Methods used by the EC



Source: EC (2007) Aid Delivery Methods: Guidelines on the programming, design and management of general budget support.

The main similarity between general and sector budget support is a transfer of resources from the donor government to the recipient government's treasury. However, the objectives and level of policy dialogue vary (macro level and sector level). This in turn, affects the way in which NSAs can engage with GBS and SBS.

Table 1 highlights some of the key differences between GBS and SBS.

16) The Reference Document N° 5 on 'Sector Approaches in Agriculture and Rural Development' (2009) however recommends to chose the right financing modality, not SBS for all (see 6.6).

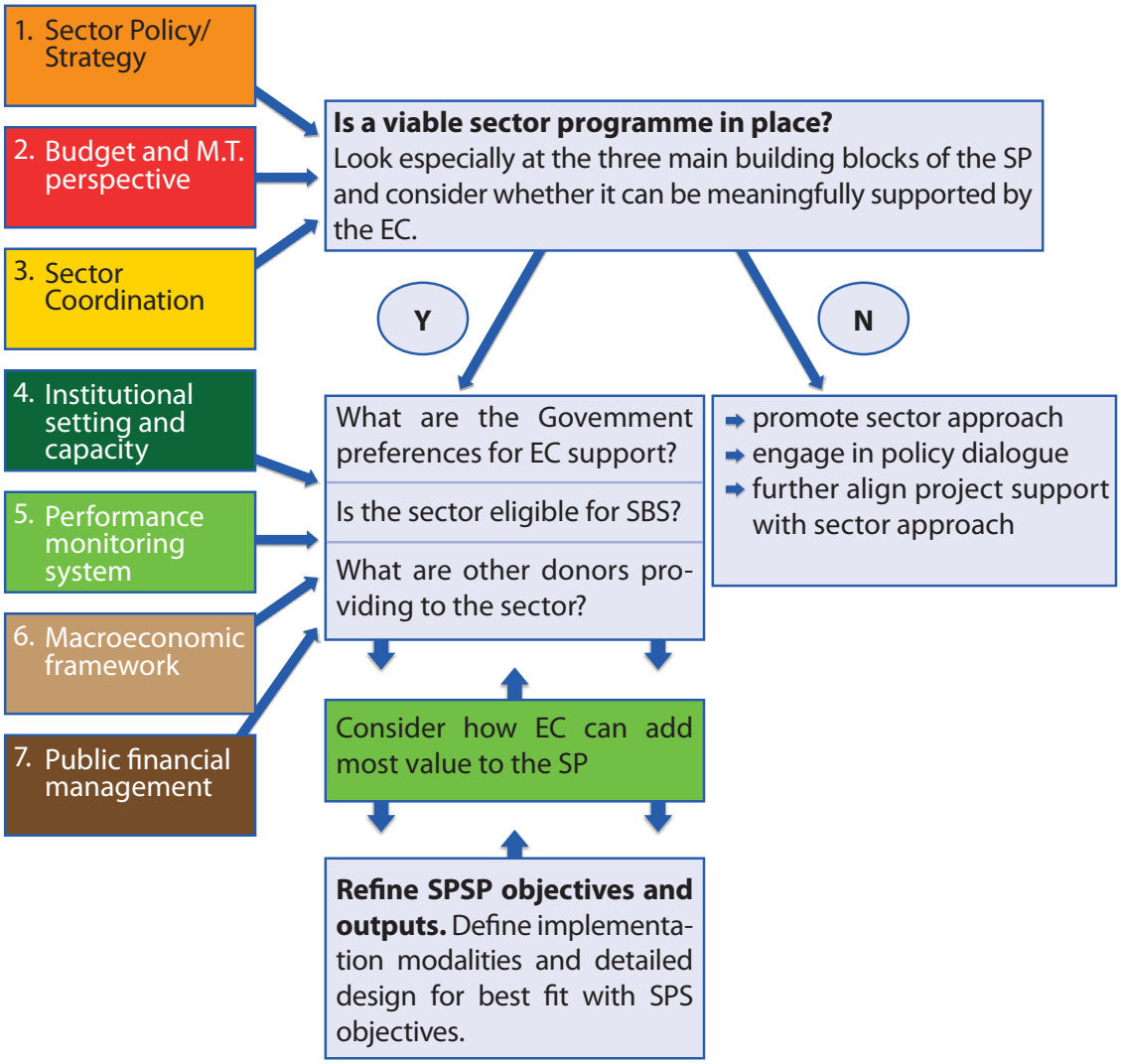
Table 1: Key differences between General Budget Support and Sector Budget Support

Area	General Budget Support	Sector Budget Support
Financing Modality	Budget support: the transfer of resources to the National Treasury, where these financial resources are used in accordance with the public financial management system of the partner country.	
Objectives	Support to the national development or reform policy and strategy.	Support to a sector programme policy and strategy.
Policy Dialogue	Focus on the national development or reform policy and strategy (for example, support to an Association Agreement or a PRSP).	Focus on the sectoral development and reform policy and strategy (for example, support to an education sector programme).
Typical features	Focus on: (i) national objectives which can cover key sectoral objectives in so far as they are fundamental to the national development or reform policy and strategy; (ii) improving or maintaining macroeconomic stability; (iii) improving overall public financial management; (iv) improving the budgetary framework to address national policy and strategy objectives; (v) oriented to the use of 'results and outcome based' performance indicators.	Focus on: (i) improving sector performance; (ii) improving overall public financial management, but paying particular attention to sector specific issues; (iii) macroeconomic framework in so far as it is important for the achievement of sectoral objectives; (iv) improving the budgetary framework for the sector; (v) the use of 'results/outcome' based performance indicators, but also paying attention to the results chain from 'inputs' to 'outputs' to 'results/outcome'.

Source: EC (2007) Aid Delivery Methods: Guidelines on the programming, design and management of general budget support.

When assessing to support sectors in a partner country, the EC analyses seven elements with a view to determine the scope and feasibility of support. These are summarised in **Figure 9** below. This framework can be used to explore 'entry points' for NSA participation.

Figure 9: The seven key components and the process for SPSP design



Source: (2007) EC guidelines on 'Support to Sector Programme'

The EC is currently reviewing its guidelines for budget support operations. Simultaneously, there is also a lively debate between the EC and EU Member States about the future of budget support ([17]). Key trends that can be observed in this debate include (i) the need to amalgamate the two types of budget support (GBS and SBS); (ii) the search for more realistic performance measurement tools and systems; (iii) increased focus on domestic accountability actors (so as to complement and enrich the policy dialogue conducted between the government and the donors), and (iv) broader discussions about the political dimensions of budget support.

4.1.2 What are the windows of opportunities for NSA participation?

With regard to GBS the opportunities for NSA participation are intrinsically linked to the specific nature and objectives of this aid modality. The main rationale of GBS is to support national development policy and to mainstream resources. The focus is on public finance management and related budget systems rather than on more specific sectoral/ thematic issues. It can involve negotiation on a range of technical issues, requiring specialist skills in macroeconomic analysis, budget analysis and public expenditure tracking. This may create a barrier for NSAs to participate in a meaningful way. Yet over the last decade there has been a remarkable surge in interest among NSAs on public finance matters. Civil society organisations – particularly those involved in research, advocacy, and watchdog or think tank

17) EC (2010), *Green Paper from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: the future of EU budget support to third countries*, Brussels, EC.

activities — have become increasingly involved in macroeconomic policy debates and budget processes at both national and local level, as illustrated in Box 4.

Box 4: NSAs involved in budget analysis and advocacy work

The 1990s saw the emergence of a wide range of non-governmental initiatives aimed at deepening citizen engagement in processes of budget analysis and public expenditure management in the context of wider processes of democratisation and citizen demand for greater accountability. Some pointers to illustrate this trend:

- The International Budget Project (IPB) estimates that close to 100 organisations in 70 countries were engaged in this type of activities in 2005, compared to less than 10 organisations a decade ago.
- Among those activities, one can find NSAs focusing in particular on economic governance at national level (e.g. the *Malawi Economic Justice Network* ([18]) or at global level (e.g. the *Transparency International* family).
- Budget advocacy work increasingly relies on solid research (backed by empirical data) as opposed to using anecdotal information.
- NSAs involved in budget work now see the Parliament and more particularly the Public Accounts Committee as key targets to lobby for improved public finance management. They can do so by drawing the attention to the Auditor General's Report and the need for meaningful hearings or parliamentary debates.
- Research ([19]) demonstrates the success of engaging in strengthening or facilitating citizen voice in budget processes and policies. It can contribute to the allocation and use of public expenditures in more equitable and just ways.

The EC Guidelines on GBS contain some references to potential NSA roles (Box 5). In many countries NSAs have been actively involved in macroeconomic policy processes such as Poverty Reduction Strategies and valuable lessons have been learnt in the process. The growing donor concern for ensuring greater domestic accountability, particularly around budget support operations, is likely to provide further incentives to expand NSA participation in GBS processes.

Box 5: The General Budget Support Guidelines and the NSAs

The most relevant NSA provisions in the GBS guidelines include inter alia:

- 'When considering the issue of stakeholders and beneficiaries, contacts with non-state actors should be encouraged. There is often a temptation in GBS operations to focus attention on discussion and dialogue with governments, overlooking the potential for discussions and consultation with NGOs, professional associations, and trade unions. Consultations with these groups can be used to better formulate the GBS operation, assist in implementation, as well as help in improving understanding of the EC's approach to giving budget support'
- 'Choose indicators and targets with the maximum transparency both in consultations with government, other donors, and with non-state actors'.
- 'To limit the risk of an approach focused on a shopping list of 'needed' inputs, it is recommended that a structured dialogue and a phased approach involving all main stakeholders be undertaken in the country…'
- 'What are the organisations and actors to be supported? … In the case of budget support this might include the Ministry of Finance, the Supreme Audit Institutions, the National Statistical Organisations, Parliament and its finance committee, organisations in charge of PRSP monitoring, and non-state actors involved in public financial management issues.'
- 'Monitoring the disbursement criteria. … Much dialogue will focus around the disbursement criteria, so they also provide an opportunity to ensure a wider debate – with the partner country, other donors, and non-state actors – on the issues addressed by these criteria.'

Source: EC (2007) Aid Delivery Methods: Guidelines on the programming, design and management of general budget support.

18) The Malawi Economic Justice Network is a coalition of more than 100 organisations active on economic governance issues. This network includes NGOs, community based organisations, trade unions, media, academia (see www.mejn.mw).

19) See for instance Robinson, M. (2006). *Budget Analysis and Policy Advocacy: The Role of Non-governmental Public Action*. Institute for Development Studies, Working Paper 279.

With regard to SPSPs, the opportunities for NSA participation are inherently linked to the specific nature of the sector involved. Particularly in traditional social sectors (e.g. health, education, water and sanitation), but also in agriculture and rural development, it is more likely to find NSAs with genuine expertise resulting from their longstanding involvement in service delivery and/or advocacy work at grassroots level or from effective public-private partnership experiences. It should therefore not be surprising to note that EC guidelines on SPSPs are more explicit on the role of NSAs and possible EC engagement strategies (Box 6).

Box 6: The SPSP Guidelines and the NSAs

The most relevant NSA provisions in the SPSP guidelines include:

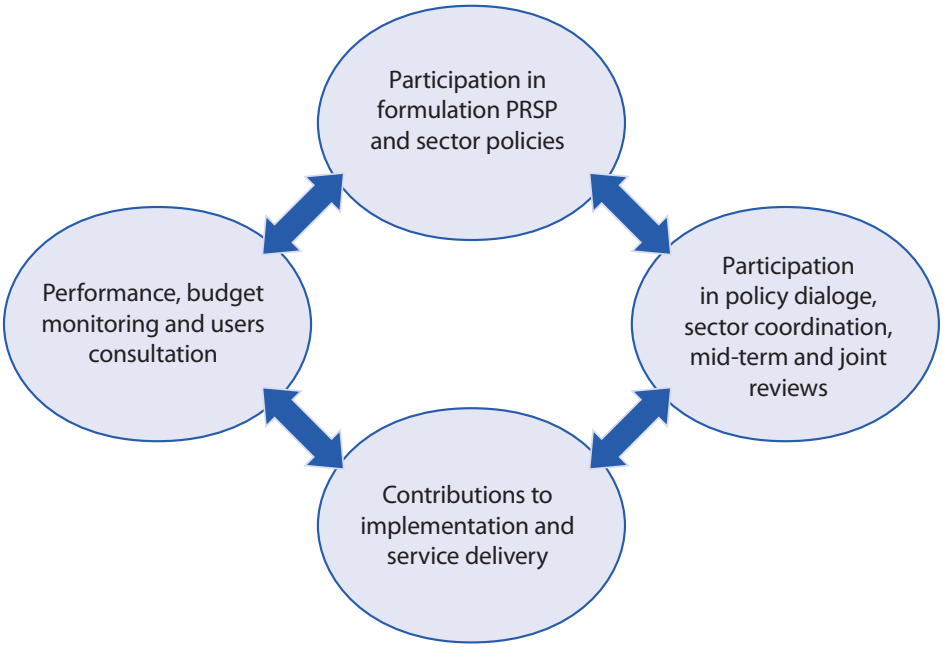
- 'A sector policy is a statement of government's objectives within a sector and a summary of how they will be achieved. Sector policies usually emerge from a range of consultative processes between the executive and legislative branches of government and other national stakeholders. […]'.
- 'A good sector policy explains the proposed role of government and non-government agents within the sector. It distinguishes activities to regulate provision of services by the market from direct financing or delivery of services by government. […]'.
- 'The EC recognises the importance of broad stakeholder involvement in development processes. This needs to be approached realistically, recognising the different roles and capacities of different stakeholders. EC support to civil society organisations may be a valuable complement to its SPSPs. Three points deserve emphasis:
  - ***First***, it will be key to adapt the approach to the country and sector. Traditionally the sector approach has been developed in public sector contexts with significant aid financing. A new generation of sector approaches in emerging sectors and non-aid-dependent contexts requires a flexible approach, defined on a case-by-case basis.
  - ***Second***, decisions on public service provision and regulation need to be informed by the concerns and demands of users and by an understanding of the services being provided by the non-government sector. The sector programme therefore needs to include appropriate consultation and decision-making structures.
  - ***Third***, it is key to consider the appropriate roles for different stakeholders within the sector programme. And linked to that, to consider which are likely to be the most appropriate mechanisms or consultation forums for exercising these different roles.'

Source: (2007) EC guidelines on 'Support to Sector Programme'

4.1.3 What roles can NSAs play in national policy processes and budget support operations?

In order to seize these windows of opportunity offered by GBS and sector approaches, it is important to agree on the various roles NSAs may be entitled to play all along the policy process. Both the participatory development agenda and the aid effectiveness agenda (as reflected in the Accra Agenda for Action) insist on the need for inclusive approaches towards NSAs, upstream (in policy formulation) and downstream (in terms of providing services, monitoring implementation or ensuring domestic accountability). Based on these converging agendas, it is possible to identify **four key roles** for NSAs as exemplified in the visual below:

Figure 10: Key roles of NSAs in NAMs along the policy cycle

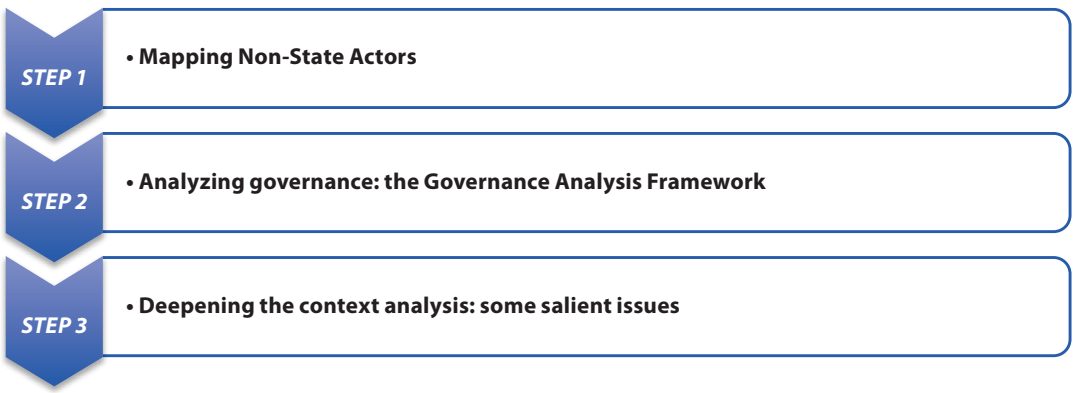


The message is clear: there is no shortage of opportunities for NSAs to meaningfully participate in the design and implementation of NAMs, to play a diversity of roles in the process, at least not in theory; to interact in a positive manner with the state and the donors and to contribute to better development outcomes and governance/accountability. Yet the nature of these opportunities will differ substantially according to country context and the combination of willingness and capacity of the state. There is no magic mix of these 'contact zones'. It is a deeper understanding of the *rules of the game* and of the relations between state and society that will inform the EC at the level of strategic choices of actors and instruments. This is the focus of the next section.

4.2 Signpost 2: Context analysis – assessing the role of NSAs in new aid modalities

A lot of context analysis is already being undertaken, also by the EC as part of preparing Country Strategy Programmes, programming budget support, or when developing Governance Profiles in ACP countries as part of the EC's Governance Initiative. But in order to engage strategically with NSAs in NAMs some additional analysis is required. This section lays out a *three-step approach* to bring out the relevant information or diagnosis for that purpose.

Figure 11: Three steps to deepen the understanding of state-society relations



Step 1: Mapping Non-State Actors

A first step is to map the key NSAs that are – or may be – playing a role, more particularly in a specific sector, or in thematic and cross-sector policy areas. Mapping NSAs allows to better knowing their structure, their interests or motivations, their capacities and roles, how they are governed, the relations to other actors and the power they exert. It also helps to assess their legitimacy, which relates to questions about whom they represent and how. A properly implemented mapping can be a first building block to a purposeful context analysis that seeks to contribute to more effective planning and programming within new aid modalities.

Already, the EC is undertaking NSA mappings. On the basis of the EC's *Capitalisation Study ([20])*, one can deduce some operational guidance that is relevant to avoid futile exercises of mere 'listings' of non-state actors:

- ***Carefully choose the relevant type of mapping.***

Depending on country conditions and needs, EC Delegations have a menu of options with regard to NSA mappings. First, they can decide to undertake a general mapping in the framework of the programming process. Second, they can carry out such an exercise in a more targeted way, for instance in the form of a sector mapping related to a focal area of intervention. Third, a mapping can also be relevant for identifying the specialised NGOs that could play a role for advocacy work, policy research and monitoring of budget processes.

- ***NSAs are part of living systems and are living actors.***

A factual, descriptive assessment should be combined with a qualitative analysis. Such qualitative analysis differentiates among the multiple categories that are manifest in a particular context. The analysis must focus on key features, roles and dynamics of NSAs (for an overview of roles and a description of required skills, see Methodological tool 1).

- ***Identify the key actors within NSAs at the centre of each structural level.***

Often, the sheer size of the community of non-state actors is such that it is impossible to 'catch them all'. It will be more feasible and realistic to select on the basis of criteria such as the level on which they operate, the areas and sectors of cooperation, and the relationship to constituencies or communities (See Methodological tools 2 and 3).

- ***Analyse the legal, institutional, and political economy framework in which NSAs operate.***

Some of these questions – as well as questions relating to the informal settings in which NSAs operate – have already been asked in the previous section. Here, it is a matter of being more specific and focusing on the particular region, or sector in which the NSAs are active. Local authorities, for example, may develop different attitudes and relations with NSAs than higher levels of government. It also matters to distinguish between formal and informal 'rules of the game', since opportunities for engagement with the state may be present in both (see also step 3).

- ***Assess the needs for capacity development. New aid modalities demand new capacities: from donors, from partner country governments and from non-state actors.***

NSAs hold the potential to strengthen their capacities to engage meaningfully in (sector) policy dialogue, monitoring, service delivery as part of a 'public private partnership', or piloting projects, budget analysis, coalition building etc. So it is of importance that the needs for capacity development are accurately mapped (see also 4.4.2).

- ***Assess the representativeness, legitimacy and internal governance of NSAs.***

Questions relating to representativeness, legitimacy and the internal governance of NSAs regularly surface when donors work with NSAs. If NSAs voice opinions, do they speak in their own name, or do they represent larger constituencies? When the EC seeks to promote space with government for full NSA participation, a more in-depth knowledge about the internal governance, the accountability to citizens or constituencies and legitimacy matters. It matters to know on whose behalf NSAs voice opinions or aggregate interests.

20) EC (2009), *Capitalisation study on capacity building support programmes for non-state actors under the 9th EDF*.

Box 7: Several forms of legitimacy need to be distinguished

- *Legal legitimacy*: compliance with legal and regulatory requirements.
- *Political legitimacy*: democratic legitimacy depends on the decision processes that allow those represented to participate in decisions, influence results, and hold organisation leaders accountable.
- *Moral legitimacy*: CSOs can ground their claims to legitimacy by action on behalf of widely held moral values and norms.
- *Technical or performance legitimacy*: expertise, knowledge information or competence that is relevant to certain issues. When a group is working with the elderly and perform good work, it may play a role for engaging with them around a policy table on this issue.

Source: Rao A. & Naidoo, K. 'The evolving politics of global civil society legitimacy', 2004.

Step 2: Analysing governance – the Governance Analysis Framework

NSAs do not operate in a vacuum. The second step is about understanding NSAs in their relations to other clusters of actors, largely state actors such as checks and balance organisations, frontline service providers, core public agencies, the political system and government. External actors, such as donors, can also influence the behaviour and effectiveness of NSAs or other domestic actors. The EC has published a ***Reference Document,*** which presents a '*Governance Analysis Framework" (*[21]*)* to map, visualise and diagnose these governance and accountability relations between actors. The framework puts NSAs in the centre of the graphic representation on purpose (see figure 12). The assumption is that increased citizen's voice and demands result in improved state responsiveness, accountability and potentially better development outcomes.

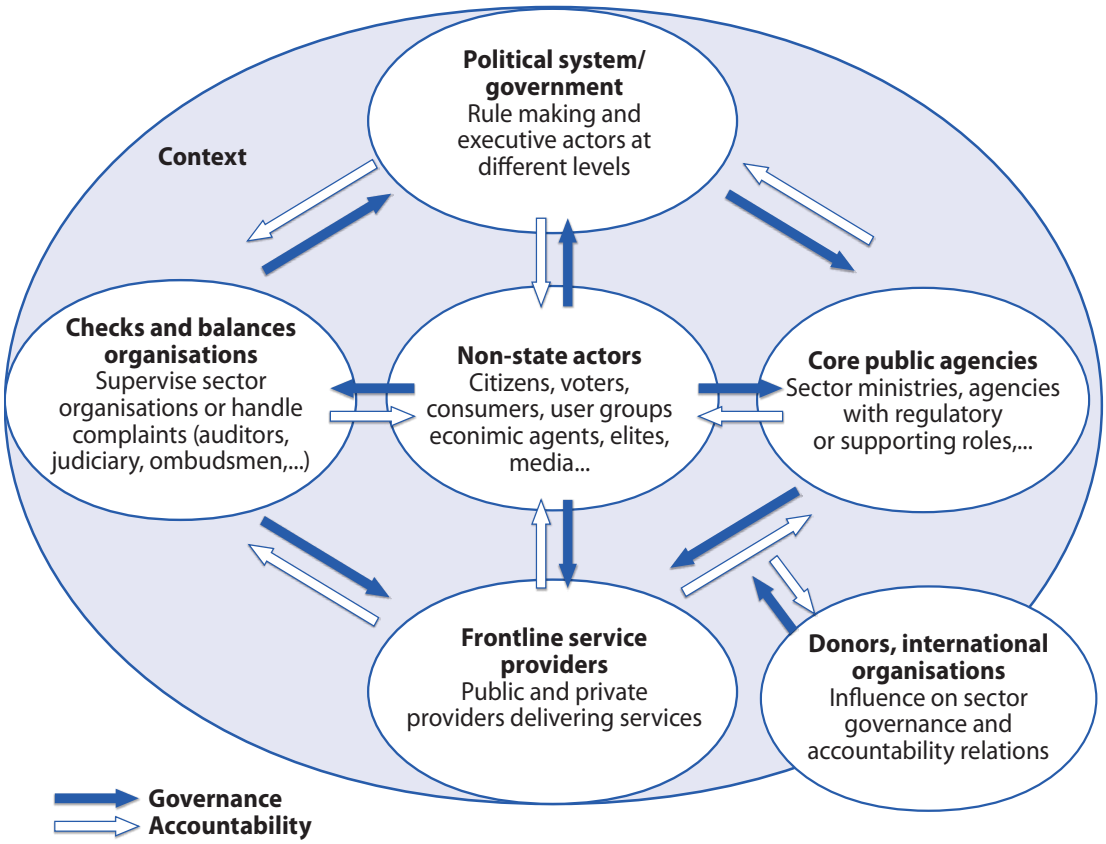
The framework invites EC practitioners to also look at the intended and non-intentional influences they themselves have on domestic actors. For all these clusters of actors, the reference document provides detailed step-by-step guidance to develop a rounded picture of the:

- roles and importance of key state and non-state actors,
- the interests they pursue,
- the power and resources they hold or use,
- the key linkages and the incentives that affect their behaviour,
- the possible drivers of change.

The tool was developed for EC operations in sectors. It can also be used for cross-sector purposes (in combination with other diagnostic tools such as the Public Expenditure and Financial Accountability assessments), for analysing country level context, for thematic context analysis and of course for the purpose of assessing and understanding roles of NSAs in the context of new aid modalities. For details on how to carry out such a sector governance assessment, see Methodological tool 3.

21) *EC (2008), Reference Document No 4, Analysing and Addressing Governance in Sector Operations.*

Figure 12: Governance Analysis Framework



Source: EC (2008), Reference Document No 4, Analysing and Addressing Governance in Sector Operations.

Step 3: Looking beyond the façade – some salient issues

Far too often the relations between state and civil society are taken at face value. They are judged on their formal characteristics, relying heavily on a superficial assessment of the constitution, or formal state structures and procedures. However, in every society there is a mixture of formal and informal practices and institutions at work in these state-society relations: the so-called 'rules of the game'. The formal and more visible arrangements attract the attention: the laws, the rules, the codes, etc ([22]). But these don't tell the whole story. They need to be understood in their relation to informal practices and institutions.

Two examples of ingredients in the *New Aid Modalities* – the budget and the poverty reduction strategy – help clarify this distinction between formal and informal institutions. The government's budget has a formal side, in that it spells out priorities in public expenditures and the corresponding income. But this is only on paper. *What does the budget represent in reality? Does it predictably spell out expected incomes and planned expenditures? Or are the figures fake? How credible is the budget? Have there been discussions on priorities and does it reflect a consensus on choices made? Was there any serious advance planning? Are there control, monitoring and auditing mechanisms and institutions in place? What is the role of checks-and-balance institutions?*

Many developing countries that engage with donors in *New Aid Modalities,* prepare a national *Poverty Reduction Strategy.* Formally, such PRS represents a consensual plan on priorities on poverty reduction. In reality, the plan does not reflect such consensus. And while the government may have arrangements in place for often well-publicised dialogue with non-state actors, it often values more the no-nonsense talks in informal networks or the 'smoke filled backdoor rooms' with elites and power holders, who are more influential (see Annex 4).

22) The EC *Governance Profiles* summarize key data on formal arrangements in nine areas of concern in most of the ACP partner countries.

It is now becoming a more accepted practice to look behind the ***façade*** of formal arrangements and institutions, and to look at the less formal aspects of state-society relations. Some donors, including the EC, begin to invest in posing and answering such questions. They seek to provide more insights in the '***rules of the game'***, in how power is distributed in society, in how political systems operate in reality, and how institutions create incentives – or disincentives – for change.

Four areas – and their key features – shed light on these 'rules of the game' ([23]):

- ***The formal framework***

The formal legal framework and administrative arrangements are embedded in laws and the constitution. Donors often take these at face value, and will invest lots of time and energy in transforming these formal 'rules of the game'. Key policy areas for new aid modalities include the public finance management system, public sector reforms, sector and cross-sector policies, etc. These arrangements help shape the informal 'rules of the game'. But in developing countries, it may well be that donor induced reforms to the formal framework may not deliver better results, as formal arrangements are not respected in practice in the first place.

- ***Political competition***

Political competition is only partly determined by the formal legal framework. When assessing the political system, it is relevant to zoom in on social relations and informal political processes. These informal aspects are harder to detect, yet they are critical for a proper understanding of how politicians gain and maintain power. And this in turn is crucial for understanding how political parties and NSAs organize or undertake collective action, or how and why they mobilize citizens. If politicians compete on the basis of identity or on the promises of patronage, there would be less push to mobilize citizens around promises of public goods.

- ***Institutionalisation***

When government and non-state actors follow public, transparent, and known rules and procedures, these processes are called 'institutionalised'. This is important since it can inform donors on the predictability of the behaviour of domestic actors. On the other extreme of the spectrum, there are forms of highly personalised government. These are less predictable, and provide fewer incentives for NSAs to organise collectively, or mobilise people who share similar interests or concerns. When the parliamentary *Public Accounts Committee* in Zambia organised public hearings on the budget, it received attention from civil society organisations and media. It makes a difference whether this practice will be repeated, as it may result in stronger demands for improved levels of public finance management. So *institutionalisation* may contribute to constructive state-society engagement.

- ***Distribution of power***

An effective political system balances between authority and control by the executive on the one hand, and accountability to citizens on the other hand. If the balance is skewed this can lead to un-governability or to authoritarianism.

What are the implications for EC Delegation staff in the field? It confirms that new aid modalities touch on complex transformation processes and deal with essentially ***deep reforms of the state.*** So for donors to determine how to engage with whom, it is important for them to carry out some level of political economy analysis with regard to these four core issues: the formal framework, political competition, institutionalisation and distribution of power. Methodological tool 4 provides further guidance on the kind of questions that may be asked in this context and on the areas where NSAs may play more prominent roles.

4.3 Signpost 3: Explore a wide range of possible entry points for NSAs participation

The time has come to follow the third signpost along the road to defining a more strategic approach to engaging NSAs in NAMs. In the post-Accra period, the aim of such strategic approach is not simply to improve aid effectiveness but to broaden country ownership, enhance development effectiveness, obtain better results (service delivery) and strengthen domestic accountability systems. Building on a good understanding of the potential of NAMs to involve NSAs (section 4.1.) and guided by a realistic assessment of both state-society relations and the transformative capacity of NSAs in a given country (section 4.2), EC Delegation staff can now explore concrete 'avenues' or 'entry points' to ensure a stronger, strategic NSA participation *all along the cycle of budget support operations*.

In applying the operational guidance provided below it will be critically important to:

- Remember that this is work in progress and 'slippery ground', requiring learning by doing, experimentation, critical feedback. In other words, there are no magic bullets.

23) Based on 'Framework for Strategic Governance and Corruption Analysis. Designing Strategic Responses Towards Good Governance', Netherlands Ministry of Foreign Affairs, 2008.

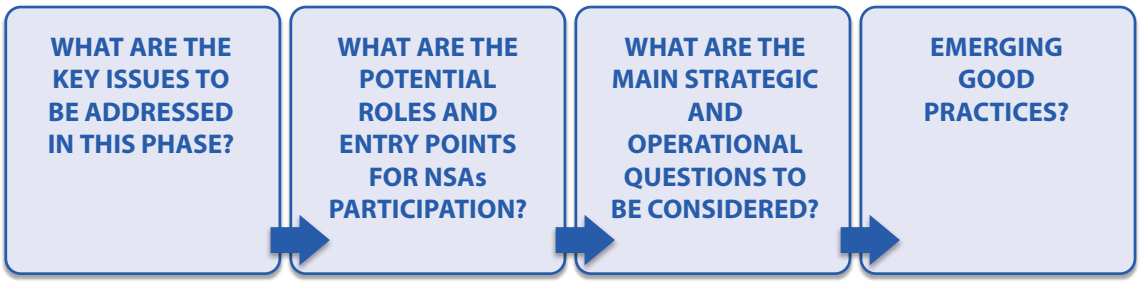
- Differentiate between the policy dialogue and consultation processes at partner country level (i.e. the arrangements by which governments and national non-state actors talk to each other) on the one hand, and the dialogue with NSAs induced by development cooperation processes on the other hand. Delegations need to carefully think through the nature of the relationship between these two processes when engaging with NSAs.
- Avoid normative and technocratic approaches, based on false or untested assumptions (e.g. the assumption that donors operate in highly institutionalised environments, or in which NSAs and the state cooperate for the common good or as 'development maximizers').
- Systematically and consistently refer to the 'Overall Approach' and related 'Four Fundamentals' proposed in chapter 3 of this document with a view to ensure a realistic engagement strategy adapted to the situation as it is on the ground.

In order to provide relevant operational guidance this document refers to day-to-day management realities as experienced by EC Delegations, as well as experiences in the field. This operational section therefore:

- Builds on existing EC guidelines with regard to GBS and support to sector programmes while recognising that these guidelines may change in the near future. Both modalities will be covered together, yet where needed, reference will be made to specificities linked to the sector approaches/SBS.
- Ensures linkages with the menu of possible EC approaches (e.g. the project approach, the SPSP and the global and macroeconomic approach), financing modalities (e.g. budget support, pool funding, grant procedures) and tools (e.g. the Project Cycle Management Guidelines which are also being revised) and expected outputs (e.g. an identification fiche, a financing proposal).
- Recognises the need to adopt a 'holistic approach' to engaging with NSAs, i.e. by avoiding an artificial split between NSA participation in NAMs (i.e the specific focus of this document) and the roles of NSAs in national policy processes (independent from aid efforts).
- Takes the cycle of operations as the starting point to structure the operational guidance. It uses a slightly simplified or stylised form of the cycle of operations, and focuses on three major phases: (i) programming; (ii) identification and formulation; (iii) implementation and monitoring.

For each of the three phases, basic questions are proposed:

Figure 13: Basic questions to explore possible entry points for NSA participation



4.3.1 Programming

Programming is the first stage in the cycle of operations and consists of the preparation of multi-annual strategies and indicative programmes. Country diagnosis, lessons and experiences from past and present cooperation, as well as a comparison of added value of various donors inform of how the EC will support the partner country's efforts to achieve its own development objectives (as reflected in national strategies and sector policies). EC programming guidelines insist on a qualitative involvement of different stakeholders, including NSAs and local governments. The process should lead to the elaboration of a Country Strategy Paper and the adoption of a commonly agreed National Indicative Programme. Programming is organised on a 'rolling basis', thus creating space to reorient the overall support strategy following mid-term and end-of-term reviews.

Budget support as an 'aid package' provides a unique opportunity to have a dialogue on the overall policy priorities and key reforms of the partner country. The EC is also committed to support sector approaches – or to encourage governments to move in this direction. When conditions permit, an SPSP can be financed through sector budget support. The programming process and related reviews may offer a suitable framework to have an intense policy dialogue between donors and partner governments on whether or not to use budget support.

NSAs clearly have a stake in programming processes in terms of influencing both the overall EC response strategy and the debate on the possible engagement with NAMs. The task at hand for the EC is not to miss this initial phase and to facilitate an effective NSA participation right from the start, taking into account this can be done, the questions in figure 13 are answered for the programming phase.

Step 1: What are the key issues to be addressed during programming with regard to NAMs and to NSAs participation in general?

(1) *With regard to NAMs,* the challenge in this phase is to decide whether or not to programme budget support based on three criteria spelled out in the EC Guidelines:

- The appreciation of the expected benefits of using budget support and its potential contribution to the objectives of the EC response strategy.
- The assessment of the country's 'prospective eligibility' for budget support.
- The risks of difficulties during implementation, particularly the risk of non-utilisation of budget support resources.

Countries that include budget support in their response strategy and indicative programme will have to justify this decision. The respective EC guidelines on GBS and SPSP provide guidance on how to carry out these assessments. The eligibility of countries that include budget support in their country strategy will be re-assessed and confirmed during the identification and formulation phase.

(2) *With regard to NSA participation in general,* the challenge will be to define a coherent country strategy of engaging with and providing support to NSAs, covering all relevant areas of cooperation and instruments (including NAMs).

Step 2: What are the potential roles and entry points for NSA participation?

Taking into account these challenges, EC Delegations could consider – in the light of country conditions and the nature/strength of civil society – the following roles/entry points for NSA engagement in the programming process:

- Participation in the analysis of the country situation, including state-civil society relations.
- Participation in the definition of national development strategies or sectoral policies (which serve as the basis for the use of respectively GBS and SPSP).
- Participation in the assessment of the three criteria underpinning the decision to programme budget support.

Participation in programming possible EC support strategies for NSAs through both geographic instruments and thematic instruments.

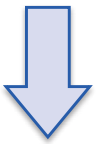
Step 3: Main strategic and operational questions to be considered by EC staff?

(1) *How to defend/protect space for meaningful NSA participation? This is particularly challenging in authoritarian states that are hostile to the involvement of an autonomous civil society or in weak democratic systems, characterised by limited state-civil society interactions and major capacity constraints?*

(2) *How to ensure qualitative consultation processes on national/sectoral strategies (i.e. the critical phase of national policy-making, independent of donor support strategies)?*

(3) *How best to involve NSAs in the overall EC programming process, including choice for NAMs? What added value can realistically be expected from NSAs at this stage of the cycle of operations in a given country?*

(4) *Is there a need for a mapping of NSAs in the framework of the programming process?*



Step 4: Tools, tips and emerging good practices?

Apply existing EC Guidelines and take stock of lessons

There is some guidance available on how to involve NSAs in EC programming processes. This includes the ***Guidelines on the principles and good practices*** as regards participation of non-state actors in the dialogues and in the consultations on development (November 2004). The ***Programming Guide for Strategy Papers*** contains a Programming Fiche on 'Consultation of the Non-State Actors and Local Authorities within the framework of the Country Strategy Papers' (March 2009). It specifies the objectives and strategic/methodological challenges involved in conducting a meaningful dialogue. It reiterates that the role of the EC is to ***facilitate*** the dialogue between state and non-state actors, ***not*** to play the proxy for the government, which is first and foremost responsible for creating a favourable political, economic and social enviroThe EC has also made efforts for a critical stocktaking on practices with regard to NSA participation in programming processes. Recently, a review of consultation processes for programming the 10th EDF in the ACP countries and regions ([24]) was undertaken in 64 EC Delegations. The survey focused on the method of consultation rather than on the outcome of the political process. It shows that positive developments take place in many countries, yet that much remains to be done. It notes, for instance, that 'consultations' have taken place in 33 countries that are on track to establish a more institutionalised dialogue with stakeholders. In these cases, the NSAs were informed of the decisions taken on 10th EDF programming and they were associated to the definition of orientations. In 31 cases, dialogue was more ad hoc and took the form of mere information sessions, with no indication of follow-through or institutionalisation.

Find inspiration in good practices

The 2008 Evaluation of 'EC aid delivery through civil society organisations' observed a huge diversity of possible EC response strategies with regard to NSAs. These range from fairly sophisticated approaches (with a strategic vision on the specific added value of NSAs) to a purely instrumental or ephemeral consideration of NSAs. There are no clear-cut explanations for these differentiated approaches towards CSOs. Well- thought through EC response strategies exist across regions. There were high quality country strategy papers – in terms of a clearly spelled out vision on the role of NSAs and required support strategies – in conflict countries (e.g. Somalia) as well as in difficult partnerships (e.g. Ethiopia). The distinction between the involvement of civil society in national dialogue processes (that take place outside the cooperation system) and in programming EC aid efforts is increasingly made up and acted upon.

The integration of NSAs in programming is a learning process for all actors involved. This holds particularly true when it comes to ensuring a meaningful NSA involvement in programmatic choices with regard to the NAMs. Box 8 focus-

24) See: http://ec.europa/development/icenter/repository/Consultation-non-state-Actor-and-local-Authorities-Public %20report_en.pdf

es on the EC country strategy papers of Ghana and Ecuador as they reflect solid thinking on the role of NSAs in the overall domestic development processes and related EC response strategies.

Box 8: Strategic approaches to programming NSA participation

(1) Ghana: involvement of NSAs and Local Authorities in the Country Strategy Paper

The Ghana *Country Strategy Paper* resulted from a highly participative process that involved state and non-state actors in their diversity including traditional chiefs. It built on national policy frameworks and ongoing processes of consultation between the government and national stakeholders (including a review within the *African Peer Review Mechanism* process). Workshops at different levels were well attended.

The budget support modality was a much-debated topic – alongside issues relating to decentralisation and local governance. Stakeholders expressed concerns with regard to sector and general budget support in that it was felt that aid might not reach the poor. These concerns were taken into account when designing the SPSP in support of decentralisation.

NSAs were integrated in the CSP as a crosscutting issue in both focal and non-focal areas. NSAs were given several key roles: dialogue partner, monitoring of service provision, social accountability and watchdog agency. In addition to this, the EC also committed to support NSAs through a specific capacity development programme (see cases 3 and 4).

(2) NSA participation in the process of preparing the Country Strategy Paper in Ecuador

Ecuador is another example of intense preparatory and facilitation efforts to ensure effective participation from NSAs in the drafting of the Country Strategy Paper (2007-2013). The Delegation carried out a study to update its knowledge of the political, economic and social context and identify key state and non-state actors. The Delegation elaborated a 'Concept Note' to lay the foundation for organizing broad consultative thematic workshops on sector policies, decentralization, local development, and economic cooperation. Those workshops took place in 2005 with the aim of informing and discussing with the main stakeholders the context analysis and possible priority sectors for the CSP. A wide range of organizations with different interests and approaches actively participated. Further care was given to maintain a more continuous process of engaging with NSAs (see case 7).

Act as an informed political player

EC support to NSAs as dialogue partners and as advocacy organisations is bound to influence the existing balance of power in a particular country. With its support, the EC de facto intervenes in the constantly evolving relationship between state and society. By doing so, it inevitably influences power, accountability and broader governance relationships. As an actor, the EC has therefore to critically assess its impact on all domestic actors and stakeholders with a view to determine what contribution it seeks to make to longer -term reforms and change processes. It can play the role of an 'informed political player', which can take different forms:

- EC Delegations intervening – together with other donors –to prevent governments adopting more restrictive NGO laws, regulations or practices. In some countries this political pressure contributed to moderation (e.g. Peru), in other partner countries attempts to influence government policies were less successful (e.g. Egypt, Ethiopia).
- EC Delegations contributing to a gradual expansion of space for upstream NSA participation in the elaboration of national/sectoral policy processes as well as in programming processes (e.g. Ghana, Gambia).
- EC Delegations 'bargaining' against 'hostile' governments for inclusion of innovative NSA capacity development support programmes aimed at enabling NSAs to be governance actors in CSP/NIP in exchange of providing funding for government priorities (e.g. Mauritania).
- EC Delegations ensuring that critical NSA voices are also heard in policy and programming processes, including watchdog agencies as well as human rights defenders (e.g. Guatemala).

4.3.2 Identification and Formulation

The purpose of this phase in the cycle of operations is to further concretise the broad political orientations of the CSP/NIP with regard to the envisaged EC support. Typical outputs of this phase are the Identification Fiche (at the end of the 'identification') and a Financing Proposal or Annual Action Programme/Action Fiche (at the end of the 'formulation').

EC guidelines stipulate that in the case of GBS, the identification and formulation stages should be seen as part of a continuous process of programme preparation, addressing similar issues related to eligibility criteria, analysis of the context and choice of implementation modalities (including conditions for disbursement). In considering the potential entry points and modalities for NSA engagement, it is important to be cautious about what can realistically be achieved and what type of added value NSAs could offer. One should also be careful not to overload the boat, particularly in the case of GBS ([25]).

In the case of sector support the purpose of identification is to confirm the choice for supporting the sector approach made during programming, verify that the related assumptions still hold and based upon the assessment of the sector programme and its management system, define objectives of EC support and the most suitable financing modality. The formulation phase should define all components of the SPSP in detail.

The process leading to the establishment of an SPSP offers a number of possible entry points for NSA engagement that could be further explored and tested by EC Delegations in charge of SPSP dialogue. This applies for instance to the three core components of any sector programme: (i) the sector policy and strategy; (ii) the sector budget and medium term perspectives; and (iii) the sector coordination framework. These three core components are key at the early stages of the SPSP process and specifically for determining whether a viable sector programme is in place that could meaningfully be supported by the EC. The SPSP guidelines support the inclusion of NSAs in this process by insisting on the need to:

Develop sector policies on the basis of 'a range of consultative processes between the executive and legislative branches of government and other national stakeholders'. In practice this means that in assessing the sector policy and strategy of the government; it is appropriate for the EC to discuss the levels of ownership and the involvement of other (non-state) actors.

Determine the 'appropriate roles for different stakeholders within the sector programme' and to 'consider which are likely to be the most appropriate mechanisms or consultation forums to exercising these different roles'. In practice this implies that the sector coordination framework should include a wide range of actors, including NSAs. It means paying particular attention to the role of coalitions, umbrella organisations, networks and other platforms that coordinate the work and engagement of different kinds of NSAs at the national and sectoral level. It also invites the EC to look carefully at the quality of the consultation processes (so as to ensure an open and transparent policy dialogue between government, donors and NSAs) as well as to the capacity support required by NSAs (allowing them to effectively play their role in sector policy processes).

NSAs have an obvious interest to be associated to the design of GBS/SPSP operations and related fundamental choices as to whether or not to use this type of aid modality,determining under what form and conditions. While an increased NSA participation seems therefore justified, it may not always be possible or feasible to ensure a direct participation of NSAs in the process of designing NAMs. One of the principle reasons, indeed, may be that a partner country government may oppose such a broadening of the dialogue. In these situations, the EC carries a specific responsibility in seeking to (indirectly) 'secure' the necessary ***entry points*** for a meaningful NSA participation at the downstream implementation level. This is part and parcel of adopting a strategic approach to engaging with NSAs in NAMs in the context of evolving state-society relations. It invites EC Delegations to develop a more sophisticated understanding of the national dynamics of interaction between government and civil society (independent of the aid system). From this basis, it needs to analyse the potential role of NSAs in NAMs, to scan what is politically feasible, to 'push without being pushy' in the dialogue and to sequence NSA support strategies in line with these national dynamics. Forcing the hand of government may be counterproductive, particularly in countries with a limited political culture of dialogue between state and society. In these circumstances, the EC could try to indirectly integrate relevant NSA perspectives on the quality of the policies/governance in a given sector as expressed during direct consultations with donors or through NSA advocacy work.

To further specify how this can be done, the flow chart proposed above is applied to the identification and formulation phase.

25) The 2006 *Joint Evaluation of General Budget Support* recognized this risk when it noted the following: 'Our review of the GBS record so far indicates that there are many things that it can (help to) do. But its potential range is itself a risk'. There is a serious danger of overloading one instrument, expecting it to achieve too many things and too quickly. It furthermore recommends that in 'prioritising the reform focus of GBS, it is important to remember that its ability to strengthen *public finance management* systems is fundamental to its other effects.'

Step 1: What are the key issues to be addressed during identification and formulation that are of particular relevance from an NSA perspective?

Preparing a GBS/SPSP is a complex task, requiring substantial work and a rather long negotiating process. Extensive guidance is available on how to address the various requirements of a proper identification and formulation process. For the purpose of this document, it seems relevant to focus on key issues/tasks to be performed during the combined identification/formulation phases that could be of particular interest to NSAs.

These include the following:

(1) Carrying out a comprehensive country/sector analysis.

(2) Assessing eligibility based on the seven areas of assessment.

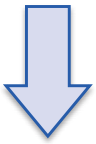
(3) Defining the objectives, purpose and expected results of the proposed GBS/SBS programme and any complementary support.

(4) Identifying the relevant stakeholders (state as well as non-state actors) and defining their roles/responsibilities in the programme and institutional set-up (e.g. in the policy dialogue and in the sector coordination framework).

(5) Identifying capacity development and institutional support required for the various actors involved.

(6) Defining the matrix of conditionality's, the performance indicators and monitoring systems.

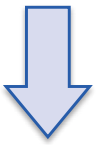
Exploring the scope to include performance indicators linked to NSA participation in NAMs.



Step 2: What are the potential roles and entry points for NSA participation around these key issues?

- Participation in the country/sector analysis, particularly when use is made of more analytical approaches (focusing on governance and accountability relations, or political economy dimensions).
- Participation in the definition of the national development strategy or the sector policy –which constitutes one of the key eligibility criteria and general conditions for disbursement in budget support operations.
- Participation in sector coordination/cooperation.
- Participation in the definition of performance criteria and related monitoring systems (including ways and means to collect relevant data at local level) and in mid -term and joint reviews.

Participation in the reflection on how new aid modalities can contribute to improved public finance management and enhanced domestic accountability (in line with the Accra Agenda for Action).



Step 3: Main strategic and operational questions to be considered?

(1) How to facilitate the direct participation of NSAs, where relevant and feasible, in the design of the various components of a GBS/SPSP?

(2) How to integrate directly or indirectly NSA perspectives in assessing each of the seven key areas?

(3) How to identify the relevant NSAs to be involved – taking into account their levels of representation, legitimacy and capacity? (NSA mappings should show their value here)

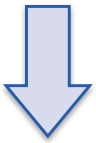
(4) How to convince the government to allow space for an enhanced NSA participation in GBS/SPSP processes?

(5) How to use budget support operations to build trust and partnership relations between government and NSAs?

(6) How to design the domestic accountability agenda that should accompany budget support operations?

(7) How to define complementary measures such as projects and thematic initiatives to add value to GBS/SBS?

How to put aside financial resources for supporting NSAs involvement (including the choice of appropriate instruments to channel these resources)?



Step 4: Tools, tips and emerging good practices?

Some experimentation and innovation is taking place in terms of reinforcing the NSA perspective during the design or the identification/formulation phase of budget support operations. On this basis, the following operational guidance can be provided:

NSAs and the Seven Key Assessment Areas

The assessment of the seven key areas is primarily conducted during the identification phase, in close collaboration with the government. The table below provides a set of questions to be asked at each stage of the assessment process to ensure that the NSA perspective is taken on board. The focus is on SPSP but the specific issues raised with regard to NSAs also apply to GBS.

Table 2: Seven questions to consider critical NSA dimensions and concerns

Areas of Assessment	Key questions to ask in order to consider critical NSA dimensions and concerns
(1) Sector policy	• *Are policies authored and endorsed by domestic actors, and made public?* • *Which stakeholders havebeen part of the process? How (well) were the poor represented? How strong was the influence of groups with specific interests in sector outcomes? Was there participation from local and regional government?* • *Does the policy consider the possibility of contracting out some of the delivery of public services to other actors (private sector, NGOs etc?)* • *What are the governance and accountability relations between service providers, citizens or customers, policy-makers and checks and balance institutions? What are the accountability and managerial relations between service providers and authorities ([26])?*
(2) Sector budget	• *What is the quality of the budget and how transparent is the budget process? How comprehensive, reliable and user friendly is the information provided in budget documentation? Are budgets and audit reports made public?* • *Are there mechanisms in place to promote consultation and debates within the legislature and with civil society?* • *Are there opportunities for civil society groups to engage in budget monitoring?* • *Is it possible to track budgets at more local levels?* • *Are donors transparent in their support? What tools do they have at their disposal to support accountability relations and capacity development, for example budget literacy?*
(3) Sector coordination	• *Is there a mechanism in place for a structured process of consultation with beneficiaries?* • *Is a differentiation made between the different functions that stakeholders may play – ranging from providing feedback, opinions, advice or inputs on resource allocation and service management – and the corresponding types of information and participation needed (separation of the role of CSOs in policy dialogue and service delivery)?* • *Is the structure of consultation mechanisms properly integrated within the framework for service delivery?* • *Are there adequate linkages with local government?* • *Are women properly represented in various stages?*

26) At first sight this seems merely a 'technical' issue. Yet it merits attention as it is linked to the problem of the 'missing middle' in service delivery, mentioned in chapter 1, section 4.

Areas of Assessment	Key questions to ask in order to consider critical NSA dimensions and concerns
(4) Institutional setting and capacity development	• *How does the legal and regulatory environment function within which different actors operate?* • *What is known of the lesser visible institutional arrangements, of the informal mechanisms and networks through which the state interacts with service providers, agencies, etc.?* • *Is there sufficient interaction between different accountability actors and institutions? What about the audit institutions, media, parliament, interest and user groups in society?* • *Do power holders or elites care about pressure or demands from checks and balance institutions? Are they responsive to demands from organised citizenry?* • *Is there sufficient capacity within government and the civil service to engage with NSAs on issues relating to service delivery, regulatory frameworks, policy reforms, etc.?* • *How do external actors affect domestic accountability relations? How can they work together with other donors in support of NSA capacities?*
(5) Performance monitoring systems	• *How serious is the government in terms of results and performance?* • *What interest do sector ministers have, what resources do they control and what power do they exercise for the performance in their sector? And how committed are they to improved data management and monitoring?* • *What mechanisms are in place for data management? Is there a big gap between stated performance indicators in the sector and capacities and systems in place?* • *What determines the degree of responsiveness to citizens? What are incentives for improved performance?* • *If there is an interest in sector performance, is it relevant and feasible to involve NSAs in the process of selecting, and/or monitoring of indicators? Is it useful to include indicators related to NSA involvement in sector performance?* • *Do donors cooperate to strengthen government and NSA capacities for meaningful cooperation on performance monitoring?*
(6) Macro-economic assessment	• *How do macroeconomic governance issues affect the sector context?* • *How does the quality of national fiscal policy or monetary governance influence on sector behaviour?*
(7) Public Finance Management	• *Do donors know the 'political economy' underpinnings of the budget and of public finance management systems?* • *Are governance vulnerabilities at different levels in the sector value chain – from policy level, regulatory framework to service delivery levels – sufficiently understood?* • *What are the incentives for public finance management reforms? And what are opportunities to engage with non-state actors?* • *Does it make sense to strengthen budget literacy among NSAs?* • *What forms can the interaction between state and society take in the area of public finance management? Can NSAs meaningfully participate in the Public Expenditure and Financial Accountability (PEFA) process?* • *Does government have efficient sub-contracting/funding arrangements in place to back up eventual service delivery or monitoring agreements with NSAs?* • *Are there opportunities at sub-national level to meaningfully engage with NSAs on public finance management?*

Box 9: Integrating NSAs in NAMs during the identification and formulation process

Post-apartheid governments in **South Africa** have demonstrated an openness to engage with NSAs in policy dialogue. Within the context of the dialogue between the EC and government, the space for engaging with NSAs on the implementation of parts of the government's justice policies has been broadened. Hence, a yearly consultation has been introduced between government and civil society on constitutional and human right issues, each time in a different province.

In **Ecuador** the partnership between the EC and the government resulted in more secured space for NSA involvement in domestic accountability processes, especially in the education sector. One of the main objectives of the SPSP in education is to improve information systems, partly through improved governance of the sector and the dialogue between government and civil society. The EC Delegation facilitated NSA participation in monitoring the implementation process of the education national plan. Non-state actors' participation was defined in the relevant programming and agreement documents. The resulting performance assessment framework for the sector programme includes specific indicators relating to civil society organisations.

4.3.3 Implementation and Monitoring

This phase in the cycle of operations is mainly concerned with:

- Ensuring effective implementation.
- Organising a continuous dialogue and effective coordination.
- Monitoring progress through the overall performance measurement and related monitoring mechanisms.

In all these areas it seems relevant to carefully explore the scope and feasibility –in a given context – of an effective NSA participation that could add value to new aid modalities while also contributing to better development outcomes (e.g. in terms of quantity and quality of services) and broader political objectives (i.e. country ownership, development effectiveness and domestic accountability):

1. ***With regard to the participation of NSAs in the implementation process:*** this is particularly relevant for the SPSP linked to traditional sectors articulated around service delivery (such as health, education, water and sanitation, agricultural extension and inputs, veterinary services, etc.). Examples of NSA roles in the implementation of sector programmes include:
    - NSAs have the potential to reach remote and isolated regions and villages, or areas where the state cannot penetrate, for example in certain conflict zones. They also have the ability to reach and engage excluded/marginalised communities and 'hard to reach' people. In agriculture, they can help filling the vacuum in place where the private sector fails to fulfil its role. NSAs have the potential to conduct innovative and small-scale projects. Their added value is to demonstrate results in pilot and innovative schemes, and stimulate demand or create pressure for up scaling what works.
    - NSAs may help to address the 'missing middle' in service delivery (see chapter 1.4) both in their capacity as frontline providers or as watchdog agencies monitoring the effective delivery and quality of services.
    - Systemic benefits can be expected from involving NSAs in the implementation of SPSPs and related delivery of services. Potential benefits relate to (i) increased trust between state and NSAs; (ii) establishment of effective public-private partnerships; (iii) institutionalization of good practices in government processes.
2. ***With regard to the participation of NSAs in policy dialogue processes***: if NSAs are seen as 'actors' and 'stakeholders' in budget support operations, it is logical that they should also have a role to play in the ongoing policy dialogue –with due respect for the leadership role of government.
3. ***With regard to the participation of NSAs in monitoring performance*:** the issue of quality of performance is central to both GBS and SPSP. In practice, this results in performance assessment frameworks, consisting of a set of indicators. The evolution of the PAF is periodically monitored to assess progress towards the achievement of policy and strategic objectives. The idea is that the monitoring system provides key elements to steer policy dialogue and is an integral part of the overall policy process. The EC Guidelines also mention the challenge of collecting the relevant data/information to monitor these indicators and the related need to invest in national monitoring

systems and capacities. NSAs have a variety of useful roles to play in performance monitoring. Practice confirms that monitoring has been the most popular entry point for the participation of NSAs in NAMs. This growing interest is reflected in the various cases of NSA mobilisation around issues such as pro-poor expenditure tracking, evidenced-based research and advocacy, participation in reviews and evaluations, etc.

The remainder of this section looks at **the three steps for NSA participation** in the implementation phase, (including policy dialogue and performance monitoring). Again, one should avoid being normative and be realistic about NSA involvement in this area. In most countries, the governance and accountability equation is not conducive to 'quick wins'. Also here donors should not put all their hopes in formal institutional arrangements and technocratic solutions such as performance assessment monitoring frameworks. Yet linking NSAs in smart ways to these processes can *trigger* reforms or *accelerate* ongoing reform or change processes. It may contribute to open up space, enhance voice, broaden the public debate on policies and, over time, increase transparency. It may also help domestic actors to assess, analyse and probably participate in monitoring performance, yet without unrealistic hopes that this will result in major shifts in the overall governance of a sector or budget processes.

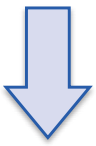
Step 1: What are the issues to be addressed during the implementation/monitoring phase

(1) Ensuring an effective NSA participation in the implementation of SPSPs focused on service delivery. This may boil down to making 'public-private partnerships' (PPP) work in practice. It includes issues such as contracting of services, dialogue, quality control (= addressing upfront the "missing middle" in service delivery mentioned in chapter 1.4).

(2) Organising an effective, ongoing multi-actor dialogue (both formally and informally) at political, strategic and technical levels.

(3) Supporting the production of local evidence by NSAs and other stakeholders on key issues of service delivery (quantity, access, quality, equity) with a view to feed both national policy processes and donor-related support schemes.

Monitoring and assessing the disbursement criteria –by making use of joint diagnostics, by building on existing national procedures and timetables and by relying on joint donor agreements.



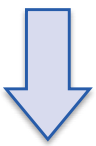
Step 2: What are the potential roles and entry points for NSA participation?

(1) Participation in the delivery of services in programmes supported through an SPSP (e.g. in the sectors of health, education).

(2) Participation in the ongoing policy dialogue on GBS/SPSP.

(3) Participation in performance monitoring processes.

(4) Participation in review processes .



Step 3: Main strategic and operational questions to be considered by EC staff?

(1) How to create more space for the involvement of a wide range of NSA service providers with the ability to lobby for the inclusion of their (pro-poor) interests in sectors supported through an SPSP?

(2) To what extent and how can conditionality's/performance indicators be used as a 'trigger' to foster NSA participation?

(3) How to help organising the required legislation, mechanisms and funds to facilitate an effective sub-contracting of NSAs?

(4) How to work with NSAs that are both service providers and active as advocacy agents/watchdogs?

(5) How to involve NSAs in addressing the "missing middle" in service delivery?

(6) How to manage multi-actor policy dialogue processes on GBS/SPSP in a realistic and dynamic way while taking into account both the competing interests among stakeholders and the need to focus on strengthening domestic political processes (as opposed to merely following a narrow aid effectiveness agenda)?

(7) How to optimally use all the available avenues to associate NSAs in terms of ensuring an independent monitoring of performance of GBS/SPSP (through the production of local data on the "reality" of service delivery on the ground)?

(8) How to link up and enable a wide range of NSAs (e.g. academic institutions, think tanks, policy networks, large NGOs, grassroots organisations) to contribute to the process of performance monitoring?

(9) How to promote a virtuous cycle of ownership and accountability?

(10) How to better align joint reviews to domestic monitoring processes (e.g. PRSP or sector reviews)?

How to build coalitions for better accountability (in service delivery or in the use of budget support funding) through alliances with domestic accountability actors (e.g. Parliaments, courts, local governments, NSAs).

Step 4: Tools, tips and emerging good practices?

Some EC practice point to emerging experiences in three areas:

1. With regard to involving NSAs in the implementation of NAMs

EC Delegations in the field increasingly engage with NSAs in the implementation of SPSPs. However, this type of NSA participation has to be carefully organized and managed in a process-oriented and sequenced way – particularly in countries with a strong centralizing tradition –for it to deliver on its promises. Time may also be required before the partnerships can be scaled-up or produce more profound changes. Annex 3 compares two experiences of NSA participation in SPSPs in different country settings. The South Africa case is an SPSP in the justice sector, which involves both sector budget support, and an EC managed call for proposals for additional support to NSAs in the justice arena. The Morocco case is an education SPSP to promote literacy. The Annex looks at five dimensions that are relevant in terms of NSA engagement in the implementation of an SPSP:

- Added value of NSAs in the implementation of NAMs.
- Contractual relations.
- Funding arrangements.
- Benefits of NSA participation.
- Potential for scaling-up.

2. With regard to involving NSAs in (sector) policy dialogue

EC Guidelines with regard to sector support explicitly recognize the need to involve NSAs in sector coordination frameworks and dialogue processes. When designing an SPSP, EC Delegations are increasingly seeking to help secure space for NSAs in the sector policy dialogue. Yet how does this work at the implementation level?

Policy dialogue is a complex, dynamic process with a high degree of political sensitivity. Integrating NSAs in these arenas is not likely to simplify things. The trap of purely technical and formal coordination meetings – providing little space for meaningful NSA inputs – has to be avoided. The dialogue can go through difficult times. Conflicts are part of the game. All this puts a premium on an active and skilful facilitation role of EC Delegations (acting as a team, involving political and technical staff). Further details on consultations and dialogue processes in the context of NAM are provided in section 4.4.1.

Box 10: Ghana — NSA participation in sector policy dialogue in practice

Multiple donors in Ghana work together in the context of a budget support partnership. They purposefully engage with NSAs in this process. The EC is co-chair of the *Governance Sector Working Group*. This working group has experience of engaging with civil society. These interactions have improved the knowledge of the playing field and the key actors. They have created a greater awareness of the opportunities for further engagement with NSAs, for example in sector specific areas of cooperation. NSAs are now involved in sector working groups related to education; governance; gender and environment (see cases 3 and 4). In order to increase capacities in budget literacy, donors – in collaboration with the Ghana Minister of Finance – have started to conduct workshops on budget support and budget policy processes.

3. With regard to involving NSAs in performance monitoring:

On this topic two types of operational guidance seem relevant.

- *Emerging experiences of EC delegations with NSAs in monitoring:* Some EC Delegations have promoted NSA participation in performance monitoring of GBS/SPSP. Several experiences, touching on various dimensions of NSA monitoring, are briefly presented in the figure on the next page.
- *Areas where the potential added value of NSAs could be further tapped:* There are two inter-related areas where the NSA potential for participating in performance monitoring remain largely under-utilised, especially in SPSP:
  - Fostering accountability for improved services and strengthening incentives to achieve this ([27]). At present all the incentives for performance and accountability are concentrated between the donor and the finance

27) Williamson, T. and Dom, C. (2009) *Sector Budget Support in Practice*, Synthesis Report, London: ODI and Oxford: Mokoro.

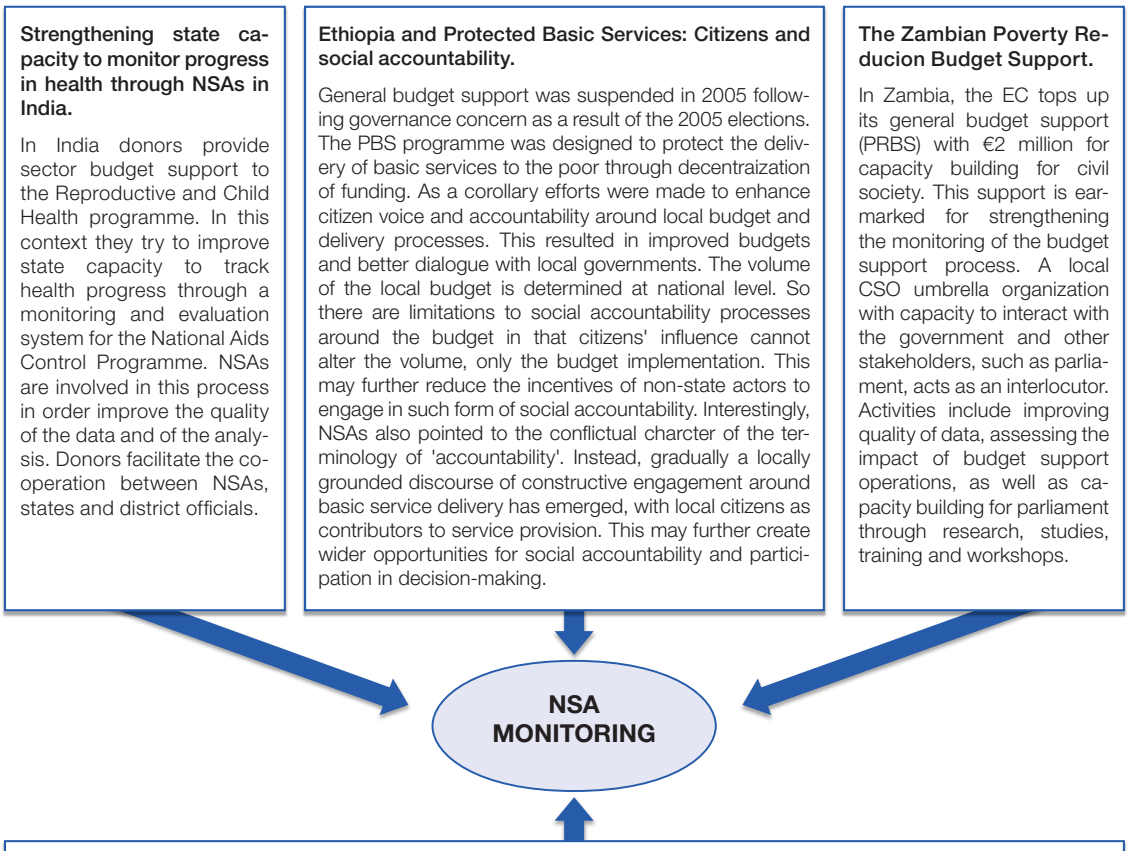
and/or sector ministries. Very little or no attention is paid to accountability and incentives at the 'front end' of service delivery both in terms of those who are directly involved in implementation (teachers, doctors, local government etc.) as well as service users (farmers, patients, parents, etc.).

- Addressing the quality of services. The previous point also touches on the so-called 'missing middle' (chapter 1.4). Sector approaches to date have insufficiently addressed the 'missing middle' in service delivery, particularly those processes, (accountability) relations and systems required to ensure that frontline providers deliver quality services.

A range of NSAs, particularly those directly dealing with service delivery at community level, could be usefully involved in addressing this 'quality gap':

- They are in a position to find out from the perspective of the actual users whether frontline service providers adequately address their needs, and what the barriers are to access services.
- They can help design and feed quality assurance systems that may complement the more quantitative monitoring systems in SPSPs.
- They can bring the lessons from the local to the national level, thus potentially feeding the sector policy dialogue.

Figure 14: NSA monitoring



4.4 Signpost 4: Combining EC tools, instruments and approaches for a strategic engagement with NSAs

Once the EC has identified key non-state actors and opportunities for strategic engagement, the main question to tackle remains how this can be done. How can the EC strategically combine its tools, instruments and approaches in the various phases of the cycle of operations? In the dynamic environment of state-society relations, three instruments are available:

- Consultation and dialogue processes between non-state and state actors are areas where the EC can assume strong and pro-active roles.
- Capacity support will be key to enable/empower NSAs as effective actors in representing citizens' interests and in engaging with the state.
- The EC can combine a range of instruments and approaches to finance a coherent set of initiatives for more effective and strategic engagement with NSAs, especially in the context of new aid modalities.

In all these areas, the EC has already substantial experience. Here it is a matter of building on these experiences and highlighting these operational elements that are particularly relevant for strengthening the involvement of NSAs.

4.4.1 Consultations and dialogue in NAMs

So, what is different about consultations in the context of NAMs? The role of EC Delegations is 'to facilitate the conduct of such dialogue between NSAs on the one hand and between local authorities and government structures on the other, and not to play the proxy for the government.' The EC's Programming Guide for Strategy Papers is clear on the role of the EC in promoting state-society consultations. Already, there is substantial experience, and good practices have been identified (see box 12). Even so, in such consultations, donors, state and non-state actors (depending on country context in bi-partite or tri-partite settings) discuss national development strategies, and also increased sector programs. Experience has also demonstrated that there is no shortage of potential conflict in the application of these 'good practices' in less conducive environments. It will be up to the Delegation as a whole to determine and agree on the level of political risks that will be assumed in the process.

The EC is deeply involved through budget support and SPSPs in core state functions and reform programmes of partner countries. This gives it a competitive edge in terms of acting as a champion or a facilitator for promoting effective forms of state-society relations. So the nature of the consultation processes between NSAs and government is also bound to change.

Box 11: Checklist for good quality consultations

The India case study provides a number of useful reflections of what are the 'key ingredients' for good quality and meaningful consultations with NSAs. They include:

- Raise awareness on the purpose, methods and timing of consultation processes with all stakeholders.
- Ensure that adequate levels of information are shared with NSAs, in a timely manner, including providing them with enough time to analyse the information and respond.
- Create time and space in the process to consider NSA views and amend policies or programmes accordingly.
- Ensure that a diverse range of NSA groups and voices are heard in the process.
- Provide adequate feedback on the results of the consultation and disseminate as widely as possible.
- Seek to create or strengthen political will and buy-in for the consultation process by state authorities.
- Facilitate dialogue between state and non-state counterparts by providing contacts, skilled people to chair and facilitate meetings, meeting spaces and resources.
- Build and strengthen NSA owned forums and platforms for dialogue, where they exist.
- Identify specialised networks or actors for consultations on specific issues/sectors.
- Consider holding consultation processes at decentralized and local levels, reducing the focus on the capital city and facilitating the participation of smaller and grassroots NSAs.

Source: India case study, from: ODI 2009

Guidance on EC facilitation in support of state-NSA consultations

- ***Properly assess the space for NSA consultation and explore opportunities to enhance it:***

Consultations between state and NSAs are highly political. At the formal level, governments may seem willing to embrace the 'participatory development' agenda. In reality, however, there are numerous informal arrangements that frustrate consultation and dialogue with NSAs (see also 2). In many Latin American countries, there was already a history of involvement of civil society groups in national and local dialogues, or for monitoring purposes. Yet in other developing settings, consultation and dialogue between government and NSAs may be perceived by the state as part of a 'foreign agenda', especially when it is accompanied by donor driven arrangements that strengthen the roles of these NSAs even further. So the first task for the EC is a more fine-grained assessment of support or the obstruction of the participatory agenda within a partner country government. A second task is to explore the potential entry points to strengthen trust and broaden the space for NSA consultations and dialogue. The Ecuador case illustrates well that consistent EC efforts can result in the gradual build up of trust levels. Once sufficient trust was established, consultations were productive and resulted in operational forms of collaboration with NSAs within the context of a sector program.

- ***Clearly define the purpose of the consultation and differentiate the approach:***

Whenever the EC engages in facilitating or promoting effective consultations and other forms of cooperation between state and NSAs, it is important to define the purpose of such consultations and other forms of cooperation carefully. If the EC purpose is to strengthen buy-in for NSA participation from government departments in a sector program, than different EC inputs are required from a situation in which the EC seeks to engage with government on creating legal space for NSAs. It is equally relevant to set realistic objectives to participation and consultation. In the extreme case of low willingness to reform and low capacity to engage, it may be more appropriate not to frustrate levels of NSA expectations, and not to force the consultation agenda on authorities. When the levels of willingness and capacity are more promising, it may be more appropriate to use various tools to encourage and facilitate NSA participation in dialogue.

- ***Build on domestic potential and dynamics of consultation***

Donors need to be prepared to think out of the box and take opportunities to promote state-society dialogue and interactions. In the case of Jordan, the EC facilitated a process whereby legislative reforms created a framework for social dialogue between the state and NSAs. It played a role as 'catalyst' in this process of gradual 'institutionalisation' of consultations. The state-society platform for social dialogue subsequently was used for deliberating on an important social welfare and development issue, i.e. maternity leave. The consultations included a diversity of domestic actors, including the employers, whose support was vital in reducing the resistance and reaching a consensus. Such experiences, capacities and processes may well fall beyond the scope of aid related consultations, yet they prove to be highly relevant for domestic change processes, and can also become platforms for dialogue on development processes.

- ***Prioritize quality consultation over numbers: less may be more.***

Feedback from the EC's Delegation in India illustrates that consultation processes may become mere information sharing sessions from the EC or government to the NSAs, rather than more substantive agenda shaping processes. This illustrates well the need to translate the generic guidance on NSA consultations ([28])to the context specific settings. Consultations are not about numbers, but about a quality in terms of mix of expertise, credibility, representativity and outreach.

- ***Broaden involvement in preparations and actual consultation processes among EC staff – ensure continuity.***

The EC will be able to undertake its facilitation role in the demanding setting of new aid modalities more effectively, if its own consultations and dialogue with NSAs are well structured. Such consultations will benefit from the participation from different disciplines or fields of expertise among delegation staff. This may encourage reflections on how the EC can engage more strategically with government in enhancing accountability towards domestic non-state actors. Such EC consultations and dialogue with NSAs is a continuous process, which has to be planned and managed. These demands, among other things, also manages continuity and learning within the delegation from past experiences in an environment of constant renewal and rotation of EC staff.

28) EC (2009), *Programming Fiche, Programming Guide for Strategy Papers, Consultation of the Non-State Actors and the Local Authorities within the Framework of the Preparation of the Country Strategy Paper.*
29) EC (2009), *Programming Fiche, Support to Non-State Actors, Programming Guide for Strategy Papers.*

4.4.2 Capacity development of NSAs for engagement in NAMs

Capacity development for NSAs, according to the EC, ought to be systematically envisaged in response to strategies ([29]). This is the flipside of the EC's commitment to participatory development. The breadth of capacity needs and the width of potential NSA candidates are vast. A broad distinction can be made between those capacities that are required for the purpose of:

- Strengthening citizen-NSA relations: those capacities that are needed for aggregating, representing and promoting interests of groups of citizens in society.
- Improving state-NSA interactions: those capacities required for effective engagement with the state (and partly also with donors).

Capacity support for the first purpose falls within the scope of the ongoing work of the EC delegation on non-state actors. This largely relates to capacities that are needed for the internal structure and organization and for representing citizens groups, constituency building,the broadening of networks, development of internal governance and accountability systems, etc.

For the purpose of strengthening capacities in a context of new aid modalities, the guidance centres on the state-NSA relations, in particular ***five areas*** where existing NSA capacities may have to be assessed and shortcomings addressed:

1. NSA participation in formulation of poverty reduction strategies and sector policies.

Such participation requires the capacity of non-state groups to analyze policies, develop alternatives and engage with authorities in policy dialogue. In the case of the budget support programme in Zambia (2007-2008), a specific capacity development fund was created, managed by a local CSO umbrella. In other cases, International NGOs or specialized domestic civil society organizations or experts act as facilitators for the slow process of strengthening the appropriate capacities. In Somalia, the EC engaged with a range of international NGOs has the capacity to engage with local actors to bring them up to speed for sector specific dialogue (or also for the broader process of peace consultations). The EC's Somali Unit had also made arrangements to ensure managerial, logistical, and security back up for domestic civil society actors.

2. NSA participation in policy dialogue and in sector coordination.

The work on Sector Policy Support Programmes can create space for the participation and inclusion of other actors beyond the state and donors. In a number of cases, sector ministries engage with NSAs in *Joint Working Groups,* usually on specific sector issues. This is taxing on technical, negotiation and dialogue skills and capacities. Likely questions and problems that non-state actors will encounter during such work relate to role division, coordination, cooperation modalities, and in some cases also the indicators and benchmarks to be included in the performance framework, and the monitoring mechanism. So there is a mix of technical, organisational and political matters for which certain capacities are required.

3. NSA participation in performance and budget monitoring.

*P*erformance monitoring is a promising area of interaction between state and NSA. Sector monitoring systems may provide key information to inform policy dialogue. It may also serve accountability purposes. Traditionally, the concern for performance in monitoring was a priority for donors, trying to 'sell' the idea and requirement with key horizontal ministries such as finance. Now, more attention is given to the roles that non-state service providers and service users can play. Indeed, their information can enhance accountability and provide incentives to improve delivery. But their full engagement also requires bigger donor transparency, for example in strategies and budget allocations. Indeed, a special case can be made for budget monitoring and budget literacy. A growing number of civil society groups are strengthening their skills and capacities to understand the budget process including the budget cycle timing, processand the main stakeholders, etc. NSAs can analyse government budgets, often from a pro-poor or gender perspective, and present their findings, recommendations or criticism to parliament or to the general public.

4. NSA as service providers.

NSAs are called upon in certain sectors for their capacity to deliver services. They can add value through their specialised knowledge, their ability to provide services in remote areas or for their access and outreach to underserved population groups. Policy makers and donors sometimes solicit NSAs for their flexibility and capacity to conduct pilots, which enable testing policy reforms in a cheaper and faster way. In Morocco, the EC supports a sector program to combat illiteracy. It involves domestic CSOs in service delivery. It integrates flanking measures, i.e. capacity development and support for the certification process of CSOs. Such pilots may demonstrate success (or failure) and create space for replicating the programme in more areas, or for adjusting it.

5. NSAs as providers of capacity support.

Specialised NSAs, usually NGOs, already have a history of capacity support and specialised services that amount to strengthening capacities. Capacity support for budget literacy and for public expenditure tracking is gaining popularity. This trend illustrates the importance of mapping the existing NSA expertise for capacity development for domestic NSAs. Perceptions among domestic NSAs may be such that there is resentment against cooperation with international NGOs. Therefore, these are concerns to be weighed and sensitivities to be managed in the process of identifying capacity support for NSAs. Once again, the Somali case offers a good example of a sensitive and tailor-made approach in a difficult environment, where conflicts arise over which NSAs may have a 'place at the donor table' and may have access to their resources and information. Some donors have also invested in strengthening policy oriented research capacities with academic institutions along with the media. Attention is given to South-South and North-South collaboration in areas such as research into African power and politics, political economy and governance analysis ([30]) etc. A mapping of the ***supply side*** of available capacity is supported among international and domestic NGOs, academia, trade unions or private sector groups, think tanks and also consultants can help streamline the EC approach, harmonise the donor efforts, and optimally valorise and utilize domestic capacity sources.

The EC has several instruments to support these new forms of NSA capacity development in the context of NAMs. Particularly in ACP countries, it can use the geographic instrument to initiate a new generation of NSA support programmes, specifically oriented towards capacity development as a dialogue partner and for advocacy work. However, the 'Capitalisation Study' concludes that most of the NSA programmes were not focused enough on these new roles and therefore contributed less than optimally to the primary objective of the instrument. The experience of Mali is relevant here (see Box 12).

Box 12: Towards a second generation of capacity development programmes in support of NSAs: the case of Mali

As in many other ACP countries, the EC launched an NSA support programme in line with the 'actors' approach of the Cotonou Partnership Agreement. This programme provided an opportunity to learn for all parties involved. Yet experience has shown that the programme lacked a strong enough focus on capacity development for participation in policy processes and advocacy work. The donor community gradually focused on the important roles NSAs can play in the context of new aid modalities. As a result, a new type of NSA programme has been elaborated to address in a more targeted way the structural weaknesses of NSAs in Mali. The programme is a multi-stakeholder cooperation between donors (Canada, Denmark, Switzerland, Sweden, UNDP, EC), government and NSAs.

4.4.3 Combining instruments and approaches to context: the complementarities challenge

New aid modalities are supposed to contribute to greater country ownership, alignment and accountability. But in reality, all these principles prove to be problematic in their country specific implementation. It would be naïve to think that new aid modalities in themselves bring out the best in state and non-state actors. So the EC and other donors will have to reflect on strategic choices to be made within the context of NAMs. These relate, for example, to the fear as expressed by NSAs, that funding levels for NSAs may drop for a variety of reasons (see Annex 4). NAMs may enhance the opportunities for NSAs to engage with state institutions and with donors. Still, there may be a mix of capacity and political constraints at play that prevent donor money to keep up with commitments that fund or support NSAs.

Another concern relates to ***ownership*** and ***alignment***. In an ideal scenario, partner country governments receiving budget support would demonstrate a high degree of willingness to reduce poverty and engage with all relevant state and non-state actors that can contribute to such an objective. The state would also be effective in coordinating donors and ensuring effective public finance management, both in terms of expenditure management as in terms of domestic mobilisation of resources. This would also result in transparent and effective funding arrangements of NSAs through the budget of the state. In all likelihood, reality will look different. There will be multiple disagreements (between donors and partner country governments, within government, and between government and civil society actors) over priorities, whom to prioritize and whom to engage with for advice and implementation and how to fund it. And there will also be multiple dysfunctions or capacity constraints to tackle.

30) A good example is the *African Power and Politics Programme*. DFID funds this collaborative research programme involving Northern and Southern research institutions, think tanks and NGOs, and looking closer at themes such as neo-patrimonialism (www.institutions-africa.org).

In a context of NAMs, the EC can financially support NSAs in essentially two ways:

1. Support of NSAs 'within' new aid modalities:

In this scenario, the EC supports NSAs through its geographic instruments. This implies a high degree of agreement between the EC and the partner government on the ***country's poverty reduction strategy***, and alignment of partners behind support strategies that (may) involve non-state actors. In a political context where the state is open to 'participatory development', and to NSA participation, a government may agree to give space and a place for support to and through NSAs in developing partners' support strategies.

Theoretically speaking, the commitment may even go as far as an agreement on financial support by a partner government for NSAs. Often, however, partner country's ***public finance systems*** are weak. So chances that NSAs may also get funded through partner country systems are slim. Therefore, donors may choose to directly fund NSAs through the geographic instrument. This is the so-called ***working 'within NAMs'*** option.

There are only a few reported cases of NSAs that receive financial support through government systems in the context of general budget support (Zambia). There are multiple examples of support through the geographic instrument in the context of an SPSP, either linked to a budget support arrangement or directly funded by the EC through a project modality.

2. Support of NSAs 'around' new aid modalities:

This is a scenario in which the EC uses its thematic instruments when engaging with NSAs in a strategic way. This may be called for when there is not sufficient agreement between the EC and a partner country government on the contribution of NSAs within the country's poverty reduction strategy. Usually, this is also reflected in a lack of support from a partner country government for the integration of NSAs in the donor support strategy or programme for that particular country or sector. In such cases, the EC may still seek to engage with NSAs in strategic ways. In such cases, it will rely on its thematic instruments. There are various examples where the EC combines geographic instruments with thematic ones for supporting NSAs. The EC can rely on a combination of geographic instrument (in working with the state) and thematic instruments (in working with NSAs), while using other entry points of the new aid modalities to create or open space for more conducive state-society relations.

There is a ***third category of countries that fall outside these two scenarios***, i.e. countries where the EC has not yet engaged in new aid modalities due to inherent weaknesses in policies and systems. In some of these countries there may be sufficient ground for exploring the potential of gradually introducing NAMs and for creating space between government and NSAs to interact with one another. There are also a number of countries where budget support has been suspended or halted due to governance or political crises. Collaborative arrangements between the EC and NSAs –including funding through the thematic instruments – can help prepare the ground for the resumption of NAMs.

5. Seeking smart partnerships with other actors

The integration of NSAs in NAMs – with its intended outcomes such as improved state-society relations, service delivery, transparency and domestic accountability – is a complex and ambitious undertaking. In order to intervene credibly and efficiently in this arena, the EC should engage over a sufficiently long period of time in smart partnerships with other actors that have a stake in these complex processes. Smart ways of working together include partnerships:

- With other donors: the EC shares with them the commitment to 'reduce costly fragmentation of aid' and has specific policy objectives with EU Member States in terms of division of labour, harmonisation and effective aid delivery. All donors also agreed in the Accra Agenda fro Action to deepen the engagement with CSOs as 'independent development actors in their own right' and to work together to provide an 'enabling environment that maximizes their contributions to development'.
- With other key domestic accountability institutions or actors: parliaments, supreme audit institutions, political parties and other actors have a statutory mandate and role to play alongside NSAs, for example in terms of monitoring government actions and budgets.
- With local governments: they reflect a new sphere of government at the local level created by decentralization processes. These institutions are expected to operate close to citizens and NSAs, often mandated by law to provide a wide range of public goods and services and may occupy a nodal place in the overall accountability chain.

5.1 A realistic agenda for joint donor action: three priorities

The EU has set ambitious goals on complementarities and division of labour ([31]). Donor efforts among one another at coordination, information sharing, division of labour and joint funding arrangements have so far mainly focused on strengthening state actors. These efforts are demanding and bring along substantial transaction costs. Adding NSAs to the equation may further compound the problem. Hence, it will be key to set a realistic agenda for more effective engagement with NSAs in the context of new aid modalities. Investing in smart partnerships with other donors seems particularly relevant in the following three areas:

- Joint analysis and knowledge development.
- Harmonisation and division of labour.
- Smart (joint) funding arrangements.

5.1.1 Joint analysis and knowledge development

Knowledge is power. It is key to a successful integration of NSAs in NAMs. Producing relevant knowledge on complex matters such as state-society relations, reform readiness and accountability processes requires an investment in time and resources. There may be possibilities to divide labour or to undertake joint analysis. But often this also demands extra inputs (planning, dialogue, and financial resources). When and how to undertake a joint analysis? A number of donors within GOVNET have jointly answered that question for one area of work, i.e. donor approaches to governance assessments ([32]). Furthermore, a number of donors have started to invest in knowledge, information and experience in sharing. This is for example the case in developing and integrating a stronger political economy focus in the analysis of the context, of actors and institutional settings ([33]). Yet the forms of cooperation usually remain fragmented or punctual efforts to gather information linked to particular stages of the ***life cycle*** of donor operations. They usually serve a particular purpose (e.g. preparing a new programming cycle; identifying key actors; choosing appropriate aid modalities, etc.). The diagnostic tools or analytical methodologies – and hence depth – may vary substantially. On the whole, there is still limited coordination of sharing information and insights in this field of knowledge development of NSAs in a context of new aid modalities, despite the potential benefits to be obtained.

This collaborative work resulted in five guiding principles, three of which are directly relevant for this work.

- ***Build on what is available in country and strengthen the domestic capacity to assess and debate development issues***. This is in fact the first guiding principle of the OECD DAC. Here, donors are encouraged to harmonise efforts in support of research and assessments by different actors (statistical offices, universities, think tanks, social and political movements). This is a difficult yet highly relevant investment to make. It is in line with the ultimate objective of ensuring domestic ownership. Donors are increasingly providing direct forms of support – together or separately – to developing analytical skills and research capacity among non-state actors such as

31) EC (2007), Communication from the Commission to the Council and the European Parliament, *EU Code of Conduct on Division of labour in Development Policy* ''.
32) DAC (2009), *Guiding principles on Donor approaches to governance assessments.*
33) See for example DFID, (2010), *The Politics of Poverty, Elites, Citizens and States. Findings from ten years of DFID-funded research on Governance and Fragile States 2001-2010*.

the media, think tanks, research institutes, etc. This is crucial for contributing to country-driven policy debates on key development issues.

- ***Acting collectively, donors can also help domestic accountability actors to get access*** to quality information about roles, functions and inputs of external actors or about major development policy issues. These smart partnerships may create incentives for domestic NSAs to ask questions, to invest in policy research and analysis (e.g. on the state's budget, the quality of service delivery) and to engage in a meaningful policy dialogue with the state.
- ***Build on what is available within development partners***. In the context of the implementation of the EU Code of Conduct, there are ongoing efforts to map the comparative value added of donors and the respective areas of expertise. This may provide a first snapshot of likely partners for smart partnerships in deepening the understanding of context, institutions and actors. Donors such as the EC, DFID, the Netherlands, Sweden, the World Bank and others, have been working on political economy approaches to country, sector or problem focused analyses. Key areas for budget support – the budget process to begin with, but also public sector reform, etc. – may be more properly analysed and debated when donors combine their brainpower ([34]).
- ***Identify a clear purpose to drive the choice of assessment or analytical tool and processes***. Whether an analysis requires more donors to work together, or demands collaboration with domestic actors or stakeholders ought to be largely determined by a clearer articulation of the purpose(s) of the whole exercise. The purpose can for example be related largely to internal use by the donors – choices on aid allocation, on partners, on policy dialogue. This will require different preparations, different degrees of transparency, different involvement of multiple stakeholders and methodology than for example when the purpose is to stimulate dialogue and ownership among domestic stakeholders. Combining too many purposes for one methodology or approach often is counter productive. It is often better to rely on various types of focused diagnostics. So undertaking 'joint analysis' should not become a dogma.

Box 13: Joining forces in carrying out a 'political economy analysis'

In Nepal, the EC and DFID have recently decided to launch a joint 'political economy analysis' study of the education sector. It is intended to complement existing diagnostic work at country level. Sector analysis is seen as the logical next step to help unpack the dynamics at sector level, explain why reforms have stalled or are progressing slowly and consider implications for future programming and support –including with regard to the contributions NSAs could provide. The focus will also be at what donors do in the sector and how they deliver their support. The study should help all stakeholders in the sector to be more effective. It is envisaged to feed the analysis into the upcoming Joint Consultative Meeting and in the Joint Annual Review on the education sector. The whole consultancy process will be jointly managed by the EC delegation and DFID Nepal.

- ***Share knowledge or research findings whenever possible***. Transparency is to be preferred, and should be the default option. Yet, in real life situations, political tensions or realities may be such that not everything can be made public or 'thrown on the web'. Yet, often disclosure of findings of research or assessments to domestic stakeholders, or to other donors is not a merely matter of either/or. Some parts of the analytical work may be kept confidential, while others are shared. Information may have to be edited and re-arranged for broader dissemination. Again, a concern about domestic change processes, power relations and the roles of domestic actors can and should inform the degree and form that transparency takes. The form of communication and information sharing will matter as well. Passively putting sensitive information on the web is likely to have a different impact than careful work shopping, organizing seminars, and investing in reaching out to less connected domestic actors.

5.1.2 Harmonisation and division of labour

Harmonisation and division of labour are key features of the Paris and Accra agendas and core ingredients of the new aid modalities. So far, donor harmonisation efforts have primarily focused on partner governments, much less on NSAs. In the field, fragmentation still prevails in many countries. This is reflected in the proliferation of donor strategies and funding schemes towards NSAs. The EU has committed itself to engage NSAs, as an active part of the participatory development agenda, in general discussions on aid effectiveness and in the division of labour processes at country level. Through its Code of Conduct the EU encourages in-country complementarities by pressuring EU donors to concentrate their support on a maximum of three sectors. However, general budget support and civil society support are not considered as 'sectors'. All this puts a premium on developing smart partnerships among donors in dealing with NSAs, particularly in the context of NAMs (see Methodological tool 5).

34) The EC is part of an informal group of development partners (including DFID and the WB) that share information and experiences in political economy and governance analysis (http://capacity4dev.ec.europa.eu/topic/2028).

There are several areas where smart collaboration would be particularly helpful for effective NSA participation in NAMs:

- ***Jointly develop strategies towards NSAs.*** Instead of the current fragmentation of strategies towards civil society, donors could seek to harmonise their approaches. This could be done in the framework of ongoing attempts to move towards joint programming at country level. Donors could create opportunities for NSAs to fully participate in these processes and in the related efforts to design a comprehensive strategy to engage with NSAs in various policies and sectors.
- ***Jointly programme support to NSAs***. This practice is also still incipient, yet there are already promising experiences (see joint programming of a new NSA capacity development programme in Mali, section 4.4.2).
- ***Work together in support of an enabling environment for NSAs***. This can be undertaken through (i) political dialogue with government, e.g. on areas such as freedom of information, freedom of association; (ii) policy dialogue, e.g. on NSA participation in sector consultations, service delivery, monitoring, etc); (iii) through performance assessment frameworks, either jointly promoting NSA participation in the design, or even through the dialogue on those performance indicators that matter for non-state actors in their interactions with state and society.
- ***Jointly assess the role and added value of international NSAs and develop a joint vision and strategies***. The focus on ownership and a protagonist role for domestic stakeholder's actors in the development process has fuelled a debate on the changing roles of Northern NSAs. These NSAs come under pressure to delegate responsibilities to their local partners, while redefining their own added value. This debate is particularly relevant for the issue of NSA participation in NAMs. Northern NSAs cannot be confined to their traditional roles, and have started to demonstrate their added value through a host of new roles and functions.
- One area of work that is particularly relevant for new aid modalities are the efforts to ***empower local partners for a meaningful participation in NAMs*** through capacity support, networking, alliance building and the facilitation of linkages to international policy processes. These regional or international dimensions may be especially relevant where there are global drivers of bad governance. The experience of the International Budget Partnership illustrates very well how specialised skills and capacity development can contribute to strengthening engagement of domestic civil society with key policy areas such as budget planning and execution (see Box 14).
- The EC can also play an important role – given its 'mandate' and position among EU development partners – in ***promoting clever forms of division of labour***. There is ample scope for joint strategising and for ensuring that the various 'layers' of NSAs are covered. The question of the role and added value of Northern NSAs is a central theme in the recently initiated 'Structured Dialogue for an efficient partnership in development' between the EC and the NSAs/local governments.

Box 14: How to strengthen citizens' budget literacy and accountability? The case of the *International Budget Partnership*

Especially in countries where the EC provides budget support, it is worth assessing the potential for strengthening budget literacy or awareness with NSAs. One international NGO that is specialised in this field – the International Budget Project (IBP) – runs international awareness initiatives (such as the Budget Index Survey) and capacity support initiatives in low and middle-income countries. IBP started in 1998 as a think tank on government policies and budget allocations in middle-income countries. Meanwhile, there is a growing interest from civil society organisations within lower income countries. IBP has adapted its focus and broadened the methodologies.

Public budgets are key policy tools and should provide blueprints on how much money the government will raise and spend. Yet, budgets generally poorly reflect policy priorities and their realisation. Only one in five budgets provides adequate information for their citizens (2008 Budget Index Survey). IBP also focuses on how donors can contribute to enhanced transparency and accountability through their work with partner countries. This includes providing timely and improved data on aid flows.

IBP has developed in-country partnerships in 30 countries with 35 CSOs through its Partnership Instrument. This instrument integrates capacity development to NSAs with a range of finance modalities, including long-term core funding. IBP is also a learning and research organization, the products of which can be relevant for multiple stakeholders and actors, including donors. It takes a closer look at how citizens and non-state actors can effectively engage with the state through budget related processes and entry points. Such processes can relate to concrete issues that can be monitored by citizens such as teachers' salaries, delivery of text books (Philippines) and medicines.This can involve citizen's monitoring on service provisions but it also asks questions about what forms of NSA engagement provide more responsiveness and accountability from public authorities. Finally, in the quickly growing area of civil society budget work, IBP also invests in exploring longer-term process approaches, focusing on multiple actors, including governments, supreme audit institutions and parliaments.

Source: International Budget Partnership, www.internationalbudget.org

5.1.3 Smart (joint) funding arrangements

There are compelling reasons to improve the practice of current funding arrangements towards NSAs in general and in relation to their participation in NAMs in particular:

- Donor funding of NSAs carries numerous risks of doing harm, of creating dependencies, trapping them into an instrumental or sub-servant relationship for donor and partner government objectives, etc...
- Fragmented donor approaches to funding tend to encourage 'donor shopping', hamper constituency development and accountability, and stifle the organic growth of endogenous non-state actors.
- Solid and predictable funding arrangements of NSAs through the partner country systems/budgets are seldom available, particularly for NSA advocacy work, which may be highly effective in the context of NAMs.
- There is often a complex diversity of NSAs with a variety of managerial and governance capacities and accountability relations often ranging from the highly formal accountability and management systems to informal, relational ones. This may be demanding on donors in that it requires a range of financial arrangements and a degree of flexibility that one donor cannot always provide.
- Some categories of NSAs (e.g. those involved in policy work, human rights or watchdog roles) may require core-funding over a longer period of time in support of a multi-year programme to be able to effectively and efficiently carry out their particular mission.

Harmonisation and smart funding modalities are critical to addressing these various challenges. With the revision of the EC's financial regulations in 2007, there is more flexibility and the possibility to enter into co-financing arrangements ([35]). Therefore, it is proposed to build and expand the experiences of:

- parallel co-financing: clearly identifiable sub-actions, exclusively funded and following rules/procedures of each individual donor;
- joint co-financing: costs of the actions are divided among donors and funds are pooled (source of funding cannot be identified);
- delegated cooperation: when one 'fund managing donor' acts with the authority of one or more other donors (the rules of the donor that manages the funds are applied).
- Slowly but steadily innovative approaches to funding NSAs in a harmonised way are emerging, as illustrated in the box 15:

Box 15: Enabling NSAs through joint funding approaches

In ***Tanzania,*** a joint consultation process between donors and CSOs resulted in a common strategic framework in support of those CSOs working mainly in advocacy and engaged in policy processes. In this context, an intermediary support mechanism — the Tanzania Foundation for Civil Society — provides grants and capacity development support to CSOs. This has also allowed:

- To establish common guidelines for support to civil society, elaborated by development partners and in consultation with Tanzanian civil society.
- To create a website that contains a database on development partners' support to civil society in service delivery and advocacy work; information on this joint initiative and on development partners.
- To provide information on ongoing projects, on grant/support facilities available to NSAs in a transparent and better-coordinated manner.

In ***Sierra Leone,*** the EC agreed to channel its funds for capacity development of NSAs involved in advocacy work and local accountability through an existing mechanism, set-up by DFID. It could thus avoid creating yet another stand-alone NSA structure.

35) See also EC (2008), *EU Toolkit for the implementation of complementarity and division of labour in development policy.*

5.2 Non-State Actors and other domestic accountability actors

Improved domestic accountability is one of the main justifications for involving NSAs in NAMs (see chapter 1.4) and in performance monitoring of budget support operations in particular (see chapter 4.3). However, non-state actors are not the only players in the domestic accountability arena. Other institutions from *political society* – parliaments, political parties – also have a key role to play, and so do courts of auditors, and the judiciary (Methodological tool 6).

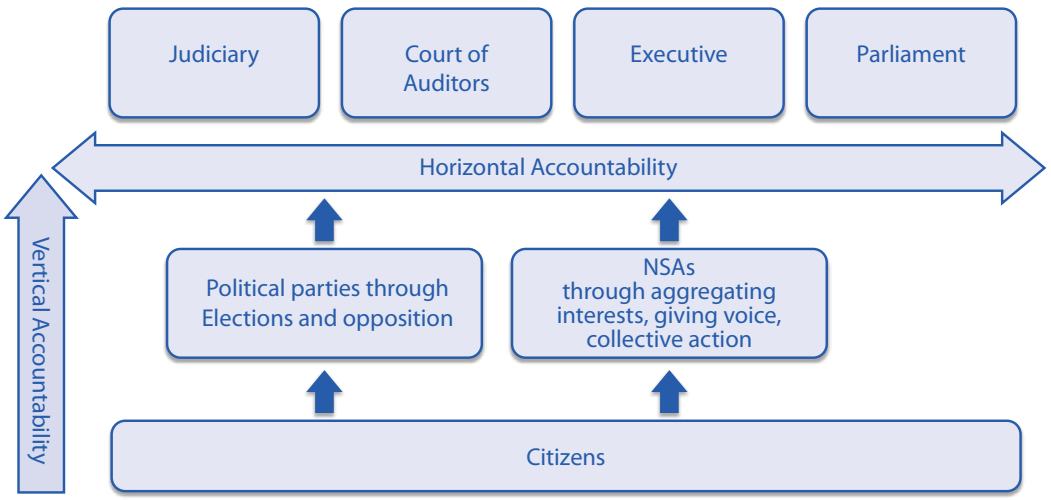
This diversity of domestic accountability actors has not always been recognised by donors. They have tended to support domestic accountability institutions as separate entities, sometimes largely overestimating the impact that such isolated support can generate ([36]). The DAC Network on Governance encourages donors to focus on the inter-relationships between these accountability institutions. So when supporting NSAs as 'watchdogs' in the context of NAMs, the EC is well advised to also enter into smart partnerships with other domestic accountability institutions so as to enhance the possible impact on the overall domestic accountability system.

According to the DAC GOVNET there are three conditions that lead to a state-society relationship based on accountability:

- citizens have access to information about state commitments and its fulfilment (transparency);
- citizens have the capacity to demand state responsiveness for its actions (answerability);
- mechanisms exist to sanction poor performance (enforceability) ([37]).

The domestic accountability system consists of various actors and different lines of accountability, as illustrated in the figure below. NSAs and political parties, jointly with citizens, are part of the vertical accountability line. The institutions from political society can be considered as part of the horizontal accountability line.

Figure 15: The domestic accountability system



In many countries, this domestic accountability system shows major gaps and weaknesses. NSAs may lack space, organisational capacity and legitimacy to act as 'checks and balances'. Parliaments, the judiciary and the courts of auditors tend to suffer from political control and interference from the Executive. Political parties are generally weak, highly fragmented and focused on acquiring power through clientilism rather than on articulating and aggregating interests within society, and representing issue based constituencies in the body politic.

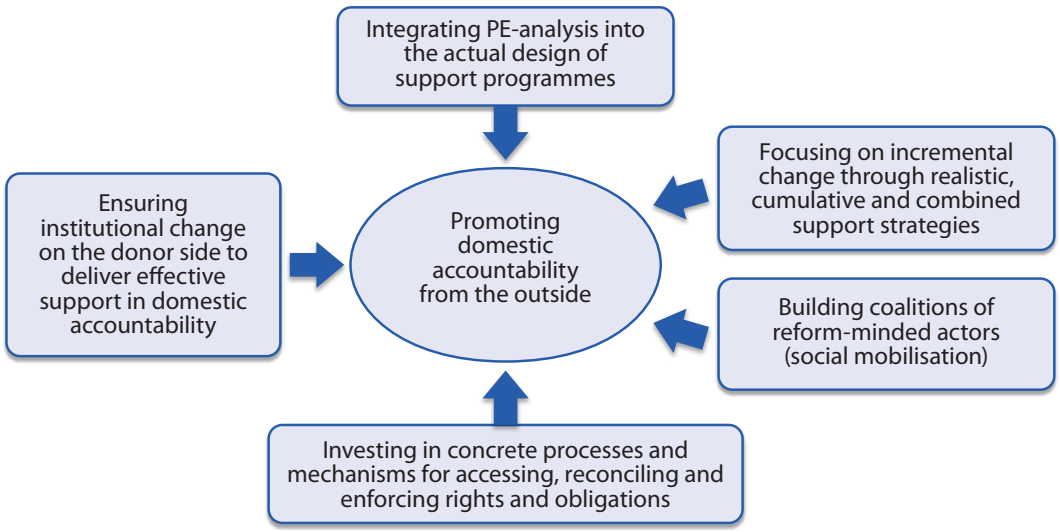
In this context, the EC is confronted with the challenge to (i) adopt a systemic perspective on domestic accountability; (ii) provide combined and balanced forms of support to the various domestic accountability actors (according to real needs identified following a solid political economy analysis); and (iii) ensure coordination with other donors involved in this arena.

36) Joint evaluation of citizens' voice and accountability, ODI, 2008.
37) Hudson, A. and GOVNET (2009), *Background paper for the launch of the work-stream on aid and domestic accountability'*,

Promoting domestic accountability has proven a difficult exercise for donor agencies. As a recent evaluation highlighted, 'it cannot be easily assumed that the strengthening voice on its own will somehow lead to improved accountability" ([38]). Whether voice contributes to accountability depends largely on political context and whether states are effective, capable and/or willing to respond to citizens' demands. It is also important to critically reflect on who is able to have 'voice', and how representative they are, as not all voices are equal or equally heard. In reality, the voice and accountability relationship is a multi-faceted one: 'In short, voice and accountability are dynamic and complex rather than static and simple: actors play different roles differently, depending on the context" ([39]).

The emerging findings of work in support of voice and accountability suggest the need for an integrated approach, as reflected in figure 16 below. These five challenges invite donors to develop stronger ***building blocks of a realistic and integrated approach*** to promoting domestic accountability in ways that are adapted to the political and geographic contexts:

Figure 16: Main challenges for greater effectiveness in promoting domestic accountablility



- The **first cluster** confronts donor agencies with the challenge to translate their increasingly 'inquisitive' political economy analysis into new-style support strategies and to tailor interventions to the prevailing political context (including formal and informal rules of the game).
- The **second** calls for a more sophisticated set of intervention strategies based on (i) 'basic-first approaches" ([40]); (ii) greater attention for getting the citizens on board; (iii) a smart combination of support to the 'supply' and 'demand' side of domestic accountability; (iii) a capacity to link interventions at micro-meso-macro levels; (iv) careful considerations of the impact of (new) aid modalities on domestic accountability processes; (v) a preparedness to connect project interventions to broader reform processes.
- The **third** focuses on the 'actors' dimension' of improving domestic accountability. It invites donor agencies to (i) make effective use of the political economy analysis and to look for actors that may drive or block change; (ii) design support strategies that target non-traditional actors (beyond civil society organizations); (iii) overcome the public-private divide by building alliances between reform-minded actors across the board; (iv) recognize the limits of individual agency (e.g. by poor citizens acting as agents of accountability) and focus in a realistic way on collective action. Such collective action comes about through the mobilization of social movements, media, and civil society. Such actions may have knock-on effects on state institutions, who may feel pressurised to play their accountability functions more vigorously. Findings from research indicate that certain policies and aid modalities tend to facilitate or enable forms of collective action ([41]).

38) Rocha Menocal, A. and Sharma, B. (2008), *Joint Evaluation of Citizens' Voice and Accountability: Synthesis Report*, London: DFID.39) O'Neill, T., Foresti, M. and Hudson, A. (2007), *Evaluation of Citizens' Voice and Accountability: Review of the Literature and Donor Approaches*, London: DFID.

40) This means preferring small incremental changes in domestic accountability rather than grand designs. A case in point is to raise basic awareness about existing accountability mechanisms and how to use them.

41) Recommended reading with regard to this cluster is the recent IDS Bulletin on '*State, Reform and Social Accountability'* (with examples from Brazil, India and Mexico). Several case studies make a convincing argument in favour of multi-actor approaches and processes of collective action to promoting domestic accountability. Institute of Development Studies, Volume 38, Number 6.

- The **fourth cluster** stresses the need to invest in institutional development, i.e. in the establishment of mechanisms and channels to improve government accountability or enhance democratic space for citizens to express their voice and take action.
- The **final cluster** draws the attention to the implications for donor agencies, which need to adopt a more political approach to cooperation. It calls upon donor agencies to thoroughly review their own political, institutional and operational methods of work if they want to successfully impact on governance processes such as promoting domestic accountability ([42]).

In the development of smart partnerships on domestic accountability, a set of recommendations can be considered:

Box 16: Key operational recommendations

- Domestic accountability needs to be seen as a 'system' to be supported in the long-term, rather than as a mechanism to assess the results of aid interventions and narrowly account for aid.
- Use political economy analysis to understand the respective strengths and weaknesses of the various domestic accountability actors and their inter-relationships.
- Create or enhance synergies/coalitions among all domestic accountability actors when supporting NSAs.
- Specify the role and added value of the NSA contribution to domestic accountability in the given context/sector.
- Recognize the limits of individual agency and pay more systematic attention to how policies and management of aid affect the potential for collective action.
- Identify relevant forms of capacity development for each of the domestic accountability actors.
- Ensure effective coordination with other donors, foundations, Northern NSAs.
- Be aware that donor interventions alter the accountability relationships among actors (for better or worse) and carefully monitor the effects produced on the accountability system.

5.3 Smart partnerships with local governments

Local governments are another set of actors that need to be considered when the EC engages strategically with NSAs in NAMs. Whether by own choice or as a result of external pressures, the vast majority of developing countries are currently involved in some form of decentralization process, encompassing different reform agendas such as devolution of power to elected local governments (as a distinct set of state actors); local governance (based on the principles of participation, transparency and accountability) and the overall modernization of the state. These decentralization processes fundamentally alter the institutional landscape in the developing world.

The EC has gradually recognised the key contribution local governments can make in the development process in various policy documents such as the European Consensus on Development, the revised Cotonou Partnership Agreement as well as the EC Communication on 'Local Authorities: actors for development' (2008). The Accra Agenda for Action also stresses the need to involve local governments in the search for stronger country ownership, domestic accountability and development effectiveness.

The integration of local governments in the new aid architecture has still a long way to go, certainly compared to the progress already achieved with regard to the participation of NSAs. Local governments themselves are still struggling to find their place in the new multi-actor aid set-up and to let their voice be heard in the debate on aid and the broader development effectiveness. The EC can provide a helping hand by developing smart partnerships with local governments to ensure their involvement in NAMs, alongside NSAs. This strategic link between the two families of actors is relevant for the following reasons:

- ***National development policies vs. local development policies***. The inclusion of the local government perspectives on development priorities, alongside those of central governments and NSAs can further enrich the process of strengthening 'country ownership'.

42) A shared responsibility among donors to increase transparency on their aid (both on and off-budget) is one concrete item in this cluster.

- ***Changing lines of accountability***. The decentralisation process fundamentally affects the 'accountability chain' in development as local governments become responsible for the delivery of several public goods and services. NSAs involved in NAMS with a view to improve domestic accountability may need to partly shift their focus of attention in monitoring performance and expenditure tracking to the level of local governments.
- ***Respecting the legitimate role of local governments in service provision***. NSAs have an important role to play in the implementation of NAMs (see chapter 4.3). Yet the support provided to NSAs in this particular area should be consistent with the 'legal' framework for decentralisation and related roles that local governments have been entitled to play with regard to the provision of public services. Donor support should not blur this role division with the impending risk to de-legitimise local governments
- ***Competition for donor funding***. There are now multiple channels to deliver donor support. This creates growing competition between central and local governments and between the latter and NSAs. Donor agencies will have to carefully consider the adequate institutional 'entry points' for their support and avoid to introduce biases or tilt power structures in favour of one actor or another.

So far there is a limited experience in *jointly* supporting NSAs and local government in the framework of NAMs. Both set of actors are still predominantly approached and funded as separate entities. However, promising practices are emerging both in the geographic and thematic lines, as illustrated in the box below.

Box 17: Targeting NSAs and local governments in NAMs

- The EC provides sector budget support for decentralisation, local governance and local development in a number of countries including Mali, Jordan and Honduras. In all these programmes, there is an explicit strategy to link local governments to NSAs, respecting the roles and responsibilities of each actor. In practice, this can take the form of bringing these actors together into the Steering Committee of the programme (Honduras); involving them in joint planning at field level (Jordan) or providing NSAs with a mandate to monitor effective implementation (Mali).
- The Protecting Basic Services Programme in Ethiopia is a budget support mechanism with a strong decentralised component. In order to ensure an adequate utilisation of these funds at district and local levels, the programme supports both local governments and NSAs. It is expected that this programme will contribute to improved dialogue between multiple stakeholders on local development, as well as to greater citizen awareness about local governance and the availability of resources through enhanced transparency.
- The EC Thematic Budget Line on NSAs and Local Authorities is experimenting with Call for Proposals that encourage joint action between both set of actors in the framework of sector operations, funded through NAMs under the geographic instruments.
- In the ACP countries, the special facility for capacity development of NSAs is used for improved collaboration between NSAs and local governments in the promotion of local development and local governance. In Mauritania, one of the strategic clusters of the Civil Society Support Programme (PASOC) intended to promote joint action between NSAs and local governments, also with a view to 'prepare the ground' for a possible application of budget for decentralization.

6. Enabling the EC to engage strategically with NSAs

6.1 Involving NSAs in NAMs: a complex job requiring creativity

Over the past decade, the EC has acquired experience in supporting governance reforms and promoting participatory development approaches. Various recent EC evaluations confirm positive trends in both areas such as increasingly sophisticated policy frameworks and toolboxes; relevant and often innovative support programmes; as well as learning and knowledge development. However, the evaluations also indicate that the EC (much alike other donors) is still struggling with many thorny strategic and operational challenges. *How to promote ownership of governance reforms? How to operate in 'hostile' or 'fragile' environments? How to use leverage without interfering? How to identify the key actors to be involved? How to mobilise the potential added value of NSAs? How to provide smart and viable forms of support to the various actors? What results can realistically be expected over which period of time?*

Experience also suggests that the political role of external agencies in governance processes and NSA support programmes needs to be further clarified. Donors often tend to downplay the political nature of their governance work and revert back to rather technocratic discourses and implementation approaches. However, development partners that intervene in these processes or provide support to NSAs are by definition not neutral players. With their support, donor agencies de facto interfere in the evolving relationship between state and society, influence the balance of power and alter the accountability relations. Hence, the EC and other donors can – and should – consider themselves as full-fledged 'actors' with the ability to act as 'change agents'. Evidence suggests that the EC has not yet fully come to grips with this political role. It has not completed the transition process from being primarily an aid administration to becoming a 'political actor'.

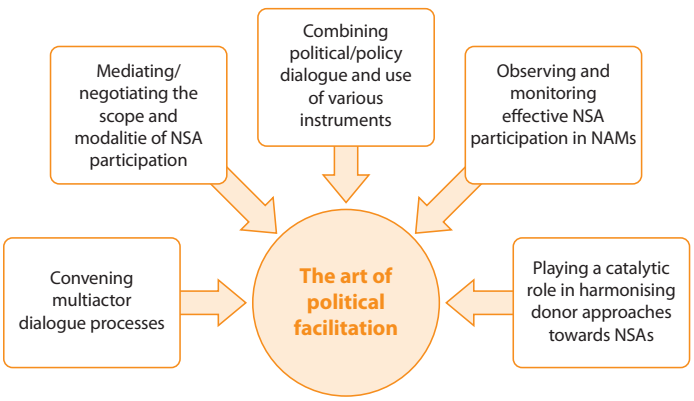
These challenges are also likely to surface in EC efforts to engage NSAs in NAMs. *Politics* will be omnipresent all along the cycle of operations and will need to be carefully and creatively managed by the EC. This, in turn, makes it imperative for the EC to further invest in its own institutional capacity to deliver meaningful governance support and to engage strategically with NSAs in the context of NAMs. Two main challenges arise in this respect: (i) the challenge to learn to play new 'political' roles; and (ii) the challenge to develop specific capacities while ensuring that the right incentives are in place for a more strategic engagement with NSAs.

6.2 Learning to play new 'political' roles

The involvement of NSAs in NAMs reflects a clear political choice, based on formal EC commitments with regard to both the *Accra Agenda for Action* and the *participatory development agenda*. In this scenario the EC cannot limit its role to technocratic-managerial approaches or to that of a funding agency. The task at hand is rather to practice the ***art of political facilitation***, i.e. to pro-actively use its position and leverage to play the role of a 'change agent' while respecting the principle of country ownership. It means subtly pushing for reform within the boundaries of what is acceptable in the context of a given society/sector. Imposing NSA involvement –as conditionality – on hostile governments is likely to be ineffective if the basic conditions for a meaningful participation are largely absent. Customized approaches will often be needed, using available windows of opportunities. Political facilitation is also about playing the role of 'honest broker' between state and non-state actors in NAM related processes. All this is, admittedly, a delicate and risky business, often amounting to walking on a tightrope.

In practice, political facilitation involves various operational roles that the EC could pro-actively seek to play when associating NSAs to new aid modalities, as illustrated in the figure below.

Figure 17: The 'art of political facilitation'



These roles are not theoretical constructs. Several EC Delegations have started to walk along this road and gained valuable experiences in playing a pro-active role in securing NSA participation in NAMs, as illustrated in the box below.

Box 18: The pro-active roles played by EC Delegations ([43])

Ecuador

Initially, the Government of Ecuador was rather reluctant to reserve part of the budget support it received for the education sector to finance NSAs for monitoring purposes. The initial resistance was overcome through a slow process of intensive dialogue between the EC and the Government. This required a lot of facilitation efforts and 'non-visible work' in the corridors. During the dialogue process, the EC also relied on the Government's own policies, and the principle of civil society participation recognised by the Ecuador Constitution of 2008.

Ghana

The EC is a member of the Multi Donor Budget Support group (MDBS) in Ghana, and co-leads the Governance Sector Working group. The EC invested in process facilitation, in knowledge of the NSA landscape, their strengths and weaknesses as well as their potential added value within the budget support process. Further attention was given to the potential to create synergies with other (policy) processes such as the coordination efforts by the Aid Effectiveness Forum (AEF) to enhance NSA representation in the Sector Working Groups. There is a strong awareness among members of the budget support group that there can be no meaningful NSA engagement without information sharing, ongoing communication, a preparedness to listen to and have dialogue with NSAs on critical issues, concerns and modalities of NSA participation in the process. The EC also links its efforts in the area of budget support in the sector of *Natural Resource and Environment Governance*, with efforts in direct support to capacity development with non-state actors in this sector, as well as more global dynamics and incentives for improved governance. The growing demand in Europe and in other markets for wood that is not contaminated by corruption or poor natural resource management proves to be an incentive for both government and non-state actors to engage with one another.

Honduras

A change in government in Honduras meant a loss of interest in implementing the *poverty reduction strategy* – around which the EC had developed an NSA support programme. Flexibility was therefore required to reorient the support towards new opportunities. These were found in the security sector, a priority for the government and an area where NSAs were perceived to have a clear added value. The EC Delegation invested time and energy to get to know the key NSAs in the sector and to jointly explore ways to involve them in the planned sector budget support. The Delegation also put in place internal coordination mechanisms, such as weekly meetings among all relevant EC staff. Much of the work is geared towards promoting an effective government-NSA dialogue.

South Africa

The South African Government is committed to working with NSAsstill, the EC Delegation in Pretoria opted for complementing its sector budget support to the government's justice reforms with support to advocacy organisations and related actions 'where the objectives of those actions would possibly conflict with Government policy or priorities'. Even though the government was keen to involve NSAs in programme implementation, few governments will be comfortable with external actors financing voice and accountability activities of NSAs in their countries. The EC therefore had to engage in a constructive dialogue with the government to reach agreement on the involvement of advocacy NSAs. The EC committed itself to ensure full transparency with regard to the funding to be allocated to NSAs; and invited the Department of Justice staff to participate in the evaluation committee of the EC managed call for proposals as an observer.

6.3 Developing specific capacities and providing incentives

In order to effectively play the role of political facilitator, the EC needs to further develop a set of specific capacities at both headquarters and Delegation levels. These represent a ***'blend'*** of the skills required to encourage participatory development and more strategic ways of engaging with non-state actors. The EC can provide stronger incentives to its staff to engage in this type of work. Other requirements include (i) sufficient quality time to engage with NSAs; (ii)

43) For more details see the cases in Annex 1.

promotion of political economy approaches in designing NAMs; (iii) encouragement of joint action between units at Delegation level; and (iv) greater acceptance of the possible risks involved in associating NSAs in a context of NAMs.

Six capacities merit special attention (for details on the main ingredients and incentives linked to each of these capacities see Methodological tool 7):

- ***Capacity to carry out political economy analysis and to use its results.*** Throughout this document, the need for a solid political economy analysis has been advocated, an exercise preferably to be done through smart partnerships with other donors (see chapter 5.2). The EC, like other donors, still needs to improve its internal capacity to use the tool of political analysis in terms of promoting meaningful NSA participation in NAMs.
- ***Capacity to deal 'holistically' with NSAs.*** EC efforts to upgrade NSA involvement in NAMs should not be considered as a separate issue but as part and parcel of its overall strategy towards NSAs. This may require dedicated capacities to connect, interrelate and bridge various issues, agendas and actors.
- ***Capacity to conduct an effective policy/political dialogue.*** This boils down to developing a sophisticated knowledge of the political landscape and what drives and blocks change. This will help set realistic ambitions and more grounded stratagems for engaging with domestic governance and accountability actors. It will also help determine how to make effective use of policy and political dialogue to protect, use and expand the space for NSA participation, where needed and if possible.
- ***Capacity to adopt a process approach to implementation***. Short-term project approaches are not suitable for supporting complex and often unpredictable reform processes. In order to respond flexibly to windows of opportunities and societal dynamics in partner countries, EC support to NSAs in NAMs should be provided in a process-oriented manner and be embedded in a longer-term perspective of gradual change.
- ***Capacity to monitor results and to learn from experience***. Engaging NSAs in NAM is a relatively new area of work, lacking well-tested tools. It is a highly political enterprise with both ambitious objectives and uncertain outcomes (due to the erratic nature of the policy processes involved). All this puts a premium on developing capacity to monitor results in a qualitative manner and to ensure joint – and continuous – learning approaches.
- ***Capacity to communicate, network and build long-term relations***. When the EC supports governance or seeks to engage NSAs in NAMs it becomes an actor in domestic reform processes. This brings along the responsibility to ensure adequate communication among all relevant stakeholders on the EC policies, implementation approaches and contribution, to engage pro-actively in networking and to build relations/coalitions among like-minded domestic and external actors.

EPILOGUE – a *living* document

How can the EC tap the full potential of the evolving new aid modalities to engage more effectively and strategically with non-state actors? This is the question around which this Reference Document set out to find answers. In doing so, it focused primarily on three ongoing and converging processes. These converging processes relate to EC efforts to (i) engage more strategically with the full diversity of non-state actors, (ii) to make aid – including new aid modalities – more effective, and (iii) to deepen the understanding of governance and political dimensions in development and in state-society relations.

To find answers for this key question, we turned to three different categories of EC practitioners. Broadly speaking these are:

1. The 'macro economists' who deal with (sector) budget support as 'an aid package'. In that, they are increasingly confronted with political questions and key governance issues such as domestic accountability relations. Within the EC new guidelines on budget support are being finalised, and within the broader EU context there is lively debate and consultation process on the future of budget support.

2. The sector specialists, including the governance advisors, who are confronted with key issues of harmonisation, demand and supply side issues related to policy reforms, and macroeconomic and cross-sector governance.

3. And those practitioners who operate with thematic budget lines and with non-state actors in ever more demanding environments in which they have to apply the policy of participatory development in often difficult partner country settings, as well as in the EC's own areas of work. They are engaged in a multi-stakeholder dialogue, the *Structured Dialogue process,* to improve forms of cooperation with NSAs.

This document attempts to bring emerging answers and relevant experiences of these various strands of work together, to facilitate as it were some cross-fertilisation and intra-EC learning. But the document also points to other (sub-) processes – and actors – that may be relevant for that purpose. There are other ongoing streams of work beyond the EC that are of relevance. The work undertaken by the DAC Network on Governance, by other donors, academia, think tanks and non-state actors in the area of domestic accountability is but one example of such promising field of work for the problemacy covered by this document. The evolving efforts on political economy analysis are another example.

This document is the product of a collaborative effort of a diversity of actors and stakeholders, combining multiple areas of expertise. It borrows from the knowledge that is being developed and the experiences that are being shared in these and other processes. But by their nature, these processes are evolving, and hence *unfinished business*. And so is this document.

Many of the experiences, findings, answers and questions that we tried to capture in this document invite for new questions. Therefore, chapter 5 pointed to the need and the potential to develop 'smart partnerships'. This, in all likeliness, will not suffice. Numerous unsolved dilemmas in real life contexts will linger on, and promising – or less promising – experiences will remain untapped. Therefore, the EC dedicates a platform for further exchange and learning on ***capacity4dev*** (www.capacity4dev.eu).

Methodological tools

Methodological tool 1: NSA roles

NSAs have a critical role to play in development. However, as stressed by the Advisory Group on CS and Aid effectiveness (OECD, 2007), the definition of Civil Society, in and of itself, does not define the roles that civil society can play in development. In fact, 'roles' require the identification of a normative framework(s) concerning the positive roles that civil society is meant to play. They are a vital link to the grassroots; they can articulate the needs, demands and interests of groups; and they can help reach remote and marginalised communities. The Advisory Group, based on existent literature, proposed three ways of looking at civil society and that can be of common usage: (i) As a necessary component of an accountable and effective governance system; (ii) As organisations providing effective delivery of development programmes and operations; (iii) As mechanisms for social empowerment of particular groups and the realization of human rights. Within this analysis, it is possible to identify the following potentials roles for civil society (OECD, 2007)

Role of NSAs	Description	Skills required
Voice	**Mobilising grass-roots communities, poor and marginalised people.** NSAs might be trusted by groups of people at local level and can partner with government in implementing effective consultation process to reach out to and align with the needs of these communities. They can also adopt strategies to deal with the social, economic and political conditions of poor and marginalised people.	Capacity to assess micro-needs of the poor or marginalized groups and to translate them into inputs in the macro policy debate; capacity to engage in national policy debates and influence, lobbying, capacity to mobilize citizens and funding.
Public education	**Raising awareness, education and engaging citizens worldwide.** NSAs, in the EU and in partner countries, engage citizens to actively participate in development process and poverty eradication. They enable people to move from basic awareness of international development priorities and sustainable human development, through understanding of the causes and effects of global issues to personal involvement and informed actions.	Pedagogic, communication and advocacy skills, capacity to mobilise resources and people.
Accountability	**Monitoring government and donor policies and practices**. NSAs are well positioned to hold national and multilateral development stakeholders accountable since they have a distinct and independent role by promoting the public interest with the help of specific (marginalised) groups of people, ultimately leading to enhanced governance, and the reduction of poverty and inequality.	Capacity to monitor and evaluate government policies and aid, gather and interpret qualitative and quantitative data, read budgets, advocate and lobby, mobilise resources and people.
Service providers	**Delivering services and development programming.** When it comes to mobilisation, empowerment and accountability, NSAs are well positioned to meet the needs of excluded communities as they can experiment and devote time and energy to build trust and empower local communities.	Management skills, specific capacity related to the service provided, capacity to adapt to context, monitoring and reporting skills, mobilisation resources and people.
Bridging social capital	**Building coalitions and networks for greater NSAs coordination and impact**. NSAs can coordinate around shared values and goals, and hence maximise their engagement with their constituencies, and with other actors such as government and donors.	Coordination, organisations, dialogue and networking skills, mobilisation resources and people and communication capacity, conflict-resolve.

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Role of NSAs	Description	Skills required
Capacity development	**Transferring capacities.** In some contexts and sectors, NSAs develop knowledge, experience and outreach capacities which could be invaluable for improving the quality of services at the national and, especially, at the local level. Those organisations are often uniquely positioned to reach vulnerable and isolated groups who are at risk of remaining excluded by national mainstream initiatives and have the flexibility to be more innovative. Thus, engaging NSAs in the capacity development could be to further support and make use of these knowledge and skills to enhance public institutions capacities.	Pedagogic skills, capacity to adapt experiences and skills to understand needs and aggregate interests, be able to communicative, be innovative, creative, and capitalise knowledge…
Innovation	**NSAs create room for innovation**. CSOs are more prompt to take risks in experimenting new approaches, methodologies and techniques in development and empowerment.	Technical skills, specific knowledge, knowledge capitalization and sharing
Leveraging efforts	**Mobilising and leveraging EC resources in global NSAs partnership**. Though each NSA is rooted in its own history and context, transfer or resources and capacity development from abroad can have a significant leveraging effect. Several NSAs in EU partner countries have developed partnership with foreign development partners	Networking, collaborative, technological and dialogue skills, mobilisation of resources and people and lobby capacity.
To these roles, others can be added as the new aid agenda(s) and the focus in governance issues may require (IDS, 2008). These 'new' roles are the result of the possible and increased interactions between state and civil society recalled by the new aid architecture, creating spaces in which citizens are empowered to express their needs and priorities. One of the key roles of NSAs is to promote, through interaction in this 'public sphere', **a return to participatory politics** rather than limiting it to periodic elections.		

Source: ODI (2009), IOB (2006), OECD, (2009)

Methodological tool 2: Differentiation of actors and levels of analysis

One of the main difficulties of working and engaging with NSAs is related to the definition of non-state actors and civil society due to the numerous types of actors from many different families that are considered 'non-state actors. Any type of support that is aimed at strategically engaging non-state actors or/ and support to civil society faces the question of defining the characteristics, types of organisations, levels of operation, arenas of intervention and the added value that each type and family of actors bring. Here below, we proposed a tool to support EC staff to look at civil society in a given country. This is a tool that can be used as a basis to get familiar with civil society and a starting point to look at non-state actors in a given context. Given the fact that NSAs are shaped by context, history and cultural features, it is possible that some of these elements and types of organisation do not exist or just are labelled in a different way.

		Arena: space and focus where actors are more active or/and specialised		
		Socio-cultural arena	**Research and Communication/ public opinion arena**	**Economic arena**
		Organisations that have large experience precisely in development policy as well as the consideration of marginalised groups, areas and topics. They are focused on contributing directly to people's welfare by providing services and civic education.	Organisations that are mainly focused on research and creating debate and public opinion around issues that include development, democracy human rights. They mainly carry out studies, research on certain topics and innovate.	Organisations that are related to the economic sphere and which can bring experience and expertise in terms of the vision of economic dynamism, welfare, value for money, economic and labour rights. This group includes a organised private sector as well as trade unions and employees associations.
Level: refers to the position of each actor within civil society sphere and its relation with other non-state actors	**4th level:** Grouping of 'umbrella organisations'. These organisations are composed by networks, coordinated groups, federations etc. They are created with the aim to take a common stance with respect to common external problems, public authorities, donor policies, etc.	*Platforms, forums, coordinated groups*		*Inter-trade Unions, Chambers of Commerce,*

Table continuation from previous page.

Level: refers to the position of each actor within civil society sphere and its relation with other non-state actors	**3rd level:** The third level is made up of organisations consisting of a group of organisations that decide to work together and collaborate along a topic/geographic area. They create spaces for information exchange, communication, consultation and organisation of joint actions; provide services to their members on capacity development, external projection and access to funds.	*Coalitions, movements, collectives, networks, federations, umbrella organisations*		*Umbrella professional organisations, trade Unions, federation of cooperatives,*
Level: refers to the position of each actor within civil society sphere and its relation with other non-state actors	**2nd level:** The second level consists on formally constituted organisations with a solid and defined structure. They are oriented to social responsibility and work for the benefit of the population. Sometimes they accompany organisational forms on the first level.	*NGOs, cultural associations, youth organisations, consumers/users organisations, human rights organisations, religious entities*	*Foundations, think tanks, Centres of research, mass media, universities,*	*Professional organisations, workers associations, business associations*
Level: refers to the position of each actor within civil society sphere and its relation with other non-state actors	**1st level:** This first level is composed by organisations created in rural and urban areas as a result of group of people that get together with the aim to find solutions to immediate problems at local level or community level. These organisations are characterised by being limited in thematic and geographic scope and mostly informal.	*Grass roots organisations including faith-based organisations, women and youth groups, community interest groups*	*Local groups of research, local media,*	*Workers grassroots organisations, farmers' organisations, local business associations, cooperatives,*

Methodological tool 3: The EC's Governance Analysis Framework

A better understanding of NSAs and their interactions to the state helps improve the ability of the EC to determine the types, levels and modalities of engagement and support. The Governance Analysis Framework provides some tools to further list, assess and visualise the multiple governance and accountability relations and stakeholders. The following rules of thumb on *how to do it* are worth considering:

Adopt a dynamic approach

State-society relations evolve, and many of the questions that the previous section raises are not easy to answer or study in one go. Mappings, that *Capitalisation Study* proposes, ought to follow a dynamic logic since they are a 'living exercise' that has to be updated regularly. The same can be said of a context analysis that focuses on political economy and governance features. Such diagnostics are not one-off events, but processes that require updating when circumstances require or opportunities arise.

Adapt the methodology to the purpose of the analysis

The purpose has to drive the choice of analytical methodology, the scope, the participation or ownership of domestic stakeholders, and the communication strategy on the outputs. So it is crucial to clearly spell out the purpose of the context analysis and mapping. If the analysis is, for example, to contribute to spelling out the EC's *Country Strategy Paper*, or linked to the design of a general budget support programme or an SPSP, its make-up, depth and audience will be different than if the purpose is to engage in a dialogue with governmental and non-governmental partners in a particular sector. The EC can be interested, for example, to find out whether there is a broader constituency for change among state and non-state actors in a particular sector. This purpose may call for a mixture of methodologies such as in-depth desk study, combined with stakeholder survey, and interactive workshops with different stakeholders. It is also important to indicate the process in which the analysis is embedded so as to ensure some continuity in the learning, and to help avoid that mapping workshops, studies, surveys become isolated one-off events.

Build on existing context analyses and prioritize domestic knowledge building

There are numerous existing sources of context analysis from local sources (produced by universities, specialised NGOs, think-tanks, media reports, etc.) and produced by or on behalf of donors. A closer look at the available material can already help identify those gaps that need to be further studied or analysed.

Other tips and tricks with regard to governance assessments include:

- Rely on multidisciplinary EC teams.
- Promote 'cross-pillar' learning or exchanges between sector specialists, macro-economists, governance experts and NSA practitioners (see also Case 5, India).
- Adopt a participatory approach as default position.
- Engage with domestic stakeholders as much as possible in the design, the implementation and the communication of the findings (although, there are numerous situations or purposes that won't call for such a full shift of ownership).
- Manage sensitivities

Actively promote domestic knowledge generation in areas of political economy ([44]) and governance analysis. The findings of such analyses and mappings may contain sensitive information and shock vested interests or power holders. Such sensitivities should not be ignored, yet findings can often still be managed or shared in different ways.

The matrix below is a simple tool for mapping governance actors and stakeholders. It serves as one element for analysing the change of readiness towards enhanced governance in a sector.

The columns indicate the following assessment parameters:

- ***Role and importance:*** is the actor playing a governance role or an accountability role, or a mixture of both? How important is the actor for the actual governance and/or accountability, respectively? In a forward looking perspective, should the importance increase or decrease?
- ***Interests pursued***: What is the short and long-term agenda of the actor? Which mix of formal and informal objectives is the actor pursuing? What is the mix between pro-poor objectives and objectives linked to bureaucratic

44) Existing EC toolkits on capacity development and sector governance also contain relevant specific guidance for political economy and stakeholder analysis. See, also http://capacity4dev.ec.europa.eu/topic/2028

policies and power struggles, or individual positioning and individual interests? Which one would prevail over the others, which are negotiable and which are not?

- ***Power and resources***: What power and resources does the actor dispose of? Which part is formal, which part is informal? Is the formal power undermined by counteracting informal power of other actors?
- ***Key linkages***: To whom is the actor connected — who knows whom? Which connections and allegiances does the actor have?
- ***Incentives:*** Which positive and negative incentives does the actor have to maintain or change his/her 'governance behaviour'? Which rewards would the actor perceive to get from maintaining or enhancing sector governance, respectively, and which sanctions would be likely in both cases? Which constraints would actors face for pursuing or resisting change? What is the 'system sum' of pushes and pulls of the various factors which incentive certain behaviour? A system under great stress or a system marked by fear may induce passivity.

Mapping of governance actors and stakeholders	Role and importance for actual governance/ accountability	Interests pursued	Power and resources for influencing	Formal and informal linkages	Incentives
Non-public sector					
Political system					
Core public agencies					
Frontline providers					
Checks and balances *Actor 1, Actor 2, etc.*					
Development agencies and external actors *Actor 1, Actor 2*					

Methodological tool 4: Formal and informal relations between state and non-state actors ([45])

	General questions	Entry points and opportunities for engagement with NSAs	Trends
The formal framework	Are formal rules the outcome of bargaining between state and society? To what extent is the executive constrained by laws and the constitution? Do they provide for open, inclusive competition for political power? How often has the constitution been changed? To what extent are these rules respected, or not?	Does legislation provide a framework for NSAs to interact with state and citizens? Is the formal framework in place on budget transparency and checks and balance institutions, on corruption?	
Political competition	Is political competition regulated by law? Or is there abuse of formal procedure? How important is political power for those who compete for it? Have there been non-violent regime-changes? How far are ordinary people able to vote and able to join political parties? Are some groups excluded? How are political parties financed? To what extent do politicians use public resources to stay in power? How far do political parties organise around programmes rather than personalities? Do voters expect their representatives to deliver on individual patronage benefits, on community specific benefits or on public goods?	Is there a climate in which NSAs can mobilise citizens around common interests? Are there good reasons for NSAs to engage with political parties on issues of public goods? Are there incentives to engage with parliamentarians on issues of the budget or sector policies? Or is the nature of the political competition such that citizens and NSAs have to rely on patronage in order to 'get things done'?	
Institutionalisation	Do NSAs and government follow public, transparent and known rules, so that their behaviour is predictable? What are the recruitment procedures in government? How do budgets come about? Are there provisions for formal consultations with organised groups in society? Are NSAs membership based, or are they more loose affiliations? Do they have transparent governance structures? Organise elections for office holders, etc	Is there a formal, predictable process for dialogue/consultation on poverty reduction strategies? Are there formal arrangements for NSA involvement in implementation, follow-up, etc.? Does the budget provide a basis for NSAs to engage with state institutions: government, parliament, the Independent audit institutions, etc?	
Distribution of power	How and to what extent does the political executive share power with the security set-up, with the legislative (does it initiate legislation, does it have power over the budget?), with public and private sector, with civil society organisations, and with external actors (regional organisations, and donors)?	Are authorities likely to use their influence over aid to seek control over NSAs? or is there an interest to engage with NSAs over shared objectives?	

45) Adapted from Framework for Strategic Governance and Corruption Analysis. Designing Strategic Responses Towards Good Governance', Netherlands Ministry of Foreign Affairs, 2008.

Methodological tool 5: How to enhance impact and harmonisation of governance assessments?

The OECD-DAC has analysed the multiple ways in which donors study or assess governance. This has resulted in findings that are relevant for other diagnostic work undertaken by donors such as context analysis, mappings, sector analysis, etc. How can donors improve their effectiveness when undertaking research, context analysis, or governance assessments? How much effort should go into donor harmonisation around common research or assessments? How much information can be shared? With donors? With state and non-state partners? And when does a partner government have to be in the lead of the analysis? What are the risks or the trade-offs in quality?

DAC found a cacophony of methodologies and practices, largely normative and uncoordinated efforts. In the context of the DAC, donors agreed to – individually and collectively – improve their performance on governance assessments. The consensual guiding principles deserve careful attention since they are applicable for donors who undertake political economy and governance analysis. The guidance on when to harmonise with other donors, when and why to undertake joint assessments with partners, why to support domestic research capacity, when and why to communicate the results of the research etc. are all pertinent for this work on political context analysis.

(1) Building on and strengthening nationally driven governance assessments

- drawing on, and aligning with, nationally driven or peer-based assessments
- engaging in strengthening domestic capacity to assess and debate governance issues involving partner country stakeholders in tool development

(2) Identifying a clear key purpose to drive the choice of assessment tools and processes

- separating governance assessments intended for an agency's internal purposes from those for impact on partner country processes
- limiting the number of purposes of a single governance assessment

(3) Assessing and addressing governance from different entry points and perspectives

- embracing diversity and further development of governance concepts. (..) While this diversity is positive, there is still work ahead in terms of refining the understanding of governance processes and their links to development.
- making assumptions, use of concepts and methodologies explicit and publicly available
- promoting joint governance assessments integrated in diagnostics for sectoral and thematic programmes

(4) Harmonising assessments at country level when the aim is to stimulate dialogue and governance reform

- harmonising when there is a clear added value. This is particularly important when the primary purpose of donor assessments is to engage domestic stakeholders, stimulate dialogue and promote governance reform. In such cases, multiple and uncoordinated donor assessments may do more harm than good. However, if assessments are mainly intended to serve internal purposes, then the costs of harmonisation may be greater than the benefits.
- drawing on ongoing processes and limiting transaction costs for partners

(5) Making results public unless there are compelling reasons not to do so

- making assessment results public whenever possible
- clarifying and agreeing on what transparency means beforehand

Source: Donor approaches to governance assessments. Guiding principles for enhanced impact, usage and harmonisation, the DAC Network on Governance, March 2009 www.oecd.org/dac/governance/govassessment

Methodological tool 6: NSAs and other domestic accountability actors

Domestic accountability actor	Relation with NSAs	Risks
Parliaments: Parliaments or legislature is expected to play a key role in holding governments accountable. In liberal democracies, it is intended to represent the constituencies and their aggregated demands. Parliaments are seen as an arena for committee hearings on prospective legislation, with oversight and monitoring activities.	Parliament and civil society fulfil different roles, which may not always be clearly understood or respected. NSA can publicise committee hearings, and can thus create demand for parliamentarians to fulfil their functions (checks and balances institution, representation, legislative initiatives, etc). Some NSAs have succeeded in demonstrating their capacity to influence can have influence key policy process such as the budget process.	Conflict between civil society representatives and parliamentarians may arise about who truly represents 'the public' or citizens. Or parliament may be completely delinked from organised citizens, or only response to vested interest groups.
Political Parties: Political parties aggregate citizens' demands that may enable them to hold government accountable. This accountability is more explicit during electoral periods.	Political parties and NSAs can complement each other: civil society has served as a platform for leaders and new parties. Alternatively, retired politicians may get involved in non-profit associations bringing into it knowledge or capacities that are relevant for collective action such as networking or policy analysis skills. NSAs can also link political parties with grassroots organisations and citizens.	In developing countries the line between civil society and political parties is quite often blurred. Often, political parties are weak and fragmented,therefore depend on a charismatic individual leader, and are not able to perform their roles as opposition or to mobilise around and aggregate citizens' demands, or there are no incentives to do so. NSAs may take over their space and become the opposition and de facto representatives. Thus, tensions can arise between political parties and non-state actors as they may occupy the same space and function, making it impossible to build a coalition to confront unaccountable institutions through coordinated actions.
Court of Auditors: Audits of the government's budget execution are key for contributing to the integrity of the budget allocation and implementation. Court of Auditors may become over time a formalised and predictable source of information on government effectiveness and efficiency.	A new generation of NSAs is emerging that pays more attention to the budget process, and to the audit functions and institutions of the state. In the absence of performant audit institutions, NSAs have also embarked on monitoring, investigative work into certain corruption cases, or more generally into systemic dysfunctions related to budgeting and expenditure. NSAs have taken up more new roles in this field, including promoting budget literacy among citizens, sensitising and training on procurement rules, disseminating findings of research and monitoring reports, etc.	Supreme Audit Institutions are not allowed or are not able to fulfil their functions, thereby creating a vacuum for vital accountability functions and actors such as civil society.

Methodological tool 7: Capacities and incentives to engage with NSAs

Capacities to be considered	Priority actions and possible incentives
Capacity to carry out political economy analysis and use its results	• Encourage staff to systematically apply political economy approaches in relation to NAMs and NSAs. • Break the walls by bringing together the expertise of staff specialised in macroeconomics, sectors, governance and civil society development. • Ensure an effective use of the outcomes of the political economy analysis in the design and implementation of NSA-NAM processes. • Share the burden of political economy analysis with other donor agencies. • Develop a local knowledge network consisting of research institutions, think tanks, experts, opinion-makers.
Capacity to deal 'holistically' with NSAs	• Invest in understanding the world of NSAs, its background, evolution over time, diversity, strengths and weaknesses. • Define a longer-term, strategic vision on state building through civic engagement. • Adopt inclusive approaches to engaging with NSA, moving beyond the 'usual suspects' (INGOs, NSA networks in the capital) and reach out to smaller NSAs at grassroots level • Provide incentives for ensuring an ongoing dialogue with NSAs. • Promote systemic approaches to NSA capacity development ([46]). • Elaborate strategies to help ensuring the sustainability of civil society as a sector. • Reduce compartmentalisation between staff in charge of NAMs (Paris Agenda) and those dealing with governance/NSA support. • Promote dialogue and harmonisation of approaches on NSAs within EC Delegation. • Integrate NSA to NAMs in a broader country strategy towards NSAs. • Ensure a better consistency check at the level of the IQSG. • Apply a thinking 'out of the box' looking around to interrelate and bridge issues, agendas and actors.
Capacity to conduct an effective policy/political dialogue	• Use the policy/political dialogue to champion space for NSA participation in NAMs. • Use the full EC/EU political weight when authorities harass and repress NSAs and/or reduce its capacity to operate freely and autonomously. • Explore the scope and modalities to associate NAMs directly in the policy and political dialogue. • Monitor the achievement of negotiated performance indicators. • Encourage the EC Delegations to assume political responsibility and associated risks.

46) This means having a broad perspective on institutional development, including the governance of NSAs; strengthening NSA platforms at various levels; promoting consultations between NSAs; clarification of the legal framework; making clear linkages with key policy processes; provision of smart funding, etc.

Table continuation from previous page.

Capacities to be considered	Priority actions and possible incentives
Capacity to adopt a process approach to implementation	• Create space for flexible management approaches to supporting NSAs in NAMs. • Adopt sequenced approaches to involving NSAs in NAMs –moving a step forward if conditions allow to do so. • Provide incentives to take risks and adopt a learning by doing approach. • Embed NSA support in a long-term vision on political and institutional change.
Capacity to monitor results and learn from experience	• Develop a more realistic appraisal of the possible contribution of NSAs. • Focus on qualitative results to be achieved through engaging NSAs in NAMs. • Encourage learning through cost-efficient means (e.g. focused exchanges among staff; dialogue with NSAs; communities of practitioners). • Put in place a dynamic database that allows for a strategic monitoring of NSA participation, including in NAMs.
Capacity to communicate	• Ensure a steady and transparent flow of information to all relevant actors. • Ensure that NSAs are properly informed about NAMs and the role they can play. • Use formal and informal communication channels to create trust and build relations. • Ensure a correct reporting on achievements, difficulties encountered and ways to address them. • Be transparent on roles played by EC.

Cases

This document benefits from the work that has been undertaken at headquarters and in the field in which areas such as budget support, Sector Policy Support Programmes, support to non-state actors as part of the participatory development agenda. Many EC Delegations offered useful information and case material, out of which ultimately eight countries and cases were chosen to illustrate or underpin some of the key messages, proposals or guidance that emerged from this document. Each case represents a much richer story line, so therefore has more to tell. But we stayed with the most salient features such as the logic and background of engaging with NSAs in a particular country, the interaction between state and civil society, and the particular experiences of purposefully working with NSAs in the context of a sector programme or a budget support operation.

Case 1 — NSA involvement in delivering services through budget support in the education sector: Morocco

In a nutshell

- Despite the difficult environment for NSAs to engage with state institutions, the government was prepared to work with donors and NSAs in the implementation of its literacy policy.
- This cooperation between state and non-state actors was facilitated by multi-stakeholder cooperation between donors, government and NSAs.
- NSAs also included private sector actors.

Why engage with NSAs?

Since 2008, the EC delegation in Morocco has been providing sector budget support to Morocco's Ministry of Education to support implementation of its literacy strategy. The strategy aims at reducing illiteracy and promoting employment through 11 regional education and training academies that target mainly 16-35 years old people.

The Government of Morocco recognizes the added value of NSAs in servicing areas that are out of reach of governmental education services. NSAs have been providing non-formal education services such as literacy training. They have experience in mobilizing communities in such remote parts of the country around educational services.

What are the cooperation modalities?

There is one directorate within the Ministry of Education that is responsible for implementing the literacy strategy. This directorate has contracted two categories of non-state actors for two components of this strategy. It has called on private specialized companies to train teachers, officials of the Ministry and NGOs working in this field, plus to engage in the overall monitoring of the programme. The directorate has contracted local NGOs to implement and roll out the strategy at local level for reducing literacy.

Provincial governments are responsible for the Calls for Proposals and for screening the submissions and selecting the implementing NGOs. It is anticipated that this mechanism will ensure the transfer as of a part of the programme funds. The government has agreed to monitor NSA participation, and has determined a number of performance indicators. These include the quality of services delivered by NSAs in terms of management, and pedagogical quality.

Two performance indicators have been identified to inform the process of releasing the variable tranche of the EC's sector budget support modality. The number of contracts signed with NSAs is monitored, as well as the proportion of beneficiaries enrolled in projects that are implemented by NSAs. These indicators in the *performance assessment framework* have proven to provide useful incentives for government to release timely payments by provincial governments to NSAs.

NGOs working in the field of literacy promotion have also been able to access EC funding through a separate thematic budget line aimed at social development. This has enabled NGOs to reinforce the work they have been doing with the funding received through the literacy strategy.

What are remaining challenges?

Thus far, support to NSAs has mainly focused on their involvement in the implementation of the literacy strategy. Roles of NSAs in policy dialogue and monitoring have remained limited. The EC Delegation considers this engagement with NSAs through sector support in education, as a building block. This process may enable different state and non-state actors to strengthen the knowledge and trust by working with one another, which may make it easier to extend NSA engagement in policy-making and monitoring processes. Such dimensions may subsequently be taken on board during the identification and formulation of potential future support to the sector.

Such building-block approach is conditioned by the learning that ought to take place within the EC and among donors that is required to inform the next steps to this sector support.

Salient features/emerging experiences

- The design of EC support to the Ministry of Education purposefully included NSAs as key actors in programme implementation. As a result NSAs are being supported through government funding as a result of budget support.
- The use of performance indicators to monitor NSA participation and the link with the release of the variable tranche encouraged timely transfer of resources to NSAs.
- This sector support in education created space and opportunities for the government to engage with NSAs, innovate delivery systems, extend the reach and the quality of its services and assess the value added of working with and through NSAs.
- Such experiences may help to build confidence and relationships between actors and to provide the basis for broadening the cooperation and interaction between state and NSAs to policy dialogue and monitoring. This highlights the importance of learning and sequencing.

References

- EC Documents

Case 2 — Strengthening citizens and voice and accountability in decentralized service delivery the Protection of Basic Services Programme: Ethiopia

In a Nutshell

- Following the political crisis after the federal elections in Ethiopia in 2005, donors suspended 'Direct Budget Support'.
- In the fragile political environment – with a breach of trust between donors and government – the World Bank and other Development Partners introduced an innovative programme (the Protection of Basic Services Programme, PBS) to continue the provision of basic service delivery through regional and district level government structures.
- PBS also included a component for strengthening social accountability mechanisms
- These mechanisms involved engaging citizens and CSOs in pilot activities that use social accountability tools (for example enhancing budget literacy) in promoting government to citizen accountability in the context of decentralized service delivery.
- Despite the challenges in a risky environment, progress has been made in terms of service delivery at regional and district levels, enhanced transparency, and in setting up mechanisms for dialogue between local government and community groups.
- PBS also contributed to capacity development of civil society for monitoring of budget execution.

What's the background to this case?

Following the political crisis after the federal elections in Ethiopia in 2005, donors decided to suspend 'Direct Budget Support'. However, there was a concern that, as a result, regional and local governments would be starved of the block grants they had been receiving for social services. As a consequence the progress made towards the achievement of the Millennium Development Goals could be halted. A group of donors worked out a support mechanism with government that would safeguard regional and district budgets, and that would be compatible with Paris Declaration principles of alignment and harmonized aid.

How were NSAs involved or supported?

The *Protection of Basic Services Programme* financially supported regional and district authorities to expand service delivery at decentralized levels. This was initiated in the following sectors: primary healthcare, general education (1-8 grade), water and sanitation and agriculture extension services. This is the main component of PBS. It provides up to 35 % of the overall block grant/subsidy to the regions/district (about 90 % of the donor contribution) mostly to finance recurrent expenditures such as salaries.

The programme also included other components and measures such as capacity development for local government on fiscal transparency and local accountability. Support was also provided for strengthening of audit and public finance mechanisms, and for promoting social accountability through CSOs. The implementation of these components provides insights on the potential to work with CSOs to promote accountability in a context of fragility and new aid modalities. The *Social Accountability Component*, for example, is a separate window of PBS which is technically managed by an aid agency (GTZ initially) and coordinated and monitored by a tripartite steering committee composed of Government (including the State Minister of Finance and Economic Development), donors (the EC was the Secretary of the steering committee for more than three years) and CSO representatives. The Ministry of Finance and Economic Development implements the *Financial Transparency and Accountability Component*. This component aims to improve citizens' understanding of regional and district budgets and making service facilities more accountable to the citizens.

PBS increased the flow of resources to regional and district (*woreda)* levels for key services, benefiting from a strong government commitment towards decentralization. Donors ([47]) agreed to provide money to the government on condition

47) Together with the government's own finances, the five original budget support donors partners (World Bank, DFID, Irish Aid, CIDA and the Netherlands) committed funds to the new PBS. Later, other donors joined in, namely African Development Bank, the European Commission (EC), German Development Bank (KfW), Austria and Spain.

that the full amount was transferred to the regions through federal block grants. They also funded the procurement and distribution of vaccines, anti malarial bed-nets and contraceptives.

To protect these financial flows, donors insisted on various safeguards and conditions such as a strict process of 'continuous auditing'. This auditing process includes an ***additionality test*** (testing the resource allocation to sub national level) and a ***fairness test*** (testing and monitoring whether resources were allocated to regions regardless of political affiliation, and according to approved federal formulas). Donors also included a component to promote downward accountability through empowerment of citizen groups and CSOs. CSOs implemented *pilot projects in approximately 86 woredas and cities, about 10 % of the total. The social accountability work was implemented using the Community Score Cards, Citizens Report Cards and Participatory Budgeting. These tools were the primary tools to hold interface discussions between citizen groups and service providers, and on which to base and develop action plans to improve services.*

An enabling factor for the implementation of PBS proved to be the fairly robust reforms of local governance structures in Ethiopia. Some donors had already harmonised their support behind government reforms, which included fiscal decentralisation as well as complex financial management reforms at all levels of government. These reforms were largely in place by 2006, the year that PBS came on stream.

What were the first results of this project? And what are remaining challenges?

PBS has been well documented. A mid-term report on the first two years of the implementation was undertaken in 2008 ('lessons to be learnt' ([48]), and the ***Social Accountability Component*** was thoroughly evaluated in 2010 ([49]). Partly as a consequence of PBS, there has been a 'marked improvement in the resources available for service delivery at ***woreda*** level'. This improvement has also raised citizens' expectations, and provided incentives for collective action among citizens towards local authorities. In addition, PBS integrated pilot actions to strengthen ***social accountability*** through support to CSOs, mainly NGOs. Budget tracking with ***Citizens and Community Report Cards*** has increased the available information for citizens on budgets and budget processes. This can be taken further by CSOs who may, for example, monitor how 'their' money is being spent.

There have also been positive developments in the dialogue between sub-national governments and citizens. There is more space for interactions around service delivery between NSAs (especially local level civil society organisations), society and district level authorities. Stronger, better-informed interactions have started to take place between citizens, local CSOs and local authorities.

Nevertheless, such interactions do not necessarily result in changes in public policies and budget allocations. Sub-national governments continue to exert limited discretion over the use of budgets. Citizens can discuss the composition and execution of the budget. However, decisions over allocations are limited due to the scarce resources available for the capital budget at sub-national level. In addition, national targets for the achievement of the MDGs are made at the central government level and regions/districts strive to meet them. This may reduce the incentives for civic engagement and social accountability.

Sometimes, the CSO component within the PBS sits uneasily with the federal government, which tends to perceive the accountability initiatives as imposed from 'outside'. However, at the sub-national level, this component is welcomed. Such initiatives may not be universally replicable. Indeed, the context in which they are rolled out differs substantially from one region to another. In the politically sensitive environment in which donors engage with CSOs, it may sometimes be appropriate to look for less 'contentious' entry points. Such entry points may be the interactions between elected representatives at local level and civil society groups or community-based organisations such as parent-teacher associations around service delivery.

What are emerging lessons?

There is an obvious need to contextualise PBS properly. Otherwise, the risks are real that this one instrument may be overloaded with expectations and with too many policy and political objectives. Secondly, there is a need to deepen the understanding about how policy decisions are made in a federal and decentralised state. This requires a greater sensitivity about how the formal and informal governance structures function, about how and why CSOs interact with the state, or how citizens interact with local authorities on service delivery. A better knowledge will inform on the *margins of maneuver* and on the available space for promoting NSA participation beyond service delivery (monitoring, policy dialogue, etc.). Such sensitivity may inform donor engagement strategies; for example on the types of relevant capacity support on both supply and demand sides of the service delivery equation. Another experience relates to the concept and the language of 'social accountability'. Most actors in Ethiopia are not familiar with this terminology. The Government is even suspicious of it. So there is a need for some sensitivity to (political) culture and language when moving into a phase of extending the pilot exercise to the rest of the country in the medium term.

48) 'Lessons to be learnt from the Protecting Basic Services Instrument', Addis Ababa, 2008
49) 'Evaluation of the Social Accountability component', Final Report, 2010

Salient Features and Emerging Experiences

- In a politically fragile environment, donors have built on the achievements of the decentralization process in Ethiopia and earlier experiences of 'Direct Budget Support'.
- Donors managed to keep up sector support through the Protection of Basic Services programme.
- The degree of donor participation in the PBS has ensured that the shift from the previous budget support regime has not undermined wider commitments to harmonization and alignment. Nor has this shift undone the reforms in the area of decentralisation.
- The PBS mechanism sought to develop greater safeguards over budget allocations to central and sub-national authorities by increasing audit requirements, and by strengthening systems of downward accountability through increased transparency and CSO participation.

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Case 3 — Engaging with NSAs in the context of general budget support: Ghana

In a Nutshell

- Together with other donors, the EC is channelling an increasing amount of aid through general budget support (GBS)
- To ensure that resources are allocated to priority sectors identified in the Ghana Poverty Reduction Strategy and the Joint Assistance Strategy, NSAs have been invited to play a more active role in policy dialogue and processes of review and monitoring at various levels.
- Donors have mobilized complementary funding for a programme aimed at promoting state-society interaction and strengthening of NSA capacity to engage effectively
- NSAs have become more active in sector working groups and also participate in the formal review of GBS. Through EC funding, their role in policy dialogue and review has also been enhanced in the environment sector (see case 4). They are also being associated as key actors in Ghana's decentralization process.

What's the background to this case?

Against a background of strong economic growth, and a more open governance environment, the EC and other donors have worked with the Government of Ghana to produce a *Joint Assistance Strategy* (JAS, 2007), which encourages closer harmonisation and alignment of behind Ghana's *poverty reduction strategy*.

In 2003, a group of donors (now eleven) agreed with the Government to create a *Multi-Donor Budget Support (MDBS) Programme*, which has represented a quarter of total ODA flows to Ghana and which has been equivalent to approximately 10 % of government expenditure ([50]). The EC, which is a member of the MDBS, had begun providing budget support to Ghana in 2001 to the tune of Euro 60 million, one fourth of its country programme. The amount was increased to Euro 90 million, after the mid-term review in 2004. The current *Country Strategy Paper* for Ghana (2008-2013) envisages an increasing use of general and sector budget support instruments. But the strategy also emphasises the importance of engaging NSAs across programme intervention areas.

Why engage with NSAs in the context of budget support?

There has been economic growth and improvements in governance and democratic accountability in Ghana, with parliament and NSAs exerting greater influence than before. Still, there remain serious flaws in public finance management, especially in the area of accounting for public expenditure. Donors hope that more active involvement of NSAs and parliaments will contribute to strengthening planning and budgeting processes and public financial management more generally. Therefore, donors have been exploring ways to enhance participation of parliament, the media and other non-state actors in the budgeting process. The government's readiness to involve NSAs in budget support is, moreover, explicitly stated in the JAS and has been reiterated in different public events and meetings with the MDBS.

What are the areas of support for NSAs?

Various opportunities have been created to engage NSAs and to strengthen their capacities. Budget support donors have created a pool funding arrangement (worth 19.5 million EUR over 5 years) called the *Ghana Accountability and Responsiveness Initiative* (GHARI).

This programme aims to:

- raise the capacity of NSAs to engage in policy processes,
- address internal governance weaknesses within NSAs,
- strengthen mechanisms for interaction between government, parliament, traditional authorities and other non-state actor (including the private sector),
- strengthen the role and capacity of parliamentary committees (such as the one dealing with public accounts),
- participate in issues on the emerging oil and gas industry.

50) Its influence on overall patterns of expenditure and budget management must be judged in this perspective. Moreover, the recent discovery of oil is expected to broaden Ghana's revenue base, which reduces its dependency on traditional donors and may impact on the incentives to raise income tax. At the same time emerging donors are courting the government with offers of aid in return for oil exploration rights.

This initiative builds on past and other on-going NSA support initiatives, including the existing programme in support of NSAs in areas of advocacy and policy dialogue. GHARI will encourage synergies between the two programmes.

Within the framework of the *Joint Assistance Strategy*, fifteen sector working groups have been created to promote dialogue and monitoring at sector/thematic level. Through the *Governance Sector Working Group*, budget support donors have engaged with NSAs to better understand how they work and have gained a better sense of how NSAs wish to be involved in the general budget support process.

But multi-stakeholder engagement around budget support is not the only aid related 'show in town'. Other processes simultaneously call upon NSAs to participate. One such process is related to the aid effectiveness debate within the *Aid effectiveness Forum* (AEF). This forum monitors progress on the *Paris Declaration* and the *Accra Agenda for Action*. NSAs are organised around twelve thematic platforms for the purpose of dialogue on aid effectiveness. In order to reduce the overload on NSA capacities, ensure synergies and encourage NSA representation in the sector working groups, budget support donors have worked with the AEF secretariat. NSAs are now active in the Education, Governance and Gender sector working groups.

NSAs also participate in the formal, yearly *budget support review process* between budget support donors and the government, particularly in the discussion of crosscutting issues. Together with the AEF secretariat, pre-review briefings on content and proceedings of budget support have been organized with NSAs. These meetings have offered opportunities for exchanges on the budget support process, donor approaches, and the roles of NSAs.

What are experiences of working with NSAs in the context of general budget support?

With the greater donor alignment behind government policies and systems, the mechanisms for performance assessment have also shifted towards improving the Government's own internal systems of review (e.g. the Ministries own monitoring and evaluation departments). Public expenditure tracking in Ghana has had some impact at the national level, and was based on the CSO experience of tracking the *District Assembly Common Fund* which led government to take a closer look at its own disbursements and accountability at the National/ District levels.

Hence, the government has to some degree opened up to civil society engagement. This was particularly the case in sectors where CSOs are strong, well organized and vocal; or where thematic coalitions or private/NGO providers are active (in health, water, decentralisation and education). Some of these sectors have also opened up due to consistent donor efforts to enable CSOs to better participate within the sector (e.g. donors within the health sector). CSOs in the agriculture sector have increasingly facilitated engagement at the national level through support by those international NGOs that provide regular support to the coalitions in agriculture and trade. The same has been the case for education, where international NGOs and some donors have continued support national and regional CSO coalitions to take place at the policy table for dialogue on the education sector.

This support has encouraged various ministries to gradually extend performance review processes to include CSO representatives. Much is still needed to move CSOs towards independent monitoring. The space for dialogue within government on issues of budget preparation with CSOs is beginning to improve. Policy space has also widened for CSO involvement in *Medium Term Development Planning* processes through the advocacy work by some Civil Society Organisations and coalitions. Some coalitions and research and advocacy oriented CSOs (RAO) are also positioning themselves in the aid effectiveness dialogue ([51]) (see previous point).

The EC is co-chair of the Governance Sector Working Group and of the Election Working Group (since 2009). In those capacities, the EU Delegation has played an important role in facilitating CSO participation in sector dialogue between the Government and development partners, particularly in the area of elections, anti-corruption, human rights and justice sector reform. In this context the EU-delegation has also coordinated and finalized the identification of the targets in Good Governance for the Multi-Donor-Budget Support Performance Assessment Framework 2010, which was a joint exercise between civil society, donors, Independent Governance Institutions, Parliament and the Executive. At the same time the EU-Delegation has also lead the coordination and finalization of a joint feedback from all these stakeholders to the new National Development Framework, the Medium term Development Plan (MTDP 2010-2013).

Alongside the formulation of the Ghana Decentralization Support Program, which will be mainly carried out through sector budget support, the EC has enabled civil society to engage within a joint platform. This may further ensure more harmonized social accountability at District Level. Key actors in Civil Society have taken up the initiative. The platform will help to strengthen oversight on budget planning, and implementation at the District level. CSOs involved in tracking of fiscal transfers to the districts are participating in the identification of SBS-indicators on fiscal decentralization.

51) The term RAO refers to those organizations funded by G-RAP and has become common usage for research and Advocacy organisations within the professionalized NGO community. They are mainly focused on policy research and several are leading and facilitating some type of coalition or thematic network.

Salient Features and Emerging Experiences

- While donors have been providing budget support to Ghana for almost a decade, experiences of working with NSAs within the framework of new aid modalities are more recent. There is a history of NSA engagement and influencing of donor policies and strategies.
- Donors are trying to avoid fragmentation and to harmonise their actions. As many as eleven donors have joined together to provide budget support. In addition, a smaller group of these donors also provides complementary support to NSAs.
- The Ghanaian government has shown an openness to work with NSAs. Combined with the gradual building up of relationships and understanding between donors and various NSA groupings, this evolution provides opportunities for donors to support NSAs on their roles as domestic accountability actors.
- Such strategic donor engagement with NSAs has to be grounded in a solid understanding of local dynamics between state and society, as well as institutional context.
- Facilitating NSA participation at sector level such as in the natural resources and environment sector (see also case 4) as well as in Ghana's decentralisation reforms – both of which are supported by the EC – can complement general budget support and can help to strengthen overall downward accountability mechanisms.
- The danger of overloading NSAs, however, remains real. Donors need to take account of existing NSA capacities and interests, and avoid these being overwhelmed by multiple demands made by donors (service delivery, reaching out to the poorest, managing and accounting for aid, advocacy, etc). There are also limits to how far and quick external actors can influence complex endogenous governance processes.

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Case 4 — Engaging with NSAs in an SPSP- the emerging sector of natural resources and environmental governance: Ghana

In a Nutshell

- In order to tackle poor governance and corruption in the management of natural resources (forestry and mining) the Government of Ghana and five donors have developed a Sector Budget Support (SBS) programme to address Natural Resource and Environmental Governance (NREG). This sector budget support programme is complement with two components in order to achieve greater involvement of non-state actors in policy formulation and in order to monitor and evaluate policy implementation.
- Results in terms of NSA participation have been encouraging and the Government is committed to increased engagement with NSAs in the Environment and Natural Resources sectors

What's the background to this case?

Approximately 6 % of Ghana's GDP is lost annually due to poor management of and absence of robust governance structures related to natural resources, also at local level. To tackle these problems, the Government and five donors (UK, France, the Netherlands, the World Bank and the EC) developed a Sector Budget Support programme to address Natural Resource and Environmental Governance (NREG). Implementation started in 2008.

The process of developing the NREG SBS was very lengthy and at times the different stakeholders substantially differed in opinion. A number of reasons may explain this. Firstly, on a global scale support to natural resources and environmental governance through sector budget support is a new area of work. There was and is little 'policy traction' within government departments and little comparative experiences from other countries. Fractions within government did, however, gradually accept the need to improve governance in environmental and resource management.

Secondly, whilst there had been some progress in engaging with NSAs, there was no firm government-wide commitment from participating Ministries and *Departments and Agencies*. Still, the *Performance Assessment Framework* of the NREG SBS was discussed with NSAs. Moreover, agreed changes between the Government and donors were presented to NSAs for their consideration. This process informed the Government and donors also about capacity constraints of NSAs, but also the opportunities to engage with them on specific issues. A third complicating factor related to the poor resource and environmental governance at local level. Local Authorities and Traditional Leaders are constitutionally entitled to receive part of the proceeds of natural resources extraction. In the absence of clear mechanisms for accountability and transparency of actual revenue amounts disbursed at the local level (also to District Assemblies) there was a high likelihood of funds not being used for intended purposes.

How are NSAs supported that are active in natural resources and environmental governance?

Donors support two interventions of relevance for NSA participation in this sector. First, the Dutch Government supports *Kasa (*EUR 1.9 million over two years) a two year pilot project which provides small grants to civil society, research and media organisations to advocate for equitable access, accountability and transparency in natural resource and environmental governance. A second project – *GIRAF,* or *Governance Initiative for Rights and Accountability in Forest Management (*EUR 1 million for four years) – has a somewhat similar approach, but is targeted to the forestry sector. An important strand of KASA and GIRAF support goes to capacity development of NSAs, thereby improving their ability to participate in the new format of sector dialogue that is part of the 'SBS package'. GIRAF, largely funded by the EC, also has linkages with the agreement between the EU and the Government of Ghana to limit exports of illegal timber, the Voluntary Partnership Agreement signed by the EU and Ghana in 2009 in the context of the EU Forest, Law, enforcement Governance and Trade initiative.

This has been a slow and demanding process, but multi-stakeholder dialogue in certain policy areas is now emerging, with NSAs increasingly involved in the discussions on sector medium term development plans, *Medium Term Expenditure Frameworks*, monitoring and evaluation systems etc. The Mid Term Review of the sector budget support to the NREG highlighted the need to engage with NSAs in further policy dialogue, in enabling NSAs to provide evidence from the field, and to encourage learning across the various pillars of the NREG (e.g. forest transparency score cards).

Such engagement has spin-off effects. Partly as a result of the support received through KASA and GIRAF, NSAs are seeking to engage with the Government on climate change. Dialogue is also promoted on community-based perspectives on adaptation and vulnerability. Moreover, NSAs are engaging in the various policy processes relating to the newly developing oil sector.

Thus, NSA participation is now increasing at the level of the ***Sector Working Groups (***most notably in the forest sub-sector group) and the ***Annual Sector Review Process***, which had previously been confined to donors and partner government. Discussions on greater involvement of NSAs in the monitoring process of NREG SBS are also gaining momentum.

Salient Features and Emerging Experiences

- Building confidence between government agencies and civil society requires time and continued attention, especially on policy issues such as environmental protection where responsibilities are fragmented over various departments.
- Transparent monitoring mechanisms are an important component of governance of the natural resource sectors.
- Monitoring may be more effective when existing written reports are complemented by more frequent checks on the ground and corroborated with experiences of grassroots organisations
- There is a need to deepen the understanding of how both the demand and the supply side of environmental and natural resource governance can be strengthened at sub-national level. Involvement of NSAs at this level, particularly in poor and marginalized communities, is costly and time-consuming – but necessary.

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Case 5 — Use of complementary financing mechanisms to support NSAs in the context of NAMs: India

In a Nutshell

- The EC and five other major donors are supporting the Government of India to implement its social development policies through sector budget support in an SPSP.
- Three entry points exist for engaging NSAs in this process i) through direct funding by the government ii) as partners in strengthening government delivery systems iii) as direct beneficiaries of thematic budget lines.
- Two key EC principles are: alignment to national and sector policies, and additionally to what government services can provide.
- As donors have some degree of opportunity to be involved in policy processes and institutional reforms, they are able to facilitate productive working relations between state and NSAs to increase access of poor and marginalised to state services.

What's the background to this case?

With total ODA at less than 1 % of India's GDP, it is not a donor dependent country. Moreover, India's problem is not a lack of funds for sector programming. The key issues relate to a) problematic disbursement of funds within the Indian budgetary system (money remaining in the pipeline), b) the challenges in having technical knowledge, capacity and resources to implement projects, and c) the lack of reach to remote areas. The Indian government sees the added value of NSAs largely in this last category of challenges.

The donors' role in India is restricted, with only six larger donors ([52]) – all of which were able to remain above the decreed minimum threshold for donors of 25 million $ per annum – remaining. For the Government of India, the real value of donor support is the technical advice and capacity development support they can offer to help strengthen delivery systems at national, state and local levels. The government recognises that service delivery across the length and breadth of the country remains a significant challenge and standards and levels of performance vary considerably from state to state. Most of the EC support to the government is geared to help implement its social development policies. Increasingly, the EC does so using sector budget support mechanisms (70 % of the EC country programme).

The government's relationship with the remaining six donors is also influenced by its sensitivity to 'outside interference'. This limits the donors' roles. One of these roles is to carefully try to facilitate in engaging state and NSAs in dialogue. NSAs enjoy a fairly open relation with government, although it is prudent not to make too sweeping generalisations about state-civil society relations in India given the size and diversity of the country. Also departments vary greatly in their openness and willingness to engage, and this various across states and districts. The reduction in donors has resulted in a reduction of aid money to NSAs, but increasingly, private corporations and foundations provide alternative sources of funding for NSAs.

In many sectors, NSAs have come to play a significant role in complementing the government in service delivery, particularly for marginalised communities and in remote areas. They are also valued as generators of innovative and pilot projects that can be scaled up when success has been proven. They are also playing an increasingly active role as watchdog organisations, holding local service providers to account and seeking to give a voice to the less powerful sections of society. In this regard, the *Right to Information Act* is a pivotal tool used by NSAs to demand accountability from the state.

What are the opportunities and limitations for NSA participation?

Government by and large engages with NSAs as implementers of government policies or programmes. If government funds them, it is only to cover operational costs. Numerous administrative and bureaucratic difficulties hamper these arrangements, and a number of advocacy NGOs preferred not to dilute their independence with doubling as implementing agencies. District and state levels are the areas where NSAs have most impact.

52) Others are DFID, GTZ, USAID, GTZ, ADB and World Bank

So NSAs rely for their funding primarily on domestic private sector support, foundations, churches and donors. The EC's thematic budget line provides opportunities for direct funding of NSAs. The EC Delegation in Delhi has insisted that EC funded activities must be closely aligned with government sector strategies. An example of such coherence is the 2008 thematic programme of *NSAs and Local Authorities* through a call for proposals. In India, this programme deliberately focused on the issues of health and education, to complement the government's sector policies, but also to inform the EC's strategies in these areas.

A second thematic programme – and call for proposals (2009) – focused on 'vocational education and training for vulnerable and marginalized groups in India'. This is in line with the Government of India's National Skill Development Policy, approved on 23rd March, 2009, which reflects the priorities of the 11th plan: achieving faster and more inclusive growth. Another thematic programme seeks to strengthen Indian NSAs to link up with European counterparts to generate best practices and examples that can be applied in the Indian context (third call for proposals). EC funding is also available for capacity development activities (staff training, new technologies, management information systems, internal and financial control) to strengthen the role of NSAs and local authorities and further complement the sector programmes.

Cooperation between the geographic and thematic/sector expertise within the delegation ensures more overall coherence between geographic and thematic programmes. The thematic calls for proposals, for example, have been designed between the thematic team in consultation with sector (budget support) teams. Additionally, the education sector budget support programme manager was part of the evaluation team for the thematic calls for proposals.

A more indirect way of engaging with and strengthening of NSAs, is through the EC's work on monitoring and evaluation systems, for example in the area of *National AIDS Control Programmes*. It has done so by working on integrating data gathered by NSA partners into the national system, and by drawing on NSAs to help improve the quality of indicators and data for these monitoring systems as well as analysing the data. The EC and other donors have facilitated NSAs and government officials to work together.

What are remaining challenges to a strategic engagement with NSAs?

Some NGOs feel that donors could develop more punch through harmonising their conditionality or performance frameworks that are part of the sector budget support arrangements. They hope that this may create enough incentives for the authorities to engage in a more comprehensive and open-ended way with NSAs as actors, and not merely as service providers. Since financial resources are not the primary constraint of government, and given the sensitivity to 'outsiders' interference', other strategies may be required to attain this objective of full NSA participation. An incremental approach may include increased participation of NSAs in the *Joint Reviews* by donors and government of the sector support programmes.

District and state levels are the areas where NSAs have most impact – which draws the attention to the need to build the capacity of local state and non-state actors at these levels to engage with each other.

Salient Features and Emerging Experiences

- The EC India delegation has recognised a need to improve the way in which they conduct NSA mappings and consultations. Skills and knowledge generated in improved consultations and mapping processes would certainly impact on the ability to support improved NSA participation in sector dialogues and participation mechanisms.
- Long term funding: the move to 3-4 year project and funding cycles limits the ability of NSAs to pilot innovative practices and have time to produce demonstrable results. NSAs suggested that longer project cycles of 6-7 years would be preferable. A combination is also possible, whereby sufficient support is foreseen for the first 3-4 years. In addition support is made available for subsequent lessons learning, dissemination and roll-out of the project in case of positive impact during year 6 and 7.
- NSAs felt that there are too few networking and lessons learning/sharing opportunities between them. The EC could provide funding or spaces to specifically support platforms and mechanisms for dialogue and exchange amongst NSAs. Similarly, many NSAs felt that they have too little a voice when it comes to engaging with the big donors remaining in India and that increased opportunities to network and dialogue with donors would be valuable.
- Political sensitivities and the government's attitude towards perceived outside interference are such that donors who 'speak on behalf of NSAs' or who support them too explicitly in their endeavours, would undermine their own position with the government. Still, there are possibilities for donors to influence the government on NSA related programmes or innovations.

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Case 6 — Engaging NSAs in a conducive environment: the justice sector in South Africa

In a Nutshell

- In 2009, the EC agreed to support South Africa's Justice Department to implement the department's new strategy, which recognizes NSAs as key implementation partners.
- In support of the department's policy and strategic framework, the EU Delegation used a mix of instruments: it channelled sector budget support to the Justice Department, and it channelled project support directly to CSOs.
- The Justice Department reached an agreement with its long-standing partner, the *Foundation for Human Rights* (FHR), to support the department's efforts in reaching its targets under the *Access to Justice and Promotion of Constitutional Rights Programme*.
- For historical and other reasons, the justice sector in South Africa is a very politically sensitive and visible policy area.

What's the background to this case?

South Africa has a young democracy underpinned by new political and other institutions, including a solid constitution, a bill of rights and a constitutional court. Moreover, the country has inherited from the apartheid years a committed community of NSAs in the justice sector: lawyers, human rights activists, academic experts and paralegal advisors. Despite a relative reduction in external funding after the first democratic elections in 1994, these NSAs have continued their work and are still playing an active role in influencing law and policy debate. They have notably turned their attention to ensuring that the human rights principles and obligations – as enshrined in the South Africa's *Bill of Rights* – are translated into reality and that access to justice is broadened. There is also a generally liberal environment for NSAs to interact with the state, and this is what has happened through policy dialogue, advocacy and social action.

In 2005, the *African Peer Review Mechanism* (APRM) conducted a review of South Africa and concluded that there are uneven levels of awareness of rights in society. The APRM pointed also to the different roles played by government and by NSAs, and recommended that government should create active partnerships with civil society so that it can contribute more actively to solutions. This is the rationale behind the government's support programme with NSAs in the justice sector, as explained in the programme document ([53]). As part of its 2008-2009 programming package for the governance non-focal sector in South Africa, the EC set aside 25 million EUR for this '*access to justice'* programme.

How to engage with both the state and with non-state actors in potentially contentious areas of work?

The EC has a longstanding relationship with South African NSAs, including in the field of promoting and strengthening a human rights' culture. Under past arrangements, the EC supported the establishment and the functioning of the *Foundation for Human Rights* (FHR). This process closely involved the Department of Justice, which is represented in the foundation's board. Since its creation in 1994, FHR provided small grants to specialized civil society organisations that are active in the broad field of legal assistance, human rights litigation, awareness-raising etc. So there was a history and experience with the Department of cooperating with civil society, and there was a willingness to assume ownership of further cooperation.

In 2008 the EC decided to develop a Sector Policy Support Programme in the justice sector. This involved substantial dialogue with multiple stakeholders, including of course the Department of Justice. The EC uses two aid modalities in support of the implementation of the department's national policy and strategy as endorsed in its 2009-2012 *Medium Term Strategic Framework*. This framework contains a number of very specific objectives on support to a participatory democracy and the promotion of a human rights culture, notably through partnerships with civil society organisations. The EC agreed to support this SPSP through Sector Budget Support (20 M€ over three years). The EC provides part of the funds through a so-called variable tranche, with money transferred against the performance on some agreed targets of the strategy.

In addition, the Department of Justice and the EC also agreed on a second support modality and arrangement. Both agreed on the need 'for independent support for CSOs'. Therefore, in the context of this sector support programme,

53) 'Access to Justice and Promotion of Constitution Rights Programme. Strengthening Civil Society Participation 2009-2012', Overview of Programme and Funding Guidelines

the EU Delegation also initiated a grant facility (5 million Euros) for direct support to non-state actors. Indeed, a number of these actors contribute to the overall objectives of the justice sector support, but the nature of their work may bring them in conflict with certain 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. In other words, 'independent support' for NSA advocacy is important, particularly where the actions could potentially conflict with Government policy or priorities. Non-state beneficiaries include lobbying and advocacy organisations, think tanks, research institutions and independent foundations. The EU Delegation started implementing this pillar of the sector support programme in 2010. Two experts were contracted as technical assistance to support proposal evaluation and to train successful applicants in EC procedures.

So how did it work out in practice?

The *Access to Justice and Promotion of Constitutional Rights Programme* was launched in December 2008 in Orange Farm in presence of the Minister of Justice and the deputy President. Since then, a number of sector dialogue meetings have been held, including one stakeholder meeting in March 2009, with a large number of human rights organisations participating. A first budget support disbursement was made in December 2009 and new partnerships between the Department and CSOs/CBOs are currently being launched. Meanwhile, general elections have been held (April 2009) and the new Minister of Justice has introduced important policy changes. Nevertheless, the Minister has reconfirmed support to civil society on many occasions. In May 2010, addressing the National Council of Provinces (NCOP) during the budget vote, the Deputy Minister gave credit to the new partnership with the EU and in particular to establishing NGO-run community advise offices whose primary purpose 'would be to educate the communities of their constitutional rights, the Service Charter for Victims of Crime and how to access the different courts, including the Equality Courts and the Small Claims Courts.'

Over the years, the South African Government has developed a strong relationship with the *Foundation for Human Rights.* In order to speed up the implementation of its policy and particularly the building of partnerships with civil society organisations, the Department decided to join forces with the foundation. It worked out an agreement in which FHR would reach out to grass-root organisations in poor and disadvantaged areas. Following the signing of a memorandum of understanding between the Department and FHR, the latter become a main implementing partner for the Department of this EC supported *Access to Justice and Promotion of Constitutional Rights Programme*. However the policy dialogue with the EU remains the prerogative of the Department and regular discussions allow both partners to review progress on the implementation of the overall policy including possible issues arising from this new form of cooperation with civil society.

All parties in this partnership agreed on the need to build or strengthen interaction between government departments and non-state actors working in these areas. They also agreed to reinforce NSA capacities to better engage in policy dialogue with government in promoting constitutional and other rights. The focal areas for engagement include policy dialogue, advancement of rights of migrants, strengthening capacities of paralegal services, support to think tanks and research institutions, juvenile justice and the rights of children.

The EC also launched a *second pillar* of the SPSP, which as the grant facility managed by the EU delegation through call for proposals for NSAs. Indeed, both the Department of Justice and the EC have recognised the need for such separate pillar since there is a need to also support NSAs who fulfil more independent roles from Government, especially advocacy and litigation. The EC has invested in ensuring good working relations with the Government, by investing in dialogue and transparency in the process leading to this separately managed pillar to the justice SPSP. The publicly available *guidelines for grant applications* under this grant facility are clear on this. The EC also regularly informs the Government on EC related actions with NSAs, and has invited a departmental representative to act as observer in the evaluation committee of project proposals.

Salient features and emerging experiences

- The EC has a long standing relation in the area of justice and human rights, and continued its support through NSAs in post-apartheid South Africa, after the 1994 democratic elections.
- These NSAs have developed a relationship with the state and fulfil multiple roles including implementation of the government's policies, policy dialogue, but also sensitisation, advocacy and social action.
- Government has recognised these contributions and roles, which were taken on board within the SPSP in the justice sector that the EC supports.
- Through budget support, the EC contributes to the Government's access to justice programme. The Department has an agreement with the Foundation for Human Rights to allocate funds to civil society organisations in support of the Government's strategy on the access to justice and promotion of constitutional rights.

- One component of the SPSP, however, is managed by the EC and particularly targets strengthening the capacity of NSAs in their roles as independent actors: monitors, analysts, advocacy and agents for change, etc.
- Such roles may conflict with the interests and policies of government.
- The EC has invested in strengthening trust between multiple stakeholders in its direct support programme to NSAs by developing administrative and other arrangements to ensure transparency and synergies with the sector policy.

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Case 7 — Engaging NSAs to monitor performance in the education sector: Ecuador

In a nutshell

- The Government of Ecuador is implementing a ten-year education programme aimed at increasing quality, efficiency and access to public education services.
- The EC has supported the programme through sector budget support.
- The opportunity was used to promote sector governance and domestic accountability by including NSAs in monitoring implementation.
- Through a call for proposals a consortium of NSAs was selected to work with the Ministry of Education to monitor performance.
- Although financed separately from the budget support component, management arrangements have ensured close cooperation and active participation of all parties in programme implementation and oversight.

What's the background to this case?

Ecuador has experienced political instability since 1996, which has created chronic weaknesses in the institutional and legal framework of the state. The Constitution of Ecuador, approved in 2008, recognises the participation of civil society 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 and has invited NSAs to participate in sector coordination meetings together with donors.

The EC has been a major donor to Ecuador since the late 1980s and has traditionally funded both the Ecuadoran government as well as NSAs. In the past, support was provided through project support to a wide range of sectors. During the preparation of the programming phase 2007-2013, the EC decided together with the Government to focus on a limited number of sectors and to combine financing of sector objectives with a significant effort to strengthen institutional capacity and governance. Of the 137 million EUR earmarked under the 2007-2011 *Country Strategy Paper,* more than half of the budget is allocated to social sectors, particularly education.

What's the history and what are the key components of the sector support programme?

The Government of Ecuador has a ten-year programme on education, the *Ecuadorian Decennial Education Plan*, 2006-2015 aimed at increasing quality, efficiency and access to public education services. The EC aligned to this sector policy and contributes through a sector budget support programme, the so-called PAPDE ([54]). Besides agreed sector indicators directed towards access to and quality of basic education, a key objective of this programme is to improve data gathering, reporting and analysis of information systems. This should strengthen the Ministry of Education with planning, implementation and monitoring of the education programme. Serious gaps were identified both in the data management systems, the analytical capacity, and the accountability systems, which provide the incentives for maintaining, feeding and using the data management systems.

EC efforts to involve NSAs in a multi-stakeholder partnership in the education sector began as far back as 2005. The EC delegation undertook a mapping exercise, and organised a high-level dialogue with NSAs to explore possible participation in a *Sector Policy Support Programme*. It engaged with the government in order to widen the space for NSA participation in programme design. The EC could usefully rely on the constitutional principle of civil society participation. The Ministry of Education agreed to include NSAs within the programme design, which resulted in a far better integration of NSAs in accountability processes such as programme monitoring and continued dialogue, also at local level. The ministry appreciated the capacities of NSAs to engage with policy processes and the government as sufficiently high to fulfil the new accountability roles effectively.

How did it work out? What were the modalities chosen?

The EC opted to support this SPSP with both budget support, alongside a project modality to support NSAs. An amount of 1.2 million EUR of the total amount of 41,2 million EUR has been earmarked for an initial period of three years (starting as of 2008) to implement four complementary components that seek to strengthen the demand and

54) PAPDE (Programa de Apoyo Presupuestario al Plan Decenal de Educación). The plan aims to improve the quality and equity of education by increasing access to schools and by decreasing repetition rates.

the supply side for accountability in this programme: (i) visibility and transparency, (ii) monitoring of the implementation of the sector policy by CSOs, (iii) study of the public finance management system, and (iv) support to the Ministry of Finance for strengthening public finance management processes.

At first, the government did not support the idea of a separate envelope within the SPSP to be managed by the EC (call for proposals) in order to support civil society monitoring of the implementation of the national education programme. It was also uncomfortable with the proposed idea of NSAs monitoring government performance. Through the gradual process of more inclusive dialogue, the Ministry of Education felt reassured. Other confidence building measures included the ministry's participation in drafting guidelines and eligibility criteria ([55]) for the ***call for proposals,*** its participation as observer in evaluations of proposals received, and a compromise solution on combining the government's insistence on confidentiality and the requirement for transparency.

An agreement was reached within this multi-stakeholder partnership to include NSAs for additional roles within the government's evaluation and accountability framework, and also to develop and monitor specific indicators relating to the role of key stakeholders as ***citizen 'watchdogs'.*** Specialised NSAs are also given a role in consultation and design of education policy. The programme also envisages CSO involvement at the local level. Three geographical areas have been selected for strengthening the capacity of local authorities and grassroots organisations to monitor implementation of and to provide to the national education plan.

A consortium led by local think tank, 'Grupo Faro', was selected which collaborated with local and international NGOs. Grupo Faro and the Ministry of Education signed a cooperation agreement and established a high-level technical coordination committee, which has met on a regular basis to review reports, and discuss implementation challenges. Grupo Faro also provides local actors with disaggregated data to support local decision-making, and strengthening downward accountability links ([56]).

Salient Features and Emerging Experiences

The government, the EC, and NSAs have acknowledged the added value of this collaboration, i.e. enhanced accountability in the sector as well as strengthened government data monitoring systems.

- **Building a shared understanding** among multiple state and non-state actors takes time. This case illustrates the time it took for the EC to familiarize itself with the NSA environment, but also the process management and dialogue required to ensure clarity and agreement over concepts and implementation modalities. The intention to involve NSAs needed to be flagged during the identification phase and fully elaborated during programme formulation.
- The Delegation engaged in a **lengthy dialogue process**. This required a readiness to negotiate, frame discussions, and develop an understanding of the various positions. It also required sound understanding of the political context so as to be able to identify opportunities and possible hurdles. Such roles were demanding on the EC.
- **Sector budget support can provide a framework for exploring sector governance issues** and for promoting NSA participation in strengthening downward accountability. In so doing the EC can play a role in facilitating interaction between state and society, and strengthening capacities for bargaining between state and non-state actors. In Ecuador, the legal basis proved to be conducive for the EC to engage with the state on this principle of openness to dialogue.
- **Reputation and technical capacity** of NSAs to monitor and follow-up the implementation of national policies proved essential for government to be willing to open itself to monitoring by third parties. Grupo Faro was able to build good relations with the Ministry of Education. Besides the goodwill of key players involved, the technical capacity of Grupo Faro was critical to ensure an effective partnership.
- Given the levels of preparation and knowledge of core state and non-state actors, it proved possible to **combine two aid modalities** – budget support in a sector with project modality – to serve a common purpose. The project component, directly managed by the Delegation helped ensure some NSA independence and avoided possible conflicts of interest. However, ensuring transparency in decision-making was critical to promoting government ownership and commitment to the process.

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2. http://www.grupofaro.org/ and http://educiudadania.org/
3. 'Engaging non state actors in new aid modalities', December 2009, ODI

55) 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.
56) See http://www.educiudadania.org/, the Internet publication of the EC supported NSA surveillance programme to the National Education Plan.

Overview of functions and roles of NSAs in the cases

	Voice	Public Education	Accountability	Services provision	Social Capital	Capacity development	Innovation/ piloting	Leveraging efforts
Case 1: Morocco (Education)				●		●		●
Case 2: Ethiopia (Basic Services)	●		●	●	●			
Case 3: Ghana	●		●			●		
Case 4: Ghana (Natural resources and environment)	●		●					●
Case 5: India (Education and Health)		●	●				●	●
Case 6: South Africa (Justice)	●	●		●				●
Case 7: Ecuador (Education)	●		●					●

Annexes

Annex 1: Comparison between the conventional and the strategic perspective on NSA

	THE CONVENTIONAL PERSPECTIVE	THE NEW PERSPECTIVE
Roles of NSAs	NSAs are primarily seen as a multitude of actors that donors can call upon to fulfill restricted number of tasks within the NAM, such as consultation on Poverty Reduction Strategies, monitoring and some implementation tasks. Selection is based on capacity of NSAs to deliver	NSAs are seen and treated as actors in their own right and within a largely political process of external support to development. They can play key governance and development roles as intermediary towards citizens – and they can do so in their interactions with state bodies. To the extent that they combine both, they can become effective agents of change or political actors
Roles of the state actors	Government is the prime interlocutor, and provided there is the political will, donors can engage in institutional capacity support and dialogue on policy reforms. NSAs can come in support of such reform processes. There is a focus on the formal institutions and the 'rules of the game' (electoral processes, the legal framework for NSAs to operate in, etc.)	State actors are assessed in terms of their responsiveness to different interest groups, ranging from the elite to the poor. Formal institutions and processes are not accepted at face value. Informal practices, incentive structures and interests receive strong attention. Such an approach may help to identify drivers and obstacles to change, and help identify ways to work around obstacles and with reformers ***within*** the state
The strategic focus	State and non-state actors each have their own – technically defined – roles to play in the new aid modalities	The strategic approach to NSAs is informed by a deeper understanding of how state and NSAs can effectively interact, given the prevailing interests, power relations and incentives. It will identify realistic NSA contributions to a well-sequenced and incremental change agenda
The type of results	The high-end results usually relate to universally agreed objectives of, poverty reduction, MDGs, often combined with underlying principles of democracy and human rights. NSAs and states are assumed to contribute directly in relatively short time spans to these objectives	There is a stronger focus on country specific change dynamics result areas and the roles that NSAs can play, how and why NSAs engage with citizens and the state, who they represent, what change agendas they promote. Results will be tested in function of their contributions over time to incremental and progressive change
Effectiveness	Donors tend to overestimate the influence of aid on domestic change processes. A managerial culture prevails, with a narrow concern about the effectiveness of particular aid instruments and agenda	A learning culture is valued. This is encouraged so as to inform the EC on a) how to optimally combine its instruments and approaches, b) strategically combine engagement with state and non-state actors, and c) on how to facilitate improved cooperation among donors and partners for the effectiveness of a broader development agenda, and not just aid efforts
Accountability	The emphasis is on the accountability relations between the state and donors, or from NSAs to donors	Domestic accountability is the primary concern. This implies an approach of strengthening both state and non-state actors – often also the supply and demand side – for improved transparency and accountability, development effectiveness and impact on service delivery
Role of donor in relation to NSAs	Primarily funding agency. Ad hoc opportunities for dialogue with NSAs, generally at key moments of the cycle of operations of the aid programmes	Search for partnership modalities based on common interests, supported by structured forms of dialogue. Strategic approach to funding

Annex 2: 'Participation' of NSAs in country policy dialogue

Policy dialogue in partner countries often remains a tricky business, despite formal commitments in all sorts of partnership agreements. Experiences are often sobering and invite external actors to properly analyse a particular context in order to better appreciate the space for promoting and encouraging multiple partners to engage in it.

The ideal type of participation process around Poverty Reduction Strategies	The typical – and sobering – experiences of real life PRS process
Government discusses priorities in terms of poverty reduction based among other things on fair prognoses on income from multiple domestic and external sources. These include all planned donor contributions (either to the treasury or to project funding).	*The Minister of Finance is struggling to find out how much donors will contribute in the form of budget support. She is also kept in the dark by some of her colleagues in government as to how much they receive in off-budget project funding. She cannot rely on performance information from line ministries.* *CSOs are invited to meet government to discuss poverty reduction plans. The meetings are, however, not prepared. CSOs are ill informed, have unrealistic expectations on their roles, and some of them poorly represent the interests of societal groups whose destiny is – so to speak – being discussed.*
Government presents a draft Poverty Reduction Strategy to key societal actors and economic stakeholders for further discussion. Realistic income and expenditure provisions nourish the open dialogue with CSOs and other non-state actors such as private sector and trade unions about priorities and possible contributions from multiple state and non-state actors. Similar debates take place with parliament.	*Government tables a wish list with little prioritization, nor clear budgetary implications for the 'choices'.* *Donor consultants add to the wish list.* *CSOs have a say but have no clue as to what is available in the budget. Nowhere in the process have there been attempts to reduce the enormous asymmetries in information between the various stakeholders.* *Although efforts have been made to ensure more donor transparency in project and other funding, the project aid is still not on budget and 'on parliament'.*
A credible, prioritized and appropriately budgeted Poverty Reduction Strategy feeds the development process and partnership between government, multiple domestic stakeholders/institutions and donors.	*The PRS is not credible since it lacks prioritization, sufficient political buy-in, costing and hence is overambitious and unrealistic.*

Annex 3: Comparing NSA involvement in the implementation of NAMs – South Africa and Morocco

Key dimensions of NSA involvement in implementing NAMs	South Africa	Morocco
1) Added value NSAs	NSAs are important for reaching out to marginalised communities and areas, for sensitisation of rights, and for monitoring implementation of the justice programme. But the South African Government and the EC also agreed that in addition to a sector budget support operation, there was the need for direct EC support to and through NSAs for advocacy, litigation and policy work. NSAs are also recognised for their added value as independent policy actors and activists.	NSAs have a proven capacity to reach out to rural/remote areas and engaging citizens in literacy programmes
2) Contractual relations?	The SPSP has facilitated the formalisation of a partnership between the Department of Justice and NSAs through the signing of service level agreement	A partnership between Government and NSAs was formalized on the basis of a contract for delivering certain services. Provincial authorities are in charge of the call for proposals as well as the project selection.
3) Funding arrangements?	A double arrangement has been developed with a) a sector budget support for the Department of Justice (which sub-contracts a Foundation to implement the programme with NSAs), and b) an EC managed Call for Proposals for complementary activities	Through this approach, the government directly finances NSAs (at least 50 % of the available funds under the SPSP will be channelled through NSAs) Smart performance indicators were developed to ensure effective use of NSAs as implementing agencies. The disbursement of the variable tranche is linked to the formal engagement of NSAs (this made it possible to manage the initial reticence of the state institution involved to finance NSAs and reduce delays in government disbursement) Resources are also foreseen to provide technical assistance with a view to ensuring quality improvements among frontline service providers
4) Benefits of NSA participation?	Increased outreach towards marginalized groups, thus enhancing opportunities for citizen access to justice Strengthened domestic accountability and feedback on policy improvements	This approach has resulted in improved outreach and piloting of the Government's literacy programme
5) Potential for scaling-up	Unclear follow-up (project approach). Yet the SBS also supports enhanced dialogue between state and civil society at national level	NSAs have so far been focusing on service delivery. Most of them lack the capacity to engage in policy dialogue or performance monitoring. Yet the EC Delegation recognizes that this first positive experience may make it easier to 'scale-up' future NSA engagement in policy processes.

Annex 4: Likely impact on NSA funding – selected Paris Declaration indicators

No	ALIGNMENT	LIKELY IMPACT FOR NSA FUNDING
3	Aid flows are aligned to national priorities: percent of flows to the government sector that are reported on the partners' national budget	*Usually NSA activities lie outside traditional/departmental sectors and no budgetary arrangements are made for their inclusion in service delivery*
4	Strengthen capacity by coordinated support: percent of donor capacity-development support provided through coordinated programs consistent with partners' national development strategies	*National development strategies typically favour sectors that attract donor funding (e.g. education, health) whilst neglecting 'complex' or under-represented sectors (e.g. justice, social affairs) and cross-sector issues (public finance management, decentralization, etc.)*
5a	Use of country procurement systems: percent of donors and of aid flows that use partner country procurement systems which either a) adhere to broadly accepted good practices or b) have a reform programme in place to achieve these	*In many cases national procurement systems entail complex tendering processes, which deter NSAs. Constraints include: a) not being permitted to undertake commercial work, b) being a local monopoly service provider and/or fiscal regulations regarding taxation*
5b	Use of country financial management systems: percent of donors and of aid flows that use public financial management systems in partner countries which either a) adhere to broadly accepted good practices or b) have a reform programme in place to achieve these	*There may be technical reasons (as stated above) why Governments do not channel resources out to NSA, or there may be political reasons (e.g. NSAs are seen as representing opposition groups or as detractors of government)*
6	Strengthen capacity by avoiding parallel implementation structures: number of project implementation units per country	*A high proportion of funding of NSAs has been managed through PMU-type modalities. A key challenge is to identify alternative funding modalities that do not compromise Paris Declaration targets*

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