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TABLE OF CONTENTS

List of Abbreviations _____	5
Abstract _____	6
Introduction _____	7
Literature Review _____	8
Civil society: Theoretical background _____	8
The critic of civil society _____	13
Foreign NGOs in Global International Context _____	17
Foreign NGOs in Country-specific approach _____	23
Methodology _____	26
Challenges of Foreign NGOs Identified by Countries Worldwide _____	27
Challenges of foreign NGOs identified by Developing and Post-Soviet Countries _____	30
NGOs and Colored Revolutions _____	35
Measures Taken by Individual Countries to Meet the Challenges of Foreign NGOs: or Who Will Guard the Guardians? _____	44
Armenia _____	53
Challenges of Foreign NGOs in Armenia _____	55
Legislative Framework of Foreign NGOs in Armenia _____	59
Conclusion and Recommendations _____	62
List of References _____	66
Appendix: Questionnaire _____	72

LIST OF ABBREVIATIONS

- AEI** - American Enterprise Institute
- AID** - Agency for International Development
- CoE** - Council of Europe
- DfID** - UK Department for International Development
- DPI** - Department of Public Information
- ECOSOC** - Economic and Social Council
- ECOSOC** - Economic and Social Council
- EU** – European Union
- ICCPR** - International Covenant on Civil and Political Rights
- ICNL** - International Center for Not-for-Profit Law
- IMF** – International Monetary Fund
- INGO** - International Non-governmental Organizations
- IREX** - International Research and Exchanges
- IRI** - International Republican Institute
- NDI** – National Democratic Institute
- NED** - National Endowment for Democracy
- NFP** - Not-For-Profit
- NIS** - Newly Independent States
- OSCE** - Organization of Security and Cooperation in Europe
- OSI** - Open Society Institute
- TACIS** – Technical Aid to the Commonwealth of Independent States
- UNDEF** - UN Democracy Fund
- UNDP** – United National Development Program
- USAID** - United States Agency for International Development
- WTO** – World Trade Organization

ABSTRACT

Foreign NGOs are major players in international arena today. They are also an inherent part of development and democratisation processes that are taking place within countries they operate. Currently NGOs are increasingly gaining more power and influence due to which they have become subjects of intensifying debates both on global and domestic levels. Some countries have started to recognize the challenges that foreign NGOs bring with them. These challenges have become especially prominent after ‘coloured revolutions’ that have recently been taking place in post-soviet countries. After these events a certain trend of restricting foreign NGO activities has been observed in a number of countries worldwide.

Foreign NGOs also operate and implement programs in Armenia bringing forward important changes both on the state and societal levels. Thus given the current challenges and trends observed worldwide it is imperative to recognize the extent to which these challenges are true for Armenia. This is the main purpose of current research. In pursuing this aim the current study examines the challenges identified by different countries with a particular focus on post-soviet states as well as measures taken by these countries to address those challenges. Finally, in the comparative perspective both identified challenges and measures applied by other countries are compared with Armenian reality. The identified challenges based on worldwide experience will give a better and wider picture of foreign NGOs functioning in Armenia and will serve a useful tool for policymakers in the field.

Introduction

Foreign Non-Governmental Organizations (hereafter referred to as NGOs) are major players in worldwide processes of globalization and democratization. As far as foreign NGOs are global phenomena and their activities are repeated from country to country, the task of identifying challenges of foreign NGOs cannot possibly limit itself with a study of a single country; rather in order to understand roles of NGOs in specific countries it is imperative to study them in a much broader framework.

Broadly defined foreign NGOs are an inherent part of civil society, which consists of two interconnected dimensions – global civil society and domestic civil society. NGOs simultaneously operate on both of these levels: on one hand NGOs are major players of global civil society and on the other hand they are promoters of domestic civil society in individual countries (Carothers 1999-2000). Thus, in order to have deeper understanding on NGOs it is first essential to examine civil society within its theoretical background: theory of civil society constitutes the basis upon which today's debate on NGOs is developing. It also gives the clue to understanding the nature, function and purpose of NGOs. For furthering the understanding of NGOs they must be studied in the context of global civil society and global governance. Then only, based on this background the role of foreign NGOs in individual countries can be examined within a country specific approach.

Literature Review

Civil society: Theoretical background

The concept of civil society takes its origins from ancient times dating back to the works of Aristotle and Cicero. In the works of ancient Greek philosophers civil society was perceived as an inherent part of the state being directly managed by the latter. However, in 17th and 19th centuries with the emergence of theories of social contract civil society came to be perceived as a domain parallel to but separate from the state. This separation of society from the state created legitimate space for citizens to exercise certain amount of criticism and control over the state. Being based on the rule of law, human rights, equality and liberty, civil society itself acquired a watchdog function over the state and as well as a capacity to limit state power. Besides this function, civil society also had the right to overthrow the particular government if it did not adhere to its basic function of protecting citizens and their rights. Taking its roots from this theoretical background modern civil society is very much in line with neo-liberal ideas of minimizing the role of the state and maximizing the role of the society (Bahmueller 1999; Carothers 1999-2000; Kaldor 2003; Encarnacion 2003).

Civil society acquired popularity in its current form particularly after 1990s, when it became a hot issue in nearly all the circles of academic and political life, developing into a major global phenomenon. This modern revival of civil society took place within the worldwide trend of democratization, in which it came to occupy a guiding role. The main premise that makes civil society an inherent part of democratization process hinges on the assertion that vibrant and robust civil society is a vital precondition for building and sustaining democracy. Thus, the belief that fostering civil society will consequently lead to democratization lies in the heart of the assistance programs financed by international donor community (Carothers 1999-2000; Kaldor 2003; Encarnacion; Bahmueller 1999). But what is the basis of this assertion and in what way does civil society actually contribute to democracy?

In the social science literature the link between civil society and democracy was first emphasized by Alexis de Tocqueville in his famous book *Democracy in America*. Later Robert Putnam, Diamond and other scholars developed his ideas. Tocqueville stated that democracy in America was a success due to a great number of various voluntary citizen associations, which shaped the type of citizenry that could best sustain democratic public life. The cornerstone of this theory is the idea of *social capital*, defined as “features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit” (Putnam 1995). Thus social capital is a product of civic engagement and cooperation. Big is also the contribution of Francis Fukuyama into this theory: he emphasized the importance of trust in the formation of social capital. According to Fukuyama it is the interpersonal trust that allows people to engage in collective action: thus civic engagement is inseparably connected with the culture of trust within society. These two notions are mutually reinforcing: the higher the level of trust the greater is the number of social interactions, similarly - the greater the density of associational membership in a society, the higher is the level of trust between citizens. It is this type of citizen collaboration that is formed within civil society organizations and NGOs: they are rather diverse in their nature and functions ranging from bowling leagues up to trade unions and multilateral corporations. The merit of civil society organizations lies in that they create a special platform, where citizens are able to cooperate for mutual benefit and common interests. This type of civic engagement is believed to promote the formation of active and responsible citizenry ready to defend their rights and interests, to take collective action and contribute to the solution of common problems. As a result, people are empowered to express their voice in policy-making and take part in the process of democratic governance. Thus, the basis of this theory constitutes the virtuous circle, where civil society promotes social capital and social capital in turn promotes democracy. Definitions and functions of civil society derive from this background (Encarnacion; Putnam 1995).

Even though civil society is such a popular and widespread phenomenon, there is a considerable vagueness when it comes to defining the concept as such. There is not one specific and unanimously agreed upon definition of civil society: the term is rather broad and gives way to diverse interpretations. Yet civil society in its present meaning is generally identified with the *third sector* that is not only separate from the state, but also occupies a space between the state, the market and the family (Kaldor 2003).

L. Diamond defines civil society as “the realm of organized social life that is voluntary, self-supporting, autonomous from the state and bound by the legal order or set of shared rules” (Diamond 1994, p. 5). Another distinguished scholar in this field, Mary Kaldor (2003, p. 590) gives a normative definition of civil society as “a process through which consent is generated, the arena where the individual negotiates, struggles against or debates with the centers of political and economic authority.” Within this definition she also includes global institutions, international bodies and companies. Thomas Carothers (1999-2000) in his broad definition of civil society includes all the organizations and associations that exist outside of the state (including political parties) and the market, among them - interest groups, labor unions, professional, ethnic and other types of associations as well as associations that exist for purposes other than advancing specific social or political agendas.

This broad definition of civil society, however, does not precisely identify the actual scope and actors of civil society: there are no clear criteria for inclusion or exclusion for any organization as long as it is non-profit and voluntary in nature. As Kaldor (2003, p. 590) comments on this, “In actually existing society it is practically impossible to draw boundaries between who is included and who is excluded.” This gives way to an excessive variety of organizations that fall under the same category. Thus according to the definition of civil society, groups such as bird-watching clubs, trade unions, international NGOs such as Oxfam and Ford Foundation as well as large organizations financed by budgets of wealthy states all fall within the category of civil society organizations (Kaldor 2003).

Civil society is prescribed a whole set of functions that are believed to contribute to liberal democracy in diverse dimensions. Diamond (1994, p.7-11) defines the following democratic functions of civil society:

1. Limiting the state power: in this civil society must be ready to react to abuses of power on the part of the state. It must have the capacity to mobilize citizens against such unjust and corrupt practices exercised by the government.
2. Supplementing the role of political parties in stimulating political participation
3. Serving as an arena for democratic culture and attributes such as tolerance, moderation, willingness to compromise;
4. Creating channels for articulation, aggregation and representation of interests; empowering citizens to defend their rights; promoting civic participation
5. Forming horizontal ties between citizenry based on common interests, which transcend the social groupings based on region, class, religion and ethnicity.
6. Recruiting and training new political leaders that through interest groups and social movements can later be brought into the political arena.
7. Contributing to democracy building by a number of ways, including election-monitoring procedures.
8. Disseminating information to wide circles of citizenry.
9. Affecting public policy and performing advocacy function that may contribute to economic and social reforms
10. Strengthen the legitimacy of government by holding the elected officials accountable and responsive to public needs

In sum, as Encarnacion (2003, p. 18) quotes Diamond, “Democracy – in particular a healthy liberal democracy – requires a public that is organized for democracy, socialized to its norms and values and committed not just to its myriad narrow interests but to larger, common civic ends. Such a public is only possible with a vibrant civil society.”

All the above-mentioned functions of civil society are true in a democratic state. However, the functions of civil society in autocratic and non-democratic states in general differ considerably from those of democratic ones. The main function of civil society in autocratic state is to facilitate a successful transition from authoritarian rule to democracy. This is well stated in the famous definition of civil society given by Antonio Gramsci quoted by Carothers (1999-2000) “civil society is perceived as a special nucleus of independent political activity, a crucial sphere of struggle against tyranny.” The process of struggle against tyranny can take place either through gradual transformation or through a revolutionary regime change. The examples of this practice are best shown by Samuel Huntington (1991) in his famous book ‘The Third Wave,’ where he describes how the vibrant civil society succeeded in overthrowing autocratic regimes throughout Asia, Latin America, Eastern Europe and Africa, in countries like South Korea, Chile, Poland, Czechoslovakia and many others. All these movements were largely portrayed as struggles for freedom and democracy: as a result civil society became largely credited as a leading force in the worldwide wave of democratization (Huntington 1991).

All the above-mentioned potential and actual capacities of civil society both in democratic and in autocratic countries create such an image that civil society is a universal clue for creating democracy in nearly all circumstances. But how close is the prescriptive image of civil society to reality? What are the shortcomings of civil society in theory and practice? If NGOs that promote democratization hinge primarily on the link between civil society and democracy, then in order to assess the nature of civil society objectively it is also important to answer to these questions.

The critic of civil society

The evidence that vibrant civil society contributes to democracy is based above all on the empirical pattern, which shows that countries with the longest democratic record have highest indexes of civil society density, while the countries with shortest democratic experience have the weakest civil society density. However, as Encarnacion (2003) argues, this record by itself does not prove the causal relationship between the two. There is no proof that civil society was the factor that contributed to democracy and not vice versa. The correlation of civil society and democracy is rather complex in reality; it is neither universal for all cases, nor does it represent a consistent and unequivocal pattern. The examples of a number of countries come to prove the lack of a definite link between civil society and democracy where the successful practice of one does not necessarily determine the success of the other. Encarnacion (2003) illustrates this by contrasting two countries – Spain and Brazil: while Spain has strong democracy and weak civil society, Brazil is a country with strong and well-established civil society and weak democracy. The case of Germany goes even farther: during 1930s Germany had a rather vibrant civil society with lots of active citizen organizations and yet civil society did not prevent Germany from sliding into Fascism - (Encarnacion, 2003).

Another interesting and stunning argument questioning the promotion of civil society as torch for democracy is that the United States, the leader of democracy in the world, is currently facing a dramatic decline in the vibrancy of civil society. The famous study of Robert Putnam (1995) entitled “Bowling Alone: America’s Declining Social Capital” revealed the massive evidence of the weakening of the fundamental forms of social capital such as families, neighborhoods as well as aggregate associational membership. According to Putnam (1995) “Two generations' decline at the same rate would leave the United States at the level of today's Chile, Portugal, and Slovenia.” As Putnam (1995) concludes, “In the established democracies, ironically, growing numbers of citizens are questioning the

effectiveness of their public institutions at the very moment when liberal democracy has swept the battlefield, both ideologically and geopolitically.”

However, the link between civil society and democracy cannot be fully studied without the third and the most important variable, which is – the state. In discussing correlation between civil society and democracy the central variable is the state together with its institutions because the imported civil society may produce positive or negative results depending on the functioning of the state (Encarnacion, 2003).

According to Encarnacion (2003), civil society is capable of both aiding and hindering democratic process: “Whether civil society is good or bad for democracy depends on the constitution and performance of the political system” (p. 14). First, it must be emphasized that civil society is only one single component of consolidated democracy, which must have a great number of other requirements established such as free and fair elections, viable political parties, fair competition and many other democratic principles. Thus, when the political system is a right one (stable and efficient), then civil society can together with other democratic institutions greatly foster the consolidation of democracy. However, when the state is weak and the political institutions function inefficiently, vibrant civil society can have quite different and often dangerous implications resulting in civil unrest and creating regime instability in the new democracy (Encarnacion’s, 2003). Carothers (1999-2000) also states that “a strong civil society can actually reflect dangerous political weaknesses.” Civil society in this case can well undermine the democratic representative institutions by systematically distorting policy outcomes. In the case of weak state institutions powerful civil society groups can alter state policies in favor of those who finance and back them for their own interests; meanwhile the policies promoted by narrow interest groups may often not correspond with the interests of the public at large. This danger, as a matter of fact is true not only for weak states, but also for mature democracies. The difference is that in the former

case it can have an adverse affect on the very development of democratic structures (Carothers 1999-2000).

A number of distinguished scholars have shared the same concerns. Bahmueller (1999) interprets Thomas Hobbes, who in his famous *Leviathan* argued against separation of the state from the society, stating that society would completely disintegrate if it were left to itself. Hobbes believed that a catastrophic societal conflict could emerge in that case (Bahmueller 1999). Samuel Huntington (1991) also warned that in the absence of strong political institutions the society would face the danger of instability, disorder and violence. Thus, as the worldwide spread of civil society through a network of transcendent non-governmental organizations brings to diminishing role of the state, this tendency is far from being unquestionably a positive one. Both Encarnacion (2003) and Carothers (1999-2000) argue against the idea that civil society must reduce state power and even replace it to a certain extent. They both emphasize the indispensable role of the state and the political system.

Carothers (1999-2000) calls the idea of state-free future a mirage. He regards civil society as being effective when it is in cooperation with the state, where the latter has the power of setting and enforcing policies. In this case state will be strengthened and not weakened by the advocacy function of civil society and it can in return foster the viability of civil society organizations: “Civil society can and should challenge, irritate, and even, at times, antagonize the state. But civil society and the state need each other and, in the best of worlds, they develop in tandem, not at each other's expense... Civil society groups can be much more effective in shaping state policy if the state has coherent powers for setting and enforcing policy” Carothers (1999-2000).

Finally, there are also some serious drawbacks in the function of civil society to overthrow autocratic regime. It is true that regime change can potentially bring to establishing democracy, as it has been the case with a great number of countries mentioned above.

However, regime change by itself presents rather vague future perspectives as its outcome largely depends on a great number of other factors. As a matter of fact there are no valid guarantees that the new leadership will be a democratic one: there have been a great number of cases when these countries slid back to authoritarianism – a trend termed ‘reverse wave’ (Huntington 1991).

Another important factor with this regard is the involvement of foreign actors that assist domestic civil society in bringing down the regime. In this the role of foreign NGOs is a crucial one. This is vividly seen in the guidelines, which Huntington (1991) gives to “democratizers who wish to overthrow the autocratic regime.” One of these guidelines runs as follows: “Develop contacts with the global media, foreign human rights organizations and transnational organizations. In particular mobilize supporters in the United States.” (Huntington 1991, p. 150). A number of questions arise with this regard. How great is the foreign influence? What is the balance between foreign assistance and the homegrown resistance? And is it always the ‘good guys’ pushing the ‘bad guys’ off the political stage? Of course the primary factor for revolution is the discontent of people, but as logic would have it, the third parties are not neutral in the matters they mediate: being political actors they do have their own agendas. With this regard Huntington (1991, p. 85) states, “Obviously, foreign actors may also overthrow democratic regimes or prevent countries that might otherwise become democratic from doing so.”

Thus civil society is a complex phenomenon, which has its various manifestations in different circumstances. The above-described theoretical framework together with both positive and negative aspects of civil society constitutes the background and the heart of the debate on foreign NGOs.

Foreign NGOs in Global International Context

Given the general theoretical background of civil society foreign NGOs can now be studied in more specific terms. First of all it must be mentioned that NGOs are so diverse and manifold in their nature, scope and functions that it is neither possible to give a precise picture that would be true for all of them nor to apply a universal criteria of measurement. Thus below are the characteristics, tendencies and main patterns of foreign NGOs discussed in general terms. As stated above, foreign NGOs operate in two interconnected dimensions - global and domestic. In the first dimension foreign NGOs are to be analyzed in the context of global civil society, whereas in the second dimension their role and activities require a country-specific approach.

Global civil society is an inherent part of today's global governance. Being transcendent in nature, global civil society possesses many capacities that are beyond the reach of states and other subjects of international law and, Carothers (1999-2000) puts it, 'carries the potential to reshape the world in many important ways.' In this global civil society non-governmental organizations are the key players that mainly represent the "third sector" (after intergovernmental bodies and corporations). United Nations Charter, which is the main guideline in international rule-making system, uses the term NGO for non-governmental organizations (or INGO for International Non-governmental Organizations) to distinguish them from governmental actors. Many, but not all of foreign NGOs are International NGOs. They are generally defined as not-for-profit, autonomous organizations working for the global public interest. "European Convention on the Recognition of the Legal Personality of International Non-Governmental Organizations" ratified in 1986 gives the following criteria of INGOs: INGOs must:

- a. have non-profit-making aim of international utility;
- b. have been established by an instrument governed by the internal law of a Party;
- c. carry on their activities with effect in at least two States and

d. must have their statutory office in the territory of a Party and the central management and control in the territory of that Party or of another Party (1986)

(Council of Europe. European Convention on the Recognition of the Legal Personality of International Non-Governmental Organizations” 1986).

Being deprived of statehood and representation and having deliberately rejected the notion of nationality, international NGOs have proclaimed themselves as promoters of universal human values and issues of global and common concerns. In nearly all the countries in the world they join efforts in addressing a great number of issues that are recognized as universal priorities. INGOs also have advocacy function and the capacity to influence the international decision-making. Among the issues advocated by NGOs worldwide are environmental protection, poverty alleviation, eradication of hunger, combating corruption, provision of humanitarian aid and a great variety of public goods and services, promotion of human rights, social justice as well as lobbying of some narrowly defined interests (Fielding-Smith 2004; Paul 2000).

Today NGOs are rapidly gaining more power and influence all over the world. The increase of NGOs’ power as well as capacities to influence the global decision-making is vividly demonstrated in three dimensions: rise in the number of NGOs, the growing role of NGOs within international organizations and the increasing amount of funding directed to NGOs.

International NGOs are rapidly growing in number. According to the UNDP Human Development Report (2002), the number of international NGOs increased from 1,083 in 1914 to more than 37,000 in 2000. The most rapid increase in the number of NGOs was observed after 1990s –nearly a fifth of today’s international NGOs were formed in this period. Along with the increase in number NGOs have also had an increase in membership, with many organizations more than doubling their member base at a steady rate. The flow of

resources through international NGOs has also risen substantially, increasing more than sevenfold in the past three decades (UNDP Human Development Report 2002).

The role of NGOs is increasing in the global governance as far as international organizations have to a great extent committed themselves to strengthening civil society all over the world. NGOs are gaining more and more voice within Council of Europe, UN and other major international organizations: this is best seen in the documents and declarations of these organizations.

United Nations views NGOs as an indispensable and vital part of international society. Former Secretary General Boutros Ghali proclaimed NGOs to be the legitimizing source for UN, while Kofi Annan has identified them as "the conscience of the world" (Fielding-Smith 2004; Paul 2000). Ever since the adoption of UN Charter NGOs have had their particular voice in the UN system. According to UN Charter, International NGOs (INGOs) are granted a consultative status within the Economic and Social Council (ECOSOC): "The Economic and Social Council may make suitable arrangements for consultation with non-governmental organizations, which are concerned with matters within its competence" (United Nations Charter Article 71)

Currently the role of NGOs is expanding within the UN system. First of all, the number of NGOs associated with UN has increased: while in 1990 there were only 800 NGOs accredited with the UN, now the number of NGOs that have a consultative status within ECOSOC is over 2,500, NGOs associated with Department of Public Information (DPI) are more than 1,500. In addition to this, UN is steadily expanding its relations with NGOs in a number of dimensions within UN system. Today NGOs are acting not only within the scope of Economic and Social Council, but they also have relations with the Security Council, General Assembly and their main committees. This trend is vividly demonstrated in "The Report of the UN Secretary-General in response to the report of the Panel of Eminent Persons on United Nations-Civil Society Relations." It states the following:

“The participation of NGOs in intergovernmental bodies has dramatically increased in recent years... NGOs are now commonly present at the intergovernmental deliberations of many of the organizations of the United Nations system... Expanding and deepening the relationship with non-governmental organizations will further strengthen both the United Nations and the intergovernmental debates on issues of global importance... This is an opportunity for the United Nations to enhance its impact in the world... (“The Report of the UN Secretary-General in response to the report of the Panel of Eminent Persons on United Nations-Civil Society Relations” 2004, p. 1-3).

Council of Europe has also embraced the growth of NGOs. During the [Third Summit](#) that took place in Warsaw, 17 May 2005, the Heads of State and Government of the Council of Europe member States specifically emphasized the importance of NGOs in improving democratic governance and agreed to enhance the participation of NGOs in the Council of Europe activities. As Secretary General of the Council of Europe Terry Davis stated in his speech:

“We have a strong and increasingly stronger relationship with non-governmental organizations who play an active role in keeping us up to our own standards.... They [NGOs] are the basis on which we are building and strengthening participatory democracy across Europe” (Terry Davis. Address by the Secretary General 2005).

These are just a few examples within the general trend, which is present in nearly all the major international organizations including the World Bank, WTO, and other UN agencies. This rapid growth of NGOs has been described as the ‘global associational revolution’ (Kaldor 2003).

Along with this rapid growth and expansion of NGOs the next issue that acquires growing importance and scrutiny is the issue of NGO funding. The amounts of funding directed to NGOs are rather huge. Just a few examples on the amounts of this funding speak for themselves: UNDP Human Development report actually showed that in 2002 more than seven billion dollars in aid to developing countries flowed through international NGOs (UNDP Human Report 2002). Another finding by the Red Cross shows that more money goes through NGOs than through the World Bank (Vaknin 2005). Budgets of some influential INGOs are so huge that they may even outnumber the budgets of individual states.

For instance George Soros and Greenpeace each have more money to spend on global policy making than do the governments of Ghana, Nepal, Bolivia or Bangladesh (Osorio 2006). These amounts of funding come once again to prove the substantial power and influence capacity of NGOs. But who funds them? Who is behind this influence and power? Now that foreign NGOs are growing so rapidly, the old wisdom ‘he who pays calls the tune’ has come into light more than ever and gives rise to fierce debates which question the motives and the agenda of foreign NGOs.

In practice funding of NGOs comes from different sources: membership fees, private donations, philanthropy, wealthy foundations (like Ford and Packard in US) as well as international organizations (UN Agencies, EU, Council of Europe, NATO, World Bank, WHO) and budgets of individual states. In many cases a single NGO may be financed by various and diverse sources. For instance, CIVICUS, a partnership to promote "civil society" worldwide, is funded by such diverse sources as American Express Foundation, Bristol-Myers Squibb Foundation, Carnegie Corporation, Canadian International Development Agency, Ford Foundation, Harvard University, Oxfam, UNDP and other sources (Roelofs 2006; Osorio 2006). Even though the sources of NGO funding are diverse, the largest and the most important ones are the budgets of wealthiest Western states, mostly those of United States, United Kingdom, Canada, Germany, France and others (Osorio 2006; Roelofs 2006).

The largest donor that provides funding to civil society organizations directly from its state budget is the United States. Huge amounts of funding directed to NGOs are the reflection of US foreign policy: US has stated democracy promotion as a primary foreign policy goal “democracy promotion is a “central, bipartisan dimension of United States engagement with the world” (Gershman 2005). Democratization policies are mainly being carried out through state-funded NGOs. The experience of democracy promotion abroad started with the creation of National Endowment for Democracy NED. Established in 1982 by the Congress, NED was initially created with the purpose of containing the threat of

communism. Today its basic mission is democratization. Other major state-funded NGOs associated with NED are Agency for International Development – AID, National Democratic Institute (NDI) (associated with the Democratic Party), International Republican Institute (IRI) and others (Roelofs 2006; Blum 2000). As stated by the president of the National Endowment for Democracy Carl Gershman, the primary mission of these organizations has always been to “support the consolidation of democracy in the post-communist countries... to back transitions and to support free elections, independent media, the rule of law, and civil-society NGOs... with the ultimate goal of ending tyranny in our world” (2005, p. 19).

Increase in number, funding and power of NGOs has a vital importance especially given their increasing involvement in various sectors of individual countries and especially in their efforts of strengthening local civil societies. As it was stated, donor community has embraced civil society development as an important priority: this is chiefly demonstrated by increasing amount of funding that is being allocated to fostering civil society organizations. Thus, UN Democracy Fund (UNDEF), funded by direct contributions chiefly from United States, India, and Australia has stated the assistance for civil society as the first priority on its list. It is interesting to observe that in 2006 civil society organizations received the majority of UNDEF grants (57%), whereas government agencies and bodies were granted only 8% (UN Democracy Fund 2006). As for state funding, within years 2005-2006 UK Department for International Development (DfID) allocated around £261 million to UK civil society organizations for international development purposes (UK Department for International Development 2006). United States Agency for International Development (USAID) has rapidly increased its funding to civil society organizations: in 1991 it amounted to 56.1 million dollars, in 1998 to 181.7 million and in 2008 it reached to 255.1 million dollars (USAID financial report 2007; Encarnacion 2003). Funding increase is also observed in nearly all the organizations that have committed themselves to civil society promotion.

Along with civil society promotion all the different aspects and tendencies of foreign NGOs naturally find their reflection in the countries where they operate. The growing power of NGOs consequently brings to their increasing influence on the local level where they are engaged in a wide spectrum of activities. Thus, a country-specific view further needs to be studied separately.

Foreign NGOs in Country-specific approach

As far as foreign NGOs form a part of domestic civil society on the local level they occupy a rather large and substantial place in the most vital spheres of country's life. This is seen in the very definition of global civil society: as Sotiropoulos D.A (2005, p. 4) cites Anheier, Glasius, and Kaldor (2001), global civil society is "the socio-sphere located between the family, state and market and operating beyond the confines of national societies, polities, and economies." This place already by itself says a lot about the potential influence specter of NGOs.

The very presence of foreign NGOs in the country, among other factors, has initially been preconditioned by the failure of the government to provide public goods and services in a sufficient way: NGOs have come to fill in the gap created as a result. Thus, ever since their inception INGOs, established mainly by wealthy industrialists such as Carnegie, Sage and Rockefeller, were to serve as an alternative to the government. Thus NGOs make up for the government malfunctioning in a great number of fields by implementing projects that traditionally fall within the scope of government responsibility (Smillie, Helmich 1994).

The scope of operation of foreign NGOs within the host country is rather large and their activities rather diverse embracing nearly all the vital spheres of the host country and aiming to produce multi-level changes. First, foreign NGOs are major proponents of a wide range of economic and social development programs and reforms. Second, they are engaged in provision of a variety of public goods and services such as education and public health.

Third, they advocate for the interests of vulnerable people and provide material assistance to the poor, disabled and the needy. Forth, NGOs act as advocates for some specific issues in the society such as human rights, environmental protection, anti-corruption and others, just like they do on the global level. Fifth, they have stated missions of promoting democracy by means of supporting independent media, developing political parties, monitoring elections and of course strengthening local civil society. They offer assistance and training to local NGOs and empower them to realize a wide range of projects. The role of NGOs is indispensable in providing financial resources as well as technical support, expert knowledge, training, research techniques and information that often contribute to policy-making. In fact a great number of important and substantial programs would be impossible to carry out if it hadn't been for foreign NGOs. In addition to this NGOs also create workplaces by this contributing to the reduction of unemployment (Similie and Helmich 1994; Paul 2000; World Learning 2004; Fielding-Smith 2004).

As foreign NGOs perform activities that fall within the scope of government responsibility, they can cooperate with the different levels of government. Being closer to the public through their everyday contacts NGOs often have more fresh insight of public needs than the governments, the latter being larger and more sophisticated. Taking this advantage into account governments often look to NGOs for innovative ideas and information. Due to their closer ties with their constituencies NGOs can also assist government in the policy implementation process. Successful NGO-government cooperating in these terms can result in efficient allocation of resources (Similie and Helmich 1994).

NGOs do have a substantial positive contribution in the countries they operate. But does the role of foreign NGOs limit itself with these positive contributions? In fact increasing involvement of foreign NGOs, along with their capacity to produce substantial change, brings forward certain concerns and challenges in the countries they operate.

Putting together the apparent increase of funding, power and influence of foreign NGOs, as well as their involvement in the most vital spheres in both global and country-specific dimensions, the current study brings forward the following research questions:

1. What are the general challenges of foreign NGOs identified by countries worldwide?
2. What are the measures taken up by individual states to meet the identified challenges?
3. Are the commonly identified challenges posed by foreign NGOs true for Armenia?
4. How are foreign NGOs regulated in Armenia?
5. What is the position of Armenian government towards foreign NGOs?

Methodology

The methodology by which the research questions are sought to be answered includes review of relevant documents and Internet sources on foreign NGOs. The first part of the study focuses on general and common challenges of foreign NGOs that are identified worldwide. Second, for detecting a common pattern of challenges, comparative case studies of different countries are conducted. The same case studies are used to identify the measures taken up by individual countries to address those challenges of foreign NGOs. The final part of the research presents a case study on Armenia. It constitutes a comparative perspective, which brings together the challenges of foreign NGOs and subsequent measures in different countries with the challenges and measures in Armenia. For this purpose secondary analysis of research on NGOs conducted in Armenia was done together with content analysis of Armenian legislature on NGOs. In-depth interviews were further conducted with the following government representatives and experts in the field:

Edik Margaryan – head of registration department of public associations, non-commercial entities and media sources in the Ministry of Justice

Vahe Hovhannisyan – former adviser to the President of RA; author of the book “NGOs and Colored Revolutions”; currently a deputy in the National Assembly

Hasmik Khachatryan – Public Relations Coordinator in the Ministry of Social Welfare

Edik Baghdasaryan – Editor in Chief of “Hetq Online: Investigative Journalists of Armenia” (conducted a research on foreign NGOs in Armenia)

Artak Kirakosyan – President of Civil Society Institute NGO, Armenia

Challenges of Foreign NGOs Identified by Countries Worldwide

As NGOs are gaining more and more power both in global and local arenas they increasingly start to present serious challenges to individual states. These challenges are numerous and differ from country to country: for that reason all of them cannot possibly be identified within this single study. However, for the purposes of this research the challenges of NGOs will be viewed from two different perspectives. The first perspective deals with universally identified challenges that stem from the very nature of foreign NGOs. The second perspective addresses those challenges, which are peculiar to developing and especially to post-soviet countries: these challenges stem mainly from ‘democratizations’ process and are quite different in their nature.

The major challenge of international NGOs recognized worldwide, which in fact constitutes the background of all the other challenges, is the challenge posed to national sovereignty. This challenge actually derives from global governance itself as well as from the increasing power of NGOs. As a general trend, the influence of foreign NGOs is steadily increasing in the countries they operate and at the same time the state sovereignty is suffering demise. A decade ago Jessica Mathews (1997) from Council on Foreign Relations, described this trend in the following way: “National governments are not simply losing autonomy in a globalizing economy. They are sharing powers — including political, social, and security roles at the core of sovereignty — with ... nongovernmental organizations (NGOs)” Mathews (1997).

The tendency of foreign NGOs to override national sovereignty is the result of their growing voice within global governance and international policy-making, as discussed above. Thus this challenge is faced virtually by all the states including the most democratic and developed ones. The very essence of this challenge is best summarised by Fonte (2004) in the following way:

“An entire industry of transnational agencies and non-governmental organizations is pushing forward changes designed either to deny or override the national sovereignty of democratic states... Taken together, these changes amount to a serious political and intellectual challenge to democratic sovereignty vested in the liberal democratic nation-state” (Fonte 2004).

This is reflected in that NGOs are gaining enough capacity to push for various policies within UN with which the individual states have to comply accordingly. This is a concern because NGOs, who initiate and carry out the implementation of the proposed policies are in fact neither elected by any people nor have a representative character. So the questions that arise with this regard are ‘on whose behalf are NGOs acting? Whom do they represent? And who are they accountable to? These questions constitute the core of international debates on the challenges of NGOs, where the commonly recognized issues of concern are: representativeness, accountability and transparency of NGOs (Riggs and Huberty 2003).

The first issue is lack of representativeness. First, NGOs are not representative of general_public because they are not elected. They cannot claim to represent general public concerns also because their agendas are rather narrow (benefiting only their own constituencies), their ties with the public are rather weak and their vision about large-scale societal concerns is limited. Besides, NGOs being financed by wealthy industrialists, often act as pressure groups that lobby for specific interests, which may not necessarily be in line with the interests of public at large. Second, NGOs are supposed to represent their constituencies, but in practice this is also not always functioning. For instance, as Kaldor (2003) puts it, “NGOs aim to help the poorest people but their methods are more determined by donors than poor people themselves; they cannot represent the ‘voice’ of the poor” (Riggs and Huberty 2003; Kaldor 2003; Encarnacion 2003).

The second issue is lack of accountability: as Christensen (2004) quotes Coralie Bryant, a Columbia University professor, "Accountability is the central issue of our time." This issue is the first issue that gains importance along with rising power of NGOs: it is due to the fact that NGOs are actually and primarily accountable to their donors to whom they have to report their financial resources. Even though NGOs are supposed to be accountable and responsible to their constituencies, the mechanisms for enforcing this type of accountability are rather weak and inconsistent. The problem, according to Kaldor is within the solidaristic character of NGOs - the fact that donors are not the same as beneficiaries. In this they differ from governments and other institutions. Governments are responsible to their electorates (people are both taxpayers and beneficiaries) — they can be voted out of office. But NGOs do not have this precise 'bottom line' of accountability: they are neither accountable to public at large nor to the governments of the countries they operate; and since they are not elected by people they cannot be replaced by people either. The accountability issue is thus a serious challenge because as NGOs bypass formal state mechanisms of accountability and, at the same time, substitute for state functions, they can potentially reduce rather than enhance the power of citizens (Kaldor 2003).

The third issue, which is closely interconnected with the above-mentioned two, is the lack of transparency: NGOs often lack transparency in terms of their funding sources, their actual budgets, as well as the ways their finances are used. As Doctor Vaknin (2005) puts it, "Opacity is typical of NGOs... Contrary to their teachings, the financing of NGO's is invariably obscure and their sponsors unknown" (Vaknin 2005).

These challenges are best summarized in the words of U.N. Secretary General Koffi Annan, who has described NGOs as "the world's largest unregulated industry — that is to say, they often operate without minimum standards, are insufficiently transparent, act like corporations, and are accountable to no one but themselves" (Karajkov 2005). Today, as NGO power has increased dramatically, this 'unregulated industry' raises more concerns than

ever. These issues constitute a challenge because they enable NGOs to act as promoters of interests of those who fund them, to serve as long arms of their wealthy donors without being restrained neither by people nor by governments.

As stated above, these challenges are universal and are thus true for both developing and developed countries. The best example of a developed state facing challenges of NGOs is the United States. United States Secretary of Labor Elaine Chao (2003) has identified a number of concerns with regard to NGOs both in the wide and narrow spectrums. Terming the growing role of NGOs in global public opinion and policy making as a 'new battleground', secretary Chao called for Conservatives to pay a closer attention to NGOs and their influence. The issue of national sovereignty was also raised:

“An increasing number of multilateral organizations are engaged in the business of globalized standard setting that affects democratic, developed nations... it should not be a mechanism for going around our democratic processes and national sovereignty (Elaine Chao. Speech by the United States Secretary of Labor 2003).

Secretary also pointed out a number of other concerns in a narrower scope: “They [NGOs] are often transnational in nature, and their special interest agendas tend to reflect a narrow rather than a broad spectrum of public opinion. This can be a great challenge to those of us leading federal regulatory departments” (Elaine Chao 2003).

Even though the challenges of NGOs may be numerous and country-specific, a closer look suggests that most of the concerns identified by different governments eventually boil down to the lack of NGO accountability and transparency.

Challenges of foreign NGOs identified by developing and post-soviet countries

Besides the above-mentioned universal challenges, there is a set of other challenges that are peculiar to developing and to post-soviet countries in particular. Depending on the peculiarities of each country these issues have different intensity and character, but the general pattern is still true in most of the cases. Challenges of foreign NGOs display

themselves in a number of different dimensions. Three of them stand out as the most vital ones -substitution dilemma, societal change and political impact.

Substitution dilemma rises when foreign NGOs get into a competition with the state in performing similar functions. As it was stated above, foreign NGOs provide public goods and services needed by the citizenry that have traditionally been in the domain of the state. On one hand this does contribute to the betterment of general public welfare. On the other hand, however, as the state advocates a great number of its functions to NGOs it meanwhile is being deprived of autonomy in providing such basic goods as education, health care, environmental protection and many others. This gives way to the substitution dilemma, where a certain competition arises between the state and NGOs. According to Hugo Slim (2007) in the case of a weak state the apparent success of NGOs may challenge the state leading to 'state humiliation' where the government finds itself continually in the position of the receiver rather than the giver. Taking into account the dependence of foreign NGOs on foreign funding and their non-representative character, the danger is that "the success of NGOs can take forms of neo-colonial service delivery... dependent not on citizens' political demands and action but on the extraneous largesse of political outsiders" Slim (2007).

The major challenge on the sociatal level is that foreign NGOs are actually transforming the society by the projects they implement. It is stated in the very missions of foreign NGOs. For instance, the main stated mission of George Soros's Open Society Institute (OSI), among many others, is "to transform closed societies into open ones." In pursuing their missions of transforming the society foreign NGOs work closely with local civil society organizations. In this cooperation, however, foreign NGOs are the main agenda-setters: as defined by Carothers (1999-2000), traditional foreign aid approach constitutes in that "an external donor organization runs all aspects of the work... assessing the needs of the recipient country and designing the aid projects to meet those needs, to implementing the projects (with a subsidiary role for local "partners"), and later evaluating the outcome of the

aid.” Here the phrase ‘partners’ taken in the quotation marks is worth consideration! Donors actually direct huge amounts of funding to local NGOs with attached criteria and requirements on how funds should be used.

As far as in the developing countries local civil society groups are largely dependent on foreign funding, they often set and change their agendas according to donor preferences and demands: this brings forward dilemmas of control. Quoting Slim (2007) “As grant-givers, the wealth of international NGOs can begin to control local civil society by dictating its shape and priorities.” As a result amount of foreign funding can initiate, encourage as well as discourage the promotion of certain issues in the society. “Some organizations and some issues may become disproportionately big and powerful, undermining the diversity that is always a virtue in a healthy civil society” (Slim 2007). As foreign NGOs become agenda-setters of local civil society they may as well employ colonial tactics of ‘divide and rule’: “they may split civil society by issue, resources and geography by virtue of their own preferences” (Slim 2007). This constitutes the major challenge of foreign NGOs in the societal level.

The societal change, besides being structural, is also ideological as far as NGOs advocate for a specific set of values. As Mudingu (2006) states, “They [NGOs] can influence the ideas of the people in a way that the state and the ruling class parties directly cannot.” This is what Roy (2004) calls ‘altering the public psyche’ and Simes (2003) calls ‘global social engineering.’ Indeed, when one looks at the missions of foreign NGOs such as encouraging women’s participation in politics, promotion of cultural and religious tolerance, family planning or promotion of liberal values in general, they look well in line with the definition of social engineering as “efforts to influence popular attitudes and social behavior on a large scale, whether by governments or private groups” (Wikipedia). Thus the very presence of foreign NGOs by itself constitutes a ‘quiet revolution of values’, which is sure to happen in all the countries they operate. While this societal change is generally perceived as

a positive one, it is rather hard in fact to give an objective assessment of it: foreign values can have positive but also negative implications as they may clash with the existing value-system of society. However, issues such as clash of foreign and cosmopolitan values with national and traditional ones is a separate topic of discussion and research. The point that needs to be emphasized here is that the capacity to make a societal change is a rather powerful weapon that foreign NGOs possess. Indeed, what can be a better definition of power in the 21st century than the one given by George Orwell (1977 Chapter 21): “Power is power over human beings. Over the body but, above all, over the mind... We control the matter because we control the mind...” This power also constitutes a challenge that needs to be faced by both society and the government. First, when the society is being transformed by outside forces that promote their agendas, this may but also may not be in line with national interests stemming from security issues of a given country. In order to answer this question serious policy research and analysis need to be conducted. With this regard the main task of the government must be to identify and have a clear picture of transformation process that takes place within the society in order to develop adequate policies; otherwise this may bring to disintegration of state from the society and result in serious shocks and as well as in social unrest (Simes 2003; Roy 2004; Hovhannisyan 2005).

In the political dimension the challenges of foreign NGOs have even more complicated character. They emerge as a result of foreign NGOs working with politicized civil society organizations and political parties. The phenomenon of politicized civil society is closely connected with a widespread trend of loss of popular trust in the government and elected officials. In many developing and democratizing countries state institutions are increasingly being viewed as ineffective and unreliable. This is reflected in political apathy, declining membership in political parties, low voter turnout and other factors. In addition to this it is rather hard for politically motivated people to make one’s way into politics through traditional party system as the struggle for power is often not based on fair democratic

competition. As a result these active individuals increasingly tend to find themselves in civil society organizations and this political vacuum comes to be filled with non-state actors. This contributes to politicization of civil society, which in its essence and functions constitutes an alternative and disguised opposition to the ruling party (Encarnacion 2003). This is a serious challenge for the ruling party given the fact that politicized domestic civil society organizations as well as political parties may often be financed by foreign NGOs that represent the interests of foreign governments. This is not prohibited by law and foreign NGOs openly state this in their missions. For instance, NDI has the following stated mission: “NDI provides democratic political activists with the skills they require to establish representative, accountable, transparent and effective political parties. Information and technical assistance is provided to newly democratic political parties and movements on an inclusive, multiparty basis” (www.ndi.org). USAID, among a wide variety of activities is also “working to strengthen commitment to an independent and politically active civil society in developing countries” (www.usaid.gov). These activities of foreign NGOs derive from their wider mission of democratizations. Actually it is the democratization process that creates the most complex challenges and issues for the developing and post-soviet countries, bringing about many intricate and serious dilemmas. On one hand it is a positive tendency that civil society is active, that it pushes for democratization and demands great changes from the government. This of course can contribute to more responsive and democratic government. But on the other hand, when one takes into consideration the fact that this same civil society is to a great extent financed and directed by foreign donors and governments, the situation appears in a different light. It is one thing when in sustained democracy civil society holds the elected officials accountable by self-reliant civic activism, and it is quite another thing when domestic NGOs, elected by no one, being fueled and sustained by foreign funding and agenda, take up the function of pressing upon the state – upon the legitimately elected public representatives. This is what makes the difference! These issues find their utmost

manifestation in the phenomena, which has become the hottest topic of present times and has placed foreign NGOs in the center of a global debate: it is the phenomenon of ‘colored revolutions.’

NGOs and Colored Revolutions

The most serious challenge of foreign NGOs identified by an increasing number of post-soviet countries is the so-called ‘colored revolution.’ The term ‘colored revolution’ refers to a series of regime changes that have recently been taking place in the territory of former Soviet Union, particularly in Yugoslavia (2000), Georgia (2003), Ukraine (2004) and Kyrgyzstan (2005). These revolutions are termed ‘colored’ because they were based on tactics of nonviolent resistance by “people power” and the symbolic use of colors that came to constitute a stable pattern (Beissinger 2006; Hovhannisyan 2005).

Colored revolutions are rather complex phenomena that were brought forward by a set of interconnected factors. Although the case of each country was unique, there was a substantial common pattern that kept on repeating in each of them. Within this pattern the following factors contributing to the regime change are generally identified: popular discontent with the government; elections recognized as illegitimate by international observers; civil disobedience and mass protests organized by the opposition; foreign and particularly United States support to the opposition activists, which was mainly carried out through foreign NGOs. All these factors are interconnected and mutually reinforcing; however, as the focus of the current study is not ‘colored revolutions’ per se, but foreign NGOs, the discussion will focus particularly on the role of foreign NGOs in these events (Beissinger 2006; Hovhannisyan 2005).

Before describing the actual role of foreign NGOs in colored revolutions it needs to be plainly stated that foreign NGOs all by themselves cannot bring forward regime change. Neither can the number of foreign NGOs alone in the country be directly connected with the

possibility of revolution. It must be remembered that foreign NGOs are just another contributing factor among many others mentioned above and only a set of these factors can together bring to revolutionary change. And so, even though the role of NGOs is a large one in these processes, it must not be over exaggerated either (Hovhannisyan 2005).

The processes that took pace during colored revolutions gave way to a widespread belief that NGOs were major players in these events. This role was prescribed both to foreign and to local NGOs that acted in cooperation. Contribution of foreign NGOs was carried out in a number of ways. First, long-term foreign funding for civil society along with providing training, international media access and communication with civil society groups abroad, that created fruitful ground for colored revolution and second, direct foreign funding to local revolutionary NGOs and opposition leaders in the process of revolution.

The role of foreign NGOs first of all was an indirect one. Foreign support to local civil society, as it was stated above, is a long-term process that lasts for years. As a result of this process civil society organizations get strengthened and activated. While this does not mean that civil society is necessarily getting ready for regime change, this does however mean that potential capacity of civil society to overthrow the government is getting stronger (Hovhannisyan 2005).

Thus, prior to colored revolution, in all the above-mentioned countries civil society was chiefly shaped and sustained by foreign funding. In Ukraine foreign NGOs, and predominantly American ones, were operating from 1990: as they initiated the creation of civil society, they also had all the power to shape and control the agenda and direction of local NGOs ever since (Ledsky 2005). This picture was also true for Georgia: the same influential foreign NGOs were actively strengthening civil society; in addition, there was a marked activation of NGO sector prior to revolution. In Kyrgyzstan foreign control of civil society was the strongest: according to a field research conducted in 2002, local NGOs received almost 100 percent of their funds from international donors (predominantly US) and

as a result were almost 100 percent donor driven (Chaulia 2005; Berekashvili 2003). As foreign NGOs were successfully developing the capacities of local NGOs, the latter were also getting strong in building coalitions and pushing forward different policy changes through government. Many of these NGO coalitions that were initially being formed around various non-political issues (such as environment, human rights, etc.), joined their forces to support the opposition when it came to the actual day of revolution (Hovhannisyan 2005). Thus, the factor of foreign NGOs shaping local civil society was a crucial one.

The role of foreign NGOs, however, was not only limited to the long-term strengthening of civil society. They also played their substantial direct role in the actual process of regime change. As far as foreign NGOs had always been free to finance local civil society, they went on funding local revolutionary NGOs, youth movements and the opposition in their struggle against state authorities. This support was carried out by financial as well as by other means such as trainings, education, exchange of experience and communications with revolutionary groups in other countries. Thus together with their financial power and influence foreign NGOs actually took sides in the political struggle and by this exercised a direct impact on the process of regime change. This impact of foreign NGOs is usually associated with foreign political interference. As far as foreign NGOs promoting democratization and civil society were predominantly financed by the United States plus the fact that US had strategic interests in these political processes, have led to equating ‘foreign involvement’ predominantly with ‘US involvement’ (Chaulia 2005; Hovhannisyan 2005).

The following statements from the US come to prove the point. Commenting on the revolution in Serbia Carothers (2001) has stated “In Serbia, U.S. pressure on many levels, including wide-ranging support for civic and political activists, added to the mix of political forces that brought down Milosevic.”

Senator Ron Paul (2004) made a similar statement concerning ‘Orange Revolution’ in Ukraine. In his speech delivered at the US House of Representatives the Senator stated the following: “Through a series of cut-out non-governmental organizations (NGOs) - both American and Ukrainian - millions of dollars ended up in support of the presidential candidate, Viktor Yushchenko.” Senator also identified a number of US organizations that were directly involved, among them NED, IRI, USAID as well as Soros’s Open Society Institute (OSI).

The same pattern of foreign funding was also observed in Georgia. As reported by Georgian political science student Bakar Berekashvili (2003), “There were many NGOs that struggled against Shevardnadze, all of which were sponsored by the Soros Foundation, UNDP, USAID and other Western organizations.” Soros Foundation also supported the main youth movement “KMARA”- the Georgian version of Serbian ‘Otpor’, which had an instrumental role in bringing about “Rose Revolution.” Georgian opposition received significant support not only from US-based NGOs such as NED but also from different international organizations such EU, OSCE, UN (Hovhannisyan 2005). The evidence of the role of foreign NGOs in the Georgian ‘Rose Revolution’ is also stated in the official website of USAID, Georgia. In the section titled ‘Successes’ the following point can be found: “NGO, media and election assistance was instrumental in laying the foundation for the Rose Revolution” (www.usaid.org/ge/programs/democracy_and_governance).

Here the examination of challenges of foreign NGOs viewed in the framework of US involvement brings us to serious international political issues and dilemmas. These issues, even though need a much deeper research, still cannot be overlooked in the current discussion: it is these very issues that actually constitute the core and the essence of both internal and international debates on foreign NGO and their challenges.

‘Colored revolutions’ together with the role of foreign NGOs, are viewed from two main perspectives. One is the US perspective, which views ‘colored revolutions’ as positive

change towards democracy and freedom from authoritarianism, while the other perspective, mainly that of Russia and its allies, views 'colored revolutions' as predominantly foreign interference into country's domestic affairs with the purpose of promoting strategic political agendas. These perspectives actually have at their base the intricate dilemma between national sovereignty, democratization and intervention – phenomena, between which it is too hard to draw clear-cut borderlines.

The positive stand of US towards 'colored revolutions' is demonstrated in the statements of US high officials. For instance President George Bush (2005) made the following statement at the first anniversary of Ukraine's 'orange revolution': "Last year's revolution was a powerful example of freedom and democracy in action and an inspiration to those aspiring for freedom in their own land." US holds the same approach towards all four 'colored revolutions' As stated in the report of Chairman Richard G. Lugar (2006) to the Committee on Foreign Relations,

"Within the past 3 years, the so-called Rose Revolution in Georgia, the Orange Revolution in Ukraine, and the Tulip Revolution in Kyrgyzstan have opened new space for democracy in those nations, thanks primarily to the efforts of civil society members and organizations."

The main issue that needs to be emphasized is that the United States denies its role as the initiator of these revolutions, but affirms its positive role as the facilitator of democratization process, which was initiated by indigenous forces. As Carothers (2001) comments on this, "While pro-democratic outcomes in all four countries were principally the work of domestic political actors, the United States played a positive, facilitating role in each." Answering to the claims such as US being the orchestrator of these events, David Kramer, Deputy Assistant Secretary for European and Eurasian Affairs has stated: "There are those who nurse fantasies about the United States as author of "color revolutions," supposedly aimed at circumscribing Russia's influence, particularly among its neighbors. Nothing could be further from the truth." Another statement made by Max Boot (2004), a

senior fellow for National Security Studies in the Council of Foreign Relations, further opens the brackets on US involvement in colored revolutions:

“These revolutions reveal the hollowness of the cliché that "democracy can't be imposed by outsiders." True, but outsiders can help committed democrats overcome internal obstacles. ... Sometimes, when dealing with an entrenched dictatorship, this requires military intervention of the kind that occurred in Iraq and Afghanistan. More brittle regimes can be brought down by their own people, but even they often need a little external shove.”

It is this very ‘external shove’ carried out by foreign NGOs that is viewed as major challenge by post-soviet countries.

As far as colored revolutions as series of regime changes constitute a certain repeating pattern there is a general assumption that this wave will hardly be limited to the above-mentioned cases and is likely to spread throughout other post-soviet countries as well. As the basis of this assumption serve the activation of opposition forces in these countries that do their best to gain foreign support as well as statements from the West such as the one made by Ambassador Nelson Ledsky (2005) on behalf of National Democratic Institute

“If Ukraine can successfully move toward Western Europe and the Atlantic community, so too can Moldova and Belarus, Azerbaijan and Armenia, and even the states of Central Asia... Russia, too, will be influenced by what happens in Ukraine - in a positive direction if things go well, in a negative direction if things go poorly. The developments in Ukraine, Georgia, and now Kyrgyzstan are all examples for the rest of the world. The success of these developing democracies will make more untenable the remaining authoritarian regimes across Eurasia” (Ledsky 2005).

The possibilities of further repetitions of colored revolutions have ringed alarm bells in a number of countries. Recognizing foreign NGOs as primary vehicles of foreign involvement in colored revolutions, an increasing number of countries have started to view their activities, especially those with politicized character, as potential threat to country’s stability and security. These concerns are shared by Russia as well as by a great number of countries in Central Asia.

Russia: After ‘colored revolutions’ Russian government has started to view foreign NGOs as a challenge to country’s leadership. According to Russian Pravda.ru (2005) Russian president, as well as high-rank officials, have repeatedly stated that foreign NGOs exercise their power to weaken Russia and undermine its leadership. As reported by Ria Novosti (2005), the FSB director Nikolay Patrushev accused a number of foreign non-governmental organizations in preparing new velvet revolutions on the post-Soviet space. Ria Novosti (2005) quotes Patrushev's words in his address to Russian State Duma deputies: “Foreign special services are proactively using non-traditional methods. They promote their interests using educational programs of various non-governmental organizations and collect information, particularly, on the post-Soviet space.” President Vladimir Putin also stated that he was strictly opposed to foreign funding of political activities of non-governmental organizations and oppositional parties (Medetsky 2005; Karajkov 2005).

China: In China, where the number of non-governmental organizations is growing increasingly, similar concerns about repetition of 'colored revolutions' have also been raised. Chinese government likewise shares the belief that foreign NGOs had a substantial role in those regime changes and is taking up measures to prevent similar events in China. As the number of social unrests has been increasing recently, the government has also come to place a part of the blame upon foreign NGOs. However, these accusations and concerns have subsided with time and the issue of foreign NGOs is not as hot today with Chinese government as it was right after ‘colored revolutions’ (Mooney 2006; Engdahl 2005).

Kazakhstan: The issue of foreign NGOs was especially voiced in the period prior to Kazakh presidential elections. Worried about possible destabilization (that took place in the neighboring countries), Kazakh President Nursultan Nazarbaev had warned foreign NGOs to stay away from Kazakhstan’s internal political process. He stated that foreign-based NGOs had no right to finance political parties, especially during election campaigns and warned that

authorities would be holding NGOs' activities under close scrutiny ahead of the election period (Karajkov 2005; Pannier 2005).

Belarus: Government in Belarus, which is often referred by West as 'last dictatorship in Europe,' is the one most concerned about possible revolution in the country. As Karajkov (2005) quotes president Alexander Lukashenka's statement: "In our country, there will be no pink or orange, or even banana revolution... All [those] colored revolutions are pure and simple banditry." Belarus views foreign NGOs as enemies and has the most hostile attitude towards them (Karajkov 2005; Lugar 2006).

Egypt: Egypt, which is the second largest recipient of US aid (after Israel), has also started to regard some foreign NGOs as a threat to national security. Given the growing role of foreign NGOs in the vital spheres of the country, Egypt is also worried about cultural and religious aspect of NGO funding: Egypt is predominantly a Muslim country, while foreign NGOs tend to fund Christian groups. Egypt authorities have objected to foreign funding directed to Christian communities and especially to politically active Christian NGOs (Mekay2007; Fisher 2007).

Sri Lanka: The government of Sri Lanka, among the common challenges has also identified other threats that foreign NGOs may possibly bring with themselves. In particular, the government sees a threat in that NGOs can be used as a cover for terrorist organizations. As reported by Sri Lankan Ministry of Defense,

"The credibility, access and support of a Western organization with political clout all provide an excellent operating cover for someone who is engaged in covert operations against a legitimate government... The globally growing body of work that probe into the underside of the "Aid Industry" alerts a new threat to the world that no government can ignore any longer. That is the misappropriation of Humanitarian agencies and NGOs by the terrorist organizations to pursue their violent causes" ("NGOs, Aid Industry..." 2006).

Concerns over foreign NGOs meddling into country's domestic affairs, intelligence gathering and supporting oppositional civil society groups are also shared by the

governments of a number of other countries such as Iran, Uzbekistan, Egypt, Venezuela, Turkmenistan, Azerbaijan, Turkey and others. The major challenge of foreign NGOs identified by these governments remains the threat of the regime change. The identification of this threat is peculiar mostly to non-democratic or semi-democratic governments that are also highly criticized by the West (Lowenkron 2006; Fisher 2007; Lugar 2006; Lendman 2006). However, concerns on foreign NGOs meddling into domestic affairs is peculiar not only to non-democratic countries. Democratic governments are also increasingly recognizing this challenge.

Democratic Czech Republic can be brought as an example. In his speech made at the Council of Europe in May 2005 Czech President Vaclav Klaus criticized NGOs for their interference into domestic affairs. He spoke about NGOs in the framework of ‘massive emergence of post-democracy’, defining it as “attempts of manifold forces, structures and groupings (not of the state itself), which – without a democratic mandate – try to directly decide (or at least basically influence) various crucial and sensitive public issues” (Vaclav Klaus. Speech by the President of the Czech Republic 2005). He criticized the excessive role of NGOs in such terms as ‘NGOism’, ‘artificial multiculturalism’, ‘radical human-rightism’ and ‘aggressive environmentalism.’ Identifying these phenomena as challenges, the president stated: “In these activities, I see new ways of endangering and undermining of freedom, which we, at least those of us who lived in the communist era, take very seriously.” The president also suggested that international NGOs must be given clearly defined roles (Vaclav Klaus 2005).

Measures taken by individual countries to meet the challenges of foreign

NGOs: or Who Will Guard the Guardians?

As far as the identified challenges of NGOs differ from country to country, measures taken to meet these challenges differ likewise. However, as it was mentioned above, some issues such as accountability and transparency of NGOs are recognized by most of the countries; thus measures taken to increase accountability and transparency of NGOs are being implemented by a great number of countries worldwide. As stated by McGann and Johnstone (2005) "Given the current concerns about security, it is essential to understand where international NGOs get their funding in order to understand exactly whose interests they may be, even inadvertently, promoting." Thus, the debate on these and other interconnected issues is intensifying all over the world. This is preconditioned by the fact that methods to hold NGOs accountable being employed so far have proved to be unreliable and insufficient. Charles F. Sabel, a professor of law and social science at the Columbia Law School, has identified two main traditional methods of NGO accountability that have so far been unsuccessfully employed. The first method is having a board that coordinates the work of the NGO, while the second method requires the NGO to report of its activities to the constituencies – to the people the NGO is established to help (Christensen 2004). Kaldor (2003) terms first method as 'procedural' (internal) accountability and the second one as 'moral' accountability. However, both these measures have proved to be unsuccessful and inefficient. As Christensen (2004) quotes Sabel: "Since it's hard to measure effectiveness, people tend to subside to something simpler... They ask: What did you do? Was the process fair? Did you do what you said you would do? Can you guarantee the money wasn't used in a corrupt way? Then people realize this isn't very helpful, so they say, let's have some authentic story."

However authentic ways of making NGOs accountable are rather hard to find in practice. There is actually no global or universal method to ensure that NGOs are accountable to anyone. This method is hard to find because the attempts to tighten the regulation of NGOs deal with dilemmas of control over civil society, impediment to democracy, freedom and many other similar issues. Also it is not so easy to find the right answer to a number of questions such as: To whom must NGOs be accountable? Should donors or recipients judge the success? Should civil society have internal mechanisms of self-regulation or should the government enforce the accountability of NGOs? How to measure whether an NGO is acting according or against a country's national interests? How should the level of foreign political interference be measured? Seeking to enhance NGO accountability and transparency in the intricate dilemma between democratization and national security, different countries find different answers to these questions and thus implement different measures respectively. Even though these measures vary from country to country there is a marked general trend, which chiefly manifests itself in legal regulations and restrictions applied to foreign NGOs. This trend, which is generally termed as 'backlash against NGOs' or 'backlash against democracy assistance', is a relatively new one, which got activated especially in the aftermath of 'colored revolutions' and today is being employed by an increasing number of countries (predominantly non-democratic) all over the world. The study conducted by the International Center for Not-for-Profit Law (ICNL) in 2006 revealed that only within the year of 2005 nineteen countries introduced restrictive legislation on civil society organizations. They came to join the list of 30 countries that already had existing laws, policies, and practices restraining the work of civil society organizations. Even though legal restrictions on NGOs are found almost in every part of the world, they are especially being employed in the countries of Newly Independent States of the former Soviet Union (NIS), Africa and the Middle East (ICNL 2006; NED 2006).

The Reports prepared by the National Endowment for Democracy (2006) and ICNL (2006) present comparative studies on different governments' efforts to apply restrictive measures on democracy promoting foreign NGOs. The study reveals a number of legal as well as extra-legal restrictions.

One of the most prominent examples of legal restrictions was Russia's new law on NGOs, which was a subject of international debates and harsh criticism from US and other Western countries. Even though the law was amended under the under international pressure, the final version adopted in 2006 still increases state control over NGOs, requires NGOs to "submit to the authorized body the documents containing a report on its activities... as well as the documents on spending monetary funds and using other property, including those received from international and foreign organizations, foreign citizens and stateless persons" (amendment to Article 32, Federal Law of RA NO. 18-FZ, 2006). The law has also extended the grounds for refusing registration to NGOs on cases when the NGO "poses a threat to the sovereignty, political independence, territorial integrity, national unity and originality, cultural heritage and national interests of the Russian Federation" (amendment to Article 13).

A number of other countries have implemented similar restrictive measures. Reports by ICNL (2006) and NED (2006) have identified the following list of legal and extra-legal provisions that are most often exercised by governments:

1. Restrictions on the right to associate and freedom to form NGOs

These types of restrictions are mostly carried out by means of strict monitoring, control and interference into the operations of NGOs on the part of state authorities. Restrictions on the right to associate and freedom to form NGOs are observed in China, Saudi Arabia, Vietnam, Cuba and a number of other countries (ICNL 2006; NED 2006).

2. Impediments to registration and denial of legal status

These restrictions are a result of government closely monitoring and restricting the process of NGO registration. These tendencies are observed in Azerbaijan, Ethiopia, Algeria,

Tajikistan, Belarus, Uzbekistan and Russia. The amended version of Russian law requires foreign and domestic NGOs to re-register within a state agency, which afterwards decides whether NGO should be allowed to proceed with its activities or not. In China the state has tightened NGO registration process, increased the scrutiny over the funding sources and activities of foreign NGOs. In Egypt, the government has increased regulations on NGOs and exercises authority to close NGOs, which threaten national unity or violate public order or morals. Belarus has added a new article to the criminal code titled “Discrediting the Republic of Belarus”, which establishes a prison sentence for “providing a foreign or international organization with patently false information about the political, economic, social, military and international situation of the Republic of Belarus” (ICNL 2006; NED 2006; Federal Law of RA NO. 18-FZ, 2006).

3. Restrictions on foreign funding and domestic financing

Restrictions on foreign funding are the most common measures used by governments with the purpose of reducing foreign influence. Among the most common legislative provisions directed particularly to restricting foreign funding identified by ICNL (2006) are the following:

- NGOs must not only register but also frequently re-register with the government to receive foreign funding (on a donation-by-donation basis);
- Foreign funding must be channeled via government or designated, monitored bank accounts
- Foreign funds must be subject to taxation;
- Total funding received by NGO from foreign sources must be limited to a stated percentage.

Numerous examples of these provisions are found in different countries among them Zimbabwe, Moldova, Eritrea, Uzbekistan, Belarus, Egypt and others. For instance

according to the new law passed in 2004 in Uzbekistan, NGOs are required to deposit funds in one of two government-controlled banks. In Egypt, all foreign sources must be approved before an NGO can perform any activities. According to the law passed by Belarus in 2004 NGOs must report to the government on the amount of foreign funds and conducted projects in order to get government approval. The law also implies that local NGO must pay 30% tax from the foreign funding it receives. All these provisions prove to discourage foreign donors from providing funding to local civil society (ICNL 2006; NED 2006; “Where not to be...” 2006).

4. Restrictions on political activities

There are a number of legal provisions that restrict the abilities of NGOs to engage in political activities. These provisions serve as an impediment particularly to those foreign NGOs that implement democracy promotion programs. These measures are largely directed to preventing the threat of regime change, based on the widespread assumption that democracy promotion is associated with funding oppositional activities. For instance, Zimbabwe’s laws ban the activities of those NGOs that deal with issues of governance and political matters. In Kazakhstan the law prohibits “foreigners... and foreign organizations” from engaging in activities that “support the nomination and election of candidates, political parties...” Similarly in Belarus the law prohibits the use of foreign funding for preparing elections, street marches and other activities that are associated with political issues. The same is the case with Egyptian law (ICNL 2006; NED 2006; “Where not to be...” 2006).

5. Establishment of “parallel” organizations (GONGOs)

An increasing number of governments are actively creating government operated non-governmental organizations (GONGOs). GONGOs are often used to channel government funding to preferred causes: by this government creates a kind of counterweight to foreign funded NGOs within civil society. In Kazakhstan, government already provides \$3.4 million annually to the country’s more than 5,000 NGOs. In Uzbekistan around 300 civil society

groups have formed an umbrella organization called the National Association of NGOs of Uzbekistan (ICNL 2006).

6. Harassment, prosecution and deportation of civil society activists

The cases of expelling foreign NGO offices from the country or prosecuting foreign activists have markedly increased recently in different countries. Uzbekistan has shut down the offices of Soros foundation together with U.S. government sponsored National Endowment for Democracy, National Democratic Institute, International Republican Institute and other organizations. Uzbek authorities have also expelled the missions of the Eurasia Foundation, Freedom House, the International Research and Exchanges Board (IREX), the American Bar Association, along with Radio Free Europe/Radio Liberty (RFE/RL). In 2005 Ethiopia's Ministry of Foreign Affairs instructed the representatives of IRI and NDI to cease all their operation and to leave the country. Belarus has refused the renewal of registration to Counterpart International and IREX. The same foreign NGOs also had problems with registration in China and Russia. Russia has closed down the offices of Soros Foundation, Solidarity Center as well as US Peace Corps ("Uzbekistan..." 2006; Ria Novotsi 2005; NED 2006).

Thus an increasing number of states are coming to adopt similar regulations on NGOs and foreign funding. While in the above-mentioned countries restrictions range from legal regulations to harassment and expulsion, other countries maintain a more neutral position, adopting a position of 'repressive tolerance' by allowing civil society groups to operate with a degree of autonomy but still applying operational and political restrictions (NED 2006).

International community criticizes most of the restrictions on civil society as impediments to democracy and human rights. Many restrictions mentioned above are in conflict with basic international principles regulating civil society. Thus The International Covenant on Civil and Political Rights (ICCPR) states that "Everyone shall have the right to freedom of association with others, including the right to form and join trade unions for the

protection of his interests” (Part 2, Article 22.1). At the same time, however, the Covenant has a provision that allows restrictions to this right, particularly in cases which are “provided by law, are necessary to protect national security, public order (ordre public), public health or morals or the rights and freedoms of others” (Part 3, Article 12.1). Thus most countries justify the necessity of legislative regulations based on these very principles. It is widely believed that the restrictive measures applied to foreign NGOs stem first and foremost from the threat of ‘colored revolutions’. However, the most common official justifications for restrictive measures are prevention of foreign meddling into internal affairs of sovereign state, spying and intelligence gathering, money laundering and of course threat of terrorism (NED 2006).

President Putin, for instance, stated that the new Russian law was necessary to increase transparency and accountability of both Russian and foreign NGOs. President Putin also clearly stated, “This law is to prevent foreign states from intervening in the internal affairs of the Russian Federation... We want them to be financed in a transparent way, we want these organizations to be independent, and not to be controlled by some puppet master from abroad” (Vladimir Putin “Press Statement and Answers...” 2006).

These justifications are viewed rather skeptically by the United States and other Western governments. As far as most of the above-mentioned countries that have applied restrictions on NGOs are recognized as authoritarian or semi-authoritarian regimes, the harsh regulatory measures are considered as attempts of autocrats to oppress civil society in order to maintain their power (NED 2006). US has first of all harshly criticized the Russian law on NGOs. Quoting the comments of Barry Lowenkron (2006), Assistant Secretary for Democracy, Human Rights and Labor, on Russian NGO law:

“The new law has the potential to cripple the vital work of many NGOs and retard Russia’s democratic development... whenever NGOs are under siege, democracy is undermined. The new NGO legislation is just one element of a broader pattern of restricting the space for independent views, consistent with the apparent aim of President Putin to concentrate power in

the Kremlin and direct "democracy" from the top down."

This debate is the most vivid demonstration of the dilemma between democratization and national sovereignty where it is not clear who should give a foreign state the authority to decide whether the level of democratization in the given country is enough ground for foreign interference.

Nevertheless, restrictions on NGOs and foreign funding are not typical only to non-democratic states. In fact, as NED (2006 p. 17) reports that "Most democracies have regulations governing and, to some extent, restricting foreign funding and interference in domestic political affairs." The example of India - the world's largest democracy- is the most outstanding with this regard. India has also proposed a new law in 2005, which applies restrictions to foreign NGOs similar to those mentioned above. New Indian law requires re-registration of already registered organizations and renewal of the certificate once every five years. It also restricts foreign contributions to the voluntary sector and gives great discretion to the Central Government to regulate foreign funding. Under the proposed bill the government is granted enough power to completely prohibit any person as well as organization from receiving foreign funding of political nature (ICNL 2006; "Where not to be..." 2006).

Above all, the debate on the accountability of NGOs is also hot in the United States. International NGOs are intensely being criticized, especially by the conservatives. There have been a number of proposals to amend the law on Not-For-Profit organizations, to tighten financial operations of NFPs with the purpose of increasing transparency and accountability of the sector and reducing the influence of international NGOs. One of the extra-legal measures taken to enhance NGO transparency was the launching the NGO Watch project, a joint effort by Federalist Society and the neo-conservative American Enterprise Institute (AEI). The project has established a special website www.ngowatch.org, which has been registering major powerful international and advocacy NGOs, providing links to detailed

information about their finances, donors and programs. As Christensen (2004) quotes the comments of Danielle Pletka, a vice president of the American Enterprise Institute, "It is in all of our interests to have NGOs, even NGOs we agree with, be accountable and transparent and have a role in international institutions that is clear to everybody." In addition to this there have also been instances of attacks launched on major NGO funders, such as the Ford Foundation and George Soros' Open Society Institute; a constant questioning by the Journal, the Review, and other right-wing media and commentators of the political leanings of NGO leaders; occasional attacks by senior administration officials and other extra-legal measures (Chao 2003; Oxford Analytica 2005; Lobe 2005).

Thus, as foreign NGOs are gaining more and more power, measures are being taken by individual countries all over the world directed to limiting their excessive influence. Issues of limitation are rather intricate and there seems to be not a single right answer to the question of how to ensure democratic freedoms of civil society meanwhile protecting the country from undesirable and excessive foreign interference.

Armenia

The study presented above was an outline of general patterns, main debates, universal and country specific challenges and measures applied to foreign NGOs. Given this background a comparative case study on Armenia will further be conducted in order to find out to what extent these general challenges are true for Armenian case and to what extent the measures applied by different countries are applicable for Armenia.

Armenia is a post-soviet developing country, which is currently undergoing the process of democratization. A major supportive role in this democratization process has been undertaken by western governments, which have had a crucial impact on major political transformations of most post-soviet countries. This western influence has been exercised among other means through foreign NGOs.

Foreign NGOs have started operating in Armenia from 1991 - right after the breakup of Soviet Union. While their missions were initially focused on providing humanitarian aid, within the past decade they have shifted their missions towards broader development programs in sectors such as provision of goods and services, education, health care, social and environmental protection, issues of vulnerable groups, public policy and many others that have traditionally been under the government responsibility. Thus in Armenia, as in most countries where they operate, foreign NGOs are largely making up for the malfunctioning of the state, which in its turn creates dilemmas of control (World Learning 2004; Freedom House 2006).

Above all, foreign donors have increasingly committed themselves to promoting human rights and building civil society, particularly local NGO sector in Armenia. The largest donors are USAID, World Vision, Open Society Institute, TACIS, OXFAM, World Bank, IMF and various UN agencies. Armenia's biggest international donor is the U.S. government, which provides about \$13 million a year to Armenian public organizations: the money is directed primarily towards community organizations, local governance bodies, and

those dealing with the development of democracy. USAID is the primary donor for the development of Civil Society Organizations. As foreign donors have set the foundations of civil society in Armenia, they have also formed, developed and sustained local NGOs: as a result of these efforts local NGOs have grown in number, their capacities including advocacy and coalition building have increased, also a successful cooperation between NGOs and different branches of government has been developed. Thus, foreign donors have had a substantial impact on the formation of state-society relations (World Learning 2004; Freedom House, 2006).

The contribution that foreign NGOs have made in developing civil society in Armenia is undoubtedly a great one, as revealed in the study conducted by World Learning (2004). This great contribution in its turn has also created great dependency, as most of civil society organizations in Armenia have been heavily dependent on foreign funding: as of 2004, 87% of local NGOs relied entirely on foreign donors (World learning 2004). This has been the case chiefly because the legal framework does not provide NGOs the right to engage in entrepreneurial activities and generate income¹. There is a great desire on the part of local NGOs to have this right: survey conducted by World Learning in 2003 showed that 96.7% of NGOs wanted to have the right to engage directly in entrepreneurial activities (World Learning 2003). The law, however, still does not guarantee this right. As a result foreign funding still remains the primary source of NGO sustainability. Even though the dependency on foreign funding has reduced for a certain degree it is still significant, according to USAID (2006) report 42% of NGO funding comes from international donors, while other sources constitute too low a percentage (World Learning 2004; Freedom House, 2006; Sayadyan 2005).

¹ For generating income NGOs can form LLCs. This is on one hand a positive option to lessen the dependency on foreign donors, but on the other hand it creates excessive burdens in dealing with tax agency. This option is rarely practiced (Sayadyan 2005).

Challenges of Foreign NGOs in Armenia

Universal challenges of NGOs, particularly those of accountability and transparency are of course true for Armenia as well. Lack of sufficient accountability and transparency is true both for foreign NGOs and for local NGOs that receive foreign funding. This is mainly due to the legal framework, which is the same both for local and foreign NGOs. The Law of Republic of Armenia on Public Organizations (2001), under which the majority of NGOs are registered, does not provide clear guidelines of accountability. It only states that publicity is a principle of activity of an organization and that the organization must give annual public reports on financial matters (Article 4 of the Law on Public Organizations). However, the law does not specify the ways and means of publicity and reporting, neither does it envision any mechanism of enforcing these provisions. Thus, it is greatly up to the NGO to choose the ways, means and frequency of publication of activities. As a result NGOs do not feel obliged for accountability to the public and to their constituencies. It must be mentioned that foreign NGOs keep the provision of publicity more than local NGOs: there are a great number of foreign NGOs that regularly publish (or put on their website) the outcomes of their activities. However, the amount of information publicized limits itself with general outlines only. Besides, due to the arbitrary character of the law there are also foreign NGOs that do not keep publicity at all and their activities are not open for public access. This has been the case with an influential German NGOs - Friedrich Naumann Foundation and the Friedrich Ebert Foundation. These NGOs have been implementing projects in Armenia for several years without state registration and without providing any information about their activities (Baghdasaryan, Sayadyan 2005). Another influential US NGO – NDI, which at present works intensely with Armenian political parties, does not provide any information about its current activities ever since 2003², neither does it have brochures published. Besides, no information agency has the contacts of these organizations registered. Thus, while foreign NGOs are

² Their website <http://www.ndi.org/worldwide/eurasia/armenia/armenia.asp> was last updated in 2003.

working to enhance government accountability and transparency they themselves often do not practice what they preach. Meanwhile they are fully accountable for both their projects and financial activities to their headquarters abroad.

As for local NGOs that receive foreign funding, they have even more serious lack of transparency and accountability. They very seldom publish the outcomes of their projects and often fail to provide accurate reports of their financial activities, aiming to avoid tax authorities. Meanwhile local NGOs are being fully accountable to their donors in both their activities and financial flows. This in its turn creates the impression that NGOs care more about the interests of their donors than of either their constituencies or public at large (USAID 2006; World Learning 2004). Thus the primary reason of the lack of accountability and transparency of NGOs is the unclear legal framework and the lack of enforcement mechanisms.

Most of the challenges identified by post-soviet countries are also true for Armenia. Being engaged in almost all the vital spheres of societal life foreign NGOs exercise a major impact on the transformation of the society in many spheres. First, foreign NGOs themselves carry out a great number of projects directed at reshaping the society. Second, since local NGOs have significant dependency on foreign funding they often form their missions according to donor demands and agendas. This is not merely about grant-oriented NGOs, which frequently shift their missions with a sole purpose of acquiring funding; rather it is about a broader picture, where donors determine priorities of the society by the amount of funding they allocate.

Dr. Armine Ishxanyan (2003), who has conducted a research on Armenian NGOs, describes the dependency factor in this way: “You learn what the donors fund and then you talk about that in your grant proposal... Aid, however, is a double-edged sword, and while it provides NGOs with funding and support, it also exposes them to foreign direction and control.” As a result foreign donors have a substantial agenda-setting power. This is best

illustrated by the example of ‘domestic violence’, an issue which was a taboo in Armenian society and which has come to occupy an important place in the agendas of local NGOs due to vast financial support of donors. Thus, when the issue of domestic violence was first raised by European Union’s TACIS program, local NGOs strongly objected to implementing those programs (including creating crisis shelters), as they believed that ‘dirty laundry must not be aired in public’. They also stated that this issue was not the most critical issue for Armenia and above all that it was an anti-family and anti-national campaign as the external intervention into private family affairs weakened and wrecked the institution of family. This perception, however, started to be gradually forgotten as foreign donors largely increased the amounts of funding and training directed to the issues of domestic violence. As a result after a while these local NGOs largely embraced domestic violence within their missions. Moreover, among them there was an NGO, which as a result came to change its name from Hayouhi to Women’s Rights Center: this speaks about something much more than just the change of a name, it speaks about the change of a mindset... Thus, even though this foreign-implemented issue clashed with Armenian ethnic and cultural traditional thinking, donor money managed to a certain degree implement the change that it strived to.

The demonstrated the issue of domestic violence is just one example of foreign NGOs shaping the agendas of local civil society; in fact these examples are numerous. The fact that foreign NGOs change Armenian society is also demonstrated in that they regard Armenian national and cultural values as being backward and hindering to the development process (Ishxanyan 2003). But does the financial superiority of foreign NGOs give them the right to discredit national values and to work towards changing them? The practice shows that it sadly does... As reported by World Learning “there is a general perception that NGO advocacy efforts have more to do with what donors want than what is genuinely in the interest of Armenia” (World Learning 2005, p. 48). In this context the crucial question of

whether this societal change serves to broader interests of Armenian people still remains unanswered.

As for the challenges identified in the political dimension, they are also to a certain extent true for Armenia. In Armenia, due to the lack of political culture, political parties are rather weak and inefficient. So active people who wish to participate in public life largely find themselves in non-governmental organizations. Besides, the salaries offered by NGOs far surpass salaries in government bodies. As a result, as Hovhannisyan (2005 p. 138) puts it, “public sector with its intellectual quality evidently overpasses the political field.” As civil society is getting more rapidly empowered than state institutions, this above all increases the misbalance of intellectual and other forces between state and society. This widening gap is in fact a major challenge for state authorities given the fact that developing civil society is heavily financed and directed by foreign donors. At this point civil society is still in the process of development and is not yet too strong and sustainable, but if state-society misbalance gets accelerated in the worst scenario it may increase the possibility of internal clashes and even threaten country’s stability (Hovhannisyan 2005; Саркисян (2005-2007)).

The challenge of ‘colored revolution’ has not been detected by Armenian authorities as it was the case with the countries mentioned above. This challenge as a rule is being activated in the period prior to presidential elections. This, however, has not been the case in Armenia neither prior nor after the presidential elections which were held in February 2008. Even though the possibility of revolution was not eliminated and opposition has been doing its best to orchestrate one, there have been no preconditions for this potential revolution to be called a ‘colored’ one. Factors that generally accompany ‘colored revolution’ have not been present in Armenia: first, civil society in Armenia is still not that active and strong to be able to push for large-scale changes; second, popular discontent has not been as great in Armenia as it was in those countries; third the elections have been recognized as legitimate by foreign

observers and states: OSCE (2008) report stated that “presidential election in Armenia was conducted mostly in line with the country's international commitments.”

And finally as for foreign NGO factor, even though a number of foreign NGOs (such as NDI) have been working closely with Armenian political parties, there has not been a marked activation of foreign NGOs in financing revolutionary groups and movements in Armenia as it was the case with Georgia and Ukraine. The announcements of officials prior to elections show that no threat of ‘colored revolution’ was detected. Thus, prior to presidential elections the Speaker of National Assembly Tigran Torosian (2007) announced, “No orange revolution is possible in Armenia, since our people see that these revolutions bring nothing good.” This prediction was also shared by political scientist and expert on Caucasus Aleksander Iskandarian (2007): he stated “There are no preconditions for a ‘colored revolution’ in Armenia, in spite of the activization of Levon Ter-Petrosian.” Thus, unlike other countries mentioned above, in Armenia there was no mood of peculiar pre-electoral alarm of ‘colored revolution’ on the part of state authorities.

Legislative Framework of Foreign NGOs in Armenia

Restrictive legislative measures, like those applied to foreign NGOs in other countries, have not been observed in Armenia. Currently the legislative framework of NGOs consists of three laws - Law on Charity, the Law on Foundations and Law on Public Organizations under which most NGOs are registered. These laws equally apply to both domestic and foreign NGOs. Changes in NGO legislation occurred in Armenia prior to ‘colored revolutions’ and worldwide backlash against NGOs and weren’t affected by those trends. The previous law on NGOs has been replaced by a new Law on Public Organizations in 2001. It is interesting to observe that this new law, which was adopted under the influence of intensive lobbying of foreign and domestic NGOs, did not only refrain from restricting NGO activities but also proved to have a contrary effect – in fact it gave NGOs much more

freedom and autonomy to function. While according to the previous law NGOs were required to publish detailed reports on all their activities, the current law, as it was already mentioned above, largely leaves this up to NGOs (Law on Public Organizations 2001).

Even though both foreign and local NGOs register with the Ministry of Justice (according to the procedure envisioned in the law, Article 12), NGOs do not report to state bodies on their activities and state does not keep track of projects implemented by foreign funding. Also, there is no centralized state body that would deal with foreign NGOs as such. According to Article 5.1 of Law on Public Organizations “Interference of state bodies and local self-governance bodies and their officials in the activities of an organization is prohibited, except for cases stipulated by law.” NGOs provide financial reports only to taxing agency but the amounts of foreign funding directed to local NGOs are not tracked by the government. As reported by Microfinance Gateway (2005), “International NGOs and foreign organizations are Non-regulated sources of microfinance.”

There are certain cases when state bodies can demand information on NGO activities: “The organization is obliged upon well-grounded demand of the state authorized body in the field of justice of the Republic of Armenia within reasonable time frames to provide the latter with other documents concerning the activities of the organization, and to allow the representatives of that body to be present at the general meeting of the organization” (Article 16 of the Law on Public Organizations). This provision, however, can hardly be considered as a control mechanism like those practiced by the states mentioned above as it refers to individual and rare cases only.

While most of legislation amendments applied by the above-mentioned countries have made state registration compulsory for all organizations, NGOs in Armenia may also function without state registration as there are no limitations on their right to exist (in this case they are not considered as a legal entity and respectively do not enjoy rights and responsibilities as such) (Art. 4, 15 and 16 of the Law on Public Organizations).

The right to assembly and to hold peaceful meetings and demonstrations is also guaranteed by the law (Article 15). As for lobbying, there was an attempt on the part of parliament to adopt a law, which would require NGOs and individuals to be “certified” by government officials before engaging in lobbying or advocacy activities. But the proposed bill did not pass into law because local NGOs together with foreign NGOs intensively lobbied against it. Thus currently there is no law regulating lobbying activities and lobbying takes place in an informal way (Freedom House 2006).

Issues of national security are not envisioned in the law either. Only Article 21 of the Law on Public Organizations states the following grounds for dissolving an NGO “When the activities of an organization are aimed at the forced overthrow of the RA constitutional order, incitement of ethnic, racial and religious hatred, or propaganda of violence and war.”

There are no provisions in the law that would prohibit foreign NGOs from getting engaged with political matters or financing local NGOs and movements that pursue political goals.

There is a tendency on the part of the government (both central and local branches) to establish parallel organizations (GONGOs). Today the number of GONGOs is rapidly increasing in Armenia. In addition to this several high-ranking government officials have created advisory councils that consist of representatives from the government and NGO sectors. GONGOs are the only NGOs that report about their activities and financial flows directly to the government body which funds them (World Learning 2004).

As for the position of the government towards foreign NGOs, all the conducted interviews showed that the government approach is liberal and cooperative. This cooperation takes place in various levels and is largely seen as a positive one: the most positive response with this regard was on the part of Ministry of Social Welfare. The fact that government itself is a major grantee of foreign organizations surely plays a part in this approach as well.

Conclusion and Recommendations

The study aimed at detecting the challenges of foreign NGOs identified by individual countries worldwide as well as measures employed to meet these challenges with the purpose of comparing them with Armenian case. The results showed that power of foreign NGOs is growing all over the world along with their influence in the lives of individual countries. This increasing influence brings forward a number of challenges on the domestic level, which to a great extent are true for Armenia as well. The recognized universal challenges of NGOs are lack of NGOs accountability in terms of their activities and lack of NGO transparency in terms of their financial flows. These issues are also recognized in Armenia. In Armenia lack of NGO accountability and transparency is largely the result of legislative framework, where the law does not state precise requirements and enforcement mechanisms to ensure transparency and accountability of NGO activities.

Challenges identified in developing and post-soviet countries, that of foreign NGOs shaping and transforming societies both structurally and ideologically are also true for Armenia. Local NGOs are largely dependent on foreign funding and guidance as a result of which donors to a great extent shape the agendas of local NGOs. The dependency on foreign funding is partly due to the law that prohibits NGOs to be engaged in entrepreneurial activities and makes local NGOs look for foreign funding. Foreign NGOs also bring forward transformation of society, its values and traditions. The concern with this regard, like in other countries, is to detect to what extent this transformation serves for the benefit of the country and its interests. Another challenge identified by developing and post-soviet countries is on the political level, where foreign NGOs work with politicized civil society and strengthen oppositional parties and movements. Civil society is to a certain extent politicized in Armenia and foreign funding does have all the capacities to finance political activities of civil society organizations and movements. However, this funding has not openly supported oppositional movements or candidates in such a degree as to pose a challenge of ‘colored revolution’.

Measures taken to meet the identified challenges by developing and post-soviet countries have largely been focused on legislative and extra-legislative measures directed to restricting and controlling the activities of foreign NGOs. The problem with these measures is that they also restrict the ability of civil society to function freely and independently. Armenian government, however, has not employed these types of restrictive measures: there have been no changes in legislature that would reflect the worldwide trend of backlash against NGOs.

Thus, in Armenia foreign NGOs have more autonomy than in many other post-soviet countries. This, however, does not mean that Armenia faces less challenges: the challenges of foreign NGOs are to a great extent true also for Armenia and if so far they have not reached to that critical point it still does not mean that this possibility is entirely eliminated in the future.

In order for these challenges not to accelerate to the point when government may be faced to implement harsh restrictive measures impeding civil society as such, the following recommendations are proposed:

In order to enhance NGO accountability and transparency, legal amendments must be made to guarantee regular publicity of NGO activities. Also clear enforcement mechanisms must be added to ensure this provision so that it is not arbitrary. Government should be the guarantor of NGOs accountability to the public. As for transparency, financial activities of NGOs must also be regularly reported.

A number of measures can be taken to address societal changes both on structural and ideological levels. In order to make local NGOs more self-sustainable the law must provide local NGOs the right to engage in entrepreneurial activities. This will make local NGOs less dependent on foreign donors and they will not have to change their agendas according to donor demands as much as they do it at present.

As for the ideological impact of foreign NGOs on Armenian society, here a serious research needs to be conducted directed to measuring foreign impact on Armenian cultural, traditional values and national mentality in order to detect to what extent the ongoing societal change is in line with Armenian national interests. For instance it needs to be studied to what extent and how foreign financed projects affect the institution of family as well as Armenian identity, because family is recognized as one of the cornerstones of the Armenian national security: As stated in Armenian National Security Strategy (2007), violation of the traditional role of the family as well as that of national identity are internal threats to Armenian national security. This research is also imperative given the geopolitical conditions of Armenia and the fact that hostile neighbors as Turkey and Azerbaijan “are waging ideological and psychological war against Armenia” (Ayvazyan 2006). Under these conditions it is imperative for Armenians to develop an independent school of strategic thought. Within this framework Armenians need to consciously be aware of what changes are taking place on the societal level and how Armenian ethnic consciousness is being transformed (Ayvazyan 2006). In this broad process of change, however, foreign NGOs are just another factor among many others that need to be studied in order to implement policies according to Armenia's best strategic interests. These policies must be centered first and foremost on Armenian identity, otherwise we will be just mere imitators of the standardized thinking imposed by foreigners.

As for foreign NGO challenges in the political level, they need to be addressed once again by enhancing NGO transparency. While today foreign NGOs do not exercise all their capacities to influence political outcomes, they still have all the capacity to do so any time and Armenia is not guaranteed from the adverse affects that were present in other countries. For this reason both foreign NGOs and foreign funded local NGOs that get engaged in political activities must be accountable to government bodies on their financial activities. Many democratic and semi-democratic countries imply this provision and it is but natural that

foreign entities engaged in political activities with all their capacity to support a political change must not conduct their activities in opacity. Besides, law must apply precise limitations to foreign funding of political activities. If this provision is disregarded now, later on it may bring to more serious problems and may also result in hostile attitudes that have been developed in other post-soviet countries.

Above all the most important and crucial remedy to all the challenges of both foreign NGOs and external impacts in general is the strong state and government that enjoys popular support and acts towards public interests. Armenia must develop its state structures and institutions and state authorities must do their best to always have the popular support. In that case only neither foreign NGOs nor moreover civil society will pose any challenge to country's stability and security either at present or in future.

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Հայաստանի Հանրապետության Ազգային Անվտանգության
Ռազմավարություն: Հավանության է արժանացել ՀՀ Նախագահին
առընթեր ազգային անվտանգության խորհրդի 2007թ. հունվարի 26-ի նիստում,
հաստատվել է ՀՀ Նախագահի 2007թ. փետրվարի 7-ի
հրամանագրով

APPENDIX: QUESTIONNAIRE

Questionnaire N: _____

Name _____

Interview date _____

Workplace _____

1. What is the position of the government towards foreign NGOs?
2. How are the activities of foreign NGOs being monitored?
3. To what extent do foreign NGOs and local NGOs obtaining foreign funding ensure the provision of transparency?
4. With what frequency do foreign NGOs and local NGOs receiving foreign funding publicize their activities?
5. What are the drawbacks of Armenian Law on NGOs?
6. Is there anything you think must be changed in the government approach or in the legislation concerning foreign NGOs?