

October 28, 2018. Under review.

Are Donors Really Responding? Analyzing the Impact of Global Restrictions on NGOs^{*}

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Foreign donors routinely use nongovernmental organizations (NGOs) to deliver foreign aid. However, states are increasingly relying on repressive legislation to crack down on NGOs within their borders. How have foreign aid donors responded to this legal crack-down on NGOs? Using original data from all countries that received aid from 1981–2012, we assess the impact of anti-NGO laws on total flows of official foreign aid, the nature of projects funded, and the channels used for distributing this aid. Overall, we find that donors scale back their operations in repressive countries. However, rather than completely withdraw, we find that donors redirect funds within restrictive countries by decreasing funds for politically sensitive issues, and channeling more aid through domestic rather than foreign NGOs. While our findings challenge existing notions of foreign aid running on “autopilot,” they also have worrying implications for Western donors and domestic NGOs working on contentious issues.

The previous two decades have seen a proliferation of laws designed to limit the influence of civil society organizations and nongovernmental organizations (NGOs). As of 2017, more than 100 countries have obstructed, repressed, or completely closed the allowable legal space for civil society (CIVICUS 2017). While recent research has examined the causes behind state crackdown on NGOs (Carothers

^{*}We thank Elizabeth Bloodgood, Sarah Bush, Magnus Lundgren, Christopher Pallas, the participants of the “Beyond the Boomerang” workshop held before the 2017 annual International Studies Association conference, and the participants of the 2017 Midwest Political Science Association conference for their helpful comments. We also acknowledge Lisa Argyle, Paul Bürkner, Ryan Davis, Adam Dynes, Isabella Ghement, Andrew Green, John Holbein, Tristan Mahr, Judith Kelley, Robbie Richards, and Simon Weschle for their invaluable help and advice.

and Brechenmacher 2014; Dupuy, Ron, and Prakash 2016; Chaudhry 2016; Heiss 2017), the consequences of this phenomenon have been relatively unexplored (Dupuy and Prakash 2018), particularly in the realm of foreign aid. OECD donor agencies such as the United States Agency for International Development (USAID) or the UK's Department for International Development (DFID) channel substantial amounts of official development assistance (ODA) through NGOs in order to avoid recipient government corruption and prevent rent-seeking among elites (Dietrich 2013; Easterly 2006; Gibson et al. 2005; Smith 2000). When recipient countries crack down on these avenues of aid delivery, how do donor countries respond?

By examining all 140 countries that received foreign aid from OECD nations from 1981–2012, we find that official donor agencies systematically respond to changes in the regulatory environment for NGOs. In particular, we look at the impact of anti-NGO regulation on (1) the amount of committed aid, (2) the proportion of aid designated for contentious, politically sensitive purposes, and (3) the proportion of aid channeled through domestic (i.e. local) and international NGOs working in recipient countries. We find that donors respond to domestic crackdowns on NGOs by scaling back their operations and reducing total aid commitments. Additionally, we find that donors redirect funds within restrictive countries by (1) decreasing funds for politically sensitive causes, and (2) channeling more aid through domestic rather than foreign NGOs. Our results challenge existing conceptions of foreign aid, wherein such assistance is often considered to be on autopilot for decades, without considering the political contexts of their target countries (Brainard 2007; Carothers 2015a, 64).

Understanding the consequences of NGO crackdown on donors and funding agencies is vital for three reasons. First, international donors channel a large amount of aid to developing countries through NGOs. This crackdown can consequently lead to a decline in services offered to citizens in developing countries. Second, both foreign aid and democracy aid are often considered unresponsive to political realities on the ground (Brainard 2007; Carothers 2015a, 64). However, our results show that this is not the case—donors systematically respond to changes in the regulatory environment of the organizations implementing their goals. Third, a robust civil society is often seen as a crucial component for healthy democracies (Putnam, Leonardi, and Nanetti 1994), and many nations earmark a large amount of democracy assistance for civil society every year (Smith 2000). However, recipient countries often perceive this as unwelcome foreign intervention in domestic politics and consequently rely on legal crackdowns to avoid this influence (Dupuy, Ron, and Prakash 2016). We find that in many cases, these anti-NGO laws achieve their goals of limiting the ability of these organizations to procure funds and carry out their operations, which may eventually force a number of NGOs to shut down.

This, in turn, adversely affects the agendas of both the foreign aid and democracy promotion community.

Foreign aid to civil society and restrictions on NGOs

Foreign aid to developing countries via bilateral and multilateral official development assistance (ODA) became a booming industry starting in the 1960s. Since then, it has been steadily increasing—net ODA increased by 63% during 2000–10, reaching \$128.5 billion by 2010 (Lim, Mosley, and Prakash 2015, 295). In 2012, USAID spent approximately \$4.3 billion on assistance to civil society around the world, while the World Bank spent approximately \$11 million on the same in 2009 (Tierney et al. 2011). In many cases, ODA is distributed directly to NGOs, so that donors can avoid embezzlement of project resources by low-capacity governments (Winters 2010; Dietrich 2013; Winters 2014).

However, while NGOs may be the preferred actor of the international community, states do not necessarily view the spread of NGOs as a positive development. Many states have enacted legal restrictions against NGOs, making it difficult for them to operate and survive. According to data from the International Center for Not-for-Profit Law, between 2004–10, more than 50 countries enacted measures restricting civil society (Rutzen 2015, 3). More broadly, between 1990–2012, 79 developing countries introduced severe barriers to entry for NGOs, and 69 countries imposed some form of funding restriction on NGOs, such as limiting foreign funding or requiring that all money earmarked for NGOs be channeled through government banks (Chaudhry 2016). By 2017, the majority of the world had seen a constriction of civic space (see Figure 1). According to CIVICUS, only 26 countries have completely unrestricted civic space, while more than 100 have obstructed, repressed, or completely closed the legal space for civil society organizations (CIVICUS 2017).

Recent research analyzing the causes behind this crackdown has argued that many governments perceive foreign funding to NGOs as providing resources to political opponents, which allows foreign governments to interfere in their domestic affairs (Dupuy, Ron, and Prakash 2016; Carothers and Brechenmacher 2014; Mendelson 2015; Heiss 2017). More broadly, Chaudhry (2016) finds that states are more likely to adopt legal restrictions when dealing with NGOs posing threats in the long-term because it helps states overcome negative consequences associated with violence.

Importantly, not all NGO-related legislation aims to restrict these groups. Governments frequently use regulations to routinize the behavior of NGOs—regulations produce convergent practices (Bloodgood and Tremblay-Boire 2016, 145), prevent malfeasance that threatens to undermine confidence in the entire NGO commu-

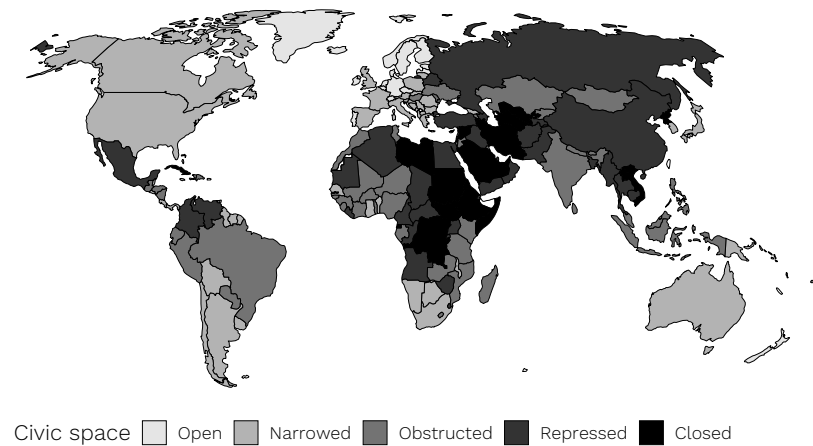


Figure 1: CIVICUS Monitor civic space ratings, 2017

nity (Gibelman and Gelman 2004; O’Neill 2009), and help improve NGO access to the policy-making process (Teets 2014). Standard regulations requiring mandatory registration and filing annual funding reports help prevent the spread of “briefcase NGOs,” or organizations that exist only on paper and provide little to no service. Thus, legal regulations are not inherently negative and can have a positive impact.

However, we focus on the impact of restrictive regulations or anti-NGO laws. Unlike regulations aimed at standardizing state–NGO relations, these laws are intended to have a negative impact on the NGO community by creating deliberate barriers to their entry, funding, and advocacy. *Barriers to entry* refer to the use of law to discourage, burden, or prevent the formation of NGOs. For instance, in many states, mandatory registration requirements are rarely straightforward: approval times are lengthy, there are vague criteria for registration, NGOs may not be allowed appeals in denied registration, and some countries require an unreasonably large number of founders or funds in order to register (Chaudhry 2016; Heiss 2017).

Barriers to funding refer to the use of law to restrict the ability of NGOs to secure the financial resources necessary to carry out their work. States impose restrictions on NGOs based on the origin of funds, how those funds are channeled, and which issues these funds can be used towards. Barriers to foreign funding are worrisome because citizens in many countries are often too poor to support local NGOs, may lack a culture of philanthropic giving, or may prefer to channel funds to groups working in non-contentious areas such as health and education (Dupuy, Ron, and Prakash 2015; Ron, Pandya, and Crow 2016; Brechenmacher 2017). Potential do-

mestic philanthropists may also be deterred by dismal tax incentives, threats to take away business permits, or have a general fear of retribution (Hudson Institute 2015; Baoumi 2016).

Finally, *barriers to advocacy* refer to the use of laws to restrict NGOs from engaging in the full range of free expression and public policy advocacy. Such laws place burdens on speech and publication, and bar NGOs from working on political issues, where “political” is often vaguely defined to provide an easy cover for governments to crack down on threatening groups. These laws can allow repressive regimes to simultaneously reap the benefits of foreign NGOs—such as policy expertise, aid, and humanitarian services, while offsetting the risks inherent in allowing these organizations to operate (Heiss 2019).

The impact of restrictive NGO legislation

How does restrictive NGO legislation impact the foreign aid sector? In particular, how does it impact donor behavior in regard to the amount and targets of aid? Previous research analyzing determinants of foreign aid has looked at both domestic politics of donor countries (Milner and Tingley 2010), as well as the needs of recipient countries (Alesina and Dollar 2000; Dreher, Sturm, and Vreeland 2009; Easterly and Pfutze 2008). In studies that look at the impact of recipient country characteristics on the distribution of aid, the effect of recipient governments’ respect for civil and political rights on the amount of aid that a country receives remains inconclusive (Svensson 1999). Neumayer (2003) finds that low regulatory burden has a significant and substantive effect in determining the amount of aid allocated towards good governance projects. At the same time, respect for personal integrity rights is insignificant at best and exerts a positive influence on aid eligibility at worst (Poe 1992; Poe and Tate 1994). Thus, the foreign aid literature remains inconclusive about whether concerns about crackdown on NGOs factor into donor decisions.

Dupuy and Prakash (2018), looking at the effects of the adoption of restrictive NGO finance laws find that the passage of an additional law is associated with a 32% decline in bilateral aid inflows in subsequent years. On the other hand, multilateral donors and overseas diasporic communities do not reduce their aid in response to such restrictive funding laws. While Dupuy and Prakash (2018) concentrate on new laws that restrict the inflow of foreign funds to domestically operating NGOs, one of our main contributions is to introduce data on a wide variety of laws beyond barriers to funding, including barriers to advocacy and entry, and analyze their effects on official aid. In addition to analyzing how donors change overall levels of aid to a country, we also look at how donors systematically shift aid allocation to

different sectors, issues, and targets within a country, depending on the nature of the restrictions being implemented against NGOs.

Scaling back

In response to the crackdown on NGOs, we first hypothesize that donor agencies who rely on NGOs to channel funds to developing countries may reduce aid following additional legal barriers. Critics may believe that aid will be effective only if delivered through nongovernmental mechanisms (Easterly 2006; Gibson et al. 2005; Lim, Mosley, and Prakash 2015). Without this option, donors may have to channel funds directly to recipient governments and in doing so, may end up reducing their total aid.

Restrictive NGO legislation can also imply a declining respect for civil and political rights in the target state. Consequently, donors may choose to channel funds towards civil society groups in countries that are in a better position to utilize them. For instance, after the passage of the 2012 Foreign Agent law in Russia, USAID was forced to cease operations in the country, while the National Democratic Institute (NDI) decided to shift its program to Lithuania instead. Similarly, the International Republican Institute (IRI) shifted its program from Belarus to Lithuania in the face of anti-restrictive NGO legislation in Belarus following the Color Revolutions.¹ Therefore, we can expect to see a decline in bilateral transfers and ODA to countries that pass restrictive NGO legislation.

Finally, donors may reduce their funding to countries enacting restrictive NGO legislation because of the disappearance or reduction of appropriate NGO partners in that country. Dupuy, Ron and Prakash, examining the government offensive against NGOs in Ethiopia, find that legislation against foreign-funded NGOs shut down a majority of the NGOs in the human rights sector in the country (2015, 420). Thus, with fewer NGOs, and in many cases, with the disappearance of trusted NGO partners, donors may hesitate to channel money to remaining NGOs, especially those with whom they have not previously partnered.

H₁: If countries adopt restrictive NGO legislation, then bilateral and multilateral donors will reduce foreign aid to those countries.

Responding to the crackdown

It is unlikely that donors always simply scale back their operations when facing repressive legislation. Many donor agencies actively work to find solutions and develop responses to help besieged local NGOs in the Global South. Further, as

1. Susan, Cornwell, "U.S. pro-democracy groups pulling out of Russia," *Reuters*, December 14, 2012, <https://www.reuters.com/article/russia-usa-democracy-idUSL1E8NE7FF20121214>

Carothers points out, scaling back is sometimes only visible with the actual departure of funders from the country (2015b, 15). For instance, following the passage of the 2015 Undesirable Organizations Law in Russia, large organizations such as the MacArthur Foundation and NDI were asked to leave the country. However, this expulsion was also the culmination of almost a decade-long campaign in Russia that had initially targeted domestic NGOs, and then finally succeeded in getting major international NGOs to exit the country as well (Brechenmacher 2017). In cases that do not have as high a profile, it is more likely that we should observe subtle changes.

First, we expect that donors may change the nature of the causes that they support and the organizations that they work with. Facing greater restrictions on the nature of activities undertaken by NGOs, donors may find it difficult to identify local NGOs that still work on contentious issue areas such as human rights, elections, political parties, youth groups, anti-corruption, and advocacy. For instance, after a trial targeting Egyptian NGOs resulted in long prison sentences for most of the defendants, many domestic NGOs which had embraced political work in the aftermath of the revolution abandoned such work and instead turned towards less contentious issues (Brechenmacher 2017).

States themselves also encourage NGOs to undertake work on non-contentious issues. Teets (2014) argues that the Chinese government not only allows, but encourages NGOs working in areas such as public health, education reform, and disaster relief. In doing so, better governance, rather than democratization, is the desired goal. NGOs dealing with human rights, freedom of expression, or other contentious issues, meanwhile, are not allowed to operate. Similarly, the 2009 Ethiopian Charities and Societies Proclamation Act stipulates that NGOs working on any rights issues must acquire 90% of their funding from domestic sources. However, the government refrains from enforcing the law against NGOs that do not challenge the state's development agenda (Brechenmacher 2017).

States are not the only actor who can encourage NGOs to concentrate on non-contentious issues (Heiss and Kelley 2017). Bush (2015) shows that donors increasingly demand measurable programs and results in order to secure ongoing funding. As such, both donors and NGOs face risks when engaging in contentious programming—getting shut down or expelled from a country makes it difficult to prove to your sponsor that your program was effective. To reduce these risks (and improve the chances of positive program outcomes), NGO programming naturally becomes tamer. Therefore, along with increasing state rhetoric against NGOs that threaten the security and sovereignty of the state, donors may also find it more politically appropriate to increase the amount of funding for “tame” causes such as education, health, and social service provision (Bush 2015).

H₂: If countries adopt restrictive NGO legislation, then donors will increase aid for tamer causes and reduce aid for politically sensitive causes.

Second, due to constraints on entry and funding for international NGOs, donors may instead turn to domestic NGOs in the hope that repressive states view these groups as less suspicious compared to foreign NGOs. Bush (2016) shows that American aid officials strongly prefer American NGOs in implementing programming abroad because these organizations are easier to observe, more likely to share donors' preferences, and more likely to mitigate potential implementation problems.

However, we argue there are several reasons why donors might prefer domestic NGOs to international or U.S.-based NGOs in restrictive regulatory environments.² Governments often pass restrictive laws out of a perception of foreign influence in domestic politics (Dupuy and Prakash 2018), and relying on domestic organizations can assuage these concerns. Official USAID strategy describes many justifications for channeling more aid to domestic NGOs, including increased localization and sustainability (United States Agency for International Development 2013). Moreover, USAID increases technical assistance to local NGOs in order to help them respond to restrictive regulatory proposals and earmarks specific support for besieged NGOs under USAID's Stand with Civil Society initiative (United States Agency for International Development 2014, 2015; Redacted 2016). Moreover, Heiss (2017) finds that it is often more convenient for foreign donors to deal with domestic partners when facing strict registration requirements—shifting to more domestic partners is a common response to more difficult regulations.

H₃: If countries adopt restrictive NGO legislation, then donors will channel more aid through domestic NGOs and channel less aid through foreign NGOs.

Data and empirical analysis

We test these hypotheses by analyzing how patterns of foreign aid commitments and allocation have changed in response to restrictive anti-NGO legislation. We combine variables from several existing datasets and create a cross-sectional time

2. Throughout this paper, domestic NGOs are defined as organizations that are headquartered in the country receiving foreign aid and run by local staff; foreign NGOs are headquartered in a different country from the state receiving aid, while U.S.-based NGOs are foreign NGOs based in the United States.

series panel that includes information about aid and NGO legislation in 140 countries from 1981–2012.³ Summary statistics for all the variables we use in our models are provided in Table A1.⁴

Outcome variables

We measure foreign aid using the OECD’s detailed data on aid commitments, which includes all overseas development assistance (ODA) from OECD member countries and multilateral organizations. We use *commitment* amounts rather than actual *disbursement* amounts since disbursement data moves slowly and does not necessarily reflect responses to the political environment—projects take a long time to fulfill and actual inflows of aid in a year can be tied to commitments made years before. Because we are interested in donor reactions to restrictions on NGOs, any reaction would be visible in the decision to commit money to aid, not in the ultimate disbursement of aid, which is already legally obligated and allocated to the country regardless of changes in civil society restrictions. For our first hypothesis, we calculate the sum of OECD-based ODA committed to each country each year since 1981 (in constant 2011 U.S. dollars), representing nearly \$5.5 trillion in total assistance (see the top left panel of Figure 2).

Aid data from the OECD includes detailed information about the purposes of each grant or project undertaken, which we use to test our second hypothesis. The OECD assigns projects to one of more than 200 different purpose codes in dozens of broader categories such as health, education, and agriculture. We classify contentious aid as any project focused on government and civil society⁵ or conflict prevention and resolution, peace and security.⁶ While the former includes projects on anti-corruption organizations and institutions, democratic participation and civil society, elections, media, human rights, legal and judicial reform, legislature and political parties, the latter includes security sector reform, civilian peacebuilding, and child soldiers, but does not include military aid. While we recognize that not all projects within these categories are always contentious, we have classified them as such based on the assumption that states perceive a majority of programs within these categories as contentious. These categories also overlap with Bush’s definition of categories of democracy assistance that classifies as “not regime compatible” (Bush 2015, 57). Nearly \$300 million has been allocated for this more aggressive kind of aid since 1980, accounting for more than 10% of all OECD-based foreign aid since 2009 (see the top right panel of Figure 2).

3. See pp. 1–2 in the appendix for details about missing data and our imputation strategy.

4. Figures and tables in the appendix are prefixed with “A.”

5. DAC codes 150 and 151.

6. DAC code 152.

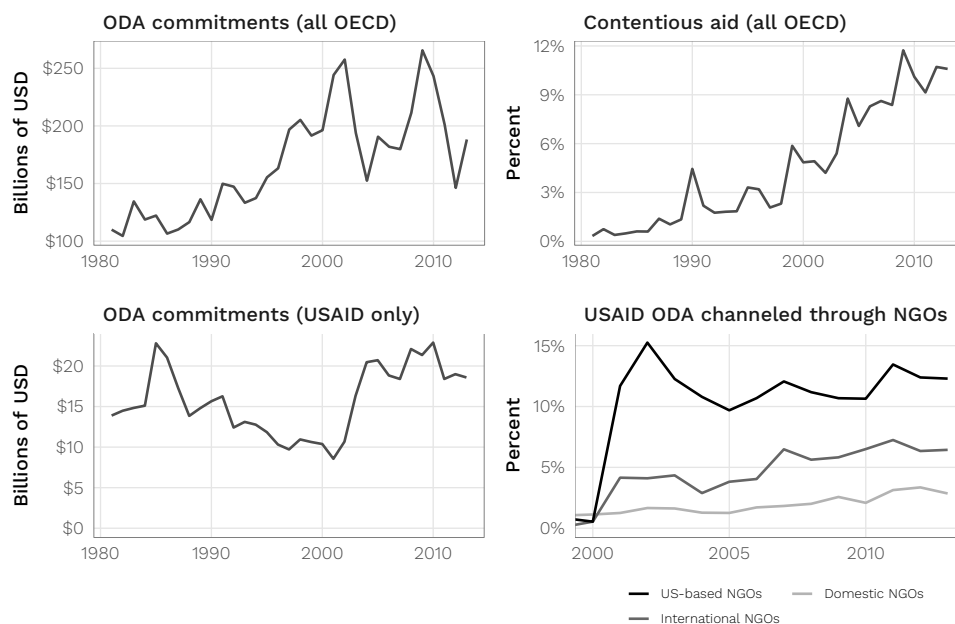


Figure 2: **Top left (H₁)**: total overseas development assistance (ODA) committed to all countries; **top right (H₂)**: proportion of OECD ODA committed to contentious programs; **bottom left**: total U.S. foreign aid committed to all countries; **bottom right (H₃)**: proportion of U.S. foreign aid channeled through different types of NGOs

In our third hypothesis, we posit that more aid will be allocated to domestic NGOs than international or U.S.-based NGOs in response to harsher anti-NGO restrictions. The OECD unfortunately does not uniformly categorize each aid project by delivery channel, which makes it impossible to systematically determine which kinds of organizations receive money from all OECD countries. USAID, on the other hand, offers more granular data, which enables us to code several variables indicating the proportion of American foreign aid channeled through domestic, international, and U.S.-based NGOs. Importantly, our tests of this hypothesis are based solely on American aid and thus represent only a subset of OECD donor behavior. We consider the total amount of economic aid from 26 different U.S. government agencies in each country annually, as reported in the agency's Green Book, comprising \$519 billion since 1981, and \$248 billion since 2000 (see the bottom left panel of Figure 2). As is evident in the bottom right panel of Figure 2, almost no aid was allocated to NGOs before 2000—due to changes in reporting standards, nearly all aid reported by USAID was delivered solely by the United States govern-

ment until 2000. As such, we also limit our analysis to 2000–12, adding additional caveats to the interpretation of this hypothesis.

To capture the lagged effect of each explanatory variable on the amount of aid in a given year, we shift our different measures of foreign aid ahead by one year (instead of lagging all the explanatory variables individually). For the sake of modeling, we transform our measures of aid differently for each hypothesis: when looking at total aid amounts, we take the natural log of aid; when looking at proportions of aid, we use a logit transformation and add or subtract 0.001 from values that are exactly 0 or 1. Equation 1 lists the functional forms of the dependent variables for each hypothesis.⁷

$$\begin{aligned}
 H_1 &: \ln(\text{ODA}_{\text{OECD}})_{i,t+1} \\
 H_2 &: \ln\left(\frac{\text{contentious ODA}_{\text{OECD}}}{\text{non-contentious ODA}_{\text{OECD}}}\right)_{i,t+1} \\
 H_3 &: \ln\left(\frac{\text{Aid to (domestic or foreign) NGOs}_{\text{USAID}}}{\text{Aid to other channels}_{\text{USAID}}}\right)_{i,t+1}
 \end{aligned} \tag{1}$$

Explanatory variables

To measure restrictive anti-NGO legislation, we use data from Chaudhry (2016) and Christensen and Weinstein (2013), who track the presence or absence of restrictive NGO laws across all countries. We exclude consolidated democracies as these countries are generally the providers of aid and not the recipients of aid.⁸ These laws are categorized by purpose and encompass barriers to entry, funding, and advocacy.⁹ We create summative indexes for the laws in each of these categories (see Table 1). We also show each component of this index over time in three of the panels of Figure 3. Because this NGO legislation data indicates only the year of initial appearance of a legal barrier, we carry the inverse of the first known value backwards (e.g. because Albania did not require NGO registration until 2001, it is coded as 0 until that year).

7. As an additional robustness check, we use zero-one-inflated beta regression as a different functional form. These results are dampened but go in the same direction. Complete details and results are in Tables A8–10.

8. See Table A2 (p. 3) for a complete list of countries included, based on criteria in Finkel, Pérez-Liñán, and Seligson (2007), 414.

9. These laws cover a range of civil society organizations, including non-governmental organizations (NGOs), nonprofit organizations (NPOs), and civil society organizations (CSOs). In this paper, we code legal regulations aimed at all these types of organizations, following Christensen and Weinstein (2013) and Rutzen (2015).

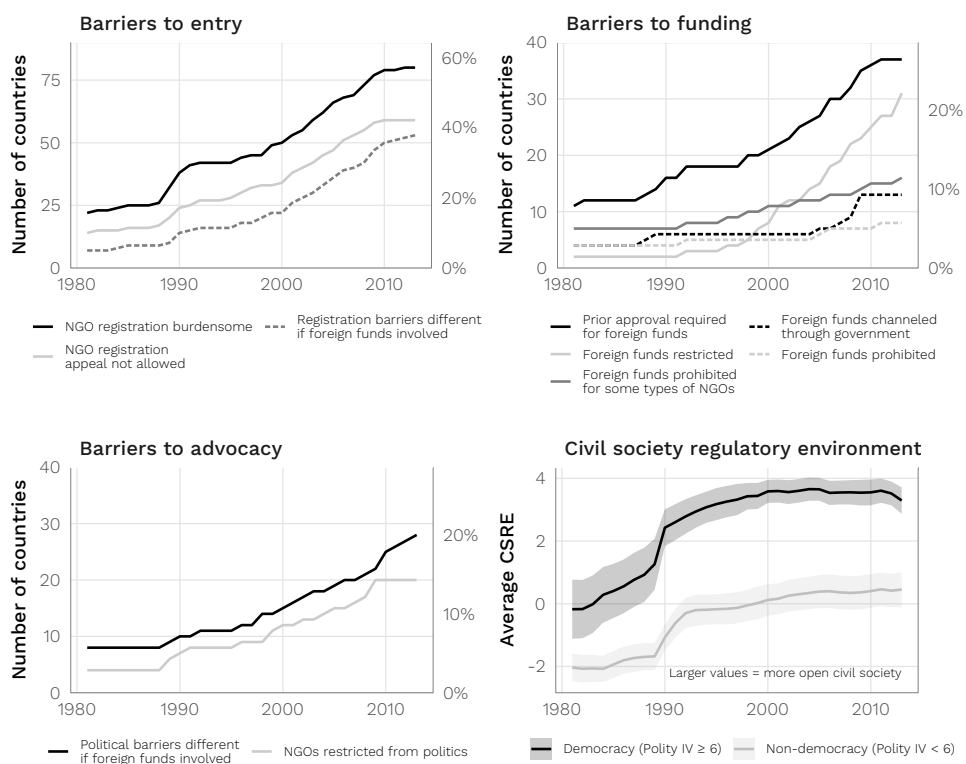


Figure 3: **Top; bottom left:** Number of legal barriers to NGO activity per country over time (de jure legislation); **bottom right:** average civil society regulatory environment (CSRE) per country over time (de facto environment)

Table 1: Description of indexes of NGO barriers

Index	Maximum value	Laws
Barriers to entry	3	<ul style="list-style-type: none"> • How burdensome is registration? (<i>Not burdensome = 0; Burdensome = 1</i>) • In law, can an NGO appeal if denied registration? (<i>Yes = 0; No = 1</i>) • Are barriers to entry different for NGOs receiving foreign funds? (<i>Less burdensome = -1; Same = 0; More burdensome = 1</i>)
Barriers to funding	5	<ul style="list-style-type: none"> • Do NGOs need prior approval from the government to receive foreign funding? (<i>Yes = 1; No = 0</i>) • Are NGOs required to channel foreign funding through state-owned banks or government ministries? (<i>Yes = 1; No = 0</i>) • Are any additional restrictions on foreign support in place? (<i>Yes = 1; No = 0</i>) • Are all NGOs prohibited from receiving foreign funds? (<i>No = 0; Partially = 0.5; Yes = 1</i>) • Is a category of NGOs prohibited from receiving foreign funds? (<i>No = 0; Partially = 0.5; Yes = 1</i>)
Barriers to advocacy	2	<ul style="list-style-type: none"> • Does the law restrict NGOs from engaging in political activities? (<i>No = 0; Partially = 0.5; Yes = 1</i>) • Are restrictions on political activities different for NGOs receiving foreign funds? (<i>Less restrictive = -1; Same = 0; More restrictive = 1</i>)
Total barriers	10	—

While our main focus is donor response to formal legislation, we also look at donor response to changes in the de facto implementation of these laws as a robustness check. Actual laws can lie dormant until needed for repression. For instance, Russia passed its 2015 Undesirable Organizations Law with the purpose of targeting and eliminating specific foreign-connected NGOs it deemed dangerous. One of the law’s sponsors, Aleksandr Tarnavsky, described the law as a preventative measure that would not affect the majority of NGOs working in Russia. Rather, the law would be a “weapon hanging on the wall... that never fires” and stand as a warning to potentially uncooperative NGOs (Kozenko 2015). Simply counting laws therefore misses the effect of their de facto implementation—laws can be benignly routine, dangerously dormant, or outrightly restrictive.

To address this disconnect we use a civil society regulatory index (CSRE) as a robustness check, which combines two indexes from the Varieties of Democracy (V-Dem) project (Coppedge et al. 2018): (1) civil society repression and (2) civil society entry and exit regulations. The CSRE index ranges from roughly -4 to 4 (with greater values indicating a more open regulatory environment) and shows more variation over time since it ostensibly captures changes in the implementation of the regulatory environment rather than the presence or absence of legislation (Heiss 2017). The bottom right panel of Figure 3 shows how the average global

CSRE index has changed since 1980. Democracies have a more open and permissive legal environment for civil society, while non-democracies are more restrictive, with both types of regimes seeing a rapid expansion of civic space at the end of the Cold War.

Modeling and estimation

We test our hypotheses using a series of multilevel Bayesian regression models. For each model coefficient, we report the posterior median, the proportion (or probability) of the distribution that is greater than zero, and the 95% credible interval. We declare an effect statistically significant if the median posterior probability that its coefficient is different from zero (or one in odds ratio-based models) is larger than 95%.¹⁰ We account for country and year effects to distinguish between natural time-variant and country-specific changes in donor behavior to increased NGO restrictions. Following Bell and Jones (2015), we use crossed random effects multilevel models for both country and year and decompose each continuous variable into meaned and demeaned forms by calculating the average value of that variable within a country and subtracting that mean from each individual observation. More formally, as seen in Equation 2, the β_1 coefficient represents the value for the demeaned variable ($x_{it} - \bar{x}_i$) and corresponds to the time-variant effect of that variable *within* an individual country (i.e. how x influences y over time). β_2 , on the other hand, represents the value for the mean of the variable (\bar{x}_i) and corresponds to the time-*invariant* effect of that variable *between* all countries (i.e. how the general level of x is associated with y across all countries).

$$y_{i,t+1} = \beta_0 + \beta_1(x_{it} - \bar{x}_i) + \beta_2\bar{x}_i + \dots \quad (2)$$

While this model specification is at first a little unwieldy, it has multiple benefits. The coefficients for demeaned (or *within*) variables in this kind of random effects model are roughly equivalent to their corresponding coefficients in a fixed effects model and are thus generally the coefficients of interest. These coefficients can be interpreted like standard regression coefficients: on average, accounting for differences over time, a unit change in x_t in a given country corresponds to a β_1 change in y_{t+1} . The *between* effects, on the other hand, reflect the cross-sectional variance and do not indicate changes in variable values. Instead, these coefficients show how the average level of each explanatory variable is related to the dependent variable: on average, countries with higher (or lower) x tend to have higher (or

10. We use Stan through R to run these models (R Core Team 2018; Stan Development Team 2018; Bürkner 2017). See p. 5 in the appendix for details about our priors.

lower) y . With this specification, our model clearly separates the within from the between effects and retains details about variance between countries and years.¹¹

We also control for several factors found to influence foreign aid allocation such as democracy, wealth, government capacity (Dietrich 2013), and unexpected shocks (Raddatz 2007; Bezerra and Braithwaite 2016). We measure *democracy* using data from Polity IV (Marshall, Jaggers, and Gurr 2015), rescaled from 0–10, with 10 being most democratic. We also include a binary indicator marking years after 1989 to account for differences in post-Cold War foreign aid. Since we believe that a country’s wealth and aid dependence influences donation decisions, we measure a country’s *wealth* in two ways: (1) GDP per capita, measured in constant 2011 U.S. dollars, and (2) the amount of trade—both imports and exports—as a percent of GDP.

To control for the influence of *government capacity* in donor decision making, we include the political corruption index from V-Dem (McMann et al. 2016), which accounts for public sector, executive, legislative, and judicial corruption, and ranges from 0–10, with 10 being most corrupt. Finally, we include two measures of *unexpected shocks*. We measure the occurrence of natural disasters with a binary indicator from the International Disaster Database (EM-DAT) (Guha-Sapir, Below, and Hoyois 2016), marking whether or not a disaster occurred in a given year, and we use data from the UCDP/PRIO Armed Conflict dataset (Gleditsch et al. 2002) to indicate the presence of an internal conflict in the past five years.

Foreign aid exhibits serial correlation, since the current year’s level of aid is partially dependent on previous commitments. To account for this, we include the value of the dependent variable (i.e. aid, proportion of contentious aid, etc.) in the previous year as a final control.¹²

Results and analysis

We present the estimates of our different models in coefficient plots below. Since there are many control variables, and most are doubled up with *within* and *between* effects, we only include variables related to NGO regulations in each plot. The full results of all models are included Tables A4–7. Table 2 summarizes the main findings for each hypothesis.

Table 2: Summary of findings

Proposition	Finding
<i>If countries adopt restrictive NGO legislation...</i>	

11. See pp. 4–5 in the appendix for a more detailed explanation of this approach to decomposition.

12. We also ran models with two- and five-year lags and found similar results.

	Proposition	Finding
H ₁	...donors will reduce foreign aid	<ul style="list-style-type: none"> OECD donors reduce aid following additional barriers to advocacy
H ₂	...donors will increase aid for tamer causes and reduce aid for politically sensitive causes	<ul style="list-style-type: none"> OECD donors increase funding for tamer causes following additional barriers to advocacy OECD donors increase funding for contentious causes as the overall civil society regulatory environment improves OECD donors increase funding for contentious causes following additional barriers to entry and funding
H ₃	...donors will channel more aid through domestic NGOs and channel less aid through foreign NGOs	<ul style="list-style-type: none"> USAID channels more aid through domestic NGOs following additional barriers to funding USAID channels less aid through foreign NGOs following additional barriers to funding

Changes in overall aid

We first look at how anti-NGO legal barriers affect ODA in the following year (see Figure 4). The total number of legal barriers generally has a negative effect (though insignificant: $P(\beta < 0) = 0.85$) on foreign aid. When we disaggregate the effect of different types of restrictions, we find that donors respond primarily to the imposition of legal barriers to advocacy. Increasing limitations on advocacy beyond a country's average level is associated with a 43% drop in aid the following year, on average ($P(\beta < 0) = 0.96$). Barriers to entry and barriers to funding do not influence aid, though, and neither do changes in the overall civil society regulatory environment. The *between* effects are also instructive: countries with more legal barriers to entry tend to have higher levels of aid ($P(\beta > 0) = 0.69$), while those with more barriers to funding receive less aid, on average ($P(\beta < 0) = 0.99$). Additionally, countries with a more open de facto CSRE generally receive more aid ($P(\beta > 0) = 0.95$).

The substantive impact of these coefficients can be seen in Figure 5, which shows the predicted level of foreign aid across 500 draws from the posterior distribution over a range of differences from the average number of NGO barriers in an average country (with all independent variables held at their mean or modal values). Adding an additional barrier to advocacy beyond a country's average reduces foreign aid commitments by more than \$100 million in the following year. Though this amount is minuscule compared to the total amount of global foreign aid, measured in hundreds of billions of dollars (see the top left panel of Figure 2), it is sizable given the proportions being channeled as civil society aid.

Why might barriers to NGO advocacy be associated with reduced aid while other legal restrictions are not? Barriers to advocacy represent the harshest, most direct restrictions on NGO activity and include government intimidation or dissolution of undesirable organizations. Donors are more responsive to direct restrictions either in an effort to punish recalcitrant countries or because the restricted

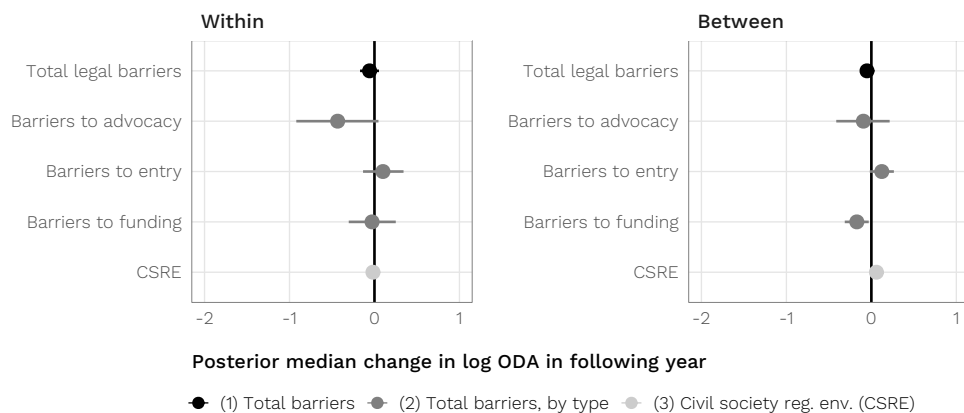


Figure 4: Determinants of OECD ODA in the following year. Points indicate posterior medians; error bars indicate 90% credible interval.

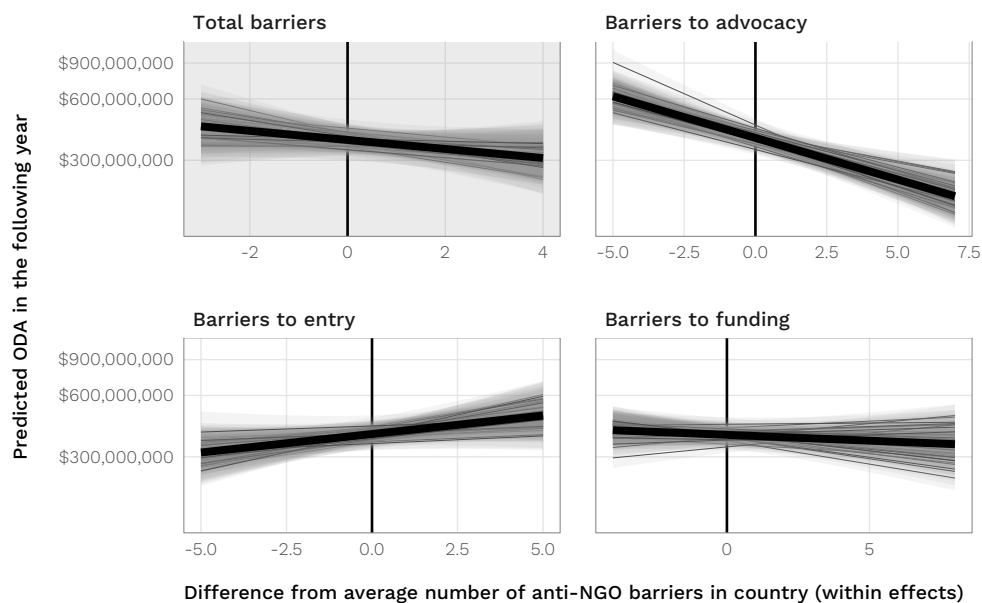


Figure 5: Predicted ODA across a range of differences from average number of anti-NGO laws in an average country; dark line shows average of 500 draws from posterior distribution.

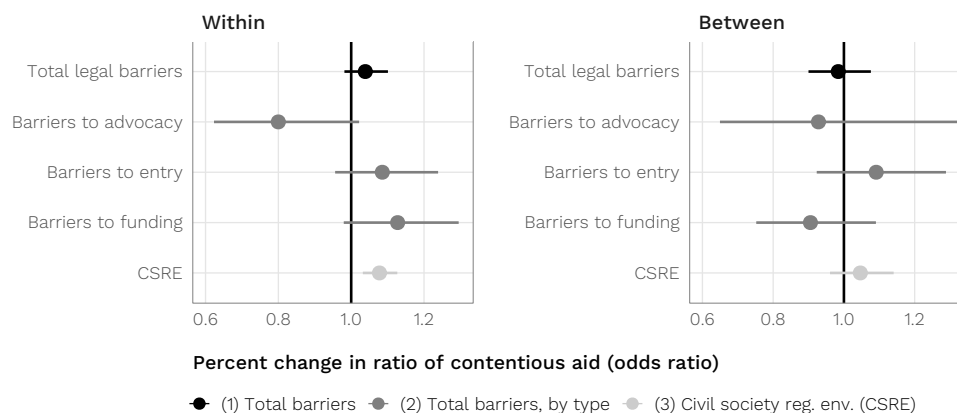


Figure 6: Determinants of the proportion of contentious OECD ODA in the following year. Points indicate posterior medians; error bars indicate 90% credible interval.

legal environment makes it more difficult to operate in the country. Unlike more benign bureaucratic legal barriers against funding or registration that are designed to make NGO operations more difficult or inconvenient, advocacy restrictions complicate NGO programming, and can even make it legally or politically impossible for donors to carry out certain projects. Given this more restrictive legal environment, donor agencies in turn reduce their funding commitments.

Changes in contentiousness of aid

We hypothesize that in response to restrictive NGO laws, donors will tame their aid and systematically shift commitments away from more contentious issues like human rights, elections, media, and democratic participation. As described earlier, our dependent variable is the logit-transformed proportion of contentious to non-contentious aid in the following year. The results in Figure 6 and in Table A5 are reported as odds ratios, but the coefficients are not exactly comparable to odds ratio coefficients from logistic regression and other models based on binary outcomes. Following Tripp and Kang (2008), who use a similar transformation to model the proportion of women in legislatures, these coefficients represent the percentage change in the ratio of an in-group to an out-group, or the amount of contentious to non-contentious aid. Coefficient values below one indicate less contentious aid; values above one indicate more contentious aid.

The results show that contrary to our hypothesis, the total number of legal barriers to NGOs is associated with an *increase* in contentious aid, with a 4% greater proportion of contentious aid to non-contentious aid, all else equal ($P(e^\beta > 1) = 0.90$).

Decomposing this small effect, we see that barriers to advocacy have a sizable effect on contentious programming—adding a new anti-advocacy barrier is associated with an 80% lower ratio of contentious aid ($P(e^\beta < 1) = 0.96$). In contrast, donors appear to increase their proportion of contentious programming in response to new barriers to entry (9% higher; $P(e^\beta > 1) = 0.90$) and funding (13% higher; $P(e^\beta > 1) = 0.95$), thus offsetting the negative effect generated by new barriers to advocacy. The civil society regulatory environment also plays an important role in the allocation of contentious aid: a one-point improvement in the CSRE index is associated with a 8% higher ratio of contentious aid ($P(e^\beta > 1) = 1$). None of the time-invariant *between* coefficients are substantially associated with the proportion of contentious aid.

Looking at the predicted proportion of contentious aid is helpful, given the difficulty in interpreting a percent change in ratios. Figure 7 shows how the predicted proportion of contentious aid changes across a range of differences from both the average number of barriers to advocacy and the average CSRE index, with all other variables again held at their typical values. Adding new legal restrictions on advocacy reduces the amount of contentious aid donors allocate to countries by nearly a percentage point on average (i.e. moving from 3% to 2%). Thus, donors do indeed appear to tame their programming both when facing political restrictions and when the legal environment for civil society constricts. Adding new barriers to entry and funding, contrary to our hypothesis, appears to have an enabling effect on contentious aid, with donors increasing the proportion of their contentious programming by around half a percentage point each (i.e. moving from 2.5% to 3%).

This suggests that donors (1) reduce funding for contentious programming when laws are designed specifically to prohibit advocacy-based programming, and (2) simultaneously increase funding for contentious issues in the face of less targeted laws, potentially in an effort to counter them.

There is anecdotal evidence for this assertion: donors and NGOs have actively lobbied against restrictive legislation in several countries. Following a two-year grassroots campaign, in 2016 a coalition of civil society activists and international donors in Kyrgyzstan—including the Open Society Foundations—helped defeat a bill modeled after Russia’s 2012 foreign agent law that prohibited foreign funding and limited access to international NGOs. Activists emphasized that the bill would limit funding to government agencies dependent on aid, and some Kyrgyz legislators cited the need for this funding in their justification for voting against the bill, stating that “We get financial assistance from [international organizations] in many fields, including healthcare, education, and agriculture among others. We need this

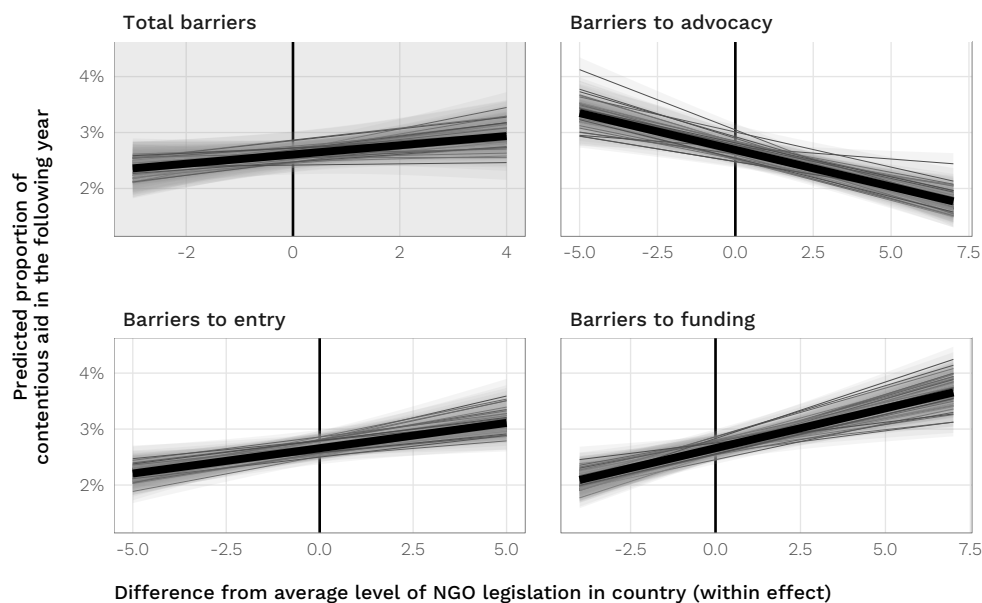


Figure 7: Predicted proportion of contentious OECD ODA across a range of differences from average number of anti-NGO laws in an average country; dark line shows average of 500 draws from posterior distribution.

money.”¹³ Kenyan activists and international donors undertook a similar campaign in 2013, defeating a law designed to limit funding from foreign sources and impose burdensome registration requirements on organizations in the country.¹⁴

The taming that we see with advocacy is thus born out of concerns of safety and practicality (i.e. if contentious programming is banned outright, it is difficult to continue to fund it). We do not see a similar trend in taming with entry and funding laws because these kinds of regulations do not pose as much of a direct threat to programming, and donors may increase funds for contentious programming to defend against these laws.

Changes in aid channels

Finally, we hypothesize that donors react to anti-NGO legislation by shifting their money away from international or U.S.-based organizations to domestic NGOs,

13. Anna Lelik, “Kyrgyzstan: Foreign Agent Bill Nixed, NGOs Rejoice,” *Eurasianet*, May 12, 2016, <https://eurasianet.org/s/kyrgyzstan-foreign-agent-bill-nixed-ngos-rejoice>.

14. Irūngū Houghton and Stephanie Muchai, “Protecting civic space against #NGOMuzzle laws in Kenya,” *CIVICUS Blog*, March 2014, <https://www.civicus.org/index.php/media-center/news/civicus-blog/2351-protecting-civic-space-against-ngomuzzle-laws-in-kenya>.

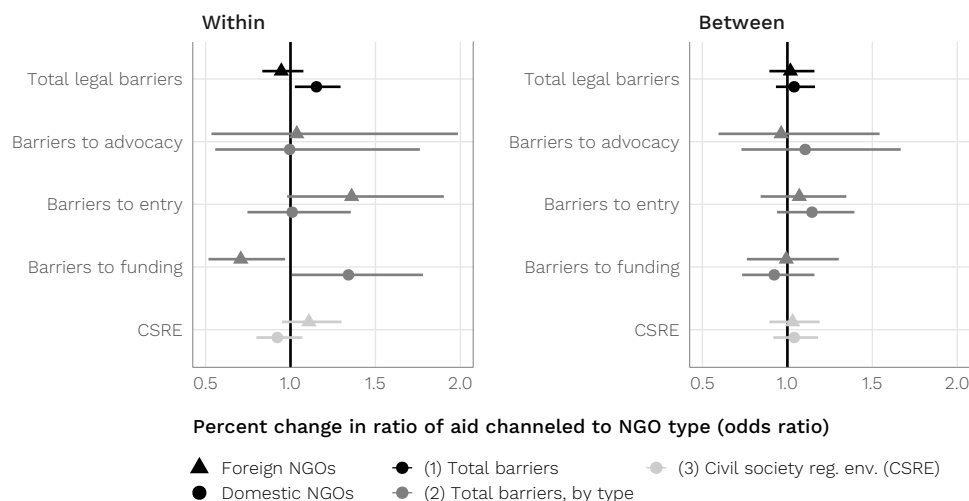


Figure 8: Determinants of the proportion of U.S. foreign aid channeled through either domestic or foreign NGOs in the following year. Points indicate posterior medians; error bars indicate 90% credible interval.

since the latter are less likely to be viewed with suspicion by host countries and their citizens. Coefficients should be interpreted again as the odds ratio of an in-group to an out-group—in this case, the proportion of aid channeled through domestic NGOs (or foreign NGOs) to all other channels.

As seen in Figure 8, adding an additional legal barrier beyond a country's average level is associated with *more* funding channeled through domestic NGOs, increasing the ratio by an average of 15% ($P(e^\beta > 1) = 0.99$). This effect seems to be driven primarily by barriers to funding, which is the only category of legal restriction to have a substantial *within* effect. On average, countries that enact an additional barrier to funding beyond their average level of regulation see a 34% higher ratio of aid channeled through domestic NGOs in the following year ($P(e^\beta > 1) = 0.98$). Given the increase in the use of domestic NGOs, the model finds that barriers to funding have a reverse effect on the proportion of aid given through foreign NGOs—countries enacting an additional barrier to funding see a 29% average decrease in the proportion of aid given to foreign NGOs ($P(e^\beta < 1) = 0.99$).

However, contrary to our hypothesis, the model also predicts that the imposition of entry laws *increases* the ratio of aid channeled to foreign NGOs by 36% ($P(e^\beta > 1) = 0.97$). No other NGO-related variables have a consistent effect on how much aid goes through either type of organization. Given that entry laws make it harder for domestic NGOs to register, incorporate, or appeal denials to such processes, it

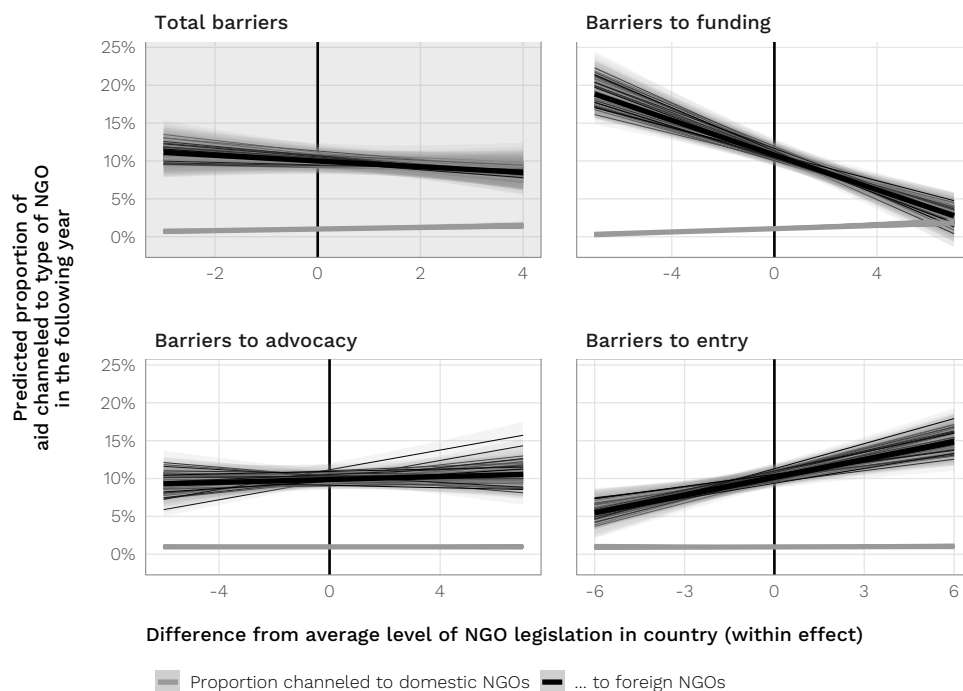


Figure 9: Predicted proportion of U.S. foreign aid channeled to domestic and foreign across a range of differences from average number of barriers to funding in an average country; dark line shows average of 500 draws from posterior distribution.

could be possible that USAID channels additional funds to foreign organizations that are already in the country.

Figure 9 shows a more substantive representation of these results with the predicted proportion of American aid channeled through domestic and foreign NGOs across different degrees of NGO restrictions. More aid is predicted to go through domestic NGOs as restrictions increase, but the proportion remains minuscule, increasing an average of 0.2% for each additional barrier. This is due to the fact that the baseline amount of aid channeled through domestic NGOs is inherently small. The predicted proportion of aid given through foreign NGOs, however, is more substantial. On average, the imposition of a new barrier to funding leads to a nearly five percentage point drop in the ratio of funds channeled through foreign NGOs (i.e. moving from 10% to 5%), while a new barrier to funding is associated with an increase of roughly two percentage points (i.e. moving from 10% to 12%).

As hypothesized, USAID channels less aid through foreign NGOs and more aid through domestic NGOs following the imposition of additional legal barriers to funding. Since repressive governments design these laws to restrict foreign orga-

nizations, they appear to be having their intended effect. Additionally, while there is a substitution of aid channeled through foreign NGOs to aid through domestic NGOs, the exchange is not balanced. The rise in funding to domestic NGOs is far more modest than the steep decline in funding through foreign NGOs. This is possible due to two main reasons. First, domestic NGOs may be more discerning when accepting foreign funds, because they in turn face the consequences of receiving this additional money from abroad. Second, USAID may not immediately want to transfer large sums of money to domestic organizations without vetting them first. This process, though time-consuming, would avoid agency slack and ensure that local NGO programs do not conflict with U.S. government preferences (Bush 2016).

Challenges to inference

There are a few challenges to inference that we cannot directly account for in our analysis. First, many NGOs may adjust their strategies when facing legal barriers. Organizations can remove branding from offices and vehicles, move offices before government inspectors visit, and even leave the country and work on programs from abroad (Heiss 2017). They may also reframe their programming in more tame terms to avoid the ire of their governments, while continuing to implement contentious programs. For instance, after the passage of a 2009 law in Ethiopia that prevented the operation of groups working on human rights issues, one NGO employee commented, “instead of talking about working to stop sexual violence, they will frame their activities as ‘helping girls have a better future.’” (Rukanova et al. 2017). However, it is unlikely that our results are driven entirely by a change in framing or branding. Not all NGOs can easily reframe their objectives without changing the actual substance of their programming. In particular, NGOs working in areas such as election monitoring, human rights monitoring, or training in non-violent activism, are likely to find it more difficult to rebrand their programming as benign.

Moreover, it is possible that a decline in the overall levels of donor funds could be a policy strategy independent of restrictions. In August 2018, for example, the Trump administration imposed caps on the amount of foreign aid that can be channeled through international organizations like the U.N., UNICEF, and the World Bank.¹⁵ Such a move may have less to do with increasingly constricted civic space, and more with the administration’s foreign policy agenda. While we are unable to test this effect systematically, we have some qualitative evidence that donor governments keep anti-NGO restrictions in mind when designing aid policy. For instance,

15. Samuel Oakford, “US puts new limits on foreign aid funded through the UN,” *IRIN*, August 13, 2018, <http://www.irinnews.org/news/2018/08/13/us-puts-new-limits-foreign-aid-funded-through-un>.

as the Chinese government debated its 2017 Overseas NGO Law, donor governments accounted for the future impacts of the proposed legislation. A U.S. State Department official noted that “the lack of clear communication from the [Chinese] government, coupled with harassment by security authorities, caused some foreign NGOs to suspend or cease operations in the country even before the law took effect” (Bureau of Democracy, Human Rights, and Labor 2017, 39).

Further, USAID has official policy guidelines encouraging greater reliance on domestic, in-country NGOs explicitly to respond to restrictive regulatory proposals. The agency argues that respected NGOs not only assist diplomatic efforts to push for changes that are consistent with international standards, but also help spark local outrage (United States Agency for International Development 2014, 6–7). This also aligns with what our model predicted for the allocation of contentious aid, where aid becomes more contentious in the wake of additional barriers to entry and funding, and follows the examples of Kyrgyzstan, Kenya, and Cambodia. Thus, it is unlikely that either a decline in overall levels of aid or shifts in aid channeled away from foreign NGOs towards domestic NGOs is a policy undertaken completely independent of restrictions.

Implications and conclusion

In this article, we examine the effect of state crackdown on NGOs on foreign aid patterns. In particular, we look at the impact of anti-NGO laws on the amount of aid channeled to countries, the purpose of this aid, and the recipients charged with distributing this aid. Analyzing the variation in aid received by 140 countries from 1981–2012, we find that increasing anti-NGO legal barriers—especially barriers to advocacy—decrease the amount of ODA channeled to that country. However, instead of simply scaling back, donors are also responsive to this crackdown. Facing increasing barriers to advocacy, donors redirect funds within restrictive countries. They also decrease funds for politically sensitive causes in favor of tamer issues that are more compatible with the governments of those countries. These findings support recent research that donors, in particular, democracy assistance agencies, tame their programming when confronting dictators (Bush 2015).

Finally, facing increasing barriers to funding, donors increase the amount of aid given to domestic NGOs, while decreasing aid given to foreign NGOs working in the restrictive countries. Since previous research has documented that governments often perceive foreign NGOs as external interference in domestic politics, increasing aid to domestic NGOs is likely to assuage these concerns. However, this finding is based on limited data by USAID over only a decade. This finding also reflects USAID’s perception that increasing assistance to reputed local NGOs can

help the regulatory environment from worsening, as these local NGOs can help both diplomatic and lobbying efforts, as well as spark domestic outrage against restrictive legislation.

Overall, our results challenge existing conceptions of foreign aid in that such assistance often runs on autopilot. We empirically show that donors actively make changes to their aid allocations in response to restrictive anti-NGO legislation, either by scaling back their operations or systematically redirecting funds within restrictive countries to different causes or actors.

Our findings have three main implications for donors and NGOs in developing countries. First, the continued role of funders as external sources of democratization aid faces a worrying crisis. Scott and Steele argue that carefully targeted democracy assistance has a greater impact on democratization than general economic aid packages (Scott and Steele 2011, 63). However, many recipient governments want to avoid this democratization. Our results show that the increasing number of anti-NGO laws do indeed challenge efficacy of democracy assistance and have a chilling effect on organizations working in these areas. Additionally, as Runde (2017) points out, “Neither remittances nor philanthropy can replace the expertise, scale, or agenda-setting capacity of American foreign policy assistance.” Thus, official donor aid is not easily replaceable by other sources, and a reduction in ODA from state donors may put international aid at risk.

Second, a reduction in foreign funding may lead NGOs to turn towards government funding, which can potentially depoliticize their work (2016, 2). Governments do not necessarily have benign intentions when funding NGOs, and this funding might indeed tame civil society political activity. Finally, local NGOs may need to invest in resources and manpower to mobilize local resources. Previous scholarly and practitioner work has emphasized that many NGOs have increasingly devoted more resources to win foreign grants and contracts (Bush 2015, 46–49). It may be the case that such practices may not neatly carry over when attempting to procure funding domestically.

While we have outlined some of the broad strategies that donors undertake in response to restrictive NGO legislation, this is by no means an exhaustive list of strategies. Funders may also undertake a number of other approaches such as increasing availability of emergency funds for recipients facing restrictions or exploring new partnerships with international business actors (Carothers 2015b, 23)—strategies that are not testable in a cross-national approach. Future qualitative work looking at these approaches can both examine a wider range of such strategies and determine their effectiveness.

Finally, this paper has exclusively looked at how donors respond to changes in the legal environment for NGOs. However, this environment is just one component of democratic backsliding (Bermeo 2016), and future research should also analyze

the broader impact of this phenomenon, including the effects of the strategic manipulation of election or crackdown on media on donor funding decisions.

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