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Viewpoint

Foreign Disentanglement

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VIEWPOINT

Foreign Disentanglement

To counter restrictions on NGO activity, local groups need to reduce their dependence on international financial support.

BY KENDRA DUPUY, JAMES RON, & ASEEM PRAKASH

This past April, the Indian government suspended the operating license of Greenpeace-India and froze the group's bank accounts. Citing "national interest" and "national security," government officials alleged that Greenpeace was undermining India's economy with its environmental campaigns. In the same month, the government placed the Ford Foundation on a security "watch list." According to officials, the foundation was fomenting "communal disharmony" by funding Sabrang, a controversial Mumbai-based nongovernmental organization (NGO). These moves followed a government order (issued in October 2014) that instructed more than 10,000 India-based NGOs to report the amount, the source, and the use of each foreign contribution. By early this year, only 229 NGOs had filed the required reports, and the government responded to this lack of compliance by canceling the operating licenses of nearly 9,000 groups.

India's crackdown on foreign funding to local NGOs is part of a broad trend. Consider Russia, where legislation passed in 2012 requires locally operating NGOs to register with a special government body before they can receive foreign aid. Although the legislation applies only to groups that engage in "political activities," the Russian government defines that term so broadly that it encompasses virtually any effort aimed at influencing Russian state policies. NGOs that receive funding from non-Russian sources, moreover, must identify themselves as "foreign agents" in their communication material—a requirement that only heightens their sense of vulnerability. According to our research, dozens of governments worldwide

have passed similar laws, and officials in many other countries are now considering measures of this kind.

In recent years, international donors have placed great hopes on the NGO sector. They believe that NGOs—uncorrupted by the power of either the purse or the sword—are ideal vehicles for fostering development and promoting democracy. These warm feelings toward NGOs derive in part from the experience of advanced Western democracies. In countries such as the United States, nonprofit groups and social movement organizations have mobilized resources from local communities to confront important social, political, and economic problems. Crucially, people in those countries view such entities as belonging to "us" rather than "them." Local fundraising helps make these groups accountable and provides them with political legitimacy.

Many NGOs in the developing world, however, cannot operate effectively without the financial support of foreign entities, and such funding typically flows through digital services that governments can easily monitor. That model involves built-in legitimacy problems: No community, after all, wants to be subject to the influence of wealthy external actors. The reliance of NGOs on foreign money also gives governments significant leverage over them. If the activities of an NGO bring it into conflict with its national government, officials can swiftly neutralize the group by blocking the international wire transfers that fund it.

Local NGOs' dependence on foreign funding, while providing vital resources, renders them vulnerable to governmental pressure and social stigma. If NGOs want to preserve their independence, we believe, then they must learn to raise funds from people in the countries they serve. Along with helping to insulate them from legal threats, local fundraising efforts will boost their legitimacy among local populations.

WHY CRACKDOWNS OCCUR

To understand how and why laws that restrict foreign aid to NGOs spread, we systematically combed through legal records

and NGO reports to tally the governments that passed such laws between 1993 and 2012. In our research, we focused on low- and middle-income countries. Of the 153 countries that fall into that category, 39 adopted restrictive legislation during that 20-year period. This figure represents a significant increase: Before 1993, only 6 countries had restricted foreign funding to local NGOs.

These restricting governments exist in all parts of the globe, but the majority of them are in countries that the World Bank labels as "low-income." Not



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surprisingly, many of these governments receive substantial overseas aid. For the 39 countries that restrict aid, the median annual assistance package comes to \$750 million—which is nearly double the median amount of annual aid that all countries in our sample receive. Indeed, international aid accounted for 7.5 percent of the gross domestic product of the median restricting country. In their political structure, most restricting countries are semi-authoritarian: On a widely used scale that ranges from minus-10 (for full autocracies) to plus-10 (for full democracies), they have an average rank of 5.

Significantly, most of these countries had also experienced meaningful political contestation before they adopted measures to restrict NGO activity. In fact, 62 percent of them had held a competitive national legislative or executive election during the four years that preceded adoption of such measures. Many restricting countries, therefore, are what political scientists call “competitive authoritarians.” In such states, incumbents maintain power with the help of formal democratic institutions, but they skew election results by manipulating media coverage, campaign funding, and electoral procedures.

To identify crackdown triggers, we ran statistical models that correlate the onset of restrictions on NGO foreign aid with various risk factors—national income, regime type, international political alliances, and so on. We found that inflows of foreign aid were an important risk factor: The more aid that a country received from abroad, the more likely that country’s government was to crack down on such aid. This pattern was especially notable, we discovered, after a nationally competitive election. The interaction of domestic political uncertainty with large flows of international aid makes incumbents extremely nervous.

The mechanism that drives this result, we believe, is political fear. Increasingly, foreign donors are bypassing national governments and sending aid to local NGOs in the hope that these groups will use the money more effectively—and more transparently—than government agencies would. Rulers fear this flow of money

to NGOs in part because the latter groups have real or perceived ties to political challengers. The more foreign aid that comes into a country, the more fearful incumbents become—and the more inclined they are to crack down on NGOs that receive such aid. The NGOs, meanwhile, are highly vulnerable to these assaults.

Take the example of Ethiopia. In 2010, the Ethiopian government passed the Charities and Societies Proclamation Act, which prohibits politically active NGOs from raising more than 10 percent of their budget from foreign sources. In particular, the law targets groups that work on issues related to human rights, democracy, gender, religion, the rights of children and the disabled, conflict resolution and reconciliation, law enforcement and criminal justice, and elections and democratization.

The new law—as we note in a study published in 2014—caused most human rights organizations in Ethiopia to close down entirely. In some instances, organizations that engage in a wide variety of activities were able to survive by discontinuing the human rights component of their work, or by relabeling such work. But by drastically reducing local NGOs’ access to foreign aid, the government ended an array of human rights efforts in one fell swoop. The Ethiopian public, for its part, was unable or unwilling to make up for the loss of funding. Nor did it protest the regulatory crackdown in a robust way.

HOW NGOS CAN SURVIVE

Foreign funding often has this contradictory effect. In the short term, it fosters the creation of highly professional, advocacy-oriented NGOs that are able to achieve real momentum in the development of civil society. Over time, however, aid from abroad erodes the need for local financial and political support, even as it poses an increasing political threat to anxious, semi-authoritarian rulers. In the wake of nationally competitive elections, this combination often becomes toxic: Governments restrict the flow of outside aid, and local NGOs cannot mobilize the domestic support that they need to survive. In these

instances, the provision of international aid to local NGOs becomes a classic example of good intentions gone awry.

In the 1982 movie *Gandhi*, the eponymous leader of the Indian independence movement receives a visit in prison from an English friend of his. When the friend asks Gandhi how he can help the movement, Gandhi responds: “I think, Charlie, that you can help us most by taking that assignment you’ve been offered in Fiji. ... I have to be sure ... that what we do can be done by Indians alone.” Even in the direst of circumstances, Gandhi followed a strategy that focused on self-reliance.

For many NGOs that operate in low-income countries, a decision to raise much of their funding from in-country sources will pose a serious challenge. Yet estimates by the Gallup polling firm show that even in poor countries, people do give money to charitable causes. Today, however, that money generally goes to traditional charitable organizations—to schools, hospitals, religious institutions, and the like. To tap into domestic sources of funding, Western-supported NGOs will need to adjust their messaging, their operating style, and their hiring practices. International donors can provide incentives, as well as material support, for NGOs to begin that adjustment process.

Government crackdowns on NGO activity are a consequence of incumbent political insecurity, coupled with the fact that NGOs have no local base of financial or political support. To fight back, NGOs must redouble their efforts to cultivate resources within their own countries. Doing so will not only weaken the hold that governments have over them but also make them more accountable and more attentive to local needs. International donors, for their part, must recognize that they cannot simply purchase civil society engagement or economic development. This isn’t to say that international support doesn’t matter; often it does. More often than not, however, it matters only when domestic institutions are strong in their own right. If people in developing and formerly Communist countries want to have a vibrant NGO sector, they must learn to pay for it. ■