

PolicyWatch #1576

## After the Crackdown: The Iran Democracy Fund

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Nearly three months have passed since Iran's bloody crackdown on the mass protests over the controversial June 12 presidential election. The Obama administration, however, has yet to determine a strategy to support the first serious challenge to the regime since the 1979 Islamic Revolution. Last week's statement by Iran's top leader, Ayatollah Ali Khamenei -- that he saw no proof the British or the West were behind the protests -- should encourage the United States to pursue a more assertive approach to support Iranians working for change. Nevertheless, the State Department's Iran Democracy Fund -- currently the only tool available for promoting democracy in Iran -- has been extremely cautious in its funding decisions since President Barack Obama's inauguration. Moreover, recent changes to the program are neutralizing its effectiveness, even as arrests and prosecutions of those accused of plotting "velvet revolutions" continue throughout the country.

### Background

The Iran Democracy Fund, launched by the Bush administration in 2006, has been controversial from the beginning, and has faced myriad crosscutting pressures that have nearly succeeded in shutting the program down. In a surprise move by the Bush administration, the fund was awarded \$75 million through a supplemental budget request for Iraq and Afghanistan for the 2006 fiscal year. According to then secretary of state Condoleezza Rice, the funds would be used to "reach Iranian people through websites and modern technology,... support nongovernmental organizations that can function in Iran, and ... improve and increase our educational and cultural outreach to the people of Iran." Congress, leery of any new Bush initiative, challenged the request, while outspoken Iranian dissidents, such as Akbar Ganji, also criticized the program.

Despite its initial opposition, Congress ultimately appropriated \$66 million for two separate programs. The majority of the funds, \$36 million, was directly appropriated to the Broadcasting Board of Governors for international broadcasting to Iran. Since then, Congress has continued to give significant sums to expand Voice of America's (VOA) Persian service and Radio Farda, but to limited effect.

The more controversial program involved the remaining \$30 million, which was distributed by the State Department as follows: \$5 million to the Bureau of Education and Cultural Affairs for student and other exchanges, \$5 million to International Information Programs to develop new State Department Farsi-language websites, and \$20 million to the Bureau of Near East Affairs (NEA), working together with the Bureau of Democracy, Human Rights, and Labor (DRL), to support civil society and other related programs. According to those directly involved with NEA and DRL, about 40 percent of their funding went to internet-related programs for facilitating internal and external communications. Cutting-edge technology that would enable independent television production for all Persian-language outlets -- a core concept of the original proposal -- fell by the wayside, as did the allocation of anything more than seed funding for independent media.

### State Bureaucracy

Once approved, the program's implementation was delayed by a number of factors and legal obstacles. For instance, the Treasury Department's Office of Foreign Assets Control (OFAC) had to revise the rules that

would permit U.S. NGOs to work inside Iran. In addition, an interagency process to vet NGOs took months to develop and then proved highly unpopular with the fund's key recipients. NGOs refused to share the personal data of their Iranian beneficiaries with the U.S. government, as it was seen as fundamentally inimical to the success of their work.

These problems were minor, however, compared to the serious internecine fighting within the Rice-led State Department. From the start, influential members of the policy planning staff were opposed to the program on principle. DRL felt NEA was not qualified to make funding decisions on democracy and human rights programs. Even within NEA, the roles of the Office of Iranian Affairs and the Middle East Partnership office became a divisive issue, and in the end, all the stakeholders played a part in a cumbersome process of project selection. The results, for the most part, were watered-down programs and raw feelings on all sides. The secretary's determination that the undersecretary of state for political affairs would approve all projects also guaranteed that the respective programs were fairly anodyne.

Despite these considerable challenges, all of the 2006 fiscal year funding was obligated by September 2007. Congress, becoming more comfortable with the process, saw fit to appropriate an additional \$60 million for State Department programs for fiscal year 2008, due in large part to the strong support of Senator Joseph Lieberman, key members of the Senate Appropriations Committee, and advocates of the Broadcasting Board of Governors, who used it as an opportunity to boost the VOA's budget numbers.

### **Near East Regional Democracy Fund**

For the 2009 fiscal year, the Bush administration requested \$65 million for the Iran Democracy Fund. When the omnibus bill was passed this past March, however, the newly formed Obama administration made no specific allocation for democracy in Iran. Instead, a new line item for \$25 million appeared: the Near East Regional Democracy Fund (NERD). According to a recent study by the Project on Middle East Democracy, the fund intends to continue support for "Iranian democracy through a variety of 'soft power' programs." This mission, however, is not specified in law, and the administration can in fact use the funding in any way it pleases. For the 2010 fiscal year, the Obama administration has requested \$40 million for the new program, but reportedly only \$10 million will be made available for democracy and human rights.

No public explanation has been given for the program's name change, nor is a list of current or ongoing programs publicly available (purportedly to protect the recipients). Presumably, the new name is less offensive to Tehran and gives the administration more flexibility in how the funds are used. An official familiar with the program suggested that money could be shifted to other "democracy priorities if it proved too difficult to do Iran-related programs." This lack of transparency, however, makes it impossible to assess the impact of the programs. The Obama administration killed off a number of Bush administration projects that aimed at creating independent media outlets. Whether alternative approaches were substituted is not known.

In addition to renaming the fund, the Obama administration shifted responsibility for grants management from the State Department to USAID. According to a number of current grantees and others familiar with the program, USAID has become increasingly involved with programming decisions, which complicates the process further and makes it even more difficult for grantees to carry out projects.

### **The Protest Aftermath**

Since the protests following the June 12 election, the administration has been even more cautious about moving forward on any new programs for Iran: in fact, the administration has neither approved a single new project nor developed a new strategy given the changed circumstances on the ground. It has not assembled its existing grantees to consider what more can be done, and has issued few public statements. The slow progress has apparently been deliberate; the administration claims it wants to avoid giving Tehran a truncheon with which to beat the West over the head. Prosecutors in Tehran, however, seem convinced that the West is deeply involved in supporting reformers, and it is unlikely that the regime will change its stance, irrespective of what

happens to the State Department democracy programs. Furthermore, the administration seems unconcerned about the message conveyed by its silence.

## **Conclusion**

The ambiguity surrounding NERD's objectives risks undermining its focus and impact. Clearly, to be more effective, the program needs an articulated statement about its aims and how they fit with overall U.S. policy toward Iran. Given the aftermath of the June 12 election, the program should be retooled to aggressively support those inside Iran who are struggling to change their government.

For those who believe supporting democracy and human rights in Iran remains the best option to either a failed engagement strategy or military action, one alternative to funding NERD would be to appropriate more money directly to the National Endowment for Democracy or to organizations such as the National Democratic Institute, International Republican Institute, and Freedom House. Not only do these organizations have broad experience and clear historical missions in supporting democrats and human rights activists, they are mercifully free of government indecision and handwringing.

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