Foreign Aid or Foreign Agents?

The Rise of Legislative Restrictions on Foreign Funding to NGOs in Democracies and Developing Countries

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Abstract

This study investigates the rise of legislative restrictions on foreign funding to NGOs, a global trend occurring not only in aid-dependent, non-democratic regimes but also more recently in developed economies and democracies. Given the difficulty of large N analysis to differentiate between these various cases, I create a dataset of 65 countries with legislative restrictions and differentiate between developed and developing economies, as well as consolidated and transitioning democracies. I use panel data, polynomial interpolation, and logistic regression to examine predictors of foreign funding restrictions, in particular, foreign aid, natural resource extraction, conflict risk, and regime type. By collapsing the wide variety of cases into regime type, and within regime type, differentiating between resource-rich countries as well as countries prone to global risk in terms of national and subnational power, my framework accounts for the rise of legislative restrictions across diverse political and economic contexts, and pays close attention to the paradox of the rise of foreign funding restrictions in developing country democracies. Overall, the presence of the extractive industry is highly significant across regime types and even in democracies in particular as the majority of countries with restrictions are resource-rich.

Keywords: foreign funding restrictions; NGO, extractive industry; democracy; natural resources

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1. Introduction

Despite the “global associational revolution” (Salamon, 1993), countries in recent years increasingly restrict foreign funding to non-governmental organizations (NGOs). Surprisingly, restrictions exist not only in authoritarian regimes but also among democracies and aid-dependent countries. If countries are democratic, and in particular, dependent on foreign aid, then why would they restrict foreign funding to NGOs?

Viewed as the building blocks of international development and civil society, non-governmental organizations (NGOs) expanded at exponential rate particularly since the democratization wave of the 1990s. Prior to the 1990s, aid was largely channeled through central governments, however donors began to increasingly reallocate aid away from central governments and through bypass channels, such as NGOs (Easterly 2003; Dollar and Levin 2006; Easterly and Williamson 2011, in Reinhardt, 2015). NGOs in particular emerged as a form of more agile, transparent, and more locally-oriented, aid delivery than bilateral aid. International NGOs encouraged the formation of national and local NGOs particularly in the developing world to drive development and democratization (Murphy, 2005). Overall, NGOs have been crucial in delivering education and health care, in particular, to some of the most rural, as well as crisis-affected, areas of the world, and to advancing human rights.

Though the vibrancy of civic participation in associational life is key to democracy (Putnam, Leonardi, and Nanetti, 1993), even democracies, for example, Canada, Israel, and India, recently started to regulate foreign funding to NGOs. Foreign funding laws vary in their extent of restriction, ranging from requiring presidential and
ministerial approval of every foreign contribution, restricting activities or funds from certain countries or donors, capping, stigmatizing, and taxing foreign funding, as well as burdensome reporting requirements.

What explains the rise of legislative restrictions on foreign funding to NGOs? The existing literature is inconclusive. A first explanation is the legislative restrictions on foreign funding to NGOs reflect global pushback against democracy. For instance, Carothers (2015) indicates that governments, particularly in hybrid and authoritarian regimes, view NGOs as foreign agents, rather than foreign aid. INGOs operate in multiple countries and are usually headquartered in Western countries (Dupuy, Ron, and Prakash, 2016), and at times are viewed as challenging state sovereignty given their association with Western liberalism (Dupuy, Ron, and Prakash, 2014). In particular, international NGOs are increasingly viewed as a means of international interference during elections, and a source of funding for opposition parties, in countries where there are competitive elections (Christensen and Weinstein, 2013).

Expanding greatly in number and resources since the 1990s, international NGOs (INGOs) serve as the carriers of certain progressive norms, such as universal human rights, environmental sustainability, individual rights, and educational expansion (Meyer and Rowan, 1977; Boli and Thomas, 1997; Boli and Thomas, 1999). Previously, bilateral donors largely channeled through central governments (Reinhardt, 2015). However, given the underperformance and lack of transparency of bilateral aid in the 1980s and 1990s, donors increasingly reallocate aid away from central governments and through

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While there is no generally accepted definition for hybrid regimes (Lueders and Lust, 2016), here I draw on Levitsky and Way’s (2002) definition of hybrid, or competitive authoritarian regimes, as “civilian regimes with democratic institutions that permit meaningful competition for power, but where politics strongly favors the incumbent so the regime cannot be labeled democratic,” (Levitsky and Way, 2002).
bypass channels, such as NGOs, firms, and intergovernmental organizations (Easterly 2003; Dollar and Levin 2006; Easterly and Williamson 2011, in Reinhardt, 2015. For instance, 30 percent of all US aid is channeled to private, non-state sources in developing countries (Stroup 2012, Ilcan and Lacey 2011, Watkins, Swidler, and Hannan 2012, in Bromley et al, 2017, at 23). Overall, NGOs are more numerous and receive more foreign aid than ever before (AbouAssi, 2012; Africa, 2013; Banks et al, 2015; Brautigam & Segarra 2007; Brown, Brown, & Desposato, 2007b; Clarke, 1998; Fisher, 1997; Thomas, 2008; in Banks et al, 2015). For instance, the number of international NGOs increased from 176 entities in 1909 (the first year data were collected) to over 60,000 in 2016 (Union of International Associations 2016, in Bromley et al, 2018). The number of civil society organizations (CSOs) per capita increased by 25% from 1991 to 2006, in most of the developed world, and exceeds 100% in parts of Eastern Europe, Asia, and Africa (Schofer and Longhofer 2011, in Bromley et al, 2018). In addition to their expansion and increased resources, large international NGOs are also increasingly able to mobilize civil society through an increasing shift in programming priorities from service delivery towards advocacy on issues such as human rights and environmentalism (Glennie, 2014).

The expansion of NGOs and their increased international advocacy leads some governments to view them as “foreign agents” rather than “foreign aid” (Carothers, 2015; Dupuy, Ron and Prakash, 2014; Christensen and Weinstein, 2013). Freedom House (2016) illustrates a worldwide democratic decline that Carothers (2015) argues that

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3 The terms “foreign agents” finds its origins in the Foreign Agents Registration Act (FARA), enacted in 1938 in the United States, requiring “persons acting as agents of foreign principals in a political or quasi-political capacity to make periodic public disclosure of their relationship with the foreign principal, as well as activities, receipts and disbursements in support of those activities,” (United States Department of Justice, FARA, 2016).
coincides with a wave of foreign agent and counter-terrorism legislation that directly, or indirectly, restricts the space in which foreign-funded NGOs operate. The recent Color Revolutions and the Arab Spring, illustrate that mass mobilization challenges executive power. Even as early as 2002, Levitsky and Way (2002) highlighted the proliferation of hybrid political regimes, that were not truly democratic, particularly in Africa and the former Soviet Union.

However, rising authoritarianism only partially explains the rise of foreign funding restrictions, given that they also exist in full democracies. Foreign funding restrictions exist across all regime types, democratic and undemocratic, and across all economies, developed and developing. International NGOs, the carriers of global scripts regarding human rights and science (Boli and Thomas, 1999) have different capacities at different times (Pizmony-Levy, 2016). While foreign funding restrictions are increasingly global, a country’s level of democratization, conflict risk, and natural resource extraction influence adoption of foreign funding restrictions. As a result, this study is organized as follows: First, I describe the rise of foreign funding restrictions and present two paradoxes. I then explore current theoretical explanations, discuss the construction of my unique dataset, develop hypotheses, and present my quantitative model and results. Through the use of comparative historical analysis, I then examine foreign funding restrictions in hybrid regimes as well as democracies. Overall, I find that foreign funding restrictions are tied to levels of democratization, conflict risk, and natural resource extraction, particularly natural gas exploitation.
2. The Rise of Foreign Funding Restrictions

In my dataset and in the Dupuy et al (2014) dataset, the start year is 1993, following the fall of the Berlin Wall and accompanying massive democratization in the post-Soviet region as well as in Sub-Saharan Africa. This year is appropriate as a start date, given the important role of NGOs in the democratization process, which is particularly notable following the end of the Cold War. Neither my study nor the Dupuy et al (2014) study found any new restrictions in the first years of democratic bliss, from 1993-1997. In the dataset, the first countries to adopt restrictions were those that were latecomers to independence and democratization in Africa.

Table 1. Countries Enacting Legislative Restrictions on Foreign Funding to NGOs

<table>
<thead>
<tr>
<th>Year of Legislative Restriction, Country</th>
<th>1993-2016</th>
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<tbody>
<tr>
<td>1993 Uzbekistan</td>
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<td>1994 Azerbaijan</td>
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<td>1999 Equatorial Guinea</td>
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<td>2000 Oman</td>
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<td>2001 Singapore</td>
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<td>2001 Congo (DRC)</td>
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<td>2002 Egypt</td>
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<td>2014 South Sudan</td>
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<td>2014 Zambia</td>
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<td>2014 Kenya</td>
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<td>2014 Austria</td>
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<td>2016 Bangladesh</td>
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Building upon previous work, I added many new and repeated restrictions since 2012, several within Sub-Saharan Africa, underrepresented in Dupuy et al (2014) dataset, despite Africa’s ODA dependence and democratic backsliding. Overall, from 1993-2015, there were first time restrictions in 65 countries (all from 1998-2015), yielding a 36% restriction rate among UN member states (193 member states).

**Figure 1. Rise of Restrictions on Foreign Funding to NGOs (1993-2016)**

Additionally, there are thirty-four countries with repeat restrictions:

- Five repeat restrictions: Azerbaijan, Sudan (two countries)
- Four repeat restrictions: Belarus, Russia, Uzbekistan, Yemen (four countries)
• Three legislative restrictions each: Kenya, India, Indonesia, Russia, Uganda (five countries)
• Two legislative restrictions each: Bahrain, Bolivia, Cambodia, China, Egypt, Ethiopia, Guatemala, Israel, Jordan, Mozambique, Myanmar, Nepal, Nicaragua, Pakistan, Panama, Sierra Leone, Sri Lanka, South Sudan (since independence in 2011), Uzbekistan, Tajikistan, Turkmenistan, Vietnam (twenty-three countries)

Figure 2. Repeat Restrictions, Foreign Funding Restrictions per Country

Moreover, there are four examples of countries becoming less restrictive: Moldova, Myanmar, Panama, and Turkey (in 2004 and 2008, likely when preparing for EU candidacy). There are two examples of countries where civil society has strongly, and successfully, resisted foreign funding restrictions to NGOs: Kyrgyzstan and Kenya, which are still classified as hybrid regimes, according to the EIU Democracy Index 2016.

3. Why do foreign funding restrictions exist in democracies and in aid-dependent countries?
Earlier scholarship is inconclusive on the driving forces behind legislative restrictions on foreign funding to NGOs. While hybrid regimes are more prone to these restrictions, established democracies as well as aid-dependent countries also have restrictions. Governments that feel vulnerable to domestic challenges are more likely to restrict external support to civil society (Dupuy et. al. 2014), with the view that foreign funding through NGOs provides opportunities for other governments and religious organizations to interfere in elections. In many places, “flawed elections have replaced coups and conquests” (Marinov, 2016). While restrictive measures are both formal (legislation) and informal (harassment, intimidation, bureaucratic burdens, expulsion of individuals) (Carothers, 2015) and are a distinct policy choice oftentimes paired with strategic packages such as electoral manipulation (Christensen and Weinstein, 2013), this studies, and prior studies, focus on formal (legislative) restrictions.

A first paradox is that democracies are only slightly less likely than other regime types to have foreign funding restrictions Dupuy et al (2014) argue that democracy only lowers the risk of adoption of legislative restrictions on foreign funding the NGOs by 1% (Dupuy et al, 2014, at 26). However, this can potentially be explained by collapsing the category of democracies into full, flawed, and hybrid democracies, as classified by

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4 Part of the difficulty in examining the underpinnings of motivations for foreign funding restrictions is that there is no clear consensus on what classifies a regime as hybrid. Here, I will define hybrid, or competitive authoritarian regimes as “civilian regimes with democratic institutions that permit meaningful competition for power, but where politics strongly favors the incumbent so the regime cannot be labeled democratic,” (Levitsky and Way, 2002). As definitions of democracy are also contested, the Magaloni et al 1950-2013 Autocracy Index codes a country as democratic when the civilian government (as opposed to military or royal court) provides the main source of policy making; political leaders form multiple and competitive parties, and the parties interact and run the government through a legislature; the executive is institutionally constrained or checked by other parts of the government; and elections that are open, competitive, free and fair are used to select the political leadership.
Freedom House, for instance, in particular as democracies with a prior history of single-party rule may still experience transition.

World society theory maintains that international NGOs (INGOs) serve as the carriers such as the norms of universal human rights, environmental sustainability, individual rights, and educational expansion (Meyer and Rowan, 1977; Boli and Thomas, 1997; Boli and Thomas, 1999). INGOs carry scripts, frameworks, and technical standards of human rights, scientific rationality and environmental standards that define and restrain potential action and discourse of nation-states (Thomas et al., 1987; Meyer and Rowan, 1977). There is consistency across the types of international NGOs cross-nationally, even if they have different funding bases and are in countries with different levels of economic and political development (Chabbott, 1999). Particularly in developing countries, development intergovernmental organizations (IGOs) emphasized the role of exogenous influences in international development, thereby constraining the autonomy of nation-states and expanding the role of non-state actors such as international NGOs, in development policy.

In particular, the expansion of international NGOs (INGOs) focused on development reflects an understanding of international development as a global endeavor (Chabbott, 1999), and resulted in a demand for INGOs and NGOs to operationalize development goals envisioned by governments and intergovernmental organizations such as the United Nations and the World Bank. However, Carothers and Brechenmacher (2015) indicate that the pace of democratic reversal has accelerated in recent years, and pushback is global. Therefore, while there is global spread for the ideals of human rights, environmental sustainability, and technical standards related to international
development, there is variation in the extent to which these global norms are contested, based upon levels of democratization, economic dependency on natural resources or foreign aid, and conflict risk.

A second paradox indicated by Christensen and Weinstein (2013) is that aid-dependent countries are also more likely to enact foreign funding restrictions. Aid-dependent countries also tend to be recently transitioned democracies, hybrid, or authoritarian. This partly explains why restrictions are on the rise, as hybrid regimes are increasingly backsliding into consolidated authoritarian regimes (Freedom House, 2016; Christensen and Weinstein 2013). However, this still does not explain why legislative restrictions exist in non-aid dependent democracies, such as Canada and Austria. Overall, then, the existing literature indicates that restrictions are most likely in aid-dependent countries with competitive elections. However, if a country is aid-dependent, why would an executive leader choose to initiate restrictions on foreign funding to NGOs? Does an alternative funding source, such as natural resource rents, explain the rise of foreign funding restrictions in aid dependent countries?

Incrementally, international NGOs moved from a focus on service delivery and towards advocacy, particularly in terms of human rights, environmental protection, and sustainable development. Local and national NGOs in developing countries, which are the fastest growing set of development NGOs (Fisher, 1993) increasingly take on the role of service providers, particularly given the decreased size of the state in terms of central planning following structural adjustment and neoliberal economic policies in many countries transitioning from one-party rule towards democracy and a market economy. While intergovernmental organizations have encouraged domestic NGOs in low-income
countries to undertake more development activities, they also view the promotion of
domestic NGOs as a key component in fostering civil society and democratization (Clark
1991; Fisher 1993; Smith 1990; in Chabbott 1999). Moreover, across all countries,
international NGOs serve as carriers of international and technical standards of human
rights, environmental rights, and development. These global influences may at times
counter national development strategy, particularly in countries with an expanding
extractive sector. The carriers of global scripts, international NGOs, will have different
capacities at different times (Pizmony-Levy, 2016 in Reddy, 2018a).

4. Data and Hypotheses

Overall, this study investigates foreign funding restrictions on NGOs in
democracies, as well as aid-dependent countries. In response to the lack of consensus in
the earlier literature on the rise of foreign funding restrictions, I construct a dataset of
restrictions from 1993-2016. I then use both ordinary least squares regression to
investigate variables related to democracy, internal conflict, and natural resource
extraction, as well as comparative historical analysis of four long-term democracies with
foreign funding restrictions to NGOs. Through the use of logistic regression for all
countries, and comparative historical analysis on four countries, this study delves further
into the motivations behind the rise of foreign funding restrictions across levels of
democratization and development. While Christensen and Weinstein (2013) and Dupuy
et al (2014) focus mainly on the rise of restrictions in hybrid regimes, this study will also
discuss foreign funding restrictions in democracies, which as Dupuy et al (2014) note
have remained under-addressed in the literature.
As previous studies cover only up until 2011, I create an expanded dataset that covers the period from 1993 to 2016, which accounts for the surge of restrictions since 2012. I also include repeat restrictions, which more closely reflect neighborhood effects of particular laws in Russia and in Ethiopia. After examining the data, I explore the possible influence of economic development and natural resources in particular, and internal conflict more generally, on the adoption of foreign funding restrictions. To test these assumptions, I construct the following hypotheses concerning countries that have formally adopted foreign funding restrictions:

\[ H_1: \text{More democratic countries are less likely to have foreign funding restrictions to NGOs.} \]

I expect that the majority of democracies with restrictions will be flawed and hybrid democracies, or democracies with a recent transition, explaining why extant scholarship has mixed results on the association between democracy and foreign funding restrictions to NGOs.

\[ H_2: \text{Countries with more natural resources are more likely to have foreign funding restrictions to NGOs.} \]

Upon initial examination of my dataset, I can infer that many, if not most of the 65 countries with foreign funding restrictions, have natural resources. I expect, particularly in aid-dependent countries with foreign funding restrictions to NGOs, that
natural resource extraction may provide (1) more criticism by international NGOs, particularly environmental NGOs (such as Greenpeace), (2) more mobilization around environmental issues, such as degradation, land rights, and sustainability, (3) executive leaders who wish to develop extraction or expand upon extractive methods such as natural gas exploitation and fracking may be met with opposition, and therefore seek to restrict the influence of “foreign groups” that are allegedly challenging state sovereignty over national development policy, (4) natural resources, in particular, provide an alternative revenue source other than foreign aid to aid-dependent countries, enabling them to be less dependent on foreign aid and more skeptical towards internationally-funded NGOs. Overall, aid dependent countries with foreign funding restrictions may have an alternative revenue source to compensate for decreased foreign funding to NGOs. Additionally, resource extraction may draw criticism of international NGOs, particularly those addressing environmental issues, and therefore leaders may view these as challenges to their national development strategy.

Additionally, there is an extensive literature on how oil, gas, and minerals cause authoritarianism (Mahdavy, 1970; Luciani 1987; Ross, 2001; Jensen and Wantchekon 2004; Ross 2009; Aslaksen 2010). As noted by Huntington (1991), oil revenues revert to the state, thereby increasing state power, and reduce or eliminate the need for taxation and therefore broader support from citizens. Therefore, if natural resource revenues revert to the state, they may also reduce the need for foreign aid through channels that bypass the state. Collier et al. (2003) among others indicate that an endowment of natural resources reduces the incentive of governments to respond to citizen demands, and that resource-rich countries have higher rates of conflict, are more authoritarian, and have
lower rates of economic growth and stability. Natural resources make it easier for governments to become or remain authoritarian (Resource Governance, 2016), and natural resources frequently provoke and sustain internal conflict as various groups fight for control over resources, or use resources to finance conflict (Resource Governance, 2016). Natural resources can also affect other sectors of the economy, resulting in “Dutch disease, where a large increase in natural resource revenues results in inflation or appreciates exchange rates, and shifts labor and capital from non-resource sectors, such as manufacturing, to the extractive industry (Collier et al., 2003), particularly in lower and middle income countries such as Russia and Venezuela that lacked the absorptive capacity to transform resource revenues into development, and adversely impacted the manufacturing sector (Resource Governance, 2016). Economic decline can lead to “anxious dictators and wavering democracies” (Freedom House, 2016), as reflected in the adoption of Russia’s foreign agents legislation and similar legislation throughout Eurasia (Reddy, 2018a).

\[ H_3: \text{Countries with higher conflict risk are more likely to have foreign funding restrictions to NGOs.} \]

As noted by Christensen and Weinstein (2013) and Carothers (2015), restrictions emerge as a result of anxious leaders concerned by foreign funding of opposition groups. I expect that countries with a higher conflict risk score in terms of subnational power would be more likely to enact foreign funding restrictions on NGOs.

In this study, the dependent variable is the adoption of foreign funding restrictions on NGOs. Of 180 countries classified by the UN, 65 countries adopted foreign funding
restrictions since 1993. Likely, more countries have restrictions, particularly authoritarian regimes for which data is scarce, and several countries such as the United States have had foreign funding restrictions before the wave of post-Cold War democratization. Given the binary nature of the dependent variable, logistic regression was used to illustrate the association between the dependent variable and the explanatory variables.

My explanatory variables consist of regime type, as classified by the Economist Intelligence Unit, foreign aid (% GDP according to the World Development Index), natural resource rents (% GDP according to the World Development Index as well as countries identified by the Natural Resource Governance Institute) and global conflict risk in terms of national power and subnational conflicts, as classified by the Global Conflict Risk Index. To account for missing data in the World Development Index time series, from which I draw panel data from 1993-2016, I use the technique of polynomial interpolation to approximate missing data. Honaker and King (2010) note the appropriateness of polynomial interpolation as an estimate for missing GDP and similar data that can be more easily predicted from year to year. For natural resource indicators, I measure total percentage of GDP from oil, deforestation, minerals, and natural gas, as well as official overseas aid (ODA) according to the World Development Index time series, from 1993-2016.

In addition, I measure conflict according to the 2016 Global Conflict Risk Index (GCRI), a measure created by the Joint Research Center of the European Union. The GCRI constructs two dimensions of conflict risk: conflict over national power, and subnational conflict. Conflict over national power is defined as “internal and internationalized internal conflicts over governmental powers”, whereas subnational
conflict is defined as “extrasystemic, internal, and internationalized conflicts over territory,” (Smidt et al, 2017 at 10). There are only two dimensions of conflict described in the GCRI methodology, due to the insufficient number of cases of interstate conflict (“risk of confrontation with other states”) for robust statistical analysis. Conflicts involving a government actor in the One-Sided Violence (OSV) dataset, as well as the Non-State Conflict (NSC) dataset, within the GCRI are coded as subnational conflicts by the GCRI (Smidt et al, 2017 at 10). Therefore, the model measures “risk of internal conflicts over government control” (national power conflict risk) and “risk of internal conflict over issues apart from government power itself, such as secession or resources” (subnational power conflict risk), (Smidt et al, 2017). Interactions between formal and informal institutions, federalism, and decentralization interlink subnational and national political dynamics (LeVan et al, 2017). For instance, states that rely more on tax revenue than oil revenue are more likely to have more citizen representation at subnational assemblies (Levi, 1988; LeVan et al, 2017).

Moreover, the GCRI index simplifies structural drivers of conflict into five structural risk areas (social, economic, security, political, environmental/structural) associated with violent conflict, with each including four or five indicators. Within the political risk area, regime type, lack of democracy, government effectiveness, lack of repression, and empowerment rights are included (GCRI, 2016). Within the security risk area, recent internal conflict, neighbors with highly violent conflict, and years since highly violent conflict, are included. Within the social risk area, corruption, ethnic power change, ethnic composition, transnational ethnic bonds, homicide rate, and infant mortality are included. Within the economic risk area, GDP per capita, income inequality,
openness, food security, and unemployment are included. Finally, within geography and environment, water stress, oil production, structural constraints, population size, and youth bulge (male and female) are included. Given the inclusion of all of these variables on both composite indices, I did not include additional controls because they would likely duplicate variables already included in the regression model.

In constructing the database, I began by coding foreign funding restrictions. My sources included Dupuy et al’s (2014, Table 1) list of countries with restrictions (1993-2011), and Christensen and Weinstein’s (2013, Figure 2) list of countries with restrictions (all years until 2011). Next, I consulted the ICNL Law Monitor, particularly for cases from 2011-2016. These three data sources provided the majority of countries with foreign funding restrictions. In addition, for countries for which there was incomplete information, I consulted Freedom House, Human Rights Watch, CIVICUS State of Civil Society Reports, USAID Annual CSO Sustainability Reports, World Politics Review, NGO Monitor, the Carnegie Endowment, and various legal texts. I supplemented the above databases, legal texts, and reports, with articles from the Guardian, the Economist, the Economist Intelligence Unit, as well as many national newspapers such as The Moscow Times, The Washington Post, Foreign Policy, and the Nation, in order to capture national dynamics and popular opinion.

Table 2. Framework for Coding of Foreign Funding Restrictions to NGOs (Carothers, 2015)

<table>
<thead>
<tr>
<th>Framework for Coding of Foreign Funding Restrictions to NGOs (Carothers, 2015)</th>
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<tr>
<td>1. Prior Government Approval</td>
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<tr>
<td>A. Prior Approval of Every Foreign Contribution</td>
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<td>B. Prior approval of every organization permitted to receive foreign contributions</td>
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<td>2. Stigmatization of International Funding Through “Foreign Agents” Legislation</td>
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<td>3. Caps on International Funding</td>
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<td>4. Mandatory Routing of Funding through Government-Controlled Channels</td>
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5. Framework for Analysis

My dataset indicates that 65 countries implemented foreign funding restrictions since 1998, with a particular spike in 2012, likely due to the spread of Russian foreign agent laws in the Eurasia region (Reddy, 2018a). Given the wide heterogeneity in regime type and economic development, I examined the data to develop a framework regarding regime type, economic development, as well as national and subnational conflict. Given the noted problem of defining and measuring transitions, I draw mostly on the Economist Intelligence Unit (EIU) 2016 Democracy Index, while triangulating with other indices.

Figure 3. Foreign Funding Restrictions, by Regime Type
Christensen and Weinstein (2013) indicate that restrictions on foreign funding to NGOs are a response by executives to perceived threats to their administration, particularly around the time of elections. The middle regime category\(^5\) in the framework consists of transitioning regimes: hybrid regimes, and democracies with a recent transition\(^6\). All countries within these categories have a prior history of authoritarianism, and most, if not all, have an experience with recent internal conflict, thereby leaving the executive office to feel vulnerable to opposition groups. Many of these countries are dependent on foreign aid and natural resource extraction. Overall, most democracies with foreign funding restrictions are newly-transitioned democracies with an authoritarian past and history of internal conflict.

As foreign funding restrictions exist in continuous democracies as well as in rising authoritarian regimes, restrictions appear to emerge as a response to domestic challenges to executive power. While outright bans or restrictions by the executive leader are most likely in authoritarian regimes, foreign funding restrictions are passed by a legislature, and at times, by executive order. A sole focus on rising authoritarianism also does not explain why legislatures in democracies enact foreign funding restrictions.

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\(^5\) In authoritarian regimes by definition there is a closing of the civic space, as foreign-funded NGOs are perceived as potentially funding dissidents and opposition groups (Carothers, 2015; Christiansen and Weinstein, 2013).

\(^6\) There is an overall lack of consensus on indicators regarding transitions, as well as definitions of democratic and hybrid regimes (Lueders and Lust, 2016), which has likely affected earlier quantitative analysis. In response, while classifying regimes, I first relied upon the Economist Intelligence Unit’s 2015 Democracy Index, which categorizes regimes as: “full democracies”; “flawed democracies”; “hybrid regimes”; and “authoritarian regimes” (EIU, 2016). The key difficulty in studying regime change is to measure it in such a way that includes both rupture and reform, therefore transition-based categorizations should provide for incremental regime changes (Lueders and Lust, 2016; Alemán & Yang, 2011). Keeping that in mind, I triangulate measures of democratic transition and hybridity by using Freedom House Scores, the Economist Intelligence Unit’s Democracy Index, and by looking at scores at the time of restriction and presently within the Magaloni (2013) Autocracy Index.
Transitioning democracies may retain legislative restrictions because of executive insecurity during competitive elections. These countries also may have a recent experience of conflict or emergency aid, leading to a proliferation of foreign and foreign-funded NGOs within their borders with resources oftentimes greater than the national treasury. Foreign funding restrictions are somewhat less common in continuous democracies, though they do exist in Austria, Canada, India, and Israel where specific pressures such as environmental NGOs lobbying against oil production or for land reform, or state sovereignty is cited. Among these outliers, legislative restrictions on foreign funding to NGOs are best explained by incumbent leader responses to criticisms by environmental groups, in extractive economies, and in non-extractive economies, by incumbent leader responses to perceived challenges to state sovereignty by subnational groups with international funding (Reddy, 2018b).

6. Model and Analysis

_Democracy and Foreign Funding Restrictions on NGOs_

In Table 3, I measure the association between full democracies, flawed democracies, and hybrid regimes and the adoption of foreign funding restrictions. In my logit model, authoritarian regimes are the constant. In all models, I control for time using a cubic spline. Overall, full democracies are slightly less likely to adopt foreign funding restrictions than flawed democracies, and both full democracies and flawed democracies are negatively associated with the adoption of foreign funding restrictions. In contrast to extant studies, once democracy levels are collapsed into full, flawed, and hybrid democracy, ODA appears to reduce the likelihood of foreign funding restrictions.
In Table 3, I controlled for GDP per capita (2015) and overseas development aid received (% GDP 2015), both according to the World Development Indicators. Controlling for ODA and GDP resulted in a much higher likelihood of foreign funding restrictions in authoritarian regimes and flawed democracies. The sample size is smaller in Model 3 because several countries were missing data on the ODA variable and therefore were dropped.

<table>
<thead>
<tr>
<th></th>
<th>Dependent variable:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Foreign Funding Restrictions</td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Full Democracy</td>
<td>-2.715*** -2.756***</td>
<td>0.258</td>
<td>(0.713)</td>
<td>(0.969)</td>
</tr>
<tr>
<td>Flawed Democracy</td>
<td>-2.428*** -2.434***</td>
<td>-1.869***</td>
<td>(0.476)</td>
<td>(0.487)</td>
</tr>
<tr>
<td>Hybrid Regime</td>
<td>-1.093** -1.089**</td>
<td>-0.813</td>
<td>(0.464)</td>
<td>(0.469)</td>
</tr>
<tr>
<td>GDP per capita (2015)</td>
<td></td>
<td>0.00000</td>
<td>-0.0002**</td>
<td>(0.00002)</td>
</tr>
<tr>
<td>Overseas Development Aid (% GDP) 2015</td>
<td></td>
<td>0.013**</td>
<td>(0.005)</td>
<td></td>
</tr>
<tr>
<td>Constant (Authoritarian Regime)</td>
<td>1.041*** 1.035***</td>
<td>2.053***</td>
<td>(0.336)</td>
<td>(0.353)</td>
</tr>
<tr>
<td>Observations</td>
<td>159</td>
<td>159</td>
<td>112</td>
<td></td>
</tr>
<tr>
<td>Log Likelihood</td>
<td>-89.232</td>
<td>-89.230</td>
<td>-64.626</td>
<td></td>
</tr>
<tr>
<td>Akaike Inf. Crit.</td>
<td>186,463</td>
<td>188,459</td>
<td>141,252</td>
<td></td>
</tr>
</tbody>
</table>

Note: *p<0.1; **p<0.05; ***p<0.01

### Natural Resource Rents and Foreign Funding Restrictions on NGOs

In Table 4, I examine natural resource rents and foreign funding restrictions. Overall, there is a clear positive correlation with oil rents (% GDP) and especially natural gas rents (% GDP) and foreign funding restrictions (p<0.01). Natural gas rents, more so
than the other variables, seems to better predict the adoption of legislative restrictions, likely due to the more recent advances of natural gas exploration technology and the rise of foreign funding restrictions in recent years.

In Table 4, I control for overseas development aid (ODA) as % of GDP, overall GDP, and Polity2 scores, since the EIU Democracy Index only extends back until 2006, and my dataset begins in 1993. Christensen and Weinstein (2013) and Dupuy et al (2014) note that restrictions on foreign funding for NGOs are much more probable in countries with high levels of foreign aid, as foreign aid reflects international influence. Only Dupuy et al (2014) empirically tests the association of ODA, and finds that it is somewhat statistically significant (p<0.1), and slightly more significant (p<0.05) when paired with competitive election interaction. However, in the table, ODA (% GDP) is not significant when compared with % GDP from natural resources and Polity2 scores. Perhaps as countries increase their natural resource output, they are less dependent on ODA. At the same time, because of their natural resource output, these countries may also be targeted by international environmental NGOs, and more likely to adopt restrictions. Governments may be under pressure to restrict foreign funded environmental groups, particularly by multinational oil, gas, and mining companies.
In contrast to Table 4, Table 5 retains only one control, net ODA received (% of GDP). In this model, all sources of natural resource rents measured are statistically significant. In Table 5, there is a clear positive correlation with oil rents (% GDP), forest rents (% GDP), and natural gas rents (% GDP) and foreign funding restrictions (p<0.01). Mineral rents are also significant (p>0.05). In the table, ODA (% GDP) is slightly
negatively associated with foreign funding restrictions (p<0.01). This could perhaps be
due to overall reductions in ODA since the global financial crisis of 2008, and due to the
expansion of my dataset to include the period through 2016 rather than 2011. The ODA
(% GDP) variable is statistically significant (p<0.01) and negatively correlated with
foreign funding restrictions.

Table 5. Oil Rents, Forest Rents, Mineral Rents, Natural Gas Rents, and Net
ODA Received (% of GDP) and Foreign Funding Restrictions

<table>
<thead>
<tr>
<th>Dependent variable:</th>
<th>Foreign Funding Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil rents (% of GDP)</td>
<td>0.044***</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
</tr>
<tr>
<td>Forest rents (% of GDP)</td>
<td>0.053***</td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
</tr>
<tr>
<td>Mineral rents (% of GDP)</td>
<td>0.018**</td>
</tr>
<tr>
<td></td>
<td>(0.009)</td>
</tr>
<tr>
<td>Natural gas rents (% of GDP)</td>
<td>0.178***</td>
</tr>
<tr>
<td></td>
<td>(0.019)</td>
</tr>
<tr>
<td>Net ODA received (% of GDP)</td>
<td>-0.020***</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.744***</td>
</tr>
<tr>
<td></td>
<td>(0.047)</td>
</tr>
<tr>
<td>Observations</td>
<td>4,279</td>
</tr>
<tr>
<td>Log Likelihood</td>
<td>-2,646.664</td>
</tr>
<tr>
<td>Akaike Inf. Crit.</td>
<td>5,305.328</td>
</tr>
</tbody>
</table>

*Note: *p<0.1; **p<0.05; ***p<0.01

Subnational Power Conflict Risk and Foreign Funding Restrictions on NGOs

In Table 6, I examine national and subnational power conflict risk and the
association with foreign funding restrictions on NGOs. Overall, subnational power
conflict risk is positively associated with an increase in the likelihood of foreign funding
restrictions, statistically significant (p<0.01). This provides support for the association between foreign funding restrictions and risk of internal conflict over issues apart from government power itself, such as secession or resources. On the other hand, national power conflict risk is negatively associated with the adoption of foreign funding restrictions and these results are also statistically significant (p<0.01). The negative association between national power conflict risk and the adoption of foreign funding restrictions likely echoes claims by earlier scholars such as Carothers (2015) and Christensen and Weinstein (2013) that foreign funding restrictions reflect rising authoritarianism. Foreign funding restrictions are oftentimes strategically paired with other measures to stifle opposition (Christensen and Weinstein, 2013). If there is rising authoritarianism, the risk of conflict over power may be reduced as a result. Future work might break down the conflict risk scores by regime type, particularly given that nearly half of the countries with foreign funding restrictions in my dataset have authoritarian regimes.

### Table 6. Global Conflict Risk Index (GCRI), National Power and Subnational Power and Foreign Funding Restrictions

<table>
<thead>
<tr>
<th></th>
<th>Dependent variable: Foreign Funding Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Power Conflict Risk</td>
<td>-2.421*** (0.459)</td>
</tr>
<tr>
<td>Subnational Power Conflict Risk</td>
<td>2.966*** (0.456)</td>
</tr>
<tr>
<td>Constant</td>
<td>-3.052*** (0.134)</td>
</tr>
<tr>
<td>Observations</td>
<td>4,279</td>
</tr>
<tr>
<td>Log Likelihood</td>
<td>-2,598,489</td>
</tr>
<tr>
<td>Akaike Inf. Crit.</td>
<td>5,202.977</td>
</tr>
</tbody>
</table>

*Note: p<0.1; **p<0.05; ***p<0.01*
7. Findings

In constructing this large dataset clearly there are patterns unnoted by earlier researchers. Rises in restrictions on foreign funding to NGOs increased following several events: September 11th 2001; the 2008 Financial Crisis (which affected ODA commitments, and took an additional year to affect Africa); the neighborhood effect of the 2012 Foreign Agents legislation in Russia and the 2009 Proclamation in Ethiopia; the worldwide drop in oil prices beginning in 2009; the Arab Spring and subsequent wave of counter-terrorism legislation (see Figure 2). There was a wave of counter-terrorism legislation following September 11th and particularly following the Al-Shabab attacks in East Africa (see Figure 2).

However, if countries are poor and democratic, why would they enact foreign funding restrictions? In general, the amount of foreign aid has been reduced since the 2008 global financial crisis and therefore has become less of an income source for central governments, while at the same time more of the remaining foreign aid is increasingly redirected towards NGOs. Given its capacity to fund opposition groups, foreign aid to NGOs may be viewed as a threat to maintaining power. Second, many of these leaders have alternative revenue sources, particularly as their country develops and industrializes. Of the 65 countries with legislative restrictions, 34 rank among the top 58 countries with natural resources monitored by the Resource Governance Institute. Therefore, central governments have increasing access to funds from the extraction of natural resources and the rise of multinationals in the extractive industry, many of which are frequently
criticized by foreign-funded NGOs, such as Greenpeace, in terms of their resource extraction and deforestation practices.

Within regime types, I account for differences between ODA and non-ODA dependent, and extractive and non-extractive economies. Once I collapsed democracy into continuous democracies (no history of transition from authoritarianism) and democracies with transitions, the 1% significance seems less surprising, given the low number of continuous democracies (four in total) with restrictions since 1993, and the notion that transitioning democracies may have vestiges of the old regime and executives may feel more insecure due to previous internal conflicts. Transitioning regimes, whether towards authoritarianism or democracy, may also be more affected by recent conflict or crisis due to weakened state capacity to respond to crisis and in most cases, limited state treasuries.

8. Different Logics by Regime Type

Here, I will first discuss the different logics, by regime type, for restricting foreign funding to NGOs. The rapid expansion of NGOs may be viewed as challenging the legitimacy of the executive, whether it is the expansion of environmental NGOs in Canada or more broadly, the expansion of NGOs in aid-dependent countries. Also, once a new party is in power, it may also seek to restrict the civil society sector that it once lauded. Legislative restrictions on foreign funding to NGOs typically develop before or after competitive elections (Christensen and Weinstein, 2013; Dupuy et al, 2014), yet the logic for restrictions is based upon regime type and increment of transition. Less democratic regimes have generally more broad-based restrictions. More democratic
regimes have restrictions specifically targeted towards groups with specific policy interests challenging the policy agenda of incumbent executives.

The majority of democracies with legislative restrictions on foreign funding to NGOs are flawed democracies or hybrid regimes, according to the Economist Intelligence Unit’s 2016 Democracy Index. Out of 12 democracies with legislative restrictions, nine fall within the category of flawed democracies and three are full democracies. Among the 12 full and flawed democracies with foreign funding restrictions, eight have had a recent transition to democracy and only four have been continuously democratic. All twenty of the hybrid countries have also had a recent transition to democracy. Therefore, 28 countries, of 65 countries with restrictions, have undergone a recent transition to democracy. In total, 32 countries are classified as authoritarian according to the EIU 2016 Democracy Index.

Foreign Funding Restrictions: Flawed Democracies and Hybrid Regimes

Among the 28 countries that recently transitioned to democracy, all are aid-dependent, and all have a prior history of authoritarianism. Therefore, electoral competition is something relatively recent and oftentimes threatening to leaders wishing to maintain power. Democratic transition renders executive leaders responsible to their voter constituency, thereby increasing the pressure to gain support from citizens. Executive leaders in transitioning countries adopt various techniques in order to assure electoral victory, and at times, to limit competition, such as clientelism, and more recently, foreign funding restrictions. In addition, the global rise of NGOs in response to

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7 There is missing data for Belize, according to the EIU 2016 Democracy Index.
various crises, the emphasis of the NGO sector on decentralization, the re-orientation of foreign funding from bilateral aid donors more and more through NGOs rather the central government, and the growth of the extractive industry all explain the power dynamics between the “menace” that foreign funding of NGO brings to leaders trying to maintain power in fledgling democracies.

First, in many transitioning countries with multiparty elections, leaders turn to clientelism as a result of electoral pressure. Oftentimes, clientelism leads to more social cleavages and internal conflict (Bates, 2008; Carothers, 2002), particularly around election time (Boone, 2009). Electoral competition, then, increases political pressure on policymakers, confounded by an already weak, unconsolidated state and aid-dependent economy in most transitioning and hybrid regimes. Subsequently, given political uncertainty, politicians may be more likely, under competitive elections, to maximize their gains from holding office, and under more pressure to appease those who are loyal to them and help garner political support, upholding clientelist and patronage remnants from prior authoritarian rule.

Second, in addition to clientelism, foreign funding restrictions emerge as a tactic during election time, attempting to eliminate foreign funding of opposition groups and critiques of the administration by global NGOs, particularly those with a focus on human and environmental rights. Therefore, the global rise of NGOs and promotion of rights-based discourses threatens electoral victory in hybrid and transitioning regimes that resort to tactics stifling true electoral competition.

Democratization and the rise in accountability aimed to alleviate authoritarian abuse of power and eliminate political clientelism (Diamond, 2009). Political clientelism
is oftentimes perpetuated by distribution of aid by governments to core constituencies in terms of vote buying, or to individuals within the government in terms of buying loyalty. To address mismanagement of funds by central governments, donor agencies increasingly redirect foreign aid towards civil society organizations (CSOs) and away from central governments, where much aid has historically lined government coffers rather than responding to the needs of citizens. For instance, in 2011, the OECD Development Action Committee (DAC) allocated 19.3 billion USD of official development assistance (ODA) to and through CSOs, compared to 17.3 billion USD between 2008-2011 (OECD 2013, at 3). In 2011, 20% of total bilateral ODA was directed at, or through, NGOs (OECD 2013, at 3). However, circumventing the central government in terms of aid distribution eliminates an important revenue source to keep the administration in power, particularly given clientelist politics in transitioning and aid-dependent countries.

All of the transitioning democracies and recently transitioned democracies had an authoritarian past at some point since 1948. Most hybrid and transitioning/recently transitioned democracies in the dataset are dependent on foreign aid, and post-conflict. Transitioning and recently transitioned democracies with legislative restrictions on foreign funding to NGOs include Panama, Peru, Indonesia, Moldova, and Sri Lanka\(^8\), all of which have an authoritarian past and prior conflict, whether internal or international.

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\(^8\) Tunisia and Singapore, though classified Free and Partly Free, respectively, according to Freedom House 2016, are not included here, because they are not listed as democracies in the Magaloni et al (2013) Autocracies of the World Index. Singapore is an exception in the political economy literature, as the “wealthiest non-democracy.” There is no data on Belize in the Magaloni et al (2013) Autocracies of the World Index or the EIU Democracy Index.
The data also clearly illustrate neighborhood effects across East Africa, Central Asia, the Middle East, and South Asia, reflecting global pushback against the rise of NGOs. Neighborhood effects explain the rising rate of restrictions, which encountered a particular spike in 2012. Overall, regional crises, such as conflict and humanitarian crises, which may bring in many international NGOs, as well as economic crises, migrations and proximity to democratic uprisings, may lead to neighborhood effects, increasing the rate of adoption of legislative restrictions (Reddy, 2018).

9. Conclusions

Earlier scholarship by Carothers (2015), Christensen and Weinstein (2013), and Dupuy et al (2014; 2016) indicate that legislative restrictions on foreign funding to NGOs are largely driven by perceived threats to not only authoritarian, but more broadly, executive power, in countries with competitive elections, around election time. A paradox is why these restrictions exist in democracies, particularly in aid-dependent countries. By collapsing the wide variety of cases into regime type, and within regime type, differentiating between resource-rich countries and countries proximate to or experiencing recent crisis, my framework accounts for the rise of legislative restrictions across diverse political and economic contexts.

In regards to recent democracies, democratization aimed to eliminate clientelist and patronage politics in countries transitioning from authoritarianism. However, in transitioning democracies and hybrid regimes, executive leaders are under increased political pressure due to electoral competition, particularly as most transitioning and hybrid regimes have a weak state and an aid-dependent economy. Given political uncertainty, politicians in transitioning and hybrid regimes may be more likely, under
competitive elections, to maximize their gains from holding office, and under more pressure to appease those who are loyal to them and help garner political support, upholding clientelist and patronage remnants from prior authoritarian rule. Thereby, in many contexts, executives will be more inspired by short-term gains in terms of the stability of their administration, than in the nation’s long-term development. This is particularly the case in weak states, where the risk of a coup is too costly and short-term stability of a ruler may appear to be the immediate best choice. At the same time, aid agencies increasingly advocate for decentralization of aid directed at the central government. Donors increasingly rechannel their aid through NGOs rather than the government (Reinhardt, 2015) with the vision that aid will be better distributed at the regional and local levels. Thus aid

In transitioning democracies and recently transitioned democracies, there is a broader application of restrictions reflecting a slight variety in motivations, as opposed to our four continuous democratic outliers. In most instances, transitioning and recently transitioned democracies enact restrictions as a response to crisis, the organization of environmental NGOs in resource-rich developing countries, or concerns about opposition groups in former post-conflict countries. All of the transitioning democracies and recently transitioned democracies had an authoritarian past at some point since 1948. Most hybrid and transitioning/recently transitioned democracies are ODA dependent and post-conflict, and present even more justifications to restrict the civic space as leaders utilize legislative restrictions on foreign funding to NGOs, in order to influence election outcomes.
Overall, the presence of the extractive industry is highly significant across regime types and even in democracies in particular as the majority of countries with restrictions are resource-rich. Therefore, while international organizations spread global norms centered around democracy and development, to all countries, the extent to which the carriers of these global norms are contested may be highly correlated with levels of democratization, natural resource extraction, as well as domestic challenges to the reelection of incumbents, such as sub-national conflict and/or specific security concerns.
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