



UNITED STATES COMMISSION *on* INTERNATIONAL RELIGIOUS FREEDOM

FACTSHEET

CONTROLLING CIVIL SOCIETY'S PURSE STRINGS

March 2021

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To advance international freedom of religion or belief, by independently assessing and unflinchingly confronting threats to this fundamental right.

The Impact of Financial Regulations on Religious Organizations and Religious Freedom

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Introduction

The United Nations (UN) *defines* civil society as “the associations of citizens (outside their families, friends and businesses) entered into voluntarily to advance their interests, ideas and ideologies.” Civil society *consists* of a wide range of actors, including non-governmental organizations (NGOs), religious institutions, and charitable organizations. These associations are often advocates for promoting and protecting freedom of religion or belief, including by providing information to citizens and government, monitoring government policies, seeking accountability for religious freedom violations, and delivering services to marginalized religious communities.

In some countries, civil society actors are facing increasingly strict limitations in a trend known as “*closing space*.” To limit the influence of civil society, governments *use* legal restrictions and regulations to restrict the space in which civil society operates. This includes *increasing control and undue restrictions* on organizations’ ability to access financial resources. At times, such regulations *target* domestic NGOs that receive foreign assistance and foreign organizations that provide such assistance.

This factsheet explores the religious freedom implications of the use of excessive financial restrictions to harass and restrict civil society organizations. The ability to solicit and receive financial contributions is an integral component of the freedom of religion or belief, and these restrictions can be in violation of international human rights law.

International Standards

Article 18 of the [International Covenant on Civil and Political Rights \(ICCPR\)](#) protects the right to freedom of religion or belief, including the right to worship in a community. Article 22 of the ICCPR protects the right to peaceful assembly and the freedom of association, which includes the right of individuals to form associations.

An integral part of these rights is the ability to access funding and other resources from domestic, foreign, and international sources. Article 6(f) of the [Declaration on the Elimination of All Forms of Intolerance and of Discrimination Based on Religion or Belief](#) explicitly refers to the freedom to access funding, stating that the right to religious freedom includes the freedom “to solicit and receive voluntary financial and

other contributions from individuals and institutions.” Article 3 of [the UN General Assembly Declaration on Human Rights Defenders](#) also provides that “everyone has the right, individually and in association with others, to solicit, receive and utilize resources for the express purpose of promoting and protecting human rights and fundamental freedoms through peaceful means.” The UN Special Rapporteur on the rights to freedom of peaceful assembly and of association has [emphasized](#), that pursuant to these instruments, the right to seek, secure, and use resources—human, material and financial, and from domestic, foreign, and international sources—applies to

individuals and to organizations, whether registered or unregistered and no matter how small.

Laws can constrain civil society actors from seeking, receiving, or utilizing foreign funding in a range of ways. For organizations promoting human rights, access to resources is important not only for the organizations themselves, but also to the enjoyment of human rights by those who benefit from their work. Undue financial restrictions on resources available to such organizations can also impact other rights, including the freedom of religion or belief.

Examples of Constraints on Civil Society Organizations that Violate International Human Rights Law

(Source: [UN Special Rapporteur on the rights to freedom of peaceful assembly and of association](#))

- Outright prohibitions on accessing funding;
- Requiring government approval prior to receiving funding;
- Requiring the transfer of funds to a centralized government fund;
- Banning or restricting foreign-funded civil society actors from engaging in human rights or advocacy activities;
- Stigmatizing or delegitimizing foreign-funded civil society actors by labeling them “foreign agents” or other pejorative terms;
- Initiating audit or inspection campaigns to harass civil society actors; and
- Imposing criminal penalties for failure to comply with the foregoing constraints on funding.

Purposes of Financial Regulations

Both the freedom of religion or belief and the freedom of peaceful assembly and association can only be subject to [narrow limitations](#) prescribed by law when necessary to protect a legitimate state interest. However, many of the justifications that states assert to restrict funding do not comply with international law. States often base these laws on security [concerns](#), including protection against terrorism and prevention of money laundering or the [need](#) to ensure greater transparency and accountability within civil society. While combating fraud, embezzlement, corruption, money-laundering, and other methods of trafficking and [countering terrorism](#) qualify as legitimate state interests, these laws must not be used as a pretext to constrain independent civil society or silence critics. Further, controls must be fair, objective, and nondiscriminatory.

Laws restricting foreign funding are also frequently [based](#) on “the protection of State sovereignty or of the State’s traditional values against external interference.” Under international human rights law, however, these are not legitimate state interests that can justify the restriction of rights. Moreover, restrictions on this basis are often coupled with harassment, stigmatization, and unfounded accusations against civil society organizations that receive foreign funding. This harassment is typically rooted in official xenophobia about the influence of foreign interests and ideas.

For example, the Russian government’s [characterization of NGOs as “foreign agents”](#) followed large scale protests in the country and popular revolutions in neighboring countries like Ukraine, Georgia, and Kyrgyzstan, which Russia views as within its traditional sphere of influence. President Vladimir Putin sees these so-called “color revolutions” as part of an international plot orchestrated by Western intelligence services, which allegedly use regional NGOs to spread foreign ideas about democracy

promotion and human rights to achieve regime change. Similarly, governments in Russia, Kazakhstan, and Tajikistan frequently characterize religious minorities as “alien” and destructive, and label practitioners as dangerous “extremists” whose resources must be controlled to counter their malign influence. For instance, in 2019, Tajikistan [banned](#) the import and sale of clothing that was “foreign to the national culture,” in a move aimed at limiting the spread of Islamic dress and maintaining official control over the government’s interpretation of cultural norms.

The Chinese government passed a new [foreign NGO law](#) in April 2016 (effective January 2017) that views foreign NGOs first and foremost as a security threat. This law specifically mandates that foreign NGOs must “not threaten China’s security or national and ethnic unity; and not harm China’s national interests” (Art. 5). In addition, it sets forth clearly defined areas within which foreign NGOs may operate, including education, culture, health, sports, and poverty alleviation, and explicitly prohibits them from engaging in or funding political and religious activities in China. The law is also linked to a web of security-related laws passed between 2014 and 2016, which include the People’s Republic of China (PRC) Counter-Terrorism Law, National Security Law, and Cybersecurity Law.

Examples of Problematic Financial Restrictions

This section highlights representative examples of state financial harassment of civil society organizations and its impact on religious freedom and communities. State financial harassment and exertion of control takes a variety of forms, and while this report covers many of the more common and egregious instances, it is not intended to be comprehensive.

Requirements on Foreign Agent Registration

While laws that regulate individuals or groups that represent foreign governments can serve a legitimate interest, some states use foreign agent laws to target any civil society actor that receives foreign funding to do its own independent work. Frequently, these states label groups that receive international funding as “foreign agents” to intentionally invite comparisons with spies and saboteurs. This labeling is meant to delegitimize the work of foreign-funded civil society actors, including those that assist religious minorities or promote religious freedom.

Russia: Russia [steadily restricted](#) the activity of NGOs through a series of legislative amendments passed in 2006 and 2012, following revolutions in neighboring countries and large-scale domestic protests against the reelection of President Vladimir Putin. In 2006, [amendments to four existing laws](#) denied registration to organizations that vaguely threatened the “unique character,” “national unity,” or “cultural heritage” of the country. Foreign nationals were disqualified from registering an NGO, and all legally registered NGOs were required to submit to annual audits and provide financial documentation on demand.

In 2012, Russia passed the so-called “[foreign agents](#)” [NGO law](#), a series of amendments to three existing laws. These required all NGOs that received international funding to register as foreign agents and submit to extensive monitoring of their resources and activities, including numerous scheduled and impromptu audits. Organizations categorized under this law must label all materials provided on the internet or to the media as the product of a foreign agent, and all violations are prosecuted by the same agency that monitors terrorist financing, organized crime, and money laundering. On December 2, 2020, President Vladimir Putin signed [legislation](#) allowing any individual who distributes information online and receives foreign funding, or any individual who distributes foreign media, to be labeled a foreign agent. Additional legislation [approved](#) by the Duma on December 23, 2020 will allow more unscheduled inspections and reporting requirements, particularly related to participation in events organized by “undesirable” foreign groups, and ban individuals designated “foreign agents” from civil service or municipal government positions.

Although officially registered religious organizations are exempt from the law, targeted NGOs include many, like the Memorial Human Rights Center and the SOVA Center for Information and Analysis, that support persecuted religious minorities and [report](#) on government [violations](#) of religious freedom. Memorial, which is the oldest human rights organization in Russia, has been [fined](#) more than 20 times since being labeled a foreign agent in 2012. Groups labeled “foreign agents” in Russia have been subjected to social pressure, including harassment and vandalism, such as hostile [graffiti](#) on Memorial’s office in Moscow. In a similar trend, on December 15, 2020, the Russian Duma considered new legislation that would require all foreign-educated clergy to be [recertified](#) within Russia.

In 2019, Russia passed another “foreign agents” law that *targets* journalists and bloggers, and applies to any individual who produces information online while receiving funds from abroad. In July 2020, Russia labeled Russian language outlets of Radio Free Europe and Radio Liberty, both of which report on religious freedom issues, as *foreign agents*. Proposed legislation would require these outlets to begin each broadcast or publication with a notification of their status as foreign agents.

Nicaragua: Using Russia’s 2012 law as a model, the Nicaraguan parliament passed its own “foreign agents” NGO law that is *noticeably similar* in scope. The law, which opponents have called *unconstitutional*, stipulates that *citizens* working for foreign governments, companies, foundations, or organizations are required to register as foreign agents with the Interior Ministry and must report monthly income and spending, as well as the intended use of foreign funds. Registration bars citizens from taking part in activities related to Nicaragua’s internal politics, including possibly running for office. The government also *reserves* the power to sanction those who do not register. Notably, international media, humanitarian organizations, and accredited religious entities are exempt. However, Bishop Juan Mata Guevara, president of the Nicaraguan bishops’ conference, called the proposed law “*disastrous*.” The law has the potential to curtail the humanitarian activities of the Nicaraguan branch of the global Catholic charity, Caritas, which receives donations from abroad.

Restrictions on Foreign Funding

Some states severely limit the ability of civil society to access foreign funding. Such restrictions can include requiring transfer of funds into a centralized government account and requiring government approval prior to receiving funds. Some states rely on complicated rules regarding foreign contributions and audit or inspect civil society actors to harass them. The imposition of penalties for violating these rules, which can include license suspension or liquidation, can also be used to threaten the operation of civil society actors and religious organizations.

China: China’s *foreign NGO law* creates complex and burdensome rules to restrict foreign funding. Article 5 explicitly bans registered foreign NGOs from engaging in or funding political and religious activities. Furthermore, no domestic individuals or organizations are allowed to receive funding from unregistered foreign NGOs or engage in activities on behalf of these unregistered foreign NGOs.

The law’s onerous registration process requires foreign NGOs to register with the Ministry of Public Security

(MPS) or its provincial counterparts before they can establish an office in China. Those foreign NGOs that do not have a formal office in China may register with the MPS to carry out one-year “temporary activities.” In both cases, foreign NGOs must secure permission from a domestic sponsoring organization affiliated with the government—known as a Professional Supervisory Unit (PSU) or a Chinese Partner Unit (CPU)—before registration can take place. During the registration process, foreign NGOs must report tax and bank account information to the MPS or provide information on project funding, proof of funding source, and their Chinese partner organization’s bank account if carrying out temporary activities. According to one expert, the MPS’ involvement in monitoring and reporting on foreign NGOs subjects them to “*unprecedented* levels of police supervision and oversight.” Prior to the 2017 law, many foreign NGOs were unregistered and *carried out* their work through local partners, or were registered as commercial entities. The law effectively eliminated that grey area in which most of the foreign NGOs operated. It also threatens the existence and undermines the work of domestic NGOs, as many of them rely on foreign funding.

India: In India, contributions from international sources to NGOs, including religious organizations, are regulated by the Foreign Contribution (Regulation) Act, 2010 (FCRA). Introduced in 1976, the FCRA was repealed and replaced in 2010, resulting in the tightening of how NGOs could receive, access, and use foreign contributions. The FCRA 2010 allows the government to obstruct the operations of any internationally funded NGO engaged in “any activities detrimental to the national interest.” The acceptance of foreign contributions without a license is prohibited. Licenses to receive international contributions are granted by the government in renewable five-year terms or through prior permission from the Ministry of Home Affairs. An FCRA license can be denied if the government believes the foreign funds will affect the public interest, the country’s sovereignty or integrity, or the “harmony between religious, social, linguistic or regional groups, castes or communities.” The law’s terms are not always clearly defined, and *UN experts* have expressed concern that the FCRA’s vagueness leaves room for abuse and justifies intrusive measures as a means to target NGOs.

The FCRA 2010 required that NGOs, many of which are faith-based, adhere to extensive reporting mechanisms, including submitting financial records that detail the amount of each contribution, its purpose, and how the funds are used. A series of amendments to the FCRA law

and rules have expanded the reporting requirements that NGOs must follow to maintain their registration status. In 2015, an [amendment](#) to the FCRA rules required that NGOs disclose the source of all foreign funds on their websites. An additional amendment to the law's rules in 2019 instituted a requirement that office bearers of all foreign funded NGOs sign an affidavit stating they had not been prosecuted or convicted for participating in conversion activities through force or inducement either directly or indirectly. A new [amendment](#) passed in 2020 places further restrictions on how NGOs operate by reducing the percentage of foreign contributions that can be used for administrative expense, extending the length of license suspension, and requiring that accounts be maintained in a government-designated bank. Organizations that are willing to forfeit their license may do so, but risk losing any assets previously acquired with foreign funds.

Over the last several years, the Indian government has suspended or revoked the FCRA registrations of thousands of NGOs. Some [reports](#) suggest that in the last three years, the government canceled the licenses of more than 6,000 NGOs, including 900 religious organizations. Apart from the suspension or revocation of licenses, alleged violations of the FCRA law or other financial regulations can result in [intrusive actions](#), including official raids on NGO offices. In 2019, the Central Bureau of Investigation (CBI) raided the offices of Amnesty International India on charges of financial regulation violations. In 2020, Amnesty closed its office, citing as the reason the government's [reprisals](#) for the organization's human rights work, which included reporting on religious freedom violations. Other prominent NGOs that have had their FCRA registration revoked or suspended include Greenpeace, the Ford Foundation, and Christian humanitarian organization Compassion International. In recent years, the government has revoked or suspended the FCRA registration of numerous Christian organizations.

Russia: Under Russian law, religious organizations are exempt from regular financial regulation and reporting but may be subject to financial investigation with advance notice and cause. In November 2015, new [amendments](#) to the law regulating religious organizations and activities required all religious organizations that receive foreign funding to report it to the government. Under the new law, these organizations are not exempt from financial inspection and may be subjected to inspection at any time without notice or cause. The law was [modeled](#) on the 2012 "foreign agents" law, and allows the Russian government to liquidate any religious organization that fails to comply.

Turkmenistan: In [Turkmenistan](#), all religious organizations that receive foreign funding must report it to the Ministry of Justice and provide detailed information about its expenditure in interim and annual reports. Failure to report foreign funding is subject to administrative fines and may be used to revoke legal registration, which is arbitrarily granted by the state.

Audit or Inspection Campaigns

Other states initiate audit or inspection campaigns to harass civil society actors, including religious organizations. Relying on the need to combat fraud, states use excessive reporting requirements to further track contributions. States will also exert control over religious groups by maintaining the power to appoint new leadership in cases of misconduct.

Tajikistan: Financial regulations in [Tajikistan](#) are particularly severe. In January 2018, the country amended its already restrictive 2009 religion law to exert even more government control, including new financial reporting requirements. Religious organizations must now provide the government with detailed financial information on demand, including sources of income, inventories of property, and details on expenditures, salaries, taxes, and any other information requested. In January 2020, the government [amended](#) legislation that expanded anti-extremism efforts and dramatically increased the penalties for managing or funding the activities of an unregistered religious organization, and for religious communities that establish relations with foreign organizations.

Nigeria: In August 2020, Nigeria passed the "[Companies and Allied Matters Act](#)," sweeping legislation that, among other things, assigned the government the authority to suspend trustees of an association, including a religious association, and appoint interim managers to manage its affairs in cases of suspected misconduct, fraud, or threat to property or public interest. According to [some analysts](#), the law was designed to address fraudulent acts by some imams and pastors and hold them accountable to their congregations. However, several [civil society voices](#) have [expressed concern](#) regarding the power that this law grants government over religious institutions and practice in a country rife with interfaith tensions. The government did not widely consult religious civil society before passing the law, and Christian leaders have [expressed concern](#) that in northern states where local governments are dominated by Muslim clerics, Islamic leaders could be placed in charge of Christian associations.

Seizure and Freezing of Assets

Some states target peaceful religious minorities by imposing sanctions that freeze the assets of individuals or religious organizations, often using combating extremism as a justification for these actions.

China: Under China's foreign NGO law, public security authorities, with the assistance of domestic PSUs, are responsible for investigating and punishing foreign NGOs' "illegal activities"—including religious activities—which is a broad and vague catch-all phrase authorities often use to harass and punish individuals and groups. Authorities can enter foreign NGOs' facilities in China to conduct investigations and seize property and assets suspected of being used in such "illegal activities." Furthermore, public security authorities can also request China's court system to freeze funds in these NGOs' bank accounts.

Russia: In Russia, the state pursues a particularly severe form of financial harassment against peaceful religious minorities deemed to be "extremists." The Russian Federal Financial Monitoring Service (Rosfinmonitoring) maintains a list of "terrorists and extremists" whose finances can be frozen or subjected to severe restrictions. [Rosfinmonitoring](#) was initially established to combat organized crime, money laundering, and terrorist financing, but the list has subsequently [expanded](#) to include journalists, human rights activists, and religious minorities, like the Jehovah's Witnesses, who have been branded as "extremists." Individuals may be placed on the list without being convicted if they are suspected of extremist activity as part of an ongoing investigation. In [December 2020](#), the Russian Duma considered [new legislation](#) that would prohibit anyone included on the list from participating in or leading religious groups.

The law requires banks to [freeze](#) all assets of those on the list, but since 2014 limited transactions may be made with prior approval. Those convicted of extremism may be kept on the list for up to eight years, even after completing prison sentences. The list currently includes more than 200 [Jehovah's Witnesses](#), as well as many members of peaceful Muslim groups like Tablighi Jamaat, or readers of the theologian Said Nursi. Jehovah's Witnesses report having their bank cards [confiscated](#), and evidence of upkeep on Jehovah's Witness' property, like paying for utilities, has been used to charge individuals with extremist activity. Jehovah's Witnesses claim the Russian government has [seized](#) property valued at more than \$50 million.

Kazakhstan: Kazakhstan similarly maintains a list of "terrorists and extremists" whose bank accounts the

government has [frozen](#). As in Russia, individuals may be included on the list without being formally charged or convicted, merely for the [suspicion](#) of "extremist" activity. Those on the list have included members of Tablighi Jamaat, Seventh-Day Adventists, and Muslims convicted for social media [conversations](#) about Islam that independent analysts have found to lack any connection to violence or its incitement. Although there is a formal process for requesting removal from the list, this can be complicated in cases based on suspicion, where no formal case has been brought and the circumstance surrounding inclusion are unclear. Family members of those listed may only withdraw small daily sums after demonstrating need and a lack of alternative income. Individuals may stay on the list for up to eight years after serving associated prison sentences.

Tajikistan: Tajikistan has confiscated or destroyed more than 2,000 mosques in the last three years. In 2016, President Rahmon [linked](#) mosques with extremism and recommended their replacement with other public facilities, like sport clubs. In 2017 alone, Tajikistani authorities [closed](#) at least 1,938 mosques, allegedly for not meeting government regulations. A concerted government campaign to reduce the number of mosques continues at present, with many of the buildings repurposed as [movie theaters](#), cafes, or other facilities. In a December 2019 speech, Rahmon [mimicked](#) Soviet-era anti-religious propaganda by claiming that mosques only served the interests of the "older generation," while what the younger generation really needed was more "schools" and "medical centers."

Excessive Fees, Fines, and Seizures

Another method of targeting religious communities through financial restrictions is imposing excessive fees and fines. While sometimes religious organizations are charged high fees for necessary services or rent, some states also impose stiff fines for infractions of laws regulating religious activities. Financial penalties for unregistered, and therefore unlawful, religious activity apply across most of former Soviet Central Asia.

Belarus: In Belarus, the government uses a variety of financial mechanisms to maintain pressure on the large Catholic minority, which the Lukashenko regime views with suspicion. After the collapse of the Soviet Union, most religious properties confiscated by the state were returned to their Orthodox Christian, Catholic, Jewish, and Muslim communities. After independence, Belarus maintained state ownership over some of these properties, including



the historic Catholic Cathedral of Saints Simon and Helena in the capitol of Minsk. The government requires the Cathedral's congregation to pay an exorbitant monthly [rent](#) of roughly \$5,300 to use the building. In addition, the state claims that the Catholic community now owes it the equivalent of more than [two million dollars](#) for mandatory renovations it made to the building. Catholic communities in at least three other cities have also tried unsuccessfully to regain ownership of their historic properties.

In January 2019, Belarus enacted [Decree No. 49](#) requiring religious organizations to pay in advance for police security, healthcare, and cleaning services for any public event held outside of officially designated locations. In July 2019, the Greek Catholic Church in Belarus canceled a longstanding pilgrimage because it was unable to pay the new fees.

Russia: In Russia, individuals and groups may be [fined](#) for engaging in unlawful missionary activity, including sending email invitations to a religious gathering; inciting religious hatred; holding unauthorized religious gatherings, including public baptisms; or producing and disseminating unauthorized religious materials. Between January 2019 and June 2020, there were at least 98 [prosecutions](#) under Administrative Code Article 5.26 Part 3: "Implementation of activities by a religious

organization without indicating its full official name." Even abbreviating the full official name on publications or signs can result in financial penalties equivalent to more than a month's average wages.

Conclusion

Around the globe, governments rely on excessive financial restrictions to hamper civil society actors. As detailed in this report, closing space for civil society can negatively impact the freedom of religion or belief and religious communities. Efforts to restrict foreign funding, or label civil society organizations as "foreign agents," often reflect broader xenophobic policies under which religious minorities are targeted as dangerous foreign influences or potential fifth columns.

Financial harassment can take many forms, from attempts to delegitimize the work of foreign-funded civil society by enacting requirements to register as "foreign agents," to imposing excessive and intrusive reporting requirements, as well as exorbitant fees and fines for religious activity, to seizing assets or religious property. Given that the ability to solicit and receive financial contributions is an integral component of the freedom of religion or belief, USCIRF will continue to closely monitor the impact on this right of financial restrictions on civil society.

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