

The Effect of Closing Civic Space on Foreign Aid: Evidence from 2.3 Million Donor Projects

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1 Introduction

Government efforts to restrict civic space have increased dramatically, including laws that constrain the operations of non-governmental organizations (NGOs). Despite these laws conflicting with the interests and objectives of many foreign donors, they have been especially common in aid-receiving countries. How do donors respond, and do their responses vary according to their historical prioritization of democracy-promoting advocacy work? On one hand, advocacy-oriented donors may push back by increasing funding to projects that support advocacy relative to other donors. Alternatively, advocacy-oriented donors may back down by disproportionately decreasing support for advocacy as it becomes more difficult to work with local partners.

How donors respond to closing civic space has important implications for the incentives facing aspiring autocrats intent on democratic backsliding. If NGO laws are effective in cutting-off support for advocacy work and are not met with resistance or repercussions from donors, legal restrictions on civil society are likely to continue to proliferate. We examine how donors respond to such restrictions using data on 2.3 million aid projects, original global data tracking NGOs laws, and a variety of research designs. We find evidence that:

- Advocacy-oriented donors (i.e. those who spend relatively more on democracy and civil society promotion) reduce their spending on advocacy projects by an enormous 74% in response to anti-NGO laws.
- Advocacy-oriented donors do *not* reduce their spending on development projects (such as education, health, water and sanitation, etc.) in response to anti-NGO laws.
- Though the evidence is only suggestive, our results suggest that spending by advocacy-oriented donors does not change in advance of anti-NGO laws, indicating that they do not anticipate those laws and make strategic adjustments before their enactment.

In short, legal restrictions seem to ‘work’ from the point of view of repressive governments: donors reduce their support for activities that aspiring autocrats find threatening,

such as political advocacy, while funding for service-oriented development projects continues unabated.

2 Restrictive NGO Laws and Foreign Aid

Over the past 15 years, government efforts to restrict civic space have increased dramatically, including the proliferation of laws that constrain the operations of non-governmental organizations (NGOs) (Youngs and Echagüe, 2017, p. 9). As illustrated by Figure 1, in the past 15 years, 63 OECD aid-recipient countries have passed at least one law imposing significant restrictions on NGO operations. These restrictive “NGO laws” often bar NGOs from engaging in “political” work or activities that threaten “national interests,” expand government oversight of NGO operations, and increase discretion to target specific NGOs.¹ Governments have wielded the discretion implied in such clauses disproportionately against advocacy NGOs working in “contentious” sectors, including human rights and democracy promotion, thereby increasing the risk associated with carrying out advocacy activities (Chaudhry, 2016).

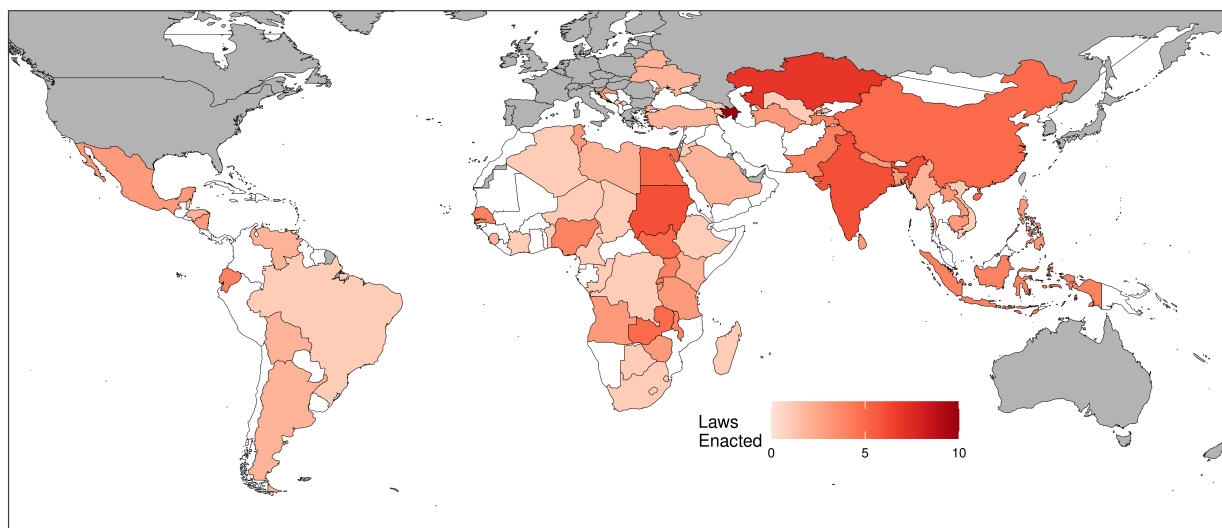


Figure 1: Restrictive NGO Laws in Aid Receiving Countries, 2005-2019

These laws pose a challenge for many donor activities. Over the last three decades, many donors have made democracy promotion a core component of their foreign aid portfolios, seeking to promote democratic accountability in aid-receiving countries by funding NGO work on political advocacy, transparency initiatives, and election monitoring (Gilbert, 2020;

¹For example, NGO laws in Cambodia, Russia, Saudi Arabia, and Egypt all contain clauses empowering the government to revoke the registration of NGOs found to compromise “national unity” (Brechenmacher, 2017; Royal Government of Cambodia, 2015). Some provisions are more explicit, such as the 2016 Foreign Donations Regulation Act in Bangladesh that grants the government authority to shut down NGOs that make derogatory remarks about “constitutional bodies,” including the parliament, the election commission, and the judiciary (USAID, 2018).

Dupuy et al., 2016). We refer to these as ‘advocacy-oriented’ (AO) donors. Others donors focus their aid narrowly on economic development, infrastructure and social services, which we refer to as ‘service and infrastructure-oriented’ (SAI). Donors range from highly advocacy oriented, with Sweden allocating 24.6% of total aid to advocacy, to advocacy adverse, with France channeling only 1.6% of total aid to advocacy projects.

We argue that when aid-receiving governments use NGO laws to block aid to domestic NGOs engaging in political advocacy, donor responses are likely to vary according to their historical prioritization of democracy promotion. Anecdotal evidence suggests that donors have varied greatly in their response to NGO laws (Brechenmacher, 2019; Youngs and Echague, 2017). Some donors have been quite vocal in their intention to counter the repression of civil society through support for advocacy initiatives,² while other donors have openly reduced or redirected funding away from politically sensitive programs. To date, no research has systematically examined how donors responded differently to the wave of NGO laws.

3 Research Design and Results

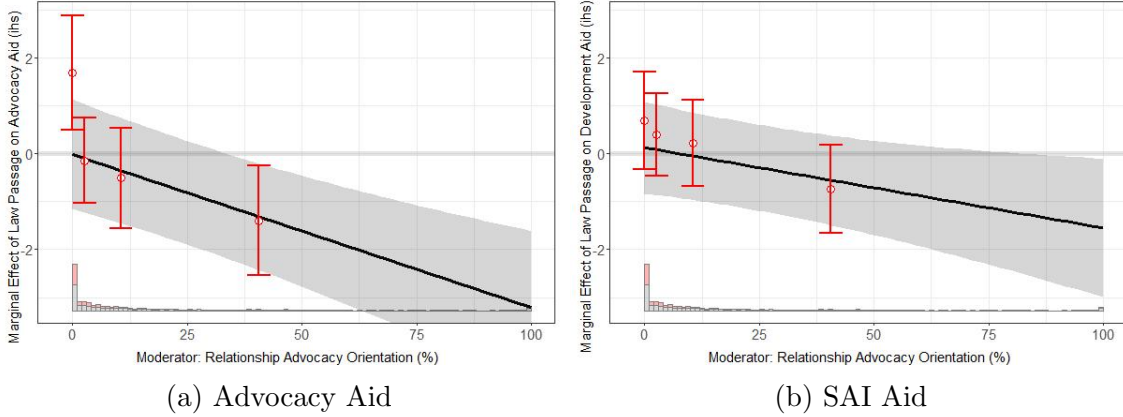
We compile a dyadic dataset consisting of yearly aid flows between 19 OECD DAC Donors and 111 DAC Recipient countries from 2005 to 2019.³ Our outcome variables are total dyadic aid commitments, aid commitments to advocacy projects, and aid commitments to service and infrastructure projects. Our independent variable of interest is the enactment of a restrictive NGO law in the recipient country. In partnership with the International Center for Not-for-Profit Law (ICNL), we compile original data on the passage of restrictive legislation directly and significantly impacting NGOs in OECD recipient countries between 2005 and 2019. We define NGO legislation broadly to include laws, amendments, and executive decrees, however we limit the dataset to only *enacted* legislation—that is, we do not include laws or measures that were drafted but never passed.

We estimate the overall effect of NGO laws on aid flows across donors that are more-and-less focused on advocacy using two approaches. We define the “Advocacy-Orientation” (OR) as the percentage of aid from a given donor to a given recipient that is allocated to advocacy in the years before law passage. An ‘Advocacy-Oriented Relationship’ (AOR) is one where the percentage of aid allocated to advocacy falls in the 75th percentile among all donors to that recipient country in the year of law passage. First, we use ordinary least squares with two-way fixed effects in an event-study framework. To estimate how this affect varies across donors, we interact our independent variable with indicators that identify the most advocacy-oriented relationships. Second, we use the ‘synthetic control method’, which allows us to assess the timing of donor responses to NGO laws. This is important because advocacy-oriented donors may attempt to deter the passage of NGO laws by increasing funding for advocacy in the lead-up to legislation, in which case any negative effect of law passage on advocacy aid would simply reflect a reversion to “regular” advocacy activities by advocacy-oriented donors rather than a decrease in advocacy aid in response to these laws.

²For example, USAID included the issue of closing civic space in its strategy on Democracy, Human Rights, and Governance starting in 2013 (Carothers and Brechenmacher, 2014, p. 32)

³To reduce noise in the data and ensure our measures are not skewed by the behavior of small donors, we omit donors with total commitments below the 25th percentile (in size) for at least one-third of the years in the sample period.

Figure 2: Marginal Effect Plots



Marginal effect of Law Passage on Advocacy and Development Aid across Relationship Advocacy Orientation. Relationship Advocacy Orientation is a continuous variable ranging between 0 and 100. The black line plots the marginal effect of law passage on aid as estimated by a linear model with donor and year FEs. The grey shaded region indicating 95% confidence intervals (with errors clustered by recipient). The red dots plot marginal effect of law passage on aid within four separate bins containing the observations in which Relationship Advocacy Orientation is in the 0-25th percentile, 25th-50th percentile, 50-75th percentile, and 75th-100th percentile, respectively. Binned estimates are derived using the method proposed by Hainmueller et al. (2019). The red lines indicate 95% confidence intervals for the estimated marginal effect of law passage on aid within each bin.

First we report the event-study results. Figure 2 plots the marginal effect of law passage on advocacy aid and SAI aid as moderated by the advocacy-orientation of the donor-recipient relationship. The results show that more AO donors are more likely than other donors to *decrease* their advocacy spending in the wake of a legal crackdown on NGOs. For AO donors (fourth red point in Panel a), the marginal effect of law passage on advocacy aid is about -1.4, while the marginal effect is much smaller (and sometimes positive) for all other donors. This marginal effect for AO donors suggests an enormous 74% decrease in advocacy spending in the post-law period. Given that AO donors allocate an average of \$4,753,376 to advocacy annually, this corresponds to an average \$3,500,000 decrease in aid to the advocacy sector in years after law passage. Interestingly, advocacy orientation does *not* appear to condition donors' development spending following NGO legislation at a similar magnitude. The lack of a significant reduction in development spending among AO donors suggests that AO donors are *not* punishing passage of anti-NGO laws by reducing aid to development. In the annex, Table 1 reports additional event-study results for total aid, advocacy aid, and SAI aid as moderated by two measures of advocacy-orientation.

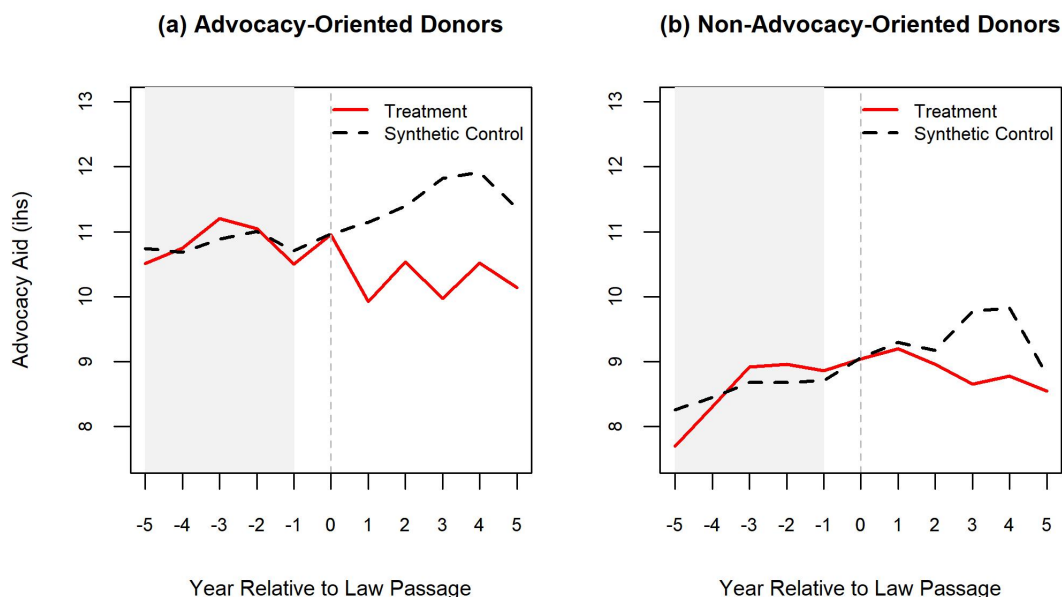
Figure 3 presents our synthetic control results. The figure compares the group of countries that experienced anti-NGO laws (the 'treatment' group) to a similar set of countries that did not (the 'synthetic control' group). The synthetic control approach does not allow for a direct comparison of the marginal effect of law passage for advocacy- versus non-advocacy-oriented donors within the same model. Instead, we partition the individual SCM results according to whether the treated dyad contained an advocacy-orientated donor at the time of law passage, and then average the treated and synthetic control outcomes for the 210 advocacy-oriented and 545 non-advocacy-oriented dyads separately.⁴ This allows us to compare the

⁴We use a donor-level measure of advocacy-orientation, *AOD*, to determine which treated units contained

post-treatment divergence of advocacy-oriented and non-advocacy-oriented dyads.

Figure 3: Effect of Law Passage on Advocacy Aid by Advocacy Orientation

The red lines plot average advocacy aid in the five years prior and five years following NGO law passage, for AO dyads ($n = 210$) and non-AO dyads ($n = 545$), respectively. The black dashed lines plot the average advocacy aid of the corresponding synthetic controls. The gray shaded region indicates the period across which the mean values of the variable were used to construct the synthetic control units. The dotted gray line indicates the year of law passage. The area between the gray shaded region and the gray dotted line is where we would expect to see evidence of anticipation effects, as manifested by a divergence between the treatment and synthetic control lines.



Figures 3a and 3b plot the average value of advocacy aid among advocacy- and non-advocacy-oriented donors and their respective synthetic control units relative to the timing of law passage. In line with our findings in the event-study analysis, Figure 3a shows a striking and immediate post-treatment divergence in trends in advocacy spending for advocacy-oriented donors. The divergence appears to be sustained. Despite some volatility in advocacy spending among AO donors in the five years after treatment, advocacy aid remains at a lower level than it would have under the counterfactual of no NGO law. In comparison, Figure 3b suggests that non-advocacy-oriented donors' also respond to NGO law passage by decreasing advocacy aid, however this decrease is delayed, limited to year 3-4 in the post treatment period, and smaller in magnitude. Additional diagnostics suggest that readers should read this evidence cautiously, in part because the volatility of donor spending on advocacy is volatile and makes it difficult to identify synthetic control countries to compare with those that passed anti-NGO laws.

advocacy-oriented donors at the time of law passage.

4 Conclusion

As democracies fall across the developing world, it is worth assessing what rich, democratic countries can do to help defend against the rising tide of authoritarianism. Our evidence suggests that the biggest donors are actually retrenching their support for democracy on one critical front. Alarming, AO donors are reducing their support for advocacy work even as they maintain the non-advocacy, development-oriented aid that aspiring autocrats can claim credit for (Springman, 2022). Considered alongside recent micro-level evidence on the efficacy of government repression in disincentivizing advocacy work by NGOs (Springman et al., 2022), the overall picture is distressing. Aspiring autocrats can pass restrictive legislation and engage in targeted repression of elements of civil society working on accountability, while encouraging and receiving international support for elements of civil society that advance the interests of regime.

Future work should focus on why support for advocacy projects decreases. One possibility is that AO donors take the passage of big, restrictive legislation as credible commitments by governments to erode democracy and view any subsequent efforts as a waste of effort. Alternatively, local NGO partners might be too intimidated by these laws to continue partnering with international donors; in this case, the engine for reduced donor advocacy efforts are rooted within the civil societies they aim to support. Our findings also suggest that donors do not increase advocacy aid in the years leading up to restrictive NGO laws. This suggests that neither donors nor civil society actors are able to forecast these major closures to civic space in advance. Thus, these results underscore the importance of forecasting closures of civic space to inform advocacy-oriented donors and their civil society partners with an eye toward making democracy more resilient.

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5 Annex

Donors exhibit stark differences in the share of ODA allocated to advocacy. Figure 4 shows the share of total aid allocated to advocacy sectors among the 19 largest DAC donors from 2005–2019. Donors range from highly advocacy oriented, with Sweden allocating 24.6% of total aid to advocacy, to advocacy adverse, with France channeling only 1.6% of total aid to advocacy. The most advocacy-oriented donors aligns neatly with the group of donors commonly referred to as the “like-minded” countries: Sweden, Denmark, Norway, the Netherlands, and Canada (Neumayer, 2003). However, the group of so-called “big donors” – U.S., U.K., Germany, France, Italy, and Japan – spans the gamut from quite advocacy-oriented (U.S.) to modestly advocacy-oriented (U.K., Germany) to advocacy-adverse (Italy, Japan, France).

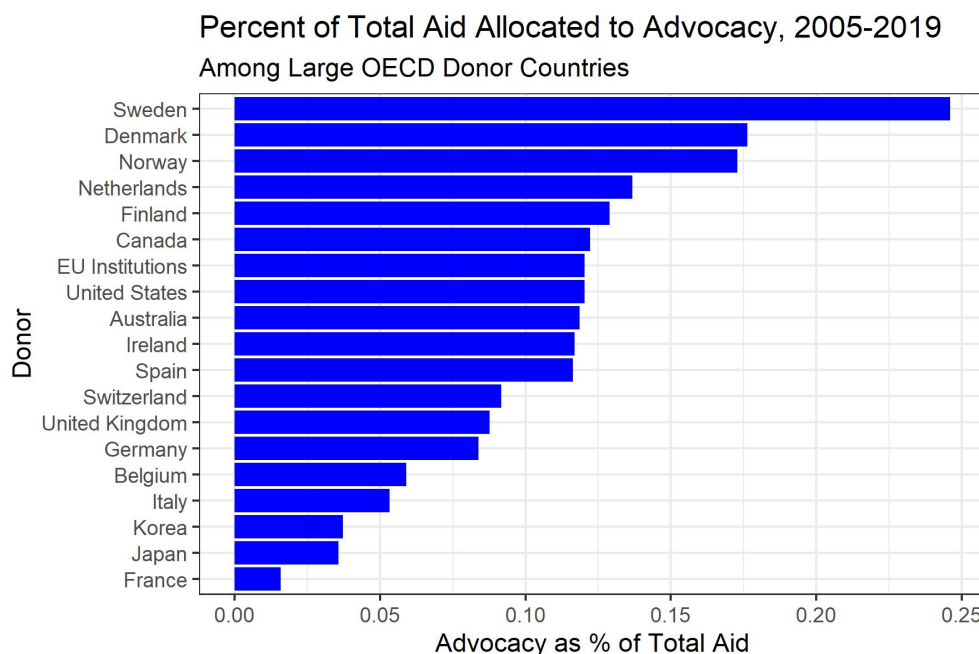


Figure 4

We define the “Advocacy-Orientation” (OR) as the percentage of aid from a given donor to a given recipient that is allocated to advocacy in the years before law passage. The variable *Advocacy-Oriented Relationship*, or *AOR*, is measured at the dyad-level, while the variable *Advocacy-Oriented Donor*, or *AOD*, is measured at the donor-level. An ‘Advocacy-Oriented Relationship’ (AOR) is one where the percentage of aid allocated to advocacy falls in the 75th percentile among all donors to that recipient country at the time of law passage. “Advocacy-Oriented Donors” (AOD) are those whose total spending on advocacy across countries is in the top 75th percentile in a given year. Table 1 plots the marginal effect of law passage on total aid, advocacy aid, and SAI aid, conditional on the dyad being an AOR (Models 1-3) or containing an AOD (Models 4-6).

Table 1: Event-study: Marginal Effect of Law Passage by Advocacy Orientation

	<i>Relationship Advocacy Orientation</i>			<i>Donor Advocacy Orientation</i>		
	Total	Advocacy	SAI	Total	Advocacy	SAI
	Aid	Aid	Aid	Aid	Aid	Aid
	(1)	(2)	(3)	(4)	(5)	(6)
NGO Law Passage	0.144 (0.401)	−0.224 (0.573)	0.201 (0.485)	0.233 (0.162)	0.227 (0.229)	0.188 (0.200)
AO Relationship (AOR)	0.195 (0.221)	2.110*** (0.333)	−0.602** (0.271)			
NGO Law * AOR	−0.480** (0.244)	−1.153*** (0.270)	−0.133 (0.266)			
AO Donor (AOD)				−0.498*** (0.172)	0.486** (0.214)	−0.663*** (0.182)
NGO Law * AOD				−0.729*** (0.202)	−1.573*** (0.244)	−0.495** (0.236)
Year FEs	X	X	X	X	X	X
Dyad FEs				X	X	X
Donor FEs	X	X	X			
No. of Dyad FE	-	-	-	1121	1121	1121
No. of Donor FE	19	19	19	-	-	-
Observations	13,767	13,767	13,767	13,205	13,205	13,205
Adjusted R ²	0.172	0.192	0.197	0.669	0.583	0.675

*p<0.1; **p<0.05; ***p<0.01. Robust standard errors clustered by recipient country. Due to the time-invariant nature of our measures of relationship orientation within dyads, we employ donor FEs (as opposed to dyad FEs). *NGO Law Passage* is an indicator variable that takes the value of 1 in years following law enactment, and 0 otherwise. *AOR* is a dichotomous variable measured at the dyad level that takes 1 for all years in the sample if the dyad is considered to be “advocacy-oriented” at the time of law passage. *AOD* is a dichotomous variables that take 1 if the donor is considered to be “advocacy-oriented” in the given dyad-year. All dependent variables are IHS-transformed.