



Foreign Funding in Egypt after the Revolution

MOHAMED ELAGATI



* The author is Director of the Cairo-based Arab Forum for Alternatives, www.afaegypt.org. He would like to thank Rania Zada, Georges Fahmi, Kholoud Khaled, Omar Samir, Scott Wilson, and Ayman Abdelmoeti for their help, as well as Hisham Gaafar, Yasser Elwy, Bassem Samir and Mahmoud Kandeel for their valuable comments on an earlier version of this paper.

The views in this publication are the author's own and do not necessarily reflect the views of FRIDE, Hivos or AFA.

About AFA

AFA (Arab Forum for Alternatives) is a think tank that seeks to address political and economic issues through scientific methods related to the Arab context. It serves as a forum for experts, researchers, and activists interested in reforms in the Arab region, and seeks to offer policy alternatives to policymakers and civil society actors in the region. www.afaegypt.org

About FRIDE

FRIDE is a European think tank for global action, which provides innovative thinking and rigorous analysis of key debates in international relations. Our mission is to inform policy and practice in order to ensure that the EU plays a more effective role in supporting multilateralism, democratic values, security and sustainable development. www.fride.org

About HIVOS

Hivos is an international development organisation based in the Hague, Netherlands. It works with local civil society partners in Latin America, Africa, Middle East and North Africa, and Asia to realise a world in which all citizens have equal access to opportunities and resources for development and can participate actively and equally in decision-making processes that determine their lives, their society, and their future. Within the framework of its Knowledge Programme Civil Society in West Asia (www.hivos.net/Knowledge-Programme2/Themes/Civil-Society-in-West-Asia) it co-produces books, special bulletins, working papers and policy papers with think tanks and experts in MENA, Europe and US. These publications deal with dignity revolutions and transition challenges in MENA. www.hivos.net

Foreign Funding in Egypt after the Revolution

MOHAMED ELAGATI*



© AFA, Fride and Hivos, 2013.

The publishers encourage fair use of this material provided proper citation is made.

This work is licensed under the Creative Commons Attribution-Share Alike Works 3.0 Netherlands License. To view a copy of this license, visit <http://creativecommons.org/licenses/by-sa/3.0/nl/> or send a letter to Creative Commons, 171 Second Street, Suite 300, San Francisco, California, 94105, USA.

ISSN: 2172-5829 (Print)

ISSN: 2172-5837 (Online)

Legal Deposit: M-45320-2010

Contents

Introduction	1
1. Legal and political framework	2
2. Foreign funding as a political tool	5
3. Local perspectives on foreign funding	10
4. Foreign funding in Egypt by donors	14
Conclusion and recommendations	18

Introduction

Prior to the outbreak of revolution on 25 January 2011, Egypt's vibrant civil society already played an important role in raising public awareness. In the aftermath of the revolution, however, controversy over foreign funding to Egyptian civil society organisations (CSOs) within both the Egyptian press and the public spearheaded. This occurred especially after in February 2012 the authorities accused 43 human rights activists from Egypt, the United States, Palestine, the United Kingdom, Norway and Germany of founding non-governmental organisations (NGOs) and/or receiving foreign funding without the necessary permits.

The underlying problems stem, to a large extent, from the deficient legal framework that regulates the work of NGOs in Egypt. Many CSOs are forced to accept foreign funding due to the lack of domestic funds – from donations, *Waqfs* (endowments), and other sources of charity – and the abuse by the regime of the few governmental resources available. The Mubarak regime took advantage of the existing legal loopholes in order selectively to punish or reward NGOs according to their political line. The former regime also used the issue of 'foreign funding' to discredit certain NGOs or civil society's call for democratic reform in general. While some critics in Egypt are genuinely suspicious of the intentions of externally-funded organisations, others distort their role in an attempt to stain their image in the eyes of the public.

This paper examines the framework conditions and perceptions of foreign funding to NGOs, political parties and media in Egypt by the principal international donor¹ organisations. The study is based on a series of meetings carried out with local stakeholders in Cairo in late 2012 and early 2013. It intends to propose a number of strategies and standards for the Egyptian state, the donor community and recipient organisations to help deal with this controversial issue in a constructive manner.



¹ Throughout this report the term 'donor' is used for technical and financial cooperation organisations, governmental and non-governmental, as well as grant-making and non-grant-making.

1. Legal and political framework

In the years leading up to the revolution, various waves of civil society movements had succeeded in creating what many experts called a ‘culture of protest / seizing rights’, evidenced by the unprecedented rise in numbers of these movements and organisations. Despite the difficult political and legal context, civil society organisations contributed substantially to the revolution and the subsequent transitional phase, whether by filling the gaps resulting from the declining role of the state or by helping to raise awareness about human rights. Civil society also played an important role by documenting the revolution’s progress, denouncing rights violations, forming a legal crisis management committee, helping to solve the protestors’ problems, including through the provision of legal assistance, and by challenging any attempt by the regime to use violence.

The large majority of CSOs in Egypt are charitable or services provision organisations. The more politically-active development and rights organisations do not account for more than 25 per cent of the total (29,000 in 2010).² At the outbreak of revolution, there were only about 60 organisations that explicitly defended human rights and freedoms. Despite this low share of political civil society, these groups managed to exert pressure on the ruling elite before 25 January 2011 and during the transitional period, mainly through their reports and media statements.

The current legal framework governing associations and non-governmental organisations – Law of Associations and Non-Governmental Organisations in effect since 23 October 2002, Law 84 (2002) – is full of loopholes that allow the authorities to control NGOs, including their funding sources. Despite Law 84 formally allowing associations and NGOs to accept foreign funds (in contrast to the previous Law 64 which prohibited organisations from accepting any international donations or participating in any activities with foreign organisations),³ civil society continues to face legal restrictions. Law 84 reflects the Egyptian state’s philosophy of ‘domination and guardianship’,⁴ which is represented by three fundamental characteristics:⁵ the near-absolute power of the Ministry of Social Solidarity;⁶ stiffening penalties which excessively criminalise and punish the legitimate activities of CSOs;⁷ and ambiguous terminology, such as forbidding organisations from performing any ‘political activities’ (Article 11/3) or disturbing ‘public order’ (Article 11/2), which gives way to arbitrariness on behalf of the government.

In theory, associations are allowed to accept funding without prior government clearance, but in practice they need to obtain the Ministry of Social Solidarity’s approval to accept external funds. But the authorities tend to avoid replying to organisations’ requests within 45 days, as stipulated in Article 17. Since the latter does not clarify whether the lack of response indicates approval or refusal, NGOs that proceed to accepting external funding are left in a

² Amani Kandeel, ‘Which role is civil society playing?’, Arab network for NGOs, p. 159.

³ Abdel Mawla Ismail, ‘Tyranny of the law and the retraction of Egyptian civil society’, Land Center for Human Rights, 2002.

⁴ Press Release issued by the Center for the Study of Human Rights in Cairo, 5 January 2009.

⁵ Mohamed Elagati, ‘Amending the associations law: recommendations for the democratic transition in Egypt’, Arab Forum for Alternatives and Friedrich Ebert Stiftung, Cairo, 2011, p. 4.

⁶ Fareed Zahran, ‘The new civil associations law and the current political moment’, *Al-Ahram*, 23 July 2002.

⁷ Report by the Egyptian Organisation for Human Rights (EOHR), 2003.

legal limbo.⁸ Law 84 also stipulates that associations whose budget exceeds 1,000 Egyptian pounds (approximately €125) must be approved by the Ministry. This requirement prompted the United Nations Committee for Economic and Social Rights to criticise Egypt sharply in 2002, condemning the procedures and restrictions involving foreign funding.⁹ Furthermore, according to Article 76, the penalties for violations include imprisonment of up to six months, a fine of up to 2,000 Egyptian pounds (approximately €250) or both. The organisation could also be dissolved (Article 42).¹⁰

Restrictions aimed at reducing foreign influence are not limited to financing, but also affect organisations' ability to join international networks and alliances. Civil society organisations will not be able effectively to perform their role as rights watchdogs if they are isolated from their peers domestically and internationally. This is especially so in a society such as Egypt's, where networking is vital to build the necessary capacities to execute projects.¹¹ International networking also allows Egyptian NGOs to garner political backing for their activities inside the country.

The 'political' funding of civil society banned by Law 84 is defined as 'everything related to the funding of political parties and candidates, and their prospects for attaining resources to use in both electoral campaigns and for purposes outside of elections'.¹² Arguably, there is often a lack of transparency with regard to this kind of funding across the region. A series of financial scandals affecting politicians and political parties in a number of countries, including Egypt, have led to drastic views on foreign political funding. Many regard it with suspicion as a potential means for foreign conspiracies unduly to influence domestic political decision-making. Political parties have an important role to play in transforming an authoritarian system into a democratic, pluralistic order, by competing for office, proposing policies, mobilising voters, and forming an opposition. Political parties' effectiveness and ability to carry out these tasks greatly depend on their financial capabilities. However, the vast majority of citizens – not only in Egypt but also around the world, as polls have shown – see political party funding, and donors that seek to fund political organisations, as a growing problem that undermines domestic democracy.¹³

Since the 25 January revolution, Egypt has witnessed amendments to Law 40 (1977) governing political parties.¹⁴ Article 4 now forbids parties from existing as the arm of a foreign political party or organisation. Article 11 prohibits parties from accepting any donation or favour from a foreigner or a foreign organisation. Although some of these limitations imposed on political parties are similar to those applied to civil society organisations, public opinion is more willing to accept restrictions regarding political parties, particularly in the currently fragile and constantly changing transitional environment. Political party funding in particular



8 Elagati, 'Amending the associations law: recommendations for the democratic transition in Egypt', op. cit.

9 <http://www.awan.com/pages/oped/100612>

10 Law of Associations and Non-Governmental Organisations, Law 84 (2002).

11 See the report by Dina Guirguis about the proposed law presented by the Ministry of Social Solidarity before the revolution, entitled 'Egypt's NGO bill imperils civil society funding', Carnegie Endowment for International Peace, 2009, available at: <http://carnegieendowment.org/sada/2009/02/03/egypt-s-ngo-bill-imperils-civil-society-funding/3ba9>

12 Kevin Casas Zamora, 'Paying for democracy: political finance and state funding for parties', Brookings Institution / University of Costa Rica, May 2008, p. 3.

13 Shari Bryan and Denise Baer (eds), 'Money in politics: a study of party financing practices in 22 countries', National Democratic Institute, Washington DC, 2007, p. 3.

14 For additional details: Mohamed Elagati, 'The political parties law and new steps toward democracy', The Arab Forum for Alternatives and The Friedrich Ebert Institution, Cairo, 2011, p. 3.

is a highly controversial issue in Egypt, especially during elections.¹⁵ To fend off concerns of foreign interference, the Supreme Presidential Electoral Commission issued rulings and regulations to organise the funding of electoral campaigns (decision 7 of 2012), in line with previous rulings by the Supreme Electoral Commission for the People's and Shura Councils (decision 20 of 2011), which banned all forms of foreign funding for electoral campaigns, whether from an individual, an organisation, or a foreign state.

In early February 2013, Egypt's Ministry of Insurance and Social Affairs (MISA) – the administrative body responsible for NGOs in Egypt – presented a very harsh new draft law to replace Law 84. Intense public debate had led civil society organisations to make other proposals to the Ministry of Justice. In a recent meeting between the government and a number of CSOs chosen by the government, a total of seven drafts (two by ministries, two by CSOs, and three older drafts that had been proposed by different stakeholders between 2005 and 2010) were discussed. However, the February draft law by the MISA is the most significant.

The new government's draft law proposal is even more repressive than Law 84. Additional elements include distorting the nature and role of civil society in Egypt and abroad; procedures and terminology that open the door to further indirect and direct restrictions on the work of civil society; legalisation of the direct intervention by the security services in the work of civil society; and the absence of mechanisms to ensure transparency, participation and freedom of information. The overall mind-set is plagued by authoritarianism and conspiracy theories.

Article 60 of the February 2013 draft proposal, which focuses on foreign organisations, states that these 'cannot be allowed to practice any activity in Egypt if it is proven that they receive direct or indirect governmental funding, or that their activities aim to spread trends or ideas of a particular political party'. Importantly, the draft law legalises and institutionalises the (already common) intervention by the security services in civil society work. As such, according to Article 57, a 'Coordination Committee shall be formed to decide on all matters related to the activities of non-governmental foreign organisations and foreign funding', which shall be formed by prime ministerial decree, chaired by a minister, and include as members representatives from the Ministry of Foreign Affairs; Ministry of Justice; State Council; Ministry of the Interior; Ministry of International Cooperation; Ministry of Social Affairs; National Security Institution; and the Central Bank. If adopted, this provision would bestow upon the security and intelligence services an institutionalised censorship role over civil society at large, implying such level of government control over civil society organisations that NGOs would in practice turn into governmental NGOs (GONGOs). The Coordination Committee charged with overseeing civil society would be formed without civil society participation, thereby violating the very nature of civil society as a sector independent of, and separate from, the public and for-profit private sectors. According to Article 16, the Committee would be responsible for approving foreign funding and the registration of civil society organisations (contrasting with the international democratic standard of mere notification of the authorities).

Article 14 of the February 2013 draft law further stipulates that associations may cooperate with foreign associations, agencies or organisations only if 'the Administrative Body and the Regional Federation are notified and after 60 days have elapsed from the notification date

¹⁵ <http://www.almasryalyoum.com/node/811076>

[there is] no written objection from the Administrative Body'. In practice, this means that if adopted, this latest draft law would undermine not only the activities of foreign organisations in Egypt, but also any form of cooperation between Egyptian and international civil society organisations. In light of these recent developments, Egyptian NGOs' ability to interact and cooperate with international bodies (financially or otherwise), and freedom of association in Egypt at large, is under even greater threat than before the revolution.

2. Foreign funding as a political tool

In Egypt's ongoing fragile transition process, the highly-politicised issue of foreign funding is an easy vehicle for various political actors to try to manipulate public debate and advance their respective agendas. Such kind of manipulation (either perceived or factual) includes mainly:

- authoritarian government practices to control foreign funding flows as a means to fend off foreign democracy assistance perceived as a threat;
- foreign attempts to influence the outcome of electoral processes;
- foreign attempts to influence public opinion and political trends by buying into the domestic media landscape.

Authoritarian practices to control / discredit foreign funding

Both before and after the revolution, the Egyptian authorities have dealt with internal and external pressures for democratic reform by using window-dressing procedures that superficially appeased those demands while actually strengthening their authoritarian regime. The administrative apparatus has not only applied legal restrictions to funding, but has also placed numerous limitations on CSOs, which circumvent, if not violate, the law.

First, Law 84 distinguishes between grants from foreign organisations with offices in Egypt on the one hand, and foreign organisations without offices in Egypt on the other. By law, government approval of planned disbursements to Egyptian organisations is only required in the latter case. In practice, however, the Ministry of Social Solidarity requires associations to request permission to accept grants from all foreign organisations, regardless of whether they are based in Egypt or not.¹⁶ This is a direct violation of Article 65, which guarantees associations the right to freely accept grants from foreign organisations that have been legally authorised by the Ministry of Foreign Affairs to work in Egypt.

The second common violation regards the illicit involvement of the Egyptian security services in the approval of foreign grants to Egyptian NGOs. Although, by law, responsibility for approving funds rests solely on the Ministry of Social Solidarity, CSO representatives report regularly that the Ministry tends to refuse to grant permission without prior clearance by



¹⁶ Press Release issued by the Centre for the Study of Human Rights in Cairo, 5 January 2009.

the security services. Moreover, many have reported that the process involves direct communication and interviews with security officials in various governorates, indicating not only a systematic violation of the law through an extra-legal instance of approval by a body with no capacity to do so, but also an open attitude towards such violations by the authorities.¹⁷

The administration also circumvents the law through various other means and loopholes, including via the excessive use of the Ministry's legal oversight and financial auditing powers. Examples are the high number of inspection committees, especially in the governorates, and lengthy auditing processes. Additional administrative hurdles are being introduced further to obstruct the receipt of foreign grants. These include, among other things, excessive amounts of unnecessary paperwork that drain local associations' low organisational capacities.¹⁸

Prior to the revolution, the emergency law, in force since 1981, substantially limited the activities of foreign NGOs, including their fields of work.¹⁹ As a result, many European and US NGOs chose to focus in Egypt on broader, more apolitical development issues such as 'poverty reduction', education etc. Following the 25 January revolution, the new political openness led to the lifting of the emergency law, presenting new opportunities for foreign NGOs to focus on political issues, such as training young political party members and parliamentarians and political awareness campaigns, among others. Many foreign NGOs not present in Egypt under Mubarak now showed an interest in opening branches in Egypt. Some of these included the Rosa Luxemburg Foundation and the Heinrich Böll Foundation, among others. Following the revolution, US organisations like Freedom House directed their projects towards more political matters like training activists on electoral monitoring and improving new media usage as a means for enhancing transparency and other democratic mechanisms. More attention was directed to civil society organisations to work through a more grassroots, bottom-up approach.

In December 2011, the then ruling Supreme Council of the Armed Forces (SCAF) raided the local premises of a number of foreign organisations in Egypt – Freedom House, Konrad Adenauer Stiftung (KAS), National Democratic Institute (NDI), the International Republican Institute (IRI), the Arab Centre for Independence of the Judiciary and the Legal Profession (ACIJLP), and the Budgetary and Human Rights Observatory – accusing them of working illegally on Egyptian territory. As a result, KAS and Freedom House offices were closed, their work suspended, electronic devices confiscated, and many of their US and Egyptian employees were eventually tried in Egyptian courts. These events were a turning point for civil society empowerment supported by foreign NGOs. Subsequently, many donors became more cautious about disclosing information on their activities, a feature that was directly felt during the research for this study. Many of the foreign NGOs that had planned to open branches in Egypt aborted these plans (the Rosa Luxemburg Foundation for example decided to establish a regional office in another Arab country), while the approval of others by the Egyptian authorities remains on hold (as is the case with the Heinrich Böll Foundation). Many other organisations with existing branches in

¹⁷ Essam Eldin Sharaf, *Towards a Democratic Law to the Liberalization of Civil Work in Egypt* (Cairo: Cairo Centre for Human Rights Studies), p. 23.

¹⁸ Elagati, 'The political parties law and new steps toward democracy', op. cit.

¹⁹ Karin Arts and Anna K. Dickson, *EU Development Cooperation from Model to Symbol* (Manchester: Manchester University Press, 2004).

Egypt froze their political activities, or decided to return to pre-revolutionary habits of focusing on more apolitical fields of work, such as development issues.

The investigations against international and local NGO representatives revealed that foreign funding was primarily aimed at supporting political parties founded after the revolution. Testimony by the security services, the intelligence agencies, and even the accused themselves showed that over one hundred training sessions were held for representatives of these parties on how to mobilise voters, particularly in poorer regions, how to gather votes and how to improve their image in foreign and domestic media. In this context, CSOs brought together representatives from political parties and trainers from Serbia and the United States, providing training to 63 political parties, including the Freedom and Justice Party of the Muslim Brotherhood and the Salafi Asala Party.²⁰ Activists and civil society organisations viewed the investigations as yet another attempt of the then ruling SCAF to undo the gains of the revolution by trying to slander the reputation of organisations that played a role in the protests that brought down the Mubarak regime. At the same time, the trials were seen as an attempt by the SCAF to gain popular legitimacy by fabricating battles against US hegemony under the slogan of national sovereignty. This was a clear miscalculation by the SCAF as the manoeuvre failed to strengthen its domestic position and only resulted in an escalation of Egypt's relations with the United States.²¹

Foreign political influence on the electoral process

The tumultuous political events that took place between the 25 January revolution and the May presidential elections have renewed interest in the issue of funding of political parties and electoral campaigns.²² In the post-revolutionary period, Egypt has been the subject of a tug-of-war in the local media about certain parties or candidates receiving foreign funding for their electoral campaigns. In this context, financial support for political party work, whether constant or during elections, must be clearly distinguished from technical assistance to foster political pluralism, for example through the training of individuals from all political parties as part of political awareness raising programmes. However, due to the illegality of external political party funding, obtaining hard evidence of the existence of such funding is problematic, and rumours can ultimately be neither confirmed nor disproved.²³

Several instances illustrate the delicate nature of foreign funding during electoral campaign periods in Egypt. In October 2012, *The Economist* reported that the Gulf States had been donating money to Salafi charity organisations (that were competing with the Muslim Brotherhood, MB) for Salafi preaching, which was used to fund websites and approximately 20 television channels.²⁴ Similarly, Mara Revkin, a researcher at the Atlantic Council, claimed that the Nour Party (which came in second during the



²⁰ <http://www.almasryalyoum.com/node/649316>

²¹ <http://onaeg.com/archives/36105>

²² On this issue more broadly, see also James Kerr Pollock, 'Money and politics abroad', University of Michigan, 1926.

²³ <http://www.almasryalyoum.com/node/811076>

²⁴ *The Economist*, 'Egypt's Salafists – dogma and purity vs. worldly politics – Will Egypt's Salafists manage to evolve into a party of practical politics? Maybe', 20 October 2012, available at: <http://www.economist.com/news/middle-east-and-africa/21564911-will-egypt%E2%80%99s-salafists-manage-evolve-party-practical-politics>.

parliamentary elections with 24.3 per cent of the votes) had received external funding, mostly from the Gulf and especially Saudi Arabia, giving the party and its candidates a major competitive advantage during the elections. Revkin also claimed that support was not limited to money, pointing to Saudi Salafi cleric Adnan Al-Khtiri's visit to Egypt right before the elections, in which he gave a speech calling for Egyptian Muslims to benefit from this great opportunity to establish an Islamic state, so that they would not leave the elections empty-handed and would not abandon the political sphere to parties that were 'far from the religion of God'.²⁵

Numerous similar accusations were also made against the Muslim Brotherhood (MB), but these are even harder to prove since the organisation is not registered in any legal form and hence is not subject to any type of financial oversight. Moreover, as part of the international Muslim Brotherhood organisation, which has dependencies in several countries, the Egyptian MB can transfer funds around much more easily than ordinary Egyptian organisations, whether via personal or commercial transactions. Many MB political candidates acknowledged the existence of funding from the Gulf²⁶ and the United States.²⁷ In spite of widespread rumours, however, the lack of hard evidence and the group's formal claim that its membership fees suffice to cover both its political and non-political activities have so far shielded it from deeper investigations.

The MB's financial support is hard to trace also due to the political and financial overlap between the Muslim Brotherhood and the Freedom and Justice Party. The oft-intertwined nature of political and charity organisations makes it more difficult to track down 'political' funding. What arrives at religious charity organisations cannot be regulated or monitored, since much of it enters through charity projects and specific contracts such as those directed at building mosques or medical clinics. It is relatively simple to use personal relations to put the aforementioned concepts down on paper, while in practice designating the resources to support the political work of a specific movement or party. This reality likely applies both to registered (e.g. Supporters of the Sunnah) and unregistered civil society organisations (e.g. the MB), as well as associated parties (the Nour Party and the Party of Freedom and Justice, respectively).

It must be noted that accusations of foreign funding are not limited to Islamist parties. In fact, Islamists themselves complain of 'suspicious' funding for liberal parties, in particular to those founded after the revolution. Despite the fact that the Muslim Brotherhood is the most known Egyptian Islamist movement in Washington, which has even received visits from US officials, it has accused the United States of funding Egyptian liberal parties, which is illegal under Egyptian law. The MB has never provided evidence of these accusations, and has limited itself to pointing to previous statements by US Ambassador Anne Patterson who said that her country has spent \$40 million to support democracy in Egypt since the revolution.²⁸ Most notably, Essam El-Erian, then acting president of the Freedom and Justice Party, in August 2012 accused the leftist movement in Egypt

²⁵ Giorgio Cafiero, 'Saudi Arabia and Qatar: duelling monarchies', 26 September 2012, available at: http://www.fpf.org/articles/saudi_arabia_and_qatar_dueling_monarchies

²⁶ <http://www.akhbarak.net/news/2012/08/12/1197975/articles/9104524/>

²⁷ <http://elw3yalarabi.org/modules.php?name=News&file=article&sid=12603>

²⁸ <http://www.aawsat.com/details.asp?section=4&article=647666&issueno=12025>

of receiving foreign funds.²⁹ He was quickly forced to retract himself after intensive media pressure to reveal any documents he might have to support such allegations. These instances of mutual accusations against different factions reflect the state of polarisation that is currently afflicting Egypt.

Funding of local media

Foreign investment in Egyptian satellite media has increased manifold over the past decade, and in particular following the 2011 revolution, with millions of Egyptian pounds being pumped into the sector, seemingly without any major expected economic benefit. This suggests that not economic gain but political influence may be investors' primary goal. A 2012 report by the Egyptian Investment Authority revealed that between 2001 and 2010, there were 40 foreign companies broadcasting 69 satellite channels in Arabic. In only three months after the revolution, 16 companies projecting 22 additional satellite channels were founded, in addition to stations that split off from those that existed prior to the revolution.³⁰

One of the most prominent and controversial cases was that of an Egyptian engineer who, after having lived his entire life abroad and in the Gulf States, returned to Egypt after the revolution and founded a satellite television and radio company. The firm then proceeded to establish and buy several TV channels, with varying degrees of transparency. It also established a daily newspaper that recruited several top Egyptian journalists, and is currently trying to purchase a news agency. In a press conference, the investor bluntly stated that his investments were purely charitable and that he was not expecting any financial returns, thereby raising questions about his motivations. Similarly, the Egyptian political scene has witnessed the appearance of several Arab satellite stations with Egyptian names, such as *Rotana Musriya* and *Al-Jazeera direct Egypt*, funded by Gulf investors. *Wikileaks* has published documents mentioning possible private US funding for some channels. A US government document issued on 6 March 2006, written by US Ambassador Francis J. Ricciardone, reveals that 'USAID [United States Agency for International Development] started a \$16 million program to support private media and encourage privatization of the media sector'.³¹ These and other examples have prompted widespread concerns about the degree to which commercial entities might be covers for foreign political powers, movements, governments, or regional and international actors intending to steer the revolution in the direction they desire.³²

The above assessment illustrates how strongly the political relevance of the topic of foreign funding contrasts with the scarce availability of hard facts on flows, origins and motives. In light of this gap, public perceptions of foreign funding become an important political influence factor.



²⁹ <http://nmsr.com/vb/showthread.php?t=423843>

³⁰ Mohammed Nasser Hafez, 'Ownership, funding, and editorial policy in private media', Conference on television and radio outlets in Egypt after the revolution, 28-29 March 2012, available at: <http://radiotvconf.com/mohamed-naser.html>

³¹ 'CAIRO135106', <http://wikileaks.org/cable/2006/03/06CAIRO1351.html>

³² <http://www.startimes.com/f.aspx?t=29814004>

3. Local perspectives on foreign funding

Egyptians' awareness and knowledge of civil society is low. A set of semi-structured interviews held with relevant stakeholders from civil society, political parties and the media conducted for this study provides an interesting sketch of local perceptions on the various aspects of foreign funding.³³ The majority of respondents (56 per cent) opined that financial transparency is currently at a medium level, and interviewees from civil society and political parties were more likely to express this opinion (60 per cent). Arguably, the views of individuals directly linked to civil society, party, or media work do not represent the view of Egyptian society as a whole (which is likely to be more critical). Most interviewees attributed the lack of transparency to legislation that blocks transparency and fails to encourage participation and accountability (40 per cent). However, 37 per cent of respondents said that it is necessary to alter organisations' internal practices to improve transparency. Moreover, 60 per cent of respondents believed that foreign funding has been treated as a political issue that is largely disconnected from the provisions of the laws and that controversy was stirred to achieve political goals. Perceptions varied with regard of funding to civil society organisations and political parties, respectively.

Civil society funding

Foreign funding for civil society was judged to play a positive role by only one-fourth of our interviewees. This view was particularly prominent amongst those working in the fields of funding and civil society, while it was less common among representatives of political parties and government institutions. The remaining interviewees did not necessarily view funding negatively, but had more nuanced views, with 37 per cent qualifying that it depended on the source and only 13 per cent claiming that foreign civil society funding was generally negative.

Opinions varied considerably based on the geographic origin of the funds, with perceptions of European funding being the most positive (70 per cent), followed by Japanese (63 per cent). By contrast, two-thirds (66 per cent) of respondents said that funding from the United States and the Gulf States, respectively, played a negative role. This general sketch was roughly matched by the views expressed by CSO employees, of whom 80 per cent supported funding from Europe and Japan, but only 20 per cent supported US funding, and only 10 per cent endorsed Gulf funding.

Great variation on the views on foreign funding, and in particular on the restrictions on NGOs, could also be noted according to the sectors respondents belonged to. Seventy-seven per cent of interviewees claimed that the fundamental deficiencies in civil society work stemmed from

³³ The findings of this section are based on a set of semi-structured personal interviews conducted in December 2012 in Cairo by the Arab Forum for Alternatives. In order to examine the local vision of foreign funds, a sample of 30 people involved in the various fields associated with foreign funding (10 from civil society, 5 from political parties, 5 from the media, 5 from funding organisations and 5 from relevant government institutions) were interviewed. The meetings attempted to explore their opinions on funding in general, the extent of their knowledge on the subject, and their opinions on funding-related issues, whether regarding funding for media, politics, or CSOs in Egypt. A set of statistical tables and charts showing the results of this non-representative survey may be obtained from the author upon request. Due to space constraints, a summary of the answers is provided here to show how relevant stakeholders view the issue of foreign funding, and to highlight the diversity of opinions about the issue in Egyptian society.

legislation restricting NGOs' activities (all civil society and political party representatives took this position, while only government representatives believed that even more rigid laws were needed). Seventy-six per cent saw the need for more open laws that grant more freedoms to civil society organisations. A majority of interviewees (53 per cent) also opined that there was unequal treatment regarding CSO monitoring and restrictions. Some of the respondents claimed that the level of harassment had increased after the revolution against non-Islamic organisations, while tolerance of Islamic groups had increased. Others explained that the principal reason for differences in treatment depended on the field of work of the organisation, some of which clashed with what the public or the government considered as sensitive issues, providing the authorities with justification for increased oversight or intervention.

According to interviewees, the main negative aspects of CSO foreign funding in Egypt are:

- donors forcing a specific agenda onto the general work of the organisation;
- flawed legislation governing foreign funding;
- unwillingness amongst CSOs to reveal sources and amounts of foreign funding, as well as the conditions under which it was granted;
- donor intervention in the work of these organisations;
- creating 'local agents' for the donor states' vested interests;
- foreign funding inciting the creation of projects by local NGOs only for the sake of securing funding;
- the misuse of foreign funds by some NGOs for illicit purposes, giving a negative image to foreign institutions and civil society as a whole;
- the misuse of the issue of foreign funding as a PR weapon to slander local organisations to protect the interests of the authoritarian regime;
- the corruption of volunteer work;
- the risk of civil society corruption and the creation of a new class of Egyptians working with foreign organisations that depend on foreign money;
- abundant foreign funding reducing Egyptian CSOs' preparedness to search for local sources of funding, thus weakening the development of local alternatives;
- the risk of a long-term structural dependence of Egyptian NGOs on foreign funding.

Among the greatest benefits of foreign funding mentioned by interviewees were:

- assistance that helps CSOs to publish information and raise awareness about human rights violations;
- specialised training and dialogue programmes, for example for political parties during elections;
- assistance in which the preliminary agenda of the donor converges with the goals of local recipient organisations;
- assistance that takes an interest in supporting issues and agendas that are not endorsed by the Egyptian government (and hence fills the public funding gap for this kind of activities);
- support to organisations to build organisational capacities and a system of accountability and internal standards in order to improve their chances of obtaining foreign funds;
- donor policies that are focused on supporting 'collective cooperation' between local organisations for the purpose of agreeing common positions;
- donors that require project proposals to provide a 'clear process', which could help local organisations to develop their way of thinking so as to overcome the policies of 'defaming and scandalising' used by many organisations in the past.

Political party funding

As mentioned above, access to reliable information on political party funding is problematic. Despite the lack of precise indicators, 70 per cent of our interviewees were convinced that in spite of the legal ban, Egyptian political parties were receiving foreign funds. Two-thirds were under the impression that such foreign funding had increased since the revolution. Of these, the majority believed that most of this money originated from the US and the Gulf States, and to a lesser degree from the European Union (EU), although none was able to provide empirical evidence. The majority felt that the Salafis benefited most from this financial support, followed by the Muslim Brotherhood, the liberals, and finally, the leftists.

Most interviewees felt more negatively towards foreign political party funding than towards civil society funding, with 63 per cent believing the former to be detrimental. Almost half of the interviewees saw no benefits of any kind in foreign political party funding. Those who did see some positive aspects mentioned:

- foreign institutions filling the current domestic institutional gap in Egypt by helping parties to raise awareness about politics amongst citizens and their political rights, including in schools or universities;
- funding for activities related to democratic development such as electoral oversight and the development of social organisations.

The main negative aspects of political party funding mentioned by interviewees included:

- undue political influence from abroad, especially when foreign preferences oppose national interests;
- foreign-based attempts to preserve the former authoritarian system;
- funding that contributes to a fragmentation of the workers' movement into different unions;
- too heavy financial support of religious and/or electoral campaigns and causes that distort the political landscape;
- the spreading of ideas which help to propagate the notion that violations of freedoms (including freedom of expression, freedom of thought, freedom of religion and the freedoms for women and children) are permissive according to religion, thereby fostering religious polarisation and sectarian strife.

4. Foreign funding in Egypt by donors

Foreign donors had a very strong presence in Egypt before the 25 January revolution and continued to do so afterwards. Given that the scope of this study does not allow for an exhaustive or representative overview of all foreign funding provided to Egyptian organisations, the figures and information presented here are a rough sketch of the assistance provided by some of the main donors and local perceptions.

In financial terms, among the most important foreign supporters of democratic reform and civil society in Egypt are governmental and non-governmental donors from the European Union and the United States, as well as international multilateral organisations. Important non-governmental (including partly government-funded) sources include the Ford Foundation, Freedom House, and the Arab Human Rights Fund. Moreover, a broad range of foreign NGOs provides technical assistance in supporting 'political' civil society. These include notably the National Democratic Institute (NDI), the International Republican Institute (IRI), and German political party foundations, including the Friedrich Ebert Foundation, the Friedrich Naumann Foundation, and the Konrad Adenauer Foundation.

As mentioned above, perceptions of donors among Egyptian stakeholders and public opinion at large vary considerably according to the origin of the donor. In particular, broad reservations against US government agencies are a regional feature rather than a specifically Egyptian one, which has not meaningfully changed since the fall of the Mubarak regime. As demonstrated by anti-American demonstrations across the region, including the 11 September 2012 attacks against US diplomatic compounds in Egypt (and Libya), anti-Americanism remains a problematic, easily exploited issue. US donors in general face suspicion from potential recipients / beneficiaries of civil society grants, to the degree that wearing the US donor label is considered by some CSOs as harmful to their reputation and funding is therefore rejected. This constraint applies to US government agencies much more than to government-funded and privately-funded US NGOs. To a lesser degree, the somewhat blurred notion of 'Gulf funding' as a means of undue foreign influence is also viewed with scepticism by many Egyptians. European donors face less suspicion and, beyond a number of more technical and bureaucratic criticisms, their contribution is largely welcomed.

Most international donors have increased their funding for Egyptian CSOs after the revolution, focusing their activities more strongly on civil participation, supporting youth, the media, freedom of information and political participation, as well as social justice and human rights. Moreover, important governmental donors such as USAID and the European Commission have scrapped controversial pre-revolutionary policies of requiring civil society grants to be cleared with the Egyptian authorities first.

According to an investigation file on CSO foreign funding submitted to the Cairo Criminal Court by the investigating authorities in February 2012, Investigative Judges Sameh Abu-Zeid and Ashraf el Ashrawy claimed that 95 per cent of the money spent by the investigated foreign organisations came from the US. The report detailed that prior to the revolution, US organisations spent around \$1 million per year in Egypt; after the revolution, their workload increased substantially and funds amounted to \$18 million in one year. The investigation also demonstrated that approximately 95 per cent of funds during the past year were used to support the work of new post-revolution political parties.³⁴ The investigative committee further revealed that 181 million Egyptian pounds had entered the country from Qatar in one single day on 21 February 2011 to support the Association for Supporters of the Sunnah. According to the report, the funds – illegal under Egyptian law – were able to pass into the country because of the exceptional circumstances prevailing in the aftermath of the revolution.³⁵



³⁴ Statements published from the investigation in Al-Masry Al-Youm, available at: <http://www.almazryalyoum.com/node/648046>

³⁵ <http://www.egyptiantalks.org/invb/index.php?showtopic=126061>

US donors

The Egyptian government has been the largest recipient of USAID assistance. Between 1975 and 2009, USAID provided close to \$28.6 billion to the Egyptian government, distributed as follows:³⁶

- Economic support, including support for trade and investment: \$15.7 billion;
- Services and infrastructure: \$5.75 billion;
- Education: \$1.14 billion;
- Media: \$983.9 million;
- Democratic and governmental development: \$1.13 billion.

Most significant in financial terms, as part of its Camp David Accords commitment, the United States has been providing \$1.3 billion in annual military assistance to Egypt since 1987. The US government's allocations to Egypt via USAID have remained relatively constant over the past two decades at approximately \$250 million annually to support Egypt's economic development and infrastructure improvement – a volume that has not significantly changed in the aftermath of the 25 January revolution.³⁷

After Mubarak's fall, the United States redirected \$65 million of its 2011 Economic Support Funds (ESF), which totalled \$249.5 million, to assist Egypt's political transition.³⁸ In 2012, the US provided \$250 million in ESF assistance to Egypt, and the Obama Administration maintained the same funding level for 2013. After the revolution, USAID also increased funds directly channelled to NGOs to help support Egypt's political transition, reaching \$65 million.³⁹ The Middle East Partnership Initiative (MEPI), a programme of the US Department of State, has provided \$6.5 million to support Egypt's political transition. Funds have been used to train election monitors for the 2011-2012 elections, CSO capacity-building, and for enhancing economic opportunities for the youth and for small and medium size businesses.⁴⁰

Under the Mubarak regime, and in particular following President Obama's Cairo speech in June 2009, the US government was criticised by Egyptian democracy activists for not being firm enough in its support for democracy in Egypt against the resistance of the Egyptian government.⁴¹ The US government's decision in the aftermath of the revolution to henceforth fund Egyptian NGOs without the Ministry of Social Solidarity's prior approval was welcomed by many local civil society activists, but interpreted by others as motivated by a desire to hand-pick certain movements such as the April 6 Movement and other revolutionary youth groups.

NGOs such as the Ford Foundation and Freedom House⁴² also finance civil society activities in Egypt. Freedom House's operations in Egypt include providing emergency financial assistance to CSOs under threat or attack, supporting freedom of expression, and training

³⁶ USAID Egypt, 'Total US support by sector', Budget, n.d., available at: <http://egypt.usaid.gov/en/aboutus/Pages/budgetinformation.aspx>

³⁷ Jeremy Sharp, 'Egypt: background and U. relations', *The Congressional Research Service* 6, December 2012, p.8.

³⁸ *Ibid.*, p.9.

³⁹ <http://egypt.usaid.gov/en/aboutus/Pages/countryprofile.aspx>

⁴⁰ The US-Middle East Partnership Initiative (MEPI), United States Department of State, 'Frequently Asked Questions about MEPI', n.d; available at: <http://mepi.state.gov/about-faq.html> 'MEPI in Egypt', The US-Middle East Partnership Initiative (MEPI), United States Department of State, n.d., available at: <http://mepi.state.gov/where-we-work2/egypt.html>

⁴¹ Sharp, *op. cit.*

⁴² Recent Egypt-specific funding figures from these organisations were not available during the period of research.

election monitors.⁴³ NDI and IRI both provide programmatic support rather than direct financing of local NGOs. Since 2005, both have worked with Egyptian CSOs to enhance elections monitoring efforts. After the revolution, both NDI and IRI expanded their Cairo-based operations to include programmes for new and existing political party development, campaign management, media training, voter education, sponsored surveys of public opinion, and to facilitate exchanges among Egyptian civic activists with their counterparts from Latin America and Eastern Europe.

European donors

The EU's main donor is the European Commission. For 2010-2013, the EU granted €449.29 million to the Egyptian government, for the following thematic priorities:⁴⁴

- Support for democratic reform, human rights, and good governance: 11 per cent;
- Improving the competitiveness of the Egyptian economy: 42.2 per cent;
- Realising development goals with more society- and environment-friendly policies while making better use of natural resources: 46.7 per cent.

As a part of a financial aid package pledged during the EU-Egypt Task Force in November 2012, the EU, the European Investment Bank (EIB), and the European Bank for Reconstruction and Development (EBRD) pledged 5€ billion to support Egypt's socio-economic reform efforts.⁴⁵

In response to the Arab revolutions, the European Neighbourhood Policy (ENP) approach and priorities underwent a thorough review, and evolved towards a stronger emphasis on the promotion of 'deep' democracy, human rights and the rule of law, as well as on direct cooperation with civil society (as opposed to merely inter-governmental cooperation). However, the EU's actual response on the ground was considered weak due to the lack of delivery on the part of EU member states regarding the more ambitious ENP incentives, including promises of mobility and economic integration schemes.⁴⁶

In 2009 Egypt had received €110 million for the public health system, €80 million for the transports sector, €20 million as a first instalment from a €120 million education package, and €17 million for civil and political rights for women and children, to both governmental and non-governmental organisations. The analysis of this distribution does not differ substantially from previous analyses of US aid. The greatest share went to governmental institutions, while no more than 12 per cent went to democratic reform and good governance.

Among EU member states, France, Germany and the UK were among the most important bilateral donors to Egypt. Under the auspices of the multilateral 'Deauville Partnership with Arab Countries in Transition', they assisted southern Mediterranean transition countries in the areas of economic governance; trade, investment, and integration; and



⁴³ <http://www.freedomhouse.org/about-us>

⁴⁴ European Commission, Development and Co-operation – Europeaid, 'Egypt', n.d., available at: http://ec.europa.eu/europeaid/where/neighbourhood/country-cooperation/egypt/egypt_en.htm

⁴⁵ European Union, 'EU-Egypt Task Force agrees major package of economic and political assistance for Egyptian Transition', 14 November 2012.

⁴⁶ Sally Isaac, 'Europe and the Arab revolution: from a weak proactive response to a changing neighborhood', May 2012, available at: http://userpage.fu-berlin.de/kfgeu/kfgwp/wpseries/WorkingPaperKFG_39.pdf

inclusive development and job creation.⁴⁷ As part of the UK's contribution to the Deauville Partnership, the Department for International Development (DFID) awarded £70 million to the Arab Partnership Economic Facility (APEF)⁴⁸. The Foreign and Commonwealth Office (FCO) contributed £40 million to the Arab Partnership Participation Fund to help facilitate political participation and freedom of expression, and to improve governance in the Arab world.⁴⁹ While France contributed \$12 million to the Deauville Partnership, Germany announced that it would not contribute to the fund given its participation in numerous bilateral instruments and projects with similar goals.⁵⁰ In terms of direct bilateral contributions from EU members, during 2010-2011 Germany provided \$183 million to Egypt, France \$196 million, and the United Kingdom \$17 million.⁵¹

In addition to financial assistance, EU member states have also provided technical cooperation and aimed to support transition agents in a number of ways. For example, in the spring of 2011 the German government provided a meeting space for Egypt's revolutionary youth at the German Institute in Cairo to facilitate the country's democratic transition. According to a German Embassy representative, the room was meant as a place for dialogue between the revolutionary youth who have contributed to the events that are changing the future of their country, and German officials, professors, and students. Germany is considering opening similar fora in the Delta and Upper Egypt to provide youth from these regions with the opportunity to express their opinions and participate effectively in Egypt's political life.⁵²

The German political foundations, such as the Friedrich Ebert, the Friedrich Naumann and the Konrad Adenauer foundations, provide technical and programmatic support in Egypt and organise training workshops for civil society and political activists. While the Friedrich Naumann Foundation focuses on training for liberal political party leadership and journalists, the Friedrich Ebert Foundation works with the Egyptian government, educational institutions and organised labour to empower Egyptian women and youth. Prior to the Egyptian government's 29 December 2011 raid on foreign NGO offices, the Konrad Adenauer Foundation operated technical programmes to advise and train Egyptian political party activists.

International organisations

Both the International Monetary Fund (IMF) and the World Bank work in Egypt to help stimulate the economy and alleviate poverty. Egypt is currently seeking to secure a \$4.8 billion IMF loan, but talks have stalled due to the IMF's concerns about the lack of progress on political reforms in Egypt.⁵³ Current World Bank projects in Egypt include \$3.77 billion in loans, financing 17 projects focused on power generation, transportation, agriculture and irrigation, and sanitation, among others.⁵⁴

⁴⁷ Japanese Ministry of Finance, 'Deauville Partnership with Arab Countries in Transition: Chairman's statement', 21 October 2012.

⁴⁸ UK Department for International Development, 'Arab Partnership', n.d., available at: <https://www.gov.uk/arab-partnership>

⁴⁹ Ibid.

⁵⁰ German Federal Ministry of Finance, 'IMF and World Bank Annual Meeting in Tokyo', 17 October 2012.

⁵¹ The Organisation for Economic Co-operation and Development, 'Aid statistics, recipient aid at a glance', n.d., available at: <http://www.oecd.org/dac/stats/EGY.gif>

⁵² Dina Kamel, 'Under the patronage of the German government, a forum for the revolutionary youth from across the country', *Al-Ahram Website*, 11 April 2011, available at: <http://digital.ahram.org.eg/Policy.aspx?Serial=>

⁵³ *Egypt Independent*, 'Egypt rejects links between IMF loan and stalled polls', 18 March 2013.

⁵⁴ World Bank, 'Egypt projects and programmes', n.d., available at: <http://data.worldbank.org/country/egypt-arab-republic>

The United Nations Development Programme (UNDP) focuses in Egypt on democratic governance, poverty reduction, crisis prevention and recovery, and environment and energy. In reaction to the Arab spring, UNDP has been working to create jobs in Egypt by providing small and medium-size businesses with access to credit, and has enhanced its poverty enhanced monitoring and promotion policies. UNDP also works with the Egyptian government on energy efficiency and water management. In 2011, estimated UNDP expenditures in Egypt totaled \$49.88 billion.⁵⁵

Egypt also received a \$396.63 million loan from the OPEC Fund for International Development (OFID) in 2013 for assistance in energy, health and population, national development banks, non-sectoral, education, multi-sector, agriculture and agro-industry. As a multilateral agency funded by OPEC members, OFID works with developing countries to stimulate economic growth and alleviate poverty by financing infrastructure improvements and strengthening social services.

MENA donors

Donor organisations in the Arab world generally focus more on cultural fields and awareness raising than on more narrow political issues. The aforementioned report on foreign funding published by the Egyptian Ministry of Social Affairs in the context of the NGO trial investigations offered no details on Arab funding beyond confirming that funds originating from Arab countries mostly went to religious charity organisations.⁵⁶

In terms of governmental cooperation, Turkey and Qatar have been active in supporting Egypt's transition. Qatari Prime Minister Hamad Bin Jassim Al-Thani pledged \$2.5 billion, in addition to the original \$2 billion loan and \$500 million grant, to help bolster Egypt's dwindling foreign currency reserves.⁵⁷ Turkey announced a \$2 billion aid package to finance infrastructure improvements and prop up the falling Egyptian currency.⁵⁸

The Arab Fund for Economic and Social Development (AFESD), which focuses on the promotion of social and economic rights, in 2011 granted Egypt 280,000 KD (approx. €760,000) to assist in the evacuation of refugees stranded on the Libyan-Egyptian border; 4.2 million KD for emergency support; and 300,000 KD to conduct environmental studies to select suitable sites for power plants.⁵⁹ The Arab Human Rights Fund (AHRF), a Beirut-based philanthropic organisation that supports human rights organisations across the region, has been providing grants to Egyptian CSOs working to enhance rural political participation, and to promote freedom of expression and gender equality. In 2011, the AHRF provided \$186,237 to Egypt-based organisations, including programmes to encourage youth political engagement, legal assistance to victims of freedom of expression violations, and to strengthen female candidates running for syndicate elections.⁶⁰



⁵⁵ United Nations Development Programme, 'About UNDP Egypt', n.d., available at: <http://www.undp.org/eg/>

⁵⁶ For instance, The Arab Fund for Cultural Development (Jordan), The Arab Fund for Culture and Art (Lebanon), and the Shoman Cultural Foundation.

⁵⁷ *Al Jazeera*, 'Qatar increases aid to Egypt to \$5bn', 8 January 2012.

⁵⁸ Matt Bradley, 'Turkey to provide Egypt \$2 billion in aid', *Wall Street Journal*, 15 September 2012.

⁵⁹ Arab Fund for Economic and Social Development, 'Annual Report 2011', n.d., p. 25, available at: http://www.arabfund.org/Data/site1/pdf/Annual_Report_2011_E.pdf

⁶⁰ Arab Human Rights Fund, 'Annual Report 2011', p. 13.

Conclusion and recommendations

Civil society organisations played an important role in mobilising people to take to the streets and preparing for the revolution. Understanding the role of civil society in Egypt before and after the revolution is not possible without a detailed understanding of the question of financing. The blurred boundaries between foreign funding for civil society organisations working on broad political issues and political party funding raises a critical dilemma at both the legislative and political culture levels. On the one hand, the legal framework restricts foreign funding and represents a tool for the executive to control civil society. On the other hand, the spread of conspiracy theories and concerns over foreign interference in local affairs affect public opinion's perception of foreign funding.

In a country that has been under authoritarian rule for such a long period, the idea of civil society funding from abroad is a complicated and delicate issue. As authoritarian rule's legitimacy was largely based on securing the country from external conspiracies, those regimes have fed public opinion with the idea of external conspiracies until the point of an obsession. National security occupied a great space in the political sphere and terms like 'sovereignty' or 'interference in internal affairs' served as scarecrows for this propaganda. The lack of transparency between the public sector, the private sector and civil society further helped to entrench such thinking. Changing Egyptians' mindset about foreign funding is part of the task of moving from an authoritarian culture to a democratic one that understands and values the positive role played by civil society, political parties and the media. In order to change this mindset, fears of foreign funding need to be slowly deconstructed via a transparent public debate.

In many contemporary democratic states,⁶¹ foreign funding for civil society is characterised by a shared basic understanding which includes the following characteristics:

- civil society organisations have the right to receive funds from abroad, without the need to obtain permission;
- while political parties are in most cases not allowed to receive foreign funding, their access to various domestic funding sources is legally secured;
- local funding to civil society from the private sector is encouraged;
- governmental funds to civil society are provided upon clear, transparent and neutral selection criteria;
- official support for organisations to generate their own income;
- NGOs must be fully transparent in disclosing their membership, executive board, and funding sources;
- not the executive authorities but the unions representing NGOs, and the self regulatory bodies in the case of the media, as well as arbitration committees and the judiciary system for the three kinds of organisations, are the bodies responsible for any penalties.

On this basis, international donors, the government and domestic civil society have an important role to play in order to enhance the benefits and avoid the abuse of foreign funding in Egypt. Recommendations to these actors include the following:

⁶¹ Based on the Spanish, Dutch, Brazilian, South African and Eastern European experiences.

The Egyptian government should:

- a) Establish transparency on funding as a main target in a set of new laws concerning civil society, political parties and the media, which provide information to different stakeholders and do not act as a control mechanism for the authorities;
- b) Establish both on paper and practice the principle of notification for foreign funding to NGOs and media, to replace the current regime of approval;
- c) Draft a law concerning political campaigns and party funding that will prevent parties and political candidates both from receiving funds from abroad and from using state funds, and establish clear regulations for the use of private funds by political parties;
- d) Establish a self regulatory body for private media, tasked *inter alia* with channelling foreign investments in this field;
- e) Lift all constrains on NGOs to generate their own income through non-commercial means and permit large community participation;
- f) Establish a tax regime that allows and encourages corporate social responsibility projects through which private businesses can contribute funds for social purposes

Egyptian civil society organisations should:

- a) Establish full transparency of their accounts including amounts and sources of funding and financial status;
- b) Reduce their dependency on foreign funding by seeking to develop their financial capacities more forcefully via local funding opportunities;
- c) Raise public awareness on the role of civil society;
- d) Develop campaigns to tackle corruption and the abuse of funding in civil society organisations;
- e) Strengthen their relations with state institutions to increase their support for civil society.

International donors should:

- a) Apply fair and transparent global standards for funding and separate this process from bilateral relations that produce significant amounts of sensitivity by using freedom, civil society and human rights as tools for political pressure to exercise influence and hegemony over other states in ways that have nothing to do with human rights;⁶²



- b) Refrain from supporting specific political parties or political parties in general. Any kind of relation with political parties should be through Egyptian CSOs;
- c) Develop (especially international civil society organisations) a stronger focus on programmes impacting on social welfare and protection in order to counter-balance the effects of the current neo-liberal free market policies pushed by the government and international monetary institutions;⁶³
- d) Resist subsequent governments' attempts to politicise the issue of foreign funding in order to pursue a particular political agenda;
- e) International CSOs should consider civil society, not governments, as their main partners, which includes refusing to accept undue authoritarian standards that governments are trying to impose on civil society;
- f) Base funding for civil society on a simple and clear process with strict supervision, but without any internal interference;
- g) Funds to NGOs should also be allocated to organisational development and not only for project implementation. The share of core funding to NGOs should be increased.
- h) Establish a clear division between civil society and governments at the international level, so that civil society can have a clear and independent agenda, diversifying sources of funding and leading to a true partnership between donor and recipient organisations with mutual benefits. Politics and civil society freedom should not be mixed.

⁶³ Ibid., p. 21.

