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The Power of the Purse:
How Funding NGOs Helps International Bureaucrats Advance
Policy

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of Doctor of Philosophy in 2017

Abstract

The Power of the Purse: How Funding NGOs Helps International Bureaucrats Advance Policy

By Maya Wilson

International organizations (IGOs) are often seen as agents beholden to their member state principals, effective only in so far as their goals align with their powerful members. However, despite the constraints imposed by their lack of formal authority, IGOs can change the preferences of the governments they represent. In this dissertation, I show that international bureaucrats are influencing their member states by funding advocacy groups to mobilize support for the IGO's agenda among citizens, and lobby national representatives to support the IGO's policies.

The three papers here explore the use of this mechanism in the context of the European Union by looking at operating grants provided by the European Commission to non-governmental organizations (NGOs). A formal model is used to provide the logic for claims that the Commission's funding is changing the agenda of the NGOs to reflect EU priorities, and demonstrates how the money is used to its maximum effectiveness. The second paper shows that the presence of Commission-funded NGOs can increase support for the Commission's agenda on the ground, and the third paper demonstrates that receiving EU funding leads organizations to increase the amount of resources they dedicate to lobbying the European Parliament.

The evidence provided here draws on two original datasets: all operating grants provided by the European Commission to NGOs from 2007-2013, and a dataset of the partner organizations of all environmental NGOs that received funding during this timeframe. The quantitative models also draw on Eurobarometer surveys and data recently made available by the European Commission's Transparency Register. In all three papers, the quantitative evidence is supplemented with short qualitative case studies and interviews with representatives of NGOs, staff and advisors for Members of the European Parliament, and bureaucrats that manage the grant programs for the European Commission.

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1. Aligning Agendas

INTRODUCTION

In 2003, a coalition of European environmental non-governmental organizations (NGOs) launched a grassroots campaign to regulate the chemical industry in Europe. A key part of the NGO's strategy was "Detox," a program designed to show average citizens how many chemicals were present in their blood, with the goal of mobilizing popular demand for mandatory testing of all chemicals imported or produced in the European Union (BBC 2005).¹ The World Wildlife Fund (WWF), the leader of the Detox campaign, carried out blood tests on Members of the European Parliament, ministers, doctors, scientists, celebrities and three generations of 13 families living throughout Europe. They published the results on their website and created powerful visuals of families holding their blood tubes and a list of chemicals present in their bodies to grab the public's attention. The campaign culminated with a group of 'blood-tested grannies' delivering a petition signed by more than 77,000 people to the European Parliament (Rose 2010).

The European Chemical Industry Council (CECIC) trade group mobilized its 1.7 million members, and brought the support of powerful industrial lobbies, such as car and textile manufacturers, who depended heavily on chemicals. However, despite

¹More specifically, proposed legislation required all EU firms to register, test and prove the safety of more than 30,000 chemicals they imported or produced in the EU. Companies would be required to obtain authorization for the most hazardous substances, and the EU would be allowed to ban the use of any it deemed too dangerous.

fierce protests from the affected industries, it took less than three years for popular demand to lead the European Union to impose historic and unprecedented regulation on an industry that had avoided accountability for decades. The NGO campaigns ended when REACH: the Registration, Evaluation and Authorization of Chemicals, passed in 2006 (Rose 2010).

Much of the international political economy literature focuses on the difficulty of voters and the public at large to influence a state's policy choices, as they lack the coordination and the resources to compete with powerful and well-organized special interests (Grossman and Helpman 1994, Olson 1965). Collective action is even harder when the issue isn't urgent, and the benefits of cooperation are uncertain, as was the case in mobilizing for chemical regulations. In the fight for the 'public good', the NGO coalition's campaign against the European chemical industry looks like a classic David and Goliath story. How were the NGOs able to go head-to-head with the chemical lobby in Brussels and win?

Popular campaigns like these are often attributed to the spread of new norms, or an exogenous shock that creates demand organically. However, a closer examination into the strategic timing of the chemical campaigns and the EU legislation suggests that it was not just the spontaneous emergence of an anti-chemical norm among European citizens that was behind the WWF's calls for an overhaul of the chemical industry. Their ability to compete with powerful lobbies was primarily due to the fact that the European Commission sponsored these campaigns, bypassing the need for funding from the public. Between 2003 and 2006 the European Commission provided the WWF with over €2.5 million in grants explicitly for EU environmental policy advocacy, peaking at the height of the Detox campaign (European Commission N.d.).

In the fifteen years since Margaret Keck and Kathryn Sikkink published *Activists Beyond Borders* (1998), highlighting the role of NGOs in global governance,

the relevance of these organizations has increased faster than our knowledge about the source and nature of their influence. Through a direct channel to citizens that bypasses the state, NGOs have the ability to mobilize a global constituency that has become an incredibly powerful force in international relations. In a recent interview, UN Secretary General Ban Ki Moon suggested that “the people, civil society and NGOs” have more power to change the world than even state leaders (The Daily Show, 2014).

NGO scholarship tends to focus on outcomes, showing that NGOs can, under some conditions, influence state behavior. For example, Murdie and Bhasin (2011) find that human rights NGOs increase local protest, and Wilson et al. (2016) find that conflict resolution NGOs can reduce the likelihood of international conflict. The NGOs’ effectiveness is usually explained as a function of socialization; by providing information, these groups persuade and socialize other actors until the new norms are adopted. The socialization explanation does well at explaining how NGOs mobilize individuals on issues ex-post, but offers less insight into when and why normative campaigns begin. The norm entrepreneurs that Keck and Sikkink describe, influential people who decide to adopt a cause, are potentially everywhere, and the set of feasible norms to promote is almost infinite. It is unclear why issues that have been constant for decades, such as chemical regulation, are suddenly chosen for campaigns. It is also hard to explain the variation in the influence of NGOs. Many norms are ignored by legislators despite the effectiveness of activist groups in changing public opinion, for example, the legal practice of the death penalty in the US, despite a consistent drop in public support (Pew, 2015). However, it is unclear why some NGOs achieve their policy agendas, and others do not.

The NGO literature is clear that NGOs are most effective when part of a broader network, but disaggregating the role of the different actors in Keck and Sikkink’s (1998) Transnational Advocacy Networks (TANs) may offer insight into why networks

form to pursue certain issues. The existence of an NGO depends on the salience of their agenda. Because they are non-profit, they rely on private donations, and they can only pursue issues that are important to donors. For some organizations, for example, Greenpeace, their reputation and agenda are enough to generate a constant stream of donations from individuals. This is difficult for an organization to sustain though; public donations are highly inconsistent, and the transaction costs of fundraising are high (Wallace, Bornstein and Chapman 2006). The result is a void in policy areas that were not salient enough to overcome the fact that there are very few things citizens care about enough to grab their attention, let alone their money.

Some of these funding gaps have been filled by foundations, such as the Gates Foundation that used their financial power to advance a new national education agenda by funding advocacy groups, research institutions, and news-media organizations that cover higher education. Even without redirecting any of the NGO's membership based budget away from member priorities, expanding the budget and institutional capacity of an NGO through a substantial grant allows it to dedicate more money to the funder's goals than it otherwise would have. But non-governmental donors with pockets deep enough to sponsor an agenda in this capacity are few and far between. Inter-governmental organizations (IGOs) are an interesting exception; they have a constant supply of money without having to make any profit, and despite being funded by government resources, are viewed as non-governmental. In the 1990s, a number of IGOs began providing targeted grants to NGOs to strengthen the TANs promoting their agendas, and have continued to increase funding ever since (Reimann 2006).

The power this gives to funders is enormous and in many ways, unprecedented. Advocacy networks have never been as strong as they have become in the last few decades, and there is no reason to expect that will change. This indirect mechanism of sponsoring TANs is subtle, but more prevalent than most people recognize.

Since 2000, the European Commission's Environmental Directorate alone has provided over €100 million to NGOs in Brussels, explicitly for advocacy activities (NGO Operational Grants, 2013). The power to affect national policy that tapping into this channel of influence presents to international bureaucrats may be significant, but has been, until now, overlooked.

The realist view sees IGOs as agents constrained by their member-state principals, or simply a tool for the powerful members to exert influence (Krasner 1983, Mearsheimer 1994-1995). As IGOs are ultimately still unable to force compliance on sovereign states, their observable formal power appears limited. However, if funding NGOs gives IGOs the ability to selectively promote their agenda in certain states on certain issues, this subtle mechanism may prove to be a strategically valuable tool to get around recalcitrant states. A closer look at the impact of particular institutional features, like control over discretionary spending, on the ability of international bureaucrats to pursue their agendas may offer insight into the conditions under which IGOs are most likely to be effective. This partnership with NGOs may give the IGO agents the ability to change the preferences of their principals by increasing demand among the population for its policy agenda, and then leveraging domestic accountability to force national governments to support the policies it introduces. If this is the case, then states are not only influencing IGOs, but IGOs are influencing states as well.

In this paper, I will address one piece of this complex financial relationship between IGOs and NGOs to show how the grants give the funder the ability to co-opt the recipient's agenda, and allow them to ensure the money is used to effectively accomplish the funder's objectives. However, assessing the impact of these grants on policy change and the precise effect of the international institution on the behavior of policy actors presents a methodological challenge. Activism is not unique to NGOs that receive these grants, and identifying what the NGOs would have done in the

absence of the funding is crucial to identifying the impact of the IGO. How can we know that these NGOs would not have pursued the same agenda and had the same effect on policy change with or without the funding? In other words, how do we know that funding from the IGO mattered at all? Through the use of a formal model, I will demonstrate the conditions under which these grants affect the ability of the NGOs to accomplish their objectives, and show how the money increases the time and resources an NGO dedicates to the issues that are a priority to the IGO.

The paper will proceed with a discussion of the relationship between IGOs and NGOs, and then explain the theory in the context of policy change and interest representation in Brussels. While the implications of the model extend to any IGO that provides grants to non-government actors, the theory will be presented in the context of operational grants for NGOs provided by the EU and administered by the European Commission. The central question the model will address is whether allocating the money is pivotal to policy change, despite the NGOs' incentive to misrepresent their need and the Commission's limited ability to evaluate the quality and effectiveness of the strategy they fund. The model will show that by providing the grants through a co-financing structure, and leveraging information about an NGO's financial capacity, the Commission can reduce the NGO's incentive to use the money ineffectively, and ensure that the grants serve to supplement, rather than replace, the NGO's own resources for the shared objective. Most importantly, the model will demonstrate how, with relatively limited resources, the European Commission is able to co-opt the entire agenda of the NGOs to pursue the funder's objectives.

LITERATURE REVIEW

IGO scholarship has come a long way in the last few decades. The dominant questions no longer focus on whether IGOs matter, as Waltz (1979) and Mearsheimer (1995)

anticipated, but rather on how they matter, and on the conditions under which they are most likely to be effective. Rationalists have credited the success of international institutions in facilitating coordination, transparency, monitoring and information exchange (Abbott and Snidal 1998, Keohane 1998). The observable evidence provided by organizations like the World Trade Organization, the International Monetary Fund, and the European Union demonstrate that these organizations are having a non-trivial impact on global governance. Despite their potential, IGOs still face significant obstacles in administering international justice and driving global governance. They often struggle with restrictive treaty mandates, close member oversight, and limited resources, both financial and administrative. Consequently, IGOs often lack the capabilities to achieve the outcomes they were created to fulfill (Abbott, Genschel and Snidal 2015).

While these factors don't eliminate their potential to promote their agenda, as skeptics have predicted, IGO effectiveness frequently depends on the ability to bypass recalcitrant states, and create change through less observable channels (Abbott and Snidal 2009*a,b*, 2010, Mathews 1997, Reinicke 1998, Rosenau 1995). Working with third parties has become an increasingly common way in which IGOs pursue their objectives despite the limitations they face. Some delegate specific tasks to outside agencies, such as when the European Commission enlists domestic regulatory networks as intermediaries to implement EU regulatory policies (Blauberger and Rittberger 2015), or when the United Nations High Commissioner for Refugees (UNHCR) contracts out the management of refugee camps to private relief organizations (Cooley and Ron 2002).

The most comprehensive look at how IGOs use third parties to achieve their objectives is presented by Abbott, Genschel, and Snidal (2015). The book investigates the conditions under which IGOs enlist the help of other organizations, including NGOs, business groups, trans-governmental networks, and other IGOs. The authors

examine several different partnerships, and posit that IGOs use intermediaries when they lack capabilities, and when the goals of the member states diverge. The intermediaries bring governance capabilities, such as local information, technical expertise, enforcement capacity, material resources, legitimacy and direct access to targets.

Abbott et al. and the scholars that contribute to the chapters provide compelling evidence that the relationships IGOs form with third party actors matter in global governance. They discuss how IGOs can strengthen the capacity of their intermediaries (including NGOs) while gaining a channel of influence over their governance aims and activities. For instance, by attaching conditions to their support, IGOs can keep intermediaries' governance goals in line with their own. However, the authors and contributors assume away the tensions between the IGO's agenda and the intermediary NGO's agenda, and gloss over that NGOs often have an incentive to shirk or abuse their informational advantage to gain an advantage over funders. The proposed solution is that an IGO simply select an NGO whose goals already align, and use material inducements and ideational leadership to shape the intermediary's goals.

However, this solution is easier said than done. NGOs answer to more than one principal, and their legitimacy and effectiveness depends on keeping their members satisfied. Several NGO leaders I interviewed mentioned this tension between the priorities of their funders and those of their members. Gabriella Civico, the leader of the European Volunteer Centre, a recipient of EU operating grants, described the challenge of appeasing their members, who want them to organize more events, while satisfying the terms of the grants, which require them to focus on policy work. Laurianne Krid, the policy director with the International Automobile Federation (FIA) explained that her organization had to reduce the amount of money they received from the Commission because it pulled focus from member priorities.

Abbott et al. also pay less attention to how particular institutional features,

such as control over discretionary spending, affect the ability of IGOs to pursue their objectives. International bureaucrats are a critical piece of this story, but are generally treated as exogenous to the outcomes. Indeed, international bureaucrats are rarely seen as consequential in IGO scholarship, and little attention is paid to the variation in the tools they have at their disposal. The old-school realists, such as Mearsheimer (1994-1995), Morgenthau (1967), Waltz (1979) treat their impact on powerful states as theoretically unlikely. A number of constructivist scholars, such as Barnett and Coleman (2005), Barnett and Finnemore (1999), Hurd (1999), Wendt (2001) have focused on the role of IGO employees in promoting norms, but have given limited scrutiny to the concrete processes through which this occurs. The belief that IGOs gradually gain influence over more issue areas has also been promoted by functionalists, such as Mitrany (1948) and neo-functionalists Haas (1958), Sandholtz and Sweet (1998), but these scholars attribute the changes to states' increasing investment in the survival and growth of an IGO.

By neglecting to examine the international bureaucracy in a broader analysis of the relationship between IGOs and their member states, scholars miss out on some important questions. International bureaucrats are often beyond the direct, formal control of individual national governments, but can craft policies that affect individuals and states all over the world. They are free from the constraints of a constituency, and generally possess a high degree of expertise. There is much we still don't know, however. For instance, why do differences exist in the level of autonomy they are granted, and under what conditions are they most likely to be effective? Appreciating the incentives and activities of international bureaucrats, as well as the partnerships they form to accomplish their goals as distinct from the member states they seek to govern is a worthwhile topic of study.

This paper contributes to this body of literature by studying the relationship between providing international bureaucrats control over discretionary spending, and

the ability of an IGO to accomplish its policy objectives. This paper examines another avenue through which IGOs can increase their influence; by funding advocacy NGOs to increase their legitimacy on the ground, and to lobby governments in support of their agenda.

With the very recent exception of Abbott et al. (2015), IGO scholarship has tended to treat IGOs as stand-alone actors (Abbott and Snidal 1998, Barnett and Finnemore 1999, Hawkins et al. 2006, Hooghe and Marks 2012, Krasner 1983, Mearsheimer 1994-1995, Zürn, Binder and Ecker-Erhardt 2012). The same is true of NGO scholarship, which may appreciate that other actors matter, but provides few theoretical mechanisms through which these relationships influence outcomes beyond adding more actors to a network that promote new norms (Keck and Sikkink 1998, Reimann 2006).

NGO scholarship has long emphasized the role these organizations play in spreading new norms and promoting policy change as a function of socialization. Constructivists focus on the TANs that pressure national governments by raising awareness, by providing information about the behavior of states, and by increasing the popular salience of particular issues among the population (Keck and Sikkink 1998). These scholars attribute the gradual shift in the preferences of populations and states to socialization, but the incentive for actors to adopt new norms is unclear and difficult to predict. While this perspective is generally useful to understand, ex-post, why NGOs successfully pursued certain issues that are then adopted as international norms, it is largely unable to explain and predict which issues are chosen, or what the incentives are for actors to adopt these new norms.

The constructivist perspective views NGOs as the primary agent of change. However, it misses the bigger strategic environment, because it does not treat IGOs as actors in their own right. This view is consistent with the realist school, which treats IGOs as constrained and only as powerful as their member state principals al-

low. This paper considers IGOs as a strategic player, and not just as the outcome of strategic interaction between NGOs and the state. By viewing international bureaucrats as actors with their own policy preferences and agendas, it becomes apparent how the IGOs' agenda may be the source, and not the outcome, of successful NGO activism. This approach may yield insight into why NGOs choose the issues they do, or when they are likely to be successful. This paper contributes to a growing body of literature on transnational governance by providing concrete theoretical mechanisms through which IGOs and NGOs increase their effectiveness and shape each other's capabilities and goals. More closely examining the conditions under which these partnerships occur, and the impact they have on policy outcomes, is not only relevant to scholarship, but also to practitioners that seek to make their organizations more effective.

In contrast to scholars that focus mostly on IGOs, NGO scholars have long held that IGOs often depend on NGOs to solve global problems. NGOs provide services, agenda setting, monitoring, lobbying, information gathering, and can mobilize public opinion and garner media attention (Gordenker and Weiss 1996, Raustiala 1997). As Abbott, Genschel and Snidal (2015) illustrate, both states and IGOs have increasingly had to rely on NGOs to provide capabilities that existing institutional structures lack (Reimann 2006).

However, like Abbott et al. (2015), the actors are assumed to work together, because they have compatible agendas, and because the arrangement is mutually beneficial. While NGOs are generally understood to influence the agendas of IGOs through targeted activism (Keck and Sikkink 1998), the influence of IGOs on NGO agendas has been largely overlooked. Treating the agendas of these actors as exogenous to the partnership misses a crucial and interesting part of the story. In this paper, the relationship between the resources the IGO provides and the agendas of the NGOs that receive the funding plays a central role.

THEORY

Providing grants to NGOs for services and projects has become a common way for IGOs to have an ‘on the ground’ presence, and gain access to citizens. The trend began in the early 1990s when the UN started providing grants to hundreds of NGOs from developing and transitioning countries to attend and participate in UN conferences (Boli and Thomas 1997, Reimann 2006). The EU followed suit after recognizing that civil society groups experienced difficulties marshaling the funding necessary to participate in EU policy making. The European Commission began to provide grants to NGOs to diversify the representation of interest groups in Brussels, which up until that point was largely dominated by corporate interests (Monaghan 2008). A large number of other international organizations, including the World Bank and NATO have since begun offering funding, which allows NGOs to participate in ways that benefit their funders, from providing medical services to monitoring elections. The sizable proliferation of NGOs over the past few decades can be attributed, in part, to the international funding opportunities provided by IGOs (Boli and Thomas 1997, Reimann 2006).

These IGO grants are intended to empower NGOs and allow them to participate in a way that would not have been possible without the funding. However, by sponsoring specific activities and priorities, the funders may be fundamentally changing the priorities and agendas of the recipients. Offering large grants to a select group of NGOs ensures that organizations whose agendas are aligned with the IGO’s are more likely to survive, and more effective in pursuing their agenda. Further, the availability of this money creates an incentive to found new organizations to access these funds, potentially creating the artificial appearance of salience around an agenda, sometimes referred to as ‘astroturf’, as opposed to a real grassroots movement. For groups that pursue relatively uncontroversial goals, such as the eradication of malaria or the ed-

education of low-income individuals, the source of their funding and the selection of certain groups over others is less problematic. The situation becomes more complex when the recipients engage in advocacy. This is particularly the case when the topics these organizations promote are politically controversial, such as reproductive rights, gun control, or environmental responsibility. If the NGOs pursuing such causes are led to promote the priorities of an IGO over representing the priorities and preferences of the local populace, the implications for global governance may be significant.

The ability of money to drive political and social agendas is not a new phenomenon. For example, in the United States, the Bill and Melinda Gates Foundation has used its financial clout to advance a new national education agenda by funding advocacy groups, research institutions, and news-media organizations that cover higher education issues. An in-depth investigation into the influence of the Foundation's education policy program concluded that "Gates hasn't just jumped on the bandwagon; it has worked to build that bandwagon, in ways that are not always obvious." The Director of the Foundation's 'US Education Postsecondary Success and Special Initiatives' program, Hilary Pennington, stated: "Foundations have an ability to set an agenda, to help clarify an agenda and rally momentum around an agenda" (Field and Supiano 2013). Fox and Rothenberg (2011) argue that the prospect of campaign contributions can change the behavior of policy actors based on the expectation of future interactions, even if no explicit expectations are tied to the money. Other scholars have shown how government funding to civil society organizations has led to a loss of autonomy, mission drift, goal displacement and a reduction in income from private donors among such organizations (Brooks 2010, Chaves, Stephens and Galaskiewicz 2004, Froelich 1999).

Large IGO grants that sponsor public interest groups could reduce the influence of corporate special interests in the policy making process. There is a substantial body of literature on social movements and interest groups that demonstrates it is easier for

corporate interests to mobilize to overcome collective action problems than for public or citizen interests, which are more diffuse (Olson 1965, Pollack 1997). When citizens can't overcome their collective action problem to fund interest groups, IGOs can fund these organizations on their behalf. For example, the European Commission began to offer operating grants to NGOs in the early 1990s of up to €900,000, to encourage them to have an office in Brussels and dedicate time and attention to EU policy making.² The infusion of funding contributed to a substantial shift in interest representation in Brussels. Berkhout and Lowery (2010) find that the EU's interest group population grew significantly during the early 1990s, and changed markedly to include a relatively larger group of organizations that represented public interests, at the expense of corporations and commercial consultants. The considerable increase in public interest groups in Brussels facilitated the growth of policy networks, which helped these organizations engage the public on EU policy making, and compete with industry lobbying efforts.

However, reducing NGOs' needs for funding from other sources may undermine their representativeness, and raises questions about which groups are selected, and whose interests these groups are promoting. In the EU, not all views among the population are equally represented by the recipient NGOs. There is almost no funding for organizations that question expanding the Commission's powers (Thomasson-Lerulf and Kataja 2009), and funding tends to disproportionately flow to center-left organizations that promote policies that are generally unpopular with the broader public, such as lifestyle restrictions (like banning smoking), increasing foreign aid, and transferring new powers to EU institutions (Snowdon 2013). The organizations selected for EU grants earn the money by focusing their energy and attention on effecting policy changes at the supra-national level rather than at the national level,

²The grants are officially provided to NGOs to "coordinate the positions of the members, providing the Commission with one single interlocutor and giving a voice to a large number of local organizations which would otherwise have difficulties reaching to EU decision-makers" (European Commission 2008, p. 6).

facilitating the gradual transfer of power from national governments to the EU.

Much academic literature has been dedicated to how NGOs operate and the impact they have on public discourse and policy. However, the experiences of the people within these organizations may not line up with existing academic theories. To better understand the relationship between institutional funders and European NGOs focused on the EU policy process, I spent a month in Brussels in the Fall of 2015 to interview representatives of NGOs, staff for Members of the European Parliament, advisors to the European Parliament, and bureaucrats that work for the European Commission running some of the grant selection and disbursement programs. The purpose of these interviews was to validate the assumptions and mechanisms at work in my theory, and gain a deeper understanding of the incentives and processes involved in the funding. I was interested in how organizations perceive their own influence in Brussels and at the national level, how funding affects their agendas, and how the NGOs interact with EU institutions. A full list of the individuals interviewed and a more extensive summary of the results are included in the appendix.

I conducted the largest number of interviews with representatives of NGOs. These individuals generally worked, or had previously worked for a Brussels-based NGO that received funding from the Commission. Several individuals who had previously worked with organizations that received the Commission's operating grants unequivocally confirmed that the recipient's agendas follow the money; some even went so far as to refer to it as "grant chasing." These NGOs try to anticipate what the Commission will be looking to fund, and alter their activities to be eligible for such funding. Diogo Pinto, the former Secretariat of the European Youth Forum (which receives around 80 percent of its funding from the Commission) explained that when there are competing organizations that do similar things, the threat of losing funding is real, and recipients must align their messages and activities with the Commission's priorities to ensure continued funding. Daniel Freund, the head of

Advocacy on EU Integrity with Transparency International (a recipient of EU operating grants) explained that while they have their own agenda, they need money, so when a funding call shares some overlap with their own agenda, they prioritize the overlapping projects to obtain EU funding. Some organizations can even lose track of their mission and become too dependent on funding. In another interview, a former employee of Transparency International was decidedly critical of his former employer, and described a process of jumping through hoops to get money from the Commission. Several interviewees confirmed that at the organization level, priorities are driven by the available funding, and corroborated that funders can influence civil society's agenda by making their preferences known, and by rewarding organizations that share their priorities with grants.

While the Commission's funding incentivizes some organizations to concentrate more on shared priorities, others are motivated to adopt new priorities they would not have taken up otherwise. Gabriella Civico, the director of the European Volunteer Centre (CEV; a recipient of EU operating grants) explained they frequently do things that are priorities to the EU, and that they wouldn't have otherwise. For example, 2014 was the 100-year anniversary of the start of WWI, which was a priority in the Commission's funding call. Accordingly, CEV organized events and adjusted its agenda to highlight how volunteers contributed to the war effort. Without the grant program and the call the organization wouldn't have include it in its operations.

Recipients also explained that the Commission is uniquely inflexible in this area. While other funders may allow recipient organizations to shape their own mission and priorities, the Commission only wants to fund their own specific agenda. In Brussels, though, the Commission offers the largest source of money, so NGOs accept these demands to access their substantial funds. Further, the Commission is one of few sources of funding that provides operating grants, which include funding for expenditures like rent, or employee salaries, where project grants only fund specific

activities. Operating grants are important because they allow organizations to retain high-quality employees, and thus boost an NGO's organizational capacity. Several interviewees at Brussels-based organizations spoke about using this funding to hire policy offers who work specifically on EU policy, both to influence and react to policy changes. Without the funding, there would be fewer such policy officers, limiting the ability of these organizations to participate in EU policy making. By selectively providing this funding, the European Commission not only improves the ability of recipient organizations to participate in the process, but also limits the participation of organizations that are not in alignment with the Commissions goals.

Losing funding can have a large impact on an organization. Frédérique Chabaud, a Parliamentary advisor for the Education and Culture Committee, described how when the funding for the Cultural Europe program disappeared the organizations they funded disappeared as well. Maarten Coertjens, an advocacy coordinator at the European NGO Confederation for Relief and Development (CONCORD Europe), explained that when you employ a large number of people you have to consider the impact losing such a grant would have. He further stated that all DGs count on the organizations they fund to put pressure to bear for their priorities, and expect them to try to influence national governments. The fear of losing funding is real because it happens regularly; organizations that have received funding for 5 to 10 years can suddenly lose it. Maarten also explained that a lot of the organizations that receive the operating grants probably wouldn't have even set up an office in Brussels if such grants didn't exist. Alternative funding sources for advocacy NGOs are rare, so most NGOs in Brussels are forced to depend on the Commission.

Once these organizations come to rely on the Commission's funding, they are unlikely to rock the boat by adopting priorities that are not consistent with the Commission's agenda. Additionally, they are much less likely to criticize the Commission than organizations that don't rely on the Commission for survival. Anecdotal evi-

dence is offered by the activities of Greenpeace, one of the only NGOs in Brussels that does not rely on some form of EU funding.³ Jiri Jerabek, a campaigner with Greenpeace based in Brussels, explained that the organization is significantly more critical of Commission actions, and uses more controversial tactics than NGOs that receive Commission grants. They additionally have a more flexible agenda, since they can alter their priorities based only on the preferences of their members.

NGO EXPERTISE AND ASYMMETRIC INFORMATION

NGOs rely on the Commission for funding, but the Commission relies on NGOs for expertise and legitimacy. NGOs provide citizens with a source of credible information on the advantages and disadvantages of a policy agenda, which citizens then use to form beliefs about which policies are most likely to achieve their preferred outcome (Althaus 1998). Citizens trust NGOs to promote their interests, and this popular support has made them increasingly influential in shaping popular preferences and driving issue salience (Wallace, Bornstein and Chapman 2006). NGOs gain their credibility through their history of activism, community contacts and valuable practical knowledge on how to influence popular debate and attract voter attention. One EU official explicitly acknowledged “NGOs have the advantage of being close to the ground and having high credibility with the public and therefore a high potential of achieving effective awareness and outreach” (European Commission 2008, p. 7). The Commission is far less specialized in public awareness campaigns. As Maarten Coertjens of CONCORD Europe stated, “The Commission is really bad at campaigning” (personal interview, October 2015). When they do try, it often backfires because they don’t understand their audience or the issues as well as the NGOs that work with them. For example, a few years ago the Commission made some videos promoting gender equality that were seen as patronizing and backfired badly.

³Greenpeace does not accept any government funds.

IGOs, like many governments, are often highly understaffed bureaucracies that rely heavily on external actors to provide specialized policy expertise and research (Klüver 2013). NGOs are experts in their policy area and know far more than the IGO about how easy or hard it will be to mobilize popular momentum for a specific issue. Whether an objective is truly possible depends on whether it resonates with the members, which the Commission must trust the NGOs to report.

Maarten Coertjens of CONCORD explained that funding priorities that don't resonate with civil society doesn't work. The organizations may still take the money, but fail to accomplish anything with it. "You can't just pull something out of thin air and make it a thing" (personal interview, October 2015). He offered the example of the Youth on the Move campaign, which was an initiative to support European youth with better access to education and training. The campaign was invented in Brussels by bureaucrats, and NGOs were encouraged to engage with policy makers and civil society to promote the agenda. The Brussels-based NGOs that received the grants were behind it, but the national members didn't care about it, so it got stuck in Brussels and never made an impact. Anna Cozzoli with the EACEA agreed that sometimes "there is a gap between expectations and concrete possibilities" (personal interview, October 2015).

The potential for opportunistic behavior may be exacerbated by the sheer volume of the resources provided by IGOs; grants from the European Commission can be as large as €2.5 million. In a recent field experiment assessing the impact of information asymmetry on NGO opportunism, Reed et al. (2013) found that the availability of significant resources inflated the bids of Ugandan NGOs by more than 800 percent compared to the control group. Further, the Commission has difficulty assessing the effectiveness of the recipients. While the organizations have to produce a final report on all activities and outcomes, sometimes the goals of the program make the impact of the NGOs difficult to measure. Anna Cozzoli with the EACEA explained that they

monitor the recipients closely throughout the year and visit them regularly, but some things are hard to quantify, like, do citizens feel more European?

If the funders were able to identify for which goals the NGOs are most likely to be successful in changing public opinion, and exactly how much it will cost to accomplish, they could perfectly optimize the grants. However, NGOs are independent organizations with their own goals, which may be better accomplished by misrepresenting their financial needs, or taking money for objectives that are unrealistic. The recipient NGOs have more priorities than just the ones they share with the funder, and their effectiveness depends on maintaining the support of their members. The need to cater to their member base creates opportunity costs for spending too much attention and money on certain issues. Receiving more money than they need to pursue the IGO's policy objectives means they can spend more of their own money on the policies that earn them support from other groups.

This zero-sum dynamic introduces an incentive for NGOs to withhold information. Fundraising is hard, private donations are highly inconsistent, and more grant money makes everything better, from higher salaries for NGO leaders to reduced need to cater to other funding sources. The problem is that getting a large grant from an IGO is always better than spending their own money, or having to pursue the same objectives with a smaller grant, but will not always lead to a different outcome. This creates three ways for the NGO to use the grant money in a way that doesn't promote the funder's objectives: first, if the NGO can achieve the objective without the funder's help, second, if the NGO spends more of the funder's money than necessary to achieve the objective, or third, if the NGO takes the money but does not achieve the objective.

CO-FINANCING GRANTS TO REDUCE OPPORTUNISM

The European Commission has adapted to reduce the risk of inefficient funding by using a co-financing structure. Grant applications receive a score based on how well their proposed agenda would accomplish the Commission's objectives, as well as on the scale of their geographic and organizational reach through their members. The Commission prioritizes NGOs with higher membership numbers in a greater number of countries, and prefers applications that cover more priority areas. These scores are used to rank the applications, and the top organizations are selected for the grants. The scores are shared with all applicants, but the reasoning behind the scores is not.

Once the recipient organizations are selected, the Commission determines the actual amount of funding they will receive by examining their proposed budget and their financial history. The Commission and its agencies assess the amount of money that the recipients can be expected to contribute themselves. They then award them a co-financing rate for the grant, such that the Commission's contribution, and the amount they expect the recipient NGO to provide, equal the total budget proposed by the NGO. The maximum co-financing rate is 80 percent. The average from 2007-2013 is 47.5 percent, with a standard deviation of 24.7.

The NGO must then raise the funds for their remaining share through other means, usually from membership dues or grants from foundations or national governments. The Commission expects an NGO to spend according to its co-financing rate. For example, for a co-financing rate of 80 percent, the NGO must prove that they spend 20 cents for every 80 cents the Commission funds, up to the maximum of the grant. The amount of funding the EU provides is then a function of how much the NGO spends; if an NGO overspends the Commission's money, it overspends its own money as well. Even if the Commission doesn't know the true amount of spending necessary to achieve its objective, it can, and does, ensure the money is used for its

intended purpose, and that the NGO is spending the maximum it can afford.

In an attempt to reduce waste, the Commission disburses the money in several tranches. At each one, an NGO must provide detailed records of what they spent the previous round of funding on to receive the next disbursement. The Commission also retains the right to audit the recipients for up to ten years after the grant term is completed. Recipients described the process as extremely burdensome. Where other funders may require little to no records of what their money was spent on, the Commission requires a receipt for every single expense, in addition to an activity report that is far more detailed than what NGOs normally provide to their members.

From 2007 to 2013, there were 1,911 operating grants disbursed to NGOs. Five different DGs provided the grants, across 13 different funding programs. The average grant amount was €203,835, with a standard deviation of €678,713. Across all DGs, a total of 1,028 recipients received these operating grants during this time, with the average recipient receiving only 2 years of funding. Table 3.1 shows the number of grants provided by each DG between 2007 and 2013.

Table 1.1: Distribution of Operating Grants by DG

	2007	2008	2009	2010	2011	2012	2013
Employment	11	31	2	2	2	2	19
Environment	30	33	32	32	27	31	32
Education and Culture	108	206	175	182	187	208	210
Health and Food Safety	0	10	10	10	18	21	21
Justice	0	5	7	142	6	31	17

In the next section, I present a formal model to demonstrate how this co-financing mechanism maximizes the impact of the grants in promoting the agenda of the European Commission. The model will show that co-financing is a funding arrangement that results in honest reporting by the NGOs about the cost of the objective, and discourages them from using the money inefficiently.

MODEL

I develop a two-player signaling model with incomplete information that is based on the grant application and selection process employed by the European Commission. The actors are the European Commission and an NGO applying for a grant. The NGO decides whether to request funding, and the European Commission decides how much funding to provide.

The strategic interaction is modeled as a principal agent problem, in which the principal, the European Commission, lacks information about the true cost of the objective, which is a function of the level of opposition. At the start of the model, Nature draws the level of opposition, $\omega \in \{L, H\}$, where with probability π , the opposition is low, indicating an inexpensive goal the NGO can achieve alone, and with probability $1 - \pi$, the opposition is high, indicating an expensive objective that the NGO cannot accomplish themselves. The agent, the NGO, knows the true cost, ω , which is their private information, then decides whether to request a big or small grant, $G \in \{S, B\}$, where $0 < S < G$. The small grant, S, must be small enough that the NGO in the world of low opposition can afford to fund it themselves, thus $S^2 \leq X$.

Upon observing a grant request, the Commission proposes a co-financing rate, $\gamma \in [0, 1]$, which defines the terms of the budget division. If $\gamma = 0$, the Commission contributes nothing, and if $\gamma = 1$, the Commission fully funds the grant. The NGO chooses to either accept, A, or reject, R, the grant at the co-financing rate the Commission offers. If the NGO spends at least B in the world of high opposition, or S in the world of low opposition, they achieve the policy objective, $X \geq 0$, resulting in positive utility for both actors. Since an NGO can request and accept a grant that is insufficient to achieve the policy, an indicator, T, is used to specify whether enough money is acquired to achieve the policy objective, where T=1, and where T=0, the

NGO has received less money than needed. In the high opposition world, X will be achieved only with the help of a big grant from the Commission. In the low opposition world, X can be achieved with or without a grant from the Commission.

If the NGO accepts the grant, the NGO gains positive utility from the Commission's contribution, γG , and the Commission pays $-\gamma G$. The NGO pays the remainder of the grant requested, $-((1 - \gamma)G)^2$, modeled as a negative quadratic function to capture the opportunity costs of spending their own finite budget.

The utility functions takes two main forms; in the low opposition world, the NGO receives the utility for spending whether they accept or reject the grant. If the NGO in the world of low opposition rejects the grant, this is equivalent to accepting a grant where $\gamma = 0$. The NGO in the high opposition world receives the utility for spending only when they accept a grant, and the utility of not spending for rejecting a grant. The utility of not spending is zero for both actors.

The utility for spending is:

$$U_N(S) = \gamma G - ((1 - \gamma)G)^2 + (T)X,$$

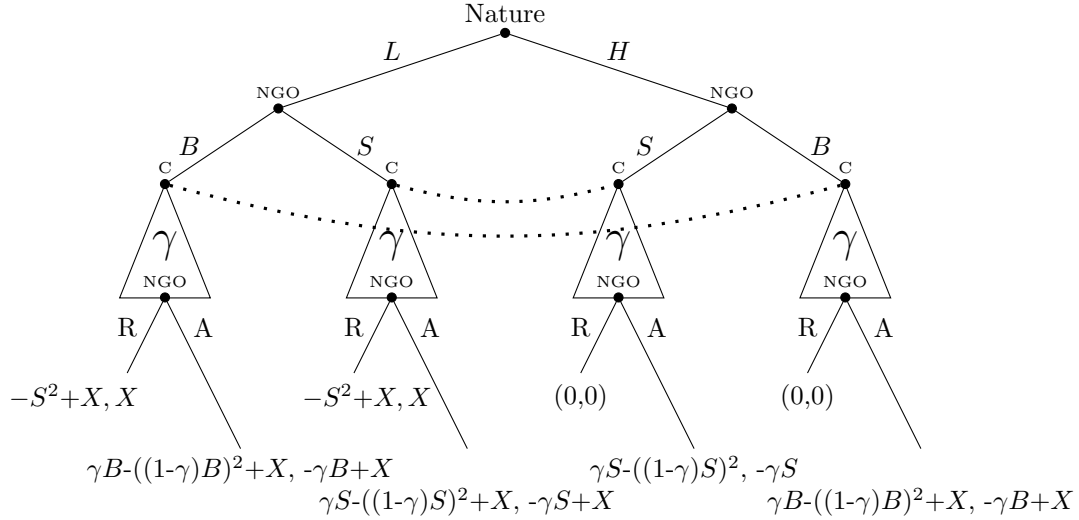
for the NGO, and

$$U_C(S) = -\gamma G + (T)X,$$

for the Commission.

The stylized game is presented below.

THE GAME



EQUILIBRIUM BEHAVIOR

The solution concept is a perfect Bayesian equilibrium. The proof below shows that a unique separating equilibrium exists in which the NGO in the low opposition world requests a small grant and the Commission offers $\gamma = 0$, and the NGO in the high opposition world requests a big grant, and the Commission offers $\gamma = \gamma_h^*$. Both NGOs accept the grant and accomplish the objective, X.

WHEN THE NGO REQUESTS S

In the low opposition world, under what conditions does the NGO who requests a small grant (S) accept? Note, if the NGO rejects the grant, it still receives the utility for spending $U(S)$ but with $\gamma = 0$, because they fund the objective alone.

$$\begin{aligned}
 U_N(A|S, L) &\geq U_N(R|S, L) \\
 \gamma S - (S - S\gamma)^2 + X &\geq -S^2 + X \\
 1 &\geq S(\gamma - 2)
 \end{aligned}$$

$$S \geq \frac{1}{\gamma - 2} \quad (1.1)$$

Since $\gamma \in [0, 1]$, this is always true.

In the high opposition world, under what conditions does the NGO who requests a small grant (S) accept? Note that when a small grant is accepted in the high opposition world, the policy is not achieved, therefore $T=0$. If the NGO rejects the grant, they receive the utility of not spending: zero.

$$U_N(A|S, H) \geq U_N(R|S, H)$$

$$\gamma S - ((1 - \gamma)S)^2 \geq 0$$

$$S(1 - \gamma)^2 \leq \gamma$$

$$S \leq \frac{\gamma}{(1 - \gamma)^2} \quad (1.2)$$

WHEN THE NGO REQUESTS B

In the low opposition world, under what conditions does the NGO who requests a big grant (B) accept? Note, if the NGO rejects the grant, they still receive the utility for spending $U(S)$ but with $\gamma = 0$, because they fund the objective alone, and $T=1$ in both cases.

$$U_N(A|B, L) \geq U_N(R|B, L)$$

$$\gamma B - ((1 - \gamma)B)^2 + X \geq -S^2 + X$$

$$S^2 \geq ((1 - \gamma)B)^2 - \gamma B \quad (1.3)$$

In the high opposition world, under what conditions does the NGO who requests a big grant (B) accept? Note, if the NGO rejects the grant, it receives the utility of not spending: zero.

$$\begin{aligned}
U_N(A|B, H) &\geq U_N(R|B, H) \\
\gamma B - ((1 - \gamma)B)^2 + X &\geq 0
\end{aligned}$$

$$X \geq ((1 - \gamma)B)^2 - \gamma B \tag{1.4}$$

To see what the Commission does, let θ represent the Commission's beliefs that $\omega = H$ when the NGO requests a small grant, S , and μ represent the Commission's beliefs that $\omega = H$ when the NGO requests a big grant, B . To see what the Commission offers when a small grant is requested, I prove the following claim.

CLAIM 1: WHEN S IS REQUESTED, THE COMMISSION OFFERS $\gamma = 0$.

PROOF

Since $\gamma \in [0, 1]$, the condition given by equation 1 is met and therefore the NGO in the low opposition world accepts any γ .

To see that the Commission prefers $\gamma = 0$ there are two cases to consider. Either γ satisfies (2) and the NGO in the high opposition world accepts, or it does not, in which case the NGO in the high opposition world rejects. For ease of exposition, the γ that satisfies (2) will be referred to as $\underline{\gamma}$, such that if $\gamma \geq \underline{\gamma}$ the NGO accepts, and if $\gamma < \underline{\gamma}$ the NGO rejects.

The Commission's expected utility of offering $\gamma = 0$ is $X(1 - \theta)$. Because the NGO in the low opposition world always achieves X ($T=1$), the Commission receives X if $\omega = L$, and pays no costs.

To see that the Commission prefers to offer $\gamma = 0$, in the first case, if the Commission offers $\gamma > \underline{\gamma}$ then (2) is satisfied, and the NGO in the high opposition world accepts the grant. Since the NGO in the low opposition world always accepts, the Commission will pay $-\gamma S$ with certainty. However, since the NGO in the high opposition world is underreporting, if the NGO accepts then $T=0$, thus $T=1$ only if

$\omega = L$.

CASE 1

$$EU_C(\gamma = 0, \theta) > EU_C(\gamma \in [\underline{\gamma}, 1], \theta)$$

$$X(1 - \theta) \geq -\gamma S + X(1 - \theta)$$

$$0 \geq -\gamma S$$

This is true for all γ .

In case 2, to see that the Commission prefers to offer $\gamma = 0$, if it offers $\gamma < \underline{\gamma}$, then the NGO in the high opposition world will reject the grant, and only the NGO in the low opposition world will accept. Since only the NGO in the low opposition world can achieve X with a small grant, the probability the grant is accepted is the same as the probability the objective is achieved.

CASE 2

$$U_C(\gamma = 0, S, \theta) > U_C(\gamma \in (0, \underline{\gamma}), S, \theta)$$

$$X(1 - \theta) \geq -\gamma S(1 - \theta) + X(1 - \theta)$$

$$0 \geq -\gamma S(1 - \theta)$$

This is true for all γ and all θ . This proves Claim 1.

Therefore, when S is requested, the Commission offers $\gamma = 0$.

To see what the Commission offers when B is requested, I prove the following claim.

CLAIM 2: FOR ALL B , THE COMMISSION PREFERS EITHER $\gamma = \gamma_h$
OR $\gamma = 0$

PROOF

Let γ_L represent the offer that an NGO accepts if $\omega = L$, and γ_h represent the offer an NGO accepts if $\omega = H$.

Given (3), the NGO in the low opposition world accepts if $\gamma \geq \gamma_L$ and given (4), the NGO in the high opposition world accepts if $\gamma \geq \gamma_h$. Since $X \geq S^2$, we know $\gamma_L \geq \gamma_h$.

Recall:

$$(3) S^2 \geq ((1 - \gamma)B)^2 - \gamma B \text{ and}$$

$$(4) X \geq ((1 - \gamma)B)^2 - \gamma B$$

Since the Commission offers the minimum for acceptance, these constraints are binding.

$$S^2 = ((1 - \gamma_L)B)^2 - \gamma_L B$$

$$X = ((1 - \gamma_h)B)^2 - \gamma_h B$$

Since $X \geq S^2$, the following inequality must hold.

$$((1 - \gamma_h)B)^2 - \gamma_h B \geq ((1 - \gamma_L)B)^2 - \gamma_L B$$

$$(2B + 1)(\gamma_L - \gamma_h) \geq B(\gamma_L - \gamma_h)(\gamma_L + \gamma_h)$$

Now, consider if $\gamma_L \leq \gamma_h$, then dividing by $\gamma_L - \gamma_h$ requires flipping the inequality.

$$2B + 1 \leq B(\gamma_L + \gamma_h)$$

$$2 + \frac{1}{B} \leq \gamma_L + \gamma_h$$

Since $\gamma_L + \gamma_h \leq 2$, this is never true.

Now, instead consider if $\gamma_L \geq \gamma_h$, then dividing by $\gamma_L - \gamma_h$ does not require flipping the inequality.

$$2B + 1 \geq B(\gamma_L + \gamma_h)$$

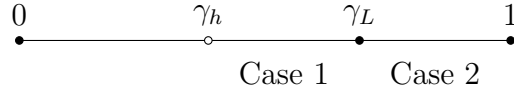
$$2 + \frac{1}{B} \geq \gamma_L + \gamma_h$$

Since $\gamma_L + \gamma_h \leq 2$, this is always true. Thus, the condition is only met when

$$\gamma_L \geq \gamma_h.$$

When the Commission offers $\gamma = \gamma_h$, the NGO in the high opposition world will accept the grant, and the NGO in the low opposition world will reject the grant. The Commission receives the benefit of the policy achievement in either case, since the NGO in the high opposition world is sufficiently funded, such that $T=1$, and the NGO in the low opposition world will achieve it even though they reject the grant.

Thus the Commission's expected utility of offering $\gamma = \gamma_h$ is $\mu(-\gamma_h(B)) + X$. To prove this strategy dominates offering any other $\gamma \geq \gamma_h$, there are two alternative cases to consider, either $\gamma_h < \gamma < \gamma_L$, or $\gamma_L \leq \gamma \leq 1$.



CASE 1

To see that the Commission prefers to offer $\gamma = \gamma_h$, in the first case, if $\gamma_h < \gamma < \gamma_L$, then the NGO in the high opposition world will accept the grant, and the NGO in the low opposition world will reject the grant. The Commission prefers to offer γ_h if the following is true:

$$EU_C(\gamma_h|\mu) \geq U_C(\gamma \in (\gamma_h, \gamma_L)|\mu)$$

$$-\gamma_h B(\mu) + X \geq -\gamma B(\mu) + X$$

$$\gamma_h \leq \gamma$$

Since $\gamma \in (\gamma_h, \gamma_L)$, this is always true.

CASE 2

If $\gamma_L \leq \gamma \leq 1$, then the NGO in the high opposition world and the NGO in the low opposition world will accept the grant, thus the Commission's expected utility is $-\gamma B + X$. The Commission prefers to offer γ_h if:

$$\begin{aligned} EU_C(\gamma_h|\mu) &\geq EU_C(\gamma \in [\gamma_L, 1]|\mu) \\ -\gamma_h B(\mu) + X &\geq -\gamma B + X \\ \gamma_h(\mu) &\leq \gamma \end{aligned}$$

Since $\gamma_h < \gamma_L$, and $\mu \in [0, 1]$, this is true for all μ . Therefore the Commission prefers to offer γ_h over any $\gamma > \gamma_h$.

To see that the Commission's expected utility of offering $\gamma = 0$ is at least as good as any other $\gamma < \gamma_h$, a final case is considered. If the Commission offers $\gamma = 0$, the NGO in the high opposition world does not accept the grant and the Commission receives the utility of not spending. The NGO in the low opposition world also does not accept the grant, $T=1$ with probability $\omega = L$. Thus, the Commission's expected utility of offering $\gamma = 0$ is $X(1 - \mu)$.

If the Commission offers $0 < \gamma < \gamma_h$, both the NGO in the high and low opposition world will reject the grant, and only the NGO in the low opposition world will accomplish the objective. Thus, the Commission's expected utility of offering $0 < \gamma < \gamma_h$ is $X(1 - \mu)$. Since these payoffs are the same, the Commission is indifferent. However, since it's reasonable to assume the Commission would rather offer $\gamma = 0$ than $\gamma \geq 0$ and be rejected since the transaction costs of these grants are high, so assuming the Commission would offer 0 when indifferent is reasonable.

Therefore, the Commission's best response if the NGO requests B are either $\gamma = \gamma_h$, or $\gamma = 0$. This proves claim 2.

Since the Commission offers only γ_h or 0, it will offer γ_h if:

$$\begin{aligned}
U_C(\gamma_h|B, \mu) &\geq U_C(0|B, \mu) \\
-\gamma_h B(\mu) + X &\geq (1 - \mu)X \\
\gamma_h B &\leq X
\end{aligned}$$

$$\gamma_h \leq \frac{X}{B} \tag{1.5}$$

The γ_h chosen must satisfy equation (4), $X \geq ((1 - \gamma)B)^2 - \gamma B$, and equation (5).

To make the NGO in the high opposition world indifferent between accepting and rejecting, the Commission offers

$$\gamma_h^* = \frac{1 + 2B - \sqrt{1 + 4B + 4X}}{2B} \tag{1.6}$$

To see this,

$$\begin{aligned}
U_N(A|B, H) &\geq U_N(R|B, H) \\
\gamma_h B - ((1 - \gamma_h)B)^2 + X &\geq 0 \\
\gamma_h^* &\geq \frac{1 + 2B - \sqrt{1 + 4B + 4X}}{2B}
\end{aligned}$$

This satisfies (5)

Proof: Plugging γ_h^* into (5) yields:

$$\begin{aligned}
\frac{1 + 2B - \sqrt{1 + 4B + 4X}}{2B} &\leq \frac{X}{B} \\
B &\leq X + \sqrt{2X}
\end{aligned}$$

Therefore when $B \leq X + \sqrt{2X}$, the Commission offers γ_h^* , and when $B > X + \sqrt{2X}$ the Commission offers $\gamma = 0$.

To see that this offer is incentive compatible with the NGO's first move, note that the decision to apply for a small grant or a big grant, given the Commission's strategy of offering $\gamma = 0$ if S, is requested and $\gamma = \gamma_h^*$ if B is requested.

When $\omega = L$, the NGO requests S when the expected utility of a small grant with no co-financing is greater than the expected utility of requesting a big grant and receiving co-financing. The γ that meets this condition is γ_L . To see that γ_h^* satisfies this, γ_L is solved for below.

$$\begin{aligned} U_N(S|L, \gamma = 0) &\geq U_N(B|L, \gamma > 0) \\ -S^2 + X &\geq \gamma_L B - ((1 - \gamma_L)B)^2 + X \\ \gamma_L &\leq \frac{1 + 2B - \sqrt{1 + 4B + 4S^2}}{2B} \end{aligned}$$

In other words, for all $\gamma \leq \gamma_L$, such that $\gamma_L = \frac{1 + 2B - \sqrt{1 + 4B + 4S^2}}{2B}$, the NGO in the low opposition world will not request a big grant.

To show that the Commission's strategy induces the NGO in the low opposition world to report honestly, γ_h^* must meet this constraint, such that

$$\gamma_h^* \leq \frac{1 + 2B - \sqrt{1 + 4B + 4S^2}}{2B}$$

Equation (6) gives the value of γ_h^*

$$\begin{aligned} \frac{1 + 2B - \sqrt{1 + 4B + 4X}}{2B} &\leq \frac{1 + 2B - \sqrt{1 + 4B + 4S^2}}{2B} \\ X &\geq S^2 \end{aligned}$$

This is always true. Thus, when the Commission offers γ_h^* when B is requested, the NGO in the low opposition world reports honestly and requests S.

When $\omega = H$, to see when the NGO will ask for B, note that if the NGO honestly requests B, they receive an offer of γ_h^* and accept, achieving the policy and resulting in $EU_N(B|H, \gamma_h^*) = \gamma_h^* B - ((1 - \gamma_h^*)B)^2 + X$. If instead the NGO requests S, the Commission offers $\gamma = 0$ and the NGO rejects the grant, receiving the utility of not spending.

Thus, in order for the NGO in the high opposition world to request B, $EU_N(B|H, \gamma_h^*) \geq 0$. Since this meets the requirements in equation (6), given that the Commission offers γ_h^* , the NGO in the high opposition world will request B.

STATEMENT OF EQUILIBRIUM

When $\omega = L$, the NGO will request a small grant, S, and accept any offer, $\gamma \in [0, 1]$.

When $\omega = H$, the NGO will request a big grant, B, and accept any offer $\gamma \geq \gamma_h$.

When S is requested, the Commission will offer $\gamma = 0$

If $B \leq X + \sqrt{2X}$ is requested, the Commission will offer

$$\gamma_h^* = \frac{1 + 2B - \sqrt{1 + 4B + 4X}}{2B}$$

For all other B, the Commission will offer $\gamma = 0$

The equilibrium beliefs are $\theta = 0, \mu = 1$.

SEMI-SEPARATING AND POOLING EQUILIBRIA

To explore the model further, it's useful to demonstrate that no pooling or semi-separating equilibria exist. Claim 2 establishes that the Commission always offers $\gamma = 0$ when S is requested, and $\gamma = \gamma_h^*$ when B is requested, for all μ and θ . Therefore, any pooling equilibrium must be consistent with these strategies.

CLAIM 3: NO SEMI-SEPARATING EQUILIBRIUM EXISTS.

Proof:

Let M represent a strategy where the NGO requests S with probability p, and B with probability (1-p).

Since the NGO in the low opposition world can fund the objective themselves, the utility is the same for rejecting either grant, or accepting a small grant, $-S^2 + X$, since funding the objective themselves is effectively accepting $\gamma = 0$. By assumption then, the NGO is indifferent between requesting S and accepting if $\gamma = 0$, and requesting B and rejecting the Commission's offer. Since the Commission also receives the same utility in both cases, X, assuming the NGO will request S instead of requesting and rejecting B has no impact on the equilibrium.

The only relevant comparison then is if the NGO in the low opposition world requests B and accepts,

$$\begin{aligned} EU_N(S, \gamma = 0) &\geq EU_N(M, \gamma \in \{0, \gamma^*\}) \\ -S^2 + X &\geq (p)(-S^2 + X) + (1 - p)(\gamma^*B - ((1 - \gamma^*)B)^2 + X) \\ S^2 &\leq ((1 - \gamma^*)B)^2 - \gamma^*B \end{aligned}$$

Recall, equation (3) which specifies the conditions for acceptance for the NGO in the low opposition world to accept a big grant is:

$$S^2 \geq ((1 - \gamma^*)B)^2 - \gamma^*B$$

Thus, the NGO would never accept a big grant, so if B is requested, it will be rejected. Since the NGO is indifferent between requesting S and accepting and requesting B and rejecting, there is no strategy better than always requesting S when $\omega = L$, the NGO will always request S.

To consider whether the NGO plays a mixed strategy when $\omega = H$, suppose the same alternative strategy, M, where the NGO plays S with probability p, and B with probability (1-p). If the NGO in the high opposition world rejects any grant, they accomplish nothing, and receive 0.

Since $T=0$ when S is requested, the NGO's utility from accepting a small grant is $-S^2$, which is never better than rejecting the grant and receiving 0. Therefore, if the NGO in the high opposition world requests S, they will always reject.

Demonstrating no mixed strategy equilibria exist must show that accepting B is always better than rejecting a small grant.

$$\begin{aligned} EU_N &= 0 \text{ with probability } p, \text{ and} \\ EU_N &= \gamma^*B - ((1 - \gamma^*)B)^2 + X, \text{ with probability } 1-p. \\ \gamma^*B - ((1 - \gamma^*)B)^2 + X &\geq (1 - p)(\gamma^*B - ((1 - \gamma^*)B)^2 + X) \\ 0 &\leq \gamma^*B - ((1 - \gamma^*)B)^2 + X \end{aligned}$$

This is met by equation (6).

CLAIM 4: NO POOLING EQUILIBRIUM EXISTS.

Claim 3 demonstrated that when $\omega = L$, the NGO will never play B with any probability, and when $\omega = H$, the NGO will never play S with any probability. Thus, no equilibrium in which both types play the same strategy exists.

COMPARATIVE STATICS

When the Commission is able to optimally set the percent of the budget they fund, their contribution is a function of how much help the NGO needs, not how much they ask for. The model shows that by requiring NGOs to provide their own money and extracting the maximum contribution toward the shared goal, the European Commission is able to avoid spending money on outcomes that would have happened anyway, ensuring the money is spent with the greatest efficiency. Further, by forcing the NGO to spend their money in proportion to the Commission's, it reduces the incentive to overspend, eliminating the risk of providing funding that won't result in policy change.

Two testable comparative statics are produced by the model. The first prediction is that as the shared value of the goal increases to both actors, the Commission will contribute less money to the grant. Holding all else equal, this should present as a lower co-financing rate, and a lower total amount of funding. The logic is that as the value of the objective increases for the NGO, they will have more opportunities to find other funding to pursue the objectives, thus needing less money from the Commission. If an issue becomes more relevant, an NGO's members may be willing to fund more to support it, or the NGO may be able to find more funding from other grant providing organizations.

An example of this may be found in funding for NGOs to monitor trade negotiations. For many years while there were no trade negotiations ongoing, there

was little funding for NGOs to pursue this issue, but with the increased relevance of TTIP, trade negotiations have become a much higher priority for both the European Commission and NGOs, as well as other funding organizations. In the period before TTIP made trade negotiations more relevant, if the Commission had wanted NGOs to participate in consultations or discussions on trade negotiations, they would have had to fund them almost entirely themselves, since the issue was not important enough for their members or other funders to support. Now plenty of funding organizations are willing to provide NGOs grants to participate in debates about TTIP, so the Commission does not need to provide them as much money to ensure they are able to participate.

The second prediction relates to the cost of achieving the objective, and the total budget that will be presented to the Commission for funding. The more difficult (costly) the NGO's objective, the more money the Commission will provide them to accomplish it. If the value of the objective does not increase, but the objective itself becomes more challenging, the NGO will need more money from the Commission to accomplish it. This may present as a higher co-financing rate, a higher total amount provided, or a greater operating budget overall.

Some anecdotal evidence to support the hypotheses can be seen in the budget changes of the European Youth Forum (EYF). This organization is one of the main recipients of EU funding under the Erasmus+ program, provided by DG Education and Culture, and according to the former Secretariat⁴ Diogo Pinto, the organization exists due to the Commission's operating grants. From 2010 to 2014 the EYF worked with the Commission to promote the Youth on the Move initiative, which proposed 28 key actions aimed at increasing young people's chances of finding a job by improving the quality and attractiveness of education and training in Europe and by enhancing opportunities to go abroad for education or training purposes.⁵ The Youth

⁴In the US we would refer to this as the Director.

⁵http://ec.europa.eu/public_opinion/flash/fl_319b_en.pdf

on the Move campaign was part of the EU's Europe 2020 strategy, adopted in 2010. As previously discussed, according to Brussels insiders, this campaign was a purely Brussels initiative, and was widely considered a failure. Despite the millions of euros spent, the initiative ended prematurely in December 2014. In 2016 it was replaced by a revised "European Youth Strategy".

The Youth on the Move initiative is an example of an issue that did not resonate with civil society, and would thus be an expensive objective. According to the predictions of the model, in order to work on this issue, the EYF would need significant sponsorship by the Commission in the form of a high co-financing rate, since the Youth on the Move initiative does not resonate with members and other potential funding sources. This is consistent with their funding pattern. In 2012 (the first year that the information is available), EYF received €2,421,808 from the Commission, at a co-financing rate of 84 percent. The rate went up to 85 percent in 2013 and 2014 in the final push for the Youth on the Move Campaign, but once the initiative was dropped, the co-financing rate dropped to 80 percent in 2015. When EYF's agenda included more things that other funding sources were excited about, the Commission didn't need to contribute as much.

Despite the reduced co-financing rate in 2015, their budget continued to grow, including the total grant amount from the Commission. This can be explained by the fact that their agenda increased, such that they adopted new issues that the Commission wanted to fund, but these new issues resonated more with members and other donors. While they continued to work on priorities that have always been on their agenda, such as youth unemployment, in 2015 the EYF shifted their focus to migration and preventing young people's exposure to extremism. In the terms of the model, the difficulty increased because they took on a lot of objectives, and ones that are particularly challenging from a policy standpoint, but the importance to other donors also increased, resulting in a lower co-financing rate. From 2014 to 2015 the

size of their grant from the EU grew by almost €100,000, but their total budget increased by €243,750.⁶

CONCLUSION

This paper presented a model to identify the conditions under which the grants will change an NGO's agenda and demonstrated that through a co-financing grant structure, the EU can co-opt the agenda of interest groups. The influence over domestic politics that this channel offers IGOs is significant, and achieving policy change by pressuring national governments from the bottom-up may be one of the most effective tools an IGO has to advance their agenda. The accompanying papers in this dissertation will look at the utility of the grants in mobilizing legitimacy among the population, and increasing the influence of interest groups that lobby representatives to support the Commission's policies.

The model here contributes to the literature on global governance by providing a theory driven account for how international actors collaborate to accomplish their goals. By looking more closely at how funders and NGO recipients interact and cooperate, we can begin to tease apart the impact of the funding on the agenda and activities of the recipients, and the long-term implications for international policy. While these actors are often viewed as acting in isolation, this perspective contributes important insights in our study of transnational governance.

While advocates of the EU will find the outcome laudable, leaving the choice of which interest groups are strengthened in policy-making up to unelected international bureaucrats who are far removed from their population introduces its own challenges to democracy. Empowering environmental NGOs against multinational corporations isn't controversial, but giving more to Danish NGOs than Hungarian NGOs, or prioritizing women's rights groups over minority rights groups has the po-

⁶<http://www.youthforum.org/>

tential to undermine the representativeness of the interests served in Brussels, and reshape the preferences of the population.

This funding relationship is not unique to the European Union, or even international organizations. The model can be applied to explain how those with money can buy popular demand. However, rather than hiring lobbyists, the opportunity to redirect the priorities and activities of NGOs provides any grant-making institution, from the Gates Foundation to the US State Department, the ability to create popular demand and legitimacy for their agenda. Far from speaking to socialization and norms, this is a story of how rational actors pursuing their independent objectives will converge behind a unified agenda. Maybe money can't buy happiness, but it can buy influence.

2. Mobilizing Legitimacy

INTRODUCTION

In a seemingly innocuous move in early 2013, the Austrian Minister of Agriculture, Nikolaus Berlakovich voted against an EU ban on neonicotinoids, or neonics, a pesticide that had recently been found to be harmful to bees. It turned out to be a significant political miscalculation. Despite the relatively obscure nature of the subject, NGOs across Europe ensured that he and other politicians that opposed the ban paid dearly. One NGO, Bee Life, circulated a letter to bring his vote to the attention of Austrian citizens, and encourage them to pressure their government to support the ban. The Pesticide Action Network Europe launched a campaign to Save the Honey Bees, which vilified national representatives that voted against the ban, and publicized their ties to pesticide manufacturers and corporate interests. Twelve environmental organizations from all over Europe banded together for the ‘March of the Beekeepers’ on Downing street in London to support the ban, and delivered a petition signed by 2.6 million people to the British government (Foundation 2013).

Within a few weeks, various media outlets had labeled Berlakovich as the “Minister of Poison”, and the NGOs had mobilized so much support among environmentally conscious Austrians that he suffered a vote of no confidence in the Austrian parliament. By late April, Berlakovich publicly reversed his position to support the ban, but it was too late; he was out of a job by December. Thanks to the efforts

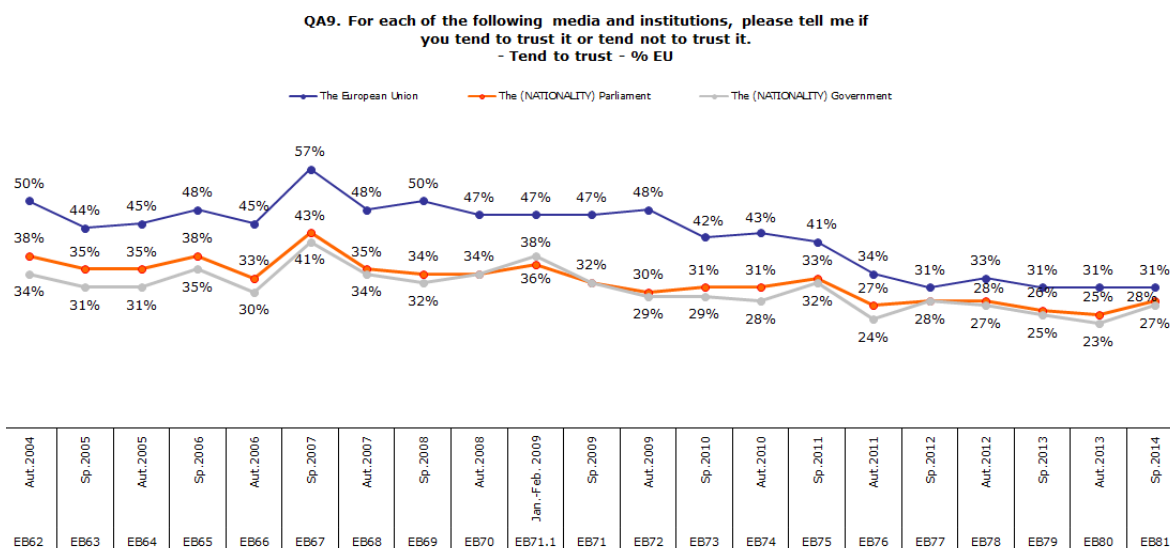
of these NGOs, almost overnight, neonics changed from an obscure term to an issue with the potential to swing an election. The resulting demand for EU legislation that these NGOs mobilized opened the door for new environmental policies across Europe, and gave the European Commission a powerful popular mandate (Stoyer 2013).

Scholars of international institutions that have examined the evolution of the EU over the last several decades see an increasingly powerful organization whose influence over national policies has become so significant that it has eclipsed the nation state in many arenas. For example, the EU is responsible for 80% of environmental laws in member states, boasting some of the strictest environmental legislation in the world (World Wildlife Fund 2017). However, the institution's powers and support among the broader European populace appear to be diverging. A recent referendum among UK citizens led to that country's decision to leave the European Union, and this is just one of many indicators of a growing sense of disenchantment with the project. Across Europe, especially in historically pro-EU countries like the Netherlands and France, nationalist parties have become increasingly popular, and anti-EU sentiment is on the rise. While the EU's power has grown steadily, trust in the supra-national organization has declined.

How has EU policy proliferated at such a fast pace, despite growing public skepticism? States don't surrender their sovereignty willingly, and yet the European Union has demonstrated significant power to influence governments and citizens alike. Where does this influence come from?

Much of the credit goes to NGO-led campaigns in support of EU policies. In environmental policy alone, European NGOs have campaigned for sweeping regulations on chemicals, GMOs, emissions, transportation, pesticides, water pollution, waste management, the protection of biodiversity, and many other environmental topics. Few member states have been able to implement such regulations by themselves in the face of powerful, well-funded, and well-organized industry opposition. The NGO

Figure 2.1: Trust in the EU 2004-2014



Source: Eurobarometer 81, 2014

literature focuses on the ability of these organizations to mobilize change by spreading information, naming and shaming, and pressuring governments by leveraging domestic accountability (Boli and Thomas 1997, Keck and Sikkink 1998, Reimann 2006). These campaigns are often considered to be the result of organic demand for new policies among the population based on changing norms, but less is known about why certain issues are chosen, and which NGO campaigns are more likely to lead to successful policy outcomes.

One piece of the puzzle that has been under-explored is the relationship between the funders that provide the resources for NGOs to undertake these campaigns, and the policy changes the campaigns produce. In the European Union, the European Commission is itself the largest funder. From 2007 to 2013, the Commission dedicated an average of €50,866,451 per year to NGOs to specifically advocate for desired EU policy changes, for a total of €356,065,158. The Environmental Directorate (DG) alone has provided over €61,681,100 to NGOs in Brussels between 2007 and 2013,

explicitly for advocacy activities¹ (NGO Operational Grants, 2013).

The European Commission has the exclusive ability to draft and propose policy in the European Union, and its partnership with NGOs may offer the Commission the ability to mobilize popular demand for the legislation they propose. This ability provides them a unique and relatively unconstrained influence over both the policy agenda and the legislative process. There is no scarcity of examples of this type of goal-oriented funding in the EU. In 2003, as Poland was completing its entry negotiations, and was preparing to organize a popular referendum on joining the EU, the Commission channeled millions of euros to pro-European initiatives in Poland. It actively funded NGOs and other civil society groups to bolster support for Polish membership among the population (Economist 2004). The EU's funding of advocacy organizations to influence national politics even supports the Commission's foreign policy objectives. In a recent interview I conducted with Gabriela Ścibiorska, an administrator of the Europe for Youth grant program, she proudly reported that a number of youth organizations the Commission had funded were leading protests against the Ukrainian government in 2013 after President Viktor Yanukovich refused to sign a political association and free trade agreement with the European Union.

The long-term implications of engaging in these top-down funding arrangements on selective policy issues and interests are not insignificant. NGOs are often catalysts for social movements and popular demand (Keck and Sikkink 1998), so an IGO that changes the agendas that NGOs pursue to promote its own priorities can fundamentally change which issues receive attention from citizens and governments. By providing funding to NGOs to pursue certain issues, IGOs can increase demand among the population for policies they support, and can pressure governments from the bottom-up by leveraging domestic accountability. In the principal-agent context, IGOs are agents tasked with representing the interests and preferences of their prin-

¹In 2014, the Environmental DG provided €9,025,770

cipals (member states). However, their partnerships with NGOs may allow them to change the interests and preferences of their principals. If this is the case, then states not only influence IGOs, but IGOs influence states as well. The power international bureaucrats possess to affect national policy by tapping into this channel of influence may be significant, but has so far been overlooked.

This paper explores the relationship between IGO funding to NGOs to advocate for IGO desired policy changes, and popular support for such changes on the ground, in the context of the European Union. Specifically, it examines whether exposure to Commission-funded NGOs increases the likelihood that European citizens trust the EU, and support the transfer of power from national governments to the EU. This broad question will be addressed by studying the preferences of European citizens regarding environmental policy using three years of Eurobarometer public opinion surveys on ‘Attitudes of Europeans Toward Environment.’ This includes Eurobarometer 81.3, administered between April and May 2014; Eurobarometer 75.2, administered between April and May 2011; and Eurobarometer 68.2, administered between November and December 2007. These surveys allow for an assessment of citizens’ feelings on EU actions in environmental matters. The paper will combine these survey data with an original dataset that measures the presence of Commission funded environmental NGOs in each member-state, to test 3 key hypotheses:

Hypothesis 1 - Individuals that are exposed to Commission-funded NGOs are more likely to trust the EU when it comes to environmental issues.

Hypothesis 2 - Individuals that are exposed to Commission-funded NGOs are more likely to believe that the EU should be involved in environmental decision-making.

Hypothesis 3 - Individuals that are exposed to Commission-funded NGOs that work to raise awareness about specific environmental issues (water pollution, air pollution, and biodiversity) are more likely to report they are concerned about those

issues.

The paper will proceed with a discussion of the state of international governance, and will then more closely examine how Commission-sponsored NGO activism works in practice, based on evidence from interviews with EU policy makers and NGO representatives in Brussels. The paper will continue with an explanation of the measurement strategy and construction of the two key independent variables: the number of Commission-funded environmental NGOs and their members in each state, and the centrality of each state in the network of Commission-funded environmental NGOs. The discussion will then focus on the individual-level covariates included in each model, before moving to the main analysis of the hypothesis, and the models themselves. The paper will conclude with a discussion of the implications for global governance more broadly, considering the evidence provided by the tests.

LITERATURE REVIEW

IGO scholarship has come a long way in the last few decades. The dominant questions no longer focus on whether IGOs matter, as Waltz (1979) and Mearsheimer (1995) anticipated, but rather on how they matter, and on the conditions under which they are most likely to be effective. Rationalists have credited the success of international institutions in facilitating coordination, transparency, monitoring and information exchange (Abbott and Snidal 1998, Keohane 1998). The observable evidence provided by organizations like the World Trade Organization, the International Monetary Fund, and the European Union demonstrate that these organizations are having a non-trivial impact on global governance. Despite their potential, IGOs still face significant obstacles in administering international justice and driving global governance. They often struggle with restrictive treaty mandates, close member oversight, and limited resources, both financial and administrative. Consequently, IGOs often

lack the capabilities to achieve the outcomes they were created to fulfill (Abbott, Genschel and Snidal 2015).

While these factors don't eliminate their potential to promote their agenda, as skeptics have predicted, IGO effectiveness frequently depends on the ability to bypass recalcitrant states, and create change through less observable channels (Abbott and Snidal 2009*a,b*, 2010, Mathews 1997, Reinicke 1998, Rosenau 1995). Working with third parties has become an increasingly common way in which IGOs pursue their objectives despite the limitations they face. Some delegate specific tasks to outside agencies, such as when the European Commission enlists domestic regulatory networks as intermediaries to implement EU regulatory policies (Blauberger and Rittberger 2015), or when the United Nations High Commissioner for Refugees (UNHCR) contracts out the management of refugee camps to private relief organizations (Cooley and Ron 2002).

The most comprehensive look at how IGOs use third parties to achieve their objectives is presented by Abbott, Genschel, and Snidal (2015). The book investigates the conditions under which IGOs enlist the help of other organizations, including NGOs, business groups, trans-governmental networks, and other IGOs. The authors examine several different partnerships, and posit that IGOs use intermediaries when they lack capabilities, and when the goals of the member states diverge. The intermediaries bring governance capabilities, such as local information, technical expertise, enforcement capacity, material resources, legitimacy and direct access to targets.

Abbott et. al and the scholars that contribute to the chapters provide compelling evidence that the relationships IGOs form with third party actors matter in global governance. However, the authors pay less attention to how particular institutional features, such as control over discretionary spending, affect the ability of IGOs to pursue their objectives. International bureaucrats are a critical piece of this story, but are generally treated as exogenous to the outcomes.

Indeed, international bureaucrats are rarely seen as consequential in IGO scholarship, and little attention is paid to the variation in the tools they have at their disposal. The old-school realists, such as Mearsheimer (1994-1995), Morgenthau (1967), Waltz (1979) treat their impact on powerful states as theoretically unlikely. A number of constructivist scholars, such as Barnett and Coleman (2005), Barnett and Finnemore (1999), Hurd (1999), Wendt (2001) have focused on the role of IGO employees in promoting norms, but have given limited scrutiny to the concrete processes through which this occurs. The belief that IGOs gradually gain influence over more issue areas has also been promoted by functionalists, such as Mitrany (1948) and neo-functionalists Haas (1958), Sandholtz and Sweet (1998), but these scholars attribute the changes to states' increasing investment in the survival and growth of an IGO.

IGO literature still often considers IGOs as uniform entities. However, by neglecting to examine the international bureaucracy in a broader analysis of the relationship between IGOs and their member states, scholars miss out on some important questions. International bureaucrats are often beyond the direct, formal control of individual national governments, but can craft policies that affect individuals and states all over the world. They are free from the constraints of a constituency, and generally possess a high degree of expertise. There is much we still don't know, however. For instance, why do differences exist in the level of autonomy they are granted, and under what conditions are they most likely to be effective? Appreciating the incentives and activities of international bureaucrats, as well as the partnerships they form to accomplish their goals, as distinct from the member states they seek to govern, is a worthwhile topic of study.

This paper contributes to this body of literature by studying the relationship between providing international bureaucrats control over discretionary spending, and the ability of an IGO to accomplish its policy objectives. This paper examines another avenue through which IGOs can increase their influence; by funding advocacy NGOs

to increase their legitimacy on the ground.

With the very recent exception of Abbott, Genschel and Snidal (2015), IGO scholarship has tended to treat IGOs as stand-alone actors (Abbott and Snidal 1998, Barnett and Finnemore 1999, Hawkins et al. 2006, Hooghe and Marks 2012, Krasner 1983, Mearsheimer 1994-1995, Zürn, Binder and Ecker-Erhardt 2012). The same is true of NGO scholarship, which may appreciate that other actors matter, but provides few theoretical mechanisms through which these relationships influence outcomes beyond adding more actors to a network that promote new norms (Keck and Sikkink 1998, Reimann 2006).

NGO scholarship has long emphasized the role these organizations play in spreading new norms and promoting policy change as a function of socialization. Constructivists focus on the Transnational Advocacy Networks (TANs) that pressure national governments by raising awareness, by providing information about the behavior of states, and by increasing the popular salience of particular issues among the population (Keck and Sikkink 1998). These scholars attribute the gradual shift in the preferences of populations and states to socialization, but the incentive for actors to adopt new norms is unclear and difficult to predict. While this perspective is generally useful to understand, ex-post, why NGOs successfully pursued certain issues that are then adopted as international norms, it is largely unable to explain and predict which issues are chosen, or what the incentives are for actors to adopt these new norms.

The constructivist perspective views NGOs as the primary agent of change. However, it misses the bigger strategic environment, because it does not treat IGOs as actors in their own right. This view is consistent with the realist school, which treats IGOs as constrained and only as powerful as their member state principals allow. This paper considers IGOs as a strategic player, and not just as the outcome of strategic interaction between NGOs and the state. By viewing international bureau-

crats as actors with their own policy preferences and agendas, it becomes apparent how the IGOs' agenda may be the source, and not the outcome, of successful NGO activism. This approach may yield insight into why NGOs choose the issues they do, or when they are likely to be successful. This paper contributes to a growing body of literature on transnational governance by providing concrete theoretical mechanisms through which IGOs and NGOs increase their effectiveness and shape each other's capabilities and goals. More closely examining the conditions under which these partnerships occur, and the impact they have on policy outcomes, is not only relevant to scholarship, but also to practitioners that seek to make their organizations more effective.

In contrast to scholars that focus mostly on IGOs, NGO scholars have long held that IGOs often depend on NGOs to solve global problems. NGOs provide services, agenda setting, monitoring, lobbying, information gathering, and can mobilize public opinion and garner media attention (Gordenker and Weiss 1996, Raustiala 1997). As Abbott, Genschel and Snidal (2015) illustrate, both states and IGOs have increasingly had to rely on NGOs to provide capabilities that existing institutional structures lack (Reimann 2006).

However, like Abbott et al. (2015), the actors are assumed to work together, because they have compatible agendas, and because the arrangement is mutually beneficial. While NGOs are generally understood to influence the agendas of IGOs through targeted activism (Keck and Sikkink 1998), the influence of IGOs on NGO agendas has been largely overlooked. Treating the agendas of these actors as exogenous to the partnership misses a crucial and interesting part of the story. In this paper, the relationship between the resources the IGO provides and the agendas of the NGOs that receive the funding plays a central role.

NGO scholarship has taken a limited approach to measuring and studying the relationships between NGOs and distinct audiences. While significant attention has

been paid to the success of advocacy coalitions, such as those behind the international campaign to ban landmines and conflict diamonds (Stroup and Wong 2015), measuring the impact of NGO activities has been a challenge for scholars. This paper identifies precise channels of influence, and measures the impact of NGO advocacy.

THEORY

Providing grants to NGOs for services and projects has become a common way for IGOs to have an ‘on the ground’ presence, and gain access to citizens. The trend began in the early 1990s when the UN started providing grants to hundreds of NGOs from developing and transitioning countries to attend and participate in UN conferences (Boli and Thomas 1997, Reimann 2006). The EU followed suit after recognizing that civil society groups experienced difficulties marshaling the funding necessary to participate in EU policy making. The European Commission began to provide grants to NGOs to diversify the representation of interest groups in Brussels, which up until that point was largely dominated by corporate interests (Monaghan 2008). A large number of other international organizations, including the World Bank and NATO have since begun offering funding, which allows NGOs to participate in ways that benefit their funders, from providing medical services to monitoring elections. The sizeable proliferation of NGOs over the past few decades can be attributed, in part, to the international funding opportunities provided by IGOs (Reimann 2006).

These IGO grants are intended to empower NGOs and allow them to participate in a way that would not have been possible without the funding. However, by sponsoring specific activities and priorities, the funders may be fundamentally changing the priorities and agendas of the recipients. Offering large grants to a select group of NGOs ensures that organizations whose agendas are aligned with the IGO’s are more likely to survive, and more effective in pursuing their agenda. Further, the availability

of this money creates an incentive to found new organizations to access these funds, potentially creating the artificial appearance of salience around an agenda, sometimes referred to as ‘astroturf’, as opposed to a real grassroots movement. For groups that pursue relatively uncontroversial goals, such as the eradication of malaria or the education of low-income individuals, the source of their funding and the selection of certain groups over others is less problematic. The situation becomes more complex when the recipients engage in advocacy. This is particularly the case when the topics these organizations promote are politically controversial, such as reproductive rights, gun control, or environmental responsibility. If the NGOs pursuing such causes are led to promote the priorities of an IGO over representing the priorities and preferences of the local populace, the implications for global governance may be significant.

The ability of money to drive political and social agendas is not a new phenomenon. For example, in the United States, the Bill and Melinda Gates Foundation has used its financial clout to advance a new national education agenda by funding advocacy groups, research institutions, and news-media organizations that cover higher education issues. An in-depth investigation into the influence of the Foundation’s education policy program concluded that “Gates hasn’t just jumped on the bandwagon; it has worked to build that bandwagon, in ways that are not always obvious.” The Director of the Foundation’s ‘US Education Postsecondary Success and Special Initiatives’ program, Hilary Pennington, stated: “Foundations have an ability to set an agenda, to help clarify an agenda and rally momentum around an agenda” (Field and Supiano 2013). Fox and Rothenberg (2011) argue that the prospect of campaign contributions can change the behavior of policy actors based on the expectation of future interactions, even if no explicit expectations are tied to the money. Other scholars have shown how government funding to civil society organizations has led to a loss of autonomy, mission drift, goal displacement and a reduction in income from private donors among such organizations (Brooks 2010, Chaves, Stephens and

Galaskiewicz 2004, Froelich 1999).

Large IGO grants that sponsor public interest groups could reduce the influence of corporate special interests in the policy making process. There is a substantial body of literature on social movements and interest groups that demonstrates it is easier for corporate interests to mobilize to overcome collective action problems than for public or citizen interests, which are more diffuse (Olson 1965, Pollack 1997). When citizens can't overcome their collective action problem to fund interest groups, international organizations can fund these organizations on their behalf. For example, the European Commission began to offer operating grants to NGOs in the early 1990s of up to €900,000, to encourage them to have an office in Brussels and dedicate time and attention to EU policy making.² The infusion of funding contributed to a substantial shift in interest representation in Brussels. Berkhout and Lowery (2010) find that the EU's interest group population grew significantly during the early 1990s, and changed markedly to include a relatively larger group of organizations that represented public interests, at the expense of corporations and commercial consultants. The considerable increase in public interest groups in Brussels facilitated the growth of policy networks, which helped these organizations engage the public on EU policy making, and compete with industry lobbying efforts.

However, reducing NGOs' needs for funding from other sources may undermine their representativeness, and raises questions about which groups are selected, and whose interests these groups are promoting. In the EU, not all views among the population are equally represented by the recipient NGOs. There is almost no funding for organizations that question expanding the Commission's powers (Thomasson-Lerulf and Kataja 2009), and funding tends to disproportionately flow to center-left organizations that promote policies that are generally unpopular with the broader

²The grants are officially provided to NGOs to "coordinate the positions of the members, providing the Commission with one single interlocutor and giving a voice to a large number of local organizations which would otherwise have difficulties reaching to EU decision-makers." - Ackermann et al. (2010)

public, such as lifestyle restrictions (like banning smoking), increasing foreign aid, and transferring new powers to EU institutions (Snowdon 2013). The organizations selected for EU grants earn the money by focusing their energy and attention on effecting policy changes at the supra-national level rather than at the national level, facilitating the gradual transfer of power from national governments to the EU.

THE GRANT PROCESS

These operating grants are intended primarily for NGOs that would otherwise not have been able to dedicate resources to the Commission's priority areas, either due to institutional constraints, membership demands, or the inconsistency of private donations. The operational grants specifically provide financing to support an NGO's operational capacity. This allows NGOs to maintain offices in Brussels, and engage in advocacy work. All EU grants to NGOs are provided based on how the recipient organization's goals align with those of the Commission, how effectively they would use the money, and the likelihood of accomplishing the objectives outlined in the funding call. In short, while these NGOs may already have been active in advocating or implementing the shared priorities, the grant money ensures they face no restrictions to mobilizing on issues that are important to the Commission. According to an internal Commission document reviewing the grant program: "Without funding from the program, the majority of beneficiaries would need to substantially reduce their activities, including the contributions to the EU policy process" (European Commission 2008, p. 8).

The grants are provided by the DGs through specific funding instruments that have been approved by the Parliament and Council. Each DG manages its own grant program, and they often work with executive agencies to screen and select applicants, and hold recipients accountable for their spending. The grants are provided on an

annual basis³ and applicants must reapply every year. The Commission posts a funding call, listing their annual priorities, and the NGOs submit their application proposing activities that deal with some percentage of the priorities, and propose a budget associated with the activities. The application also requires a complete financial history for the last two years, so the Commission can more accurately gauge what an NGO is capable of funding themselves.

Applications receive a score based on how well their proposed agenda would accomplish the Commission's objectives, as well as on the scale of their geographic and organizational reach through their members. The Commission prioritizes NGOs with higher membership numbers in a greater number of countries, and prefers applications that cover more priority areas. These scores are used to rank the applications, and the top organizations are selected for the grants. The scores are shared with all applicants, but the reasoning behind the scores is not.

Once the recipient organizations are selected, the Commission determines the actual amount of funding they will receive by examining their proposed budget and their financial history. The Commission and its agencies assess the amount of money that the recipients can be expected to contribute themselves. They then award them a co-financing rate for the grant, such that the Commission's contribution, and the amount they expect the recipient NGO to provide, equal the total budget proposed by the NGO. The maximum co-financing rate is 80 percent. The average from 2007-2013 is 47.5 percent, with a standard deviation of 24.7. For grants provided by the Environmental DG, the average co-financing rate from 2007-2014 is 47 percent.

The NGO must then raise the funds for their remaining share through other means, usually from membership dues or grants from foundations or national governments. The Commission expects an NGO to spend according to its co-financing rate. For example, for a co-financing rate of 80 percent, the NGO must prove that they

³A small number of programs provide multi-annual grants.

spend 20 cents for every 80 cents the Commission funds, up to the maximum of the grant. In an original game theory model, I show that this co-financing system reduces an NGO’s incentive to misrepresent their need, and incentivizes recipient NGOs to use the money efficiently (Wilson 2017).

In an attempt to reduce waste, the Commission disburses the money in several tranches. At each one, an NGO must provide detailed records of what they spent the previous round of funding on to receive the next disbursement. The Commission also retains the right to audit the recipients for up to ten years after the grant term is completed. Recipients described the process as extremely burdensome. Where other funders may require little to no records of what their money was spent on, the Commission requires a receipt for every single expense, in addition to an activity report that is far more detailed than what NGOs normally provide to their members.

From 2007 to 2013, there were 1,911 operating grants disbursed to NGOs. Five different DGs provided the grants, across 13 different funding programs. The average grant amount was €203,835, with a standard deviation of €678,713. For the Environmental DG, the average grant amount was €289,000. Across all DGs, a total of 1,028 recipients received these operating grants during this time, with the average recipient receiving only two years of funding. Table 3.1 shows the number of grants provided by each DG between 2007 and 2013.

Table 2.1: Distribution of Operating Grants by DG

DG	2007	2008	2009	2010	2011	2012	2013
Employment	11	31	2	2	2	2	19
Environment	30	33	32	32	27	31	32
Education and Culture	108	206	175	182	187	208	210
Health and Food Safety	0	10	10	10	18	21	21
Justice	0	5	7	142	6	31	17

STRAIGHT FROM THE SOURCE

Much academic literature has been dedicated to how NGOs operate and the impact they have on public discourse and policy. However, the experiences of the people within these organizations may not line up with existing academic theories. To better understand the relationship between institutional funders and European NGOs focused on the EU policy process, I spent a month in Brussels in the Fall of 2015 to interview representatives of NGOs, staff for Members of the European Parliament, advisors to the European Parliament, and bureaucrats that work for the European Commission running some of the grant selection and disbursement programs. The purpose of these interviews was to validate the assumptions and mechanisms at work in my theory, and gain a deeper understanding of the incentives and processes involved in the funding. I was interested in how organizations perceive their own influence in Brussels and at the national level, how funding affects their agendas, and how the NGOs interact with EU institutions. A full list of the individuals interviewed and a more extensive summary of the results are included in the appendix.

I conducted the largest number of interviews with representatives of NGOs. These individuals generally worked, or had previously worked for a Brussels-based NGO that received funding from the Commission. Several individuals who had previously worked with organizations that received the Commission's operating grants unequivocally confirmed that the recipient's agendas follow the money; some even went so far as to refer to it as "grant chasing." These NGOs try to anticipate what the Commission will be looking to fund, and alter their activities to be eligible for such funding. Diogo Pinto, the former Secretariat of the European Youth Forum (which receives 80 percent of its funding from the Commission) explained that when there are competing organizations that do similar things, the threat of losing funding is real, and recipients must align their messages and activities with the Commis-

sion's priorities to ensure continued funding. Daniel Freund, the head of Advocacy on EU Integrity with Transparency International (a recipient of EU operating grants) explained that while they have their own agenda, they need money, so when a funding call shares some overlap with their own agenda, they prioritize the overlapping projects to obtain EU funding. Some organizations can even lose track of their mission and become too dependent on funding. In another interview, a former employee of Transparency International, who requested to remain anonymous, was decidedly critical of his former employer, and described a process of jumping through hoops to get money from the Commission. Several interviewees confirmed that at the organization level, priorities are driven by the available funding, and corroborated that funders can influence civil society's agenda by making their preferences known, and by rewarding organizations that share their priorities with grants.

While the Commission's funding incentivizes some organizations to concentrate more on shared priorities, others are motivated to adopt new priorities they would not have taken up otherwise. Gabriella Civico, the director of the European Volunteer Centre (CEV; a recipient of EU operating grants) explained they frequently do things that are priorities to the EU, and that they wouldn't have otherwise. For example, 2014 was the 100-year anniversary of the start of WWI, which was a priority in the Commission's funding call. Accordingly, CEV organized events and adjusted its agenda to highlight how volunteers contributed to the war effort. Without the grant program and the call the organization wouldn't have include it in its operations.

Recipients also explained that the Commission is uniquely inflexible in this area. While other funders may allow recipient organizations to shape their own mission and priorities, the Commission only wants to fund their own specific agenda. In Brussels, though, the Commission offers the largest source of money, so NGOs accept these demands to access their substantial funds. Further, the Commission is one of few sources of funding that provides operating grants, which include funding

for expenditures like rent, or employee salaries, where project grants only fund specific activities. Operating grants are important because they allow organizations to retain high-quality employees, and thus boost an NGO's organizational capacity. Several interviewees at Brussels-based organizations spoke about using this funding to hire policy officers who work specifically on EU policy, both to influence and react to policy changes. Without the funding, there would be fewer such policy officers, limiting the ability of these organizations to participate in EU policy making. By selectively providing this funding, the European Commission not only improves the ability of recipient organizations to participate in the process, but also limits the participation of organizations that are not in alignment with the Commission's goals.

Losing funding can have a large impact on an organization. Frédérique Chabaud, a Parliamentary advisor for the Education and Culture Committee, described how when the funding for the Cultural Europe program disappeared the organizations they funded disappeared as well. Maarten Coertjens, an advocacy coordinator at the European NGO Confederation for Relief and Development (CONCORD Europe), explained that when you employ a large number of people you have to consider the impact losing such a grant would have. He further stated that all DGs count on the organizations they fund to put pressure to bear for their priorities, and expect them to try to influence national governments. The fear of losing funding is real because it happens regularly; organizations that have received funding for 5 to 10 years can suddenly lose it. Maarten also explained that a lot of the organizations that receive the operating grants probably wouldn't have even set up an office in Brussels if such grants didn't exist. Alternative funding sources for advocacy NGOs are rare, so most NGOs in Brussels are forced to depend on the Commission.

Once these organizations come to rely on the Commission's funding, they are unlikely to rock the boat by adopting priorities that are not consistent with the Commission's agenda. Additionally, they are much less likely to criticize the Commission

than organizations that don't rely on the Commission for survival. Anecdotal evidence is offered by the activities of Greenpeace, one of the only NGOs in Brussels that does not rely on some form of EU funding.⁴ Jiri Jerabek, a campaigner with Greenpeace based in Brussels, explained that the organization is significantly more critical of Commission actions, and uses more controversial tactics than NGOs that receive Commission grants. They additionally have a more flexible agenda, since they can alter their priorities based only on the preferences of their members.

NGO LEGITIMACY IN BRUSSELS AND BEYOND

NGOs rely on the Commission for funding, but the Commission relies on NGOs for expertise and legitimacy. NGOs provide citizens with a source of credible information on the advantages and disadvantages of a policy agenda, which citizens then use to form beliefs about which policies are most likely to achieve their preferred outcome (Althaus 1998). Citizens trust NGOs to promote their interests, and this popular support has made them increasingly influential in shaping popular preferences and driving issue salience (Wallace, Bornstein and Chapman 2006). NGOs gain their credibility through their history of activism, community contacts and valuable practical knowledge on how to influence popular debate and attract voter attention. One EU official explicitly acknowledged “NGOs have the advantage of being close to the ground and having high credibility with the public and therefore a high potential of achieving effective awareness and outreach” (European Commission 2008, p. 7). The Commission is far less specialized in public awareness campaigns. As Maarten Coertjens of CONCORD Europe stated, “The Commission is really bad at campaigning” (personal interview, October 2015). When they do try, it often backfires because they don't understand their audience or the issues as well as the NGOs that work with them. For example, a few years ago the Commission made some videos promoting

⁴Greenpeace does not accept any government funds.

gender equality that were seen as patronizing and backfired badly.

A common theme that emerged from the interviews relates to how these advocacy NGOs work to mobilize support for EU policies. The NGOs that receive the grants are the Brussels representative of their network of national member organizations. While I had gone into the interviews expecting to hear stories of big public campaigns and instances of naming and shaming, examples of NGOs using these strategies were relatively limited. Instead, representatives from most of these Brussels-based organizations said they used the Commission's resources to improve the ability of their national member organizations to carry out the mobilization, rather than doing it themselves. Wendel Trio, the director of the Climate Action Network (CAN), explained that the grants ensure their organization can inform members outside of Brussels about what they are doing. They allow their organization to employ a specific person on staff that provides information, organizes workshops in member countries, and increases the capacity of their national members to lobby and mobilize popular support. Leaders from the European Association of Service Providers for Persons with Disabilities (EASPD) and Solidar, an NGO focused on advancing social justice, explained how they work with the Commission to draft the legislation, which makes them experts on the proposed change. They then use this expertise to help their members and national governments transpose the law into national frameworks, and alert the Commission to violations.

The EU assesses the potential impact of an NGO they consider funding based on the number of members they have. Cristina Camaini with the Education, Audiovisual & Culture Executive Agency (EACEA), one of the executive agencies that administer the grants, explained that while it's not explicitly stated, to be eligible for funding from the Erasmus+ program, NGOs must have nationally-based members in at least twelve countries. The EACEA believes national members allow an organization to advocate for policy and promote the objectives stated in the funding call

at the member-state level. The money is also explicitly intended to help expand the membership and thus increase the influence of recipient organizations.

Working with national members gives these EU-wide NGOs a direct channel of influence over national policies. It allows them to combine the legitimacy, access, and knowledge of local organizations with the resources and expertise present at the main, international office. Gabriella Civico with the CEV explained that working with national NGOs makes them more effective, because the Brussels-based NGOs lack the connections the national NGOs have to facilitate networking and coalition building.

It is logical that local organizations benefit from their ties to large international NGOs that receive grants. Similarly, it makes sense that Brussels-based NGOs become more effective at promoting their agenda in member states by leveraging local relationships through national NGOs. Recently, political science scholars have started to pay more attention to the role these partnerships, as well as networks more broadly, play in giving NGOs influence. Murdie (2014) describes the international NGO network as a sort of public good, where organizations that are part of the network benefit in terms of shared advocacy output, material resources, legitimacy and strategic skills. This is consistent with the world polity literature in sociology, which advocates studying the role of networks to understand the effects of international NGOs on global governance. It argues that states that are more embedded in an NGO's network are more likely to adopt norms that are in line with the organizations' advocacy messages (Boli and Thomas 1997). Wilson et al. (2016) find that networks of conflict resolution organizations are more effective at promoting international peace when they partner with organizations across different states, rather than when their partnerships are within the same state, or when they operate in isolation. Thus, to assess the impact of the Commission's grants on the priorities and preferences of EU citizens, one must examine the network broadly, as well as the national

presence of organizations that can be mobilized in support of the EU's agenda, and not just focus on the funded organizations in Brussels.

EMPIRICAL ANALYSIS

THE DATA

MEASUREMENT OF NGO NETWORKS

To measure the influence of Commission funded NGOs at the national level, I constructed a dataset of all 55 NGOs that received operating grants from the Environmental DG between 2007 and 2014. Next, I gathered data on all of their national member organizations,⁵ using the websites of the Brussels-based organizations. I coded the locations of the members and the recipient NGOs as anywhere they had offices in the EU. Most member NGOs only have one national presence, but some have offices in multiple EU member states. For example, Greenpeace has offices in the Netherlands, Greece, Austria, Belgium, Luxembourg and the UK.⁶

The environmental DG funds an average of 30 organizations per year, with a turnover rate of roughly 5 to 10 organizations per year. From the 28 organizations that received operating grants in 2014, the network included a total of 1,205 partners, and 1,353 ties (148 ties were to organizations with multiple partners in the dataset).

The first independent variable is the number of organizations per 100,000 inhabitants in a country.⁷ Figure 2.2 shows the number of funded organizations and their members for all EU member states in 2014. There is a lot of variation in the

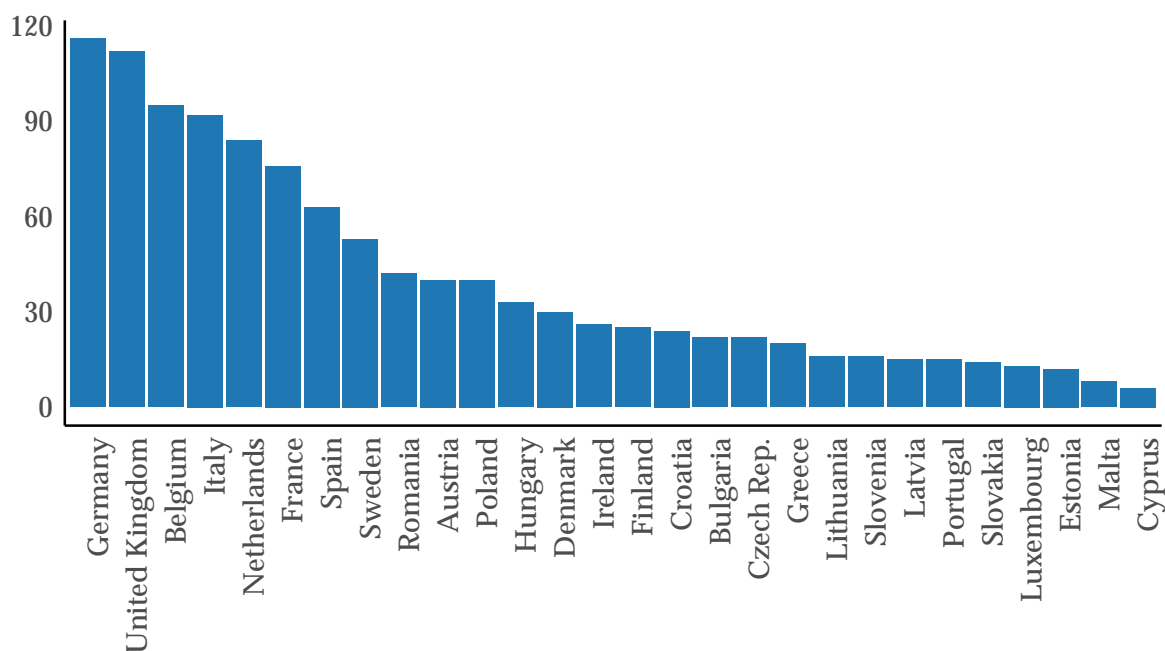
⁵Some NGOs refer to these as partners, both are treated the same in the dataset.

⁶Some organizations, like the WWF, list separate chapter across countries differently, separating WWF Switzerland from WWF Germany and from the WWF European Policy office. For the sake of this analysis, these organizations were all combined under the broad heading of the WWF. This is consistent with the theory, since these organizations all share resources and information.

⁷Logging this variable did not make a difference in any of the models, so the raw count is used here for ease of interpretation.

number of organizations among the member states, with over 100 in Germany and other northwestern European countries, and relatively few in smaller and eastern European states. Because much of this variation appears driven by population size, the model uses the count of the organizations divided by the total population of each member state.⁸

Figure 2.2: Number of EU-Funded Environmental NGOs and Their Members (2014)



I then used the dataset on ties between the NGOs that receive the grants and their self-reported national members to measure the network of Commission-funded NGOs in Europe. I expect that the more embedded a state is within the network, the more influence the NGOs that receive EU funding will be able to exert through their national members, which lobby and mobilize in support of the EU's policies.⁹ As Gabriella Civico with the CEV explained: their national members help them network and build coalitions, so the more partners they have, the better they can do this.

⁸Population statistics are provided by Eurostat.

⁹This version of the test only includes the members and partners of the funded organizations, not the partners and relationships of those partners (second-level ties).

To measure the network at the state-level, I converted the dataset of NGO-to-NGO ties into a dataset of state-to-state ties. I counted the number of ties between NGOs for every pair of states, and used this number as a weighted edge (or tie) between those two states. I did this for every possible pair of EU member states, and the resulting state-level connections were used to create a weighted adjacency matrix at the state-level.

For example, the ‘NGO Shipbreaking Platform’, a Belgium-based NGO, received funding from the Environmental DG in 2009, 2010, 2012, 2013, and 2014. This NGO lists eleven partners on their website that operate in eight different EU member states (NGO Shipbreaking Platform N.d.). Table 2.2 provides the partners and their locations.

Table 2.2: NGO Shipbreaking Platform - Partners

Partner	Location
Ban Asbestos	France
BELLONA Europa	Belgium
European Coalition for Corporate Justice	Belgium
European Environmental Bureau	Belgium
Greenpeace	Netherlands, Greece, Austria, Belgium, Luxembourg, Spain, UK
International Ban Asbestos Secretariat	UK
International Federation for Human Rights	France
Mediterranean SOS Network	Greece
North Sea Foundation	Netherlands
Surfrider Foundation	France
Transport & Environment	Belgium

Since this NGO is located in Belgium, each of its partnerships with an organization located outside of Belgium is counted as a tie between Belgium and that country. The resulting weighted adjacency matrix is shown in Table 2.3.¹⁰

¹⁰This is the same approach used by Wilson et al. (2016) to calculate the Eigenvector centrality of states in the network of conflict resolution organizations.

Table 2.3: Weighted Adjacency Matrix

	BEL	AUT	FRA	GRC	LUX	NTH	SPN	UK
BEL		1	3	2	1	2	1	2
AUT	1							
FRA	3							
GRC	2							
LUX	1							
NTH	2							
SPN	1							
UK	2							

I then used these weighted adjacency matrices to calculate the Eigenvector centrality of each state in the network of Commission-funded environmental NGOs. Eigenvector centrality incorporates the number of connections between a state's NGOs and all its partners, as well as the centrality of those partners (Dorussen and Ward 2016, Knoke 1990, Wasserman and Faust 1994). A state is more central if it is connected to a larger number of well-connected states than to more isolated ones. A state's weighted Eigenvector centrality score is proportional to the sum of centralities of its partners, weighted by the strength of the tie from each partner, where $x_{i,j}$ is the total number of ties from an NGO in j to a NGO in i , e is the Eigenvector centrality score, and λ is a proportionality constant called the eigenvalue.¹¹

$$e_i = \lambda \sum_j x_{ij} e_j$$

According to the theory, being more embedded in the network should make states more receptive to the EU's policy agenda. Since the dependent variable here is at the individual-level, this hypothesis is tested by examining whether the embeddedness of a respondent's state in the funded NGO network influences their preferences regarding EU environmental legislation. The Eigenvector centrality score of each state varies by which organizations received funding from the Commission that year, and

¹¹There may be a number of possible eigenvalues that satisfy this equation, but the eigenvector used is the largest. For more information about the construction of this measure, please see Bonacich (1987).

thus which ties are included in the weighted adjacency matrix. While each state's scores are similar year to year, they do change. For example, the NGO discussed above, 'NGO Shipbreaking Platform' did not receive funding in 2007, so the NGO and its members are not included for the calculation of the network statistics in 2007.

Figure 2.3: Key Independent Variables in 2014

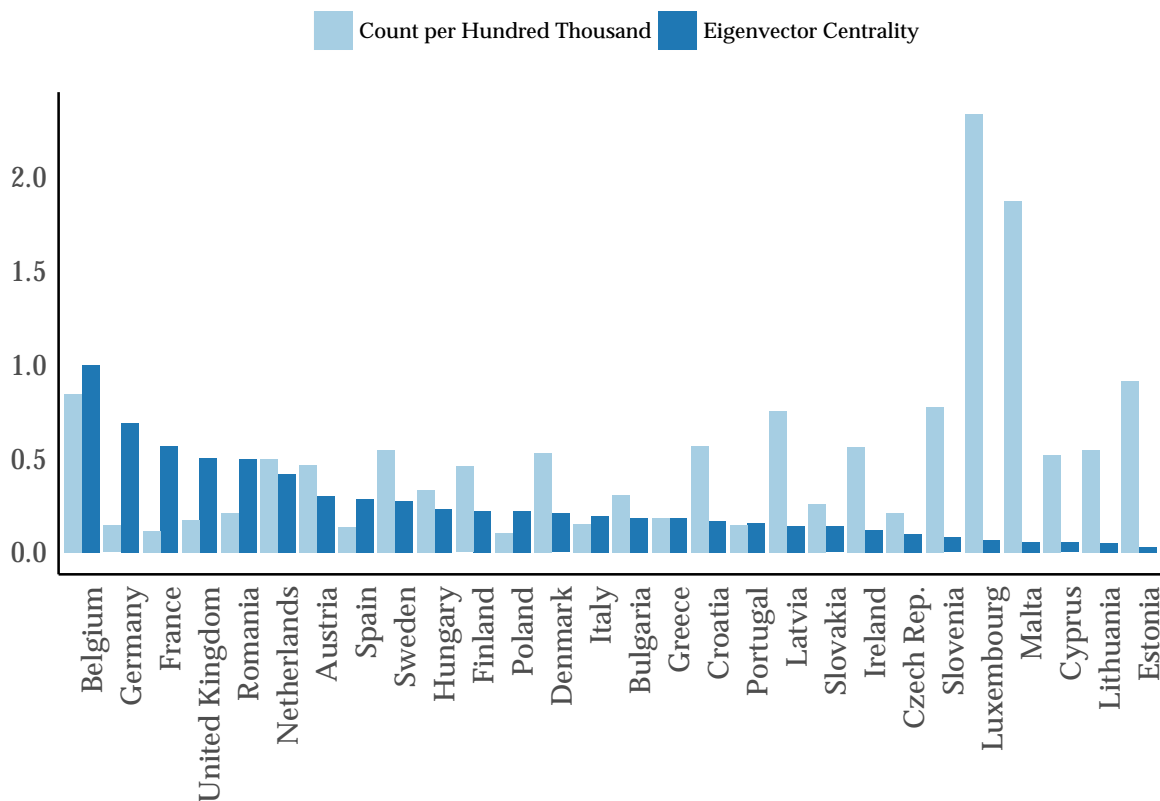


Figure 2.3 shows the values of both key independent variables across member states for 2014. The correlation between the number of organizations in each country per 100,000 people and the Eigenvector centrality of each country is 0.78.

Since the main analysis takes place at the individual-level, I then merged this state-level measurement with the Eurobarometer datasets, based on the respondent's country of residence, and the year of the survey. The 2014 and 2011 Eurobarometers were administered in April and May, so I used network data based on the NGOs that received funding in the previous year (2013 and 2010). Since the grants are

disbursed early in the year, organizations that received funding in 2014 and 2011 would only have been one-third of the way through their funded programs by the time the survey was administered. The 2007 Eurobarometer was administered in November and December of 2007, so data on the network of 2007 recipients was used in this case.

A small example of the resulting dataset is shown in Table 3.2 for illustration. Since respondents 1 and 2 are both from Austria in 2007, the values for the Eigenvector centrality and NGO count variables are the same for both. These values vary across countries, and across years, so the observation for individual 3, who is also from Austria, but in a different survey year, has different Eigenvector centrality and NGO count values. Individual 4, from the Netherlands, is different from all individuals in Austria in all years. ‘Trust EU’ is one of the key independent variables that will be discussed below, which varies by individual.

Table 2.4: Example of Dataset

Respondent	Year	Country	Org Count/100,000	Eig Cent	Trust EU
Ind. 1	2007	AT	.46	.32	1
Ind. 2	2007	AT	.46	.32	0
Ind. 3	2011	AT	.51	.24	0
Ind. 4	2011	NL	.55	.43	1

While the organizations included in the network change yearly, based on who the EU funded that year, the networks for each funded NGO do not exhibit year-to-year variation, since most organizations do not offer historical information about their networks. I collected these data between January and August 2016, so the data included represent a snapshot of the networks at one point in time for all NGOs that received funding between 2007 and 2014. While this may not perfectly reflect the state of the network for each year the organizations received funding, this should not be a problem for the purposes of inference, because the networks are relatively stable

over time. While the funded organizations periodically gain new members, very few lose members.

I tested this assumption by examining one organization that did offer historical information: Friends of the Earth Europe (FoEE). FoEE is one of the most prominent environmental organizations in Brussels, and has received over €700,000 in EU operating grants every year between 2007 and 2014. Through the organization's annual reviews, I assessed the evolution of the network over the time in the sample. Over the seven years, one organization left, causing FoEE's membership to drop from 26 in 2007 to 25 in 2015, and removing its presence in Italy. Additionally, within Bulgaria, one organization left and another joined, so FoEE managed to maintain its presence in that country. Otherwise, its EU-network remained unchanged.

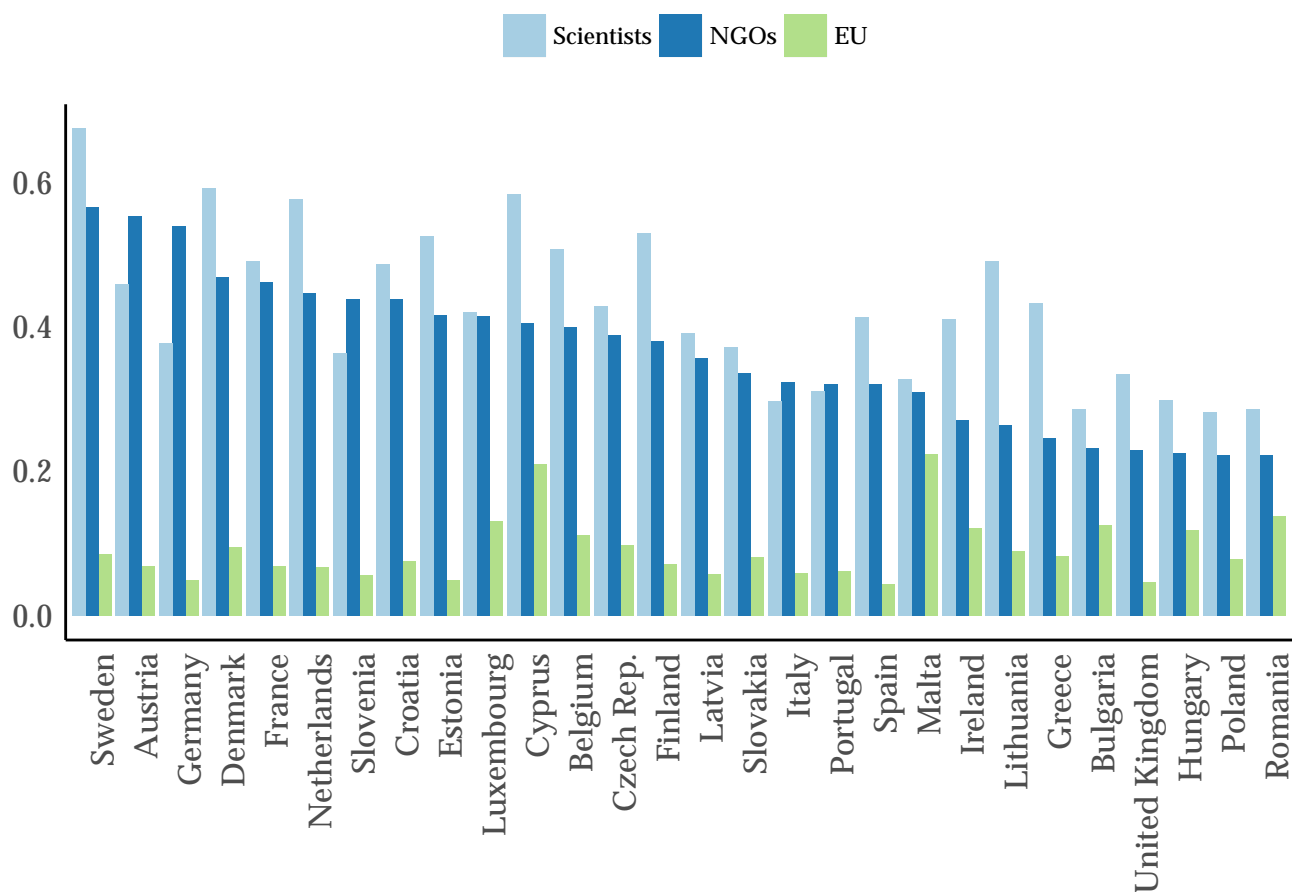
COVARIATES

The models include covariates that provide information at the individual and state-levels to control for alternative explanations, and that account for variation across respondents that may influence their answers.

One variable lists the respondent's most trusted sources for information about the environment. All three Eurobarometer surveys ask: "From the following list, who do you trust most when it comes to providing reliable information about environmental issues?" A list of 18 choices are provided (respondents can select up to five), including environmental protection associations (NGOs), the EU, the respondents' national government, scientists, regional governments, and companies, among others. Figure 2.4 shows the variation across countries for a selection of the possible responses for 2014.

This question provides a great deal of information. The first hypothesis holds that exposure to Commission funded NGOs leads to increased trust in the EU's approach to environmental issues among respondents, and uses this response as a de-

Figure 2.4: Who Europeans Trust Most When it Comes to the Environment (2014)



Data Source: Eurobarometer 81.3, 2014

pendent variable (whether or not an individual reports trusting the EU). The answers also allow for a useful assessment of the alternatives that individuals name.

The theory presented here posits that the European Commission is funding environmental NGOs to be messengers on the ground for their policy agenda. For this funding mechanism to have an impact, it must be true that individuals trust NGOs, and that NGOs are associated with preferences for environmental decision-making at the EU level. In all states, environmental NGOs are either the most trusted, or the second most trusted source of environmental information, behind scientists. This high level of trust suggests environmental NGOs are an effective conduit of information

to European citizens, especially compared to the low level of trust citizens place in information from the EU. By using NGOs to deliver their message, the EU can benefit from a much higher level of legitimacy than they could by communicating with EU citizens themselves. Whether respondents include environmental NGOs in their list of trusted sources is used as an explanatory variable in some of the models discussed below. Some of the models also include an indicator variable for whether individuals trust scientists on environmental issues. Since scientists are often the leading advocates for environmental concerns, trusting scientists, as a type of proxy for whether someone believes in science, is a worthwhile control.

Another important Eurobarometer question that is included as an independent variable is the importance that an individual places on protecting the environment. This variable is coded as binary, and is a 1 if the respondent answers that protecting the environment is “very important” to them ($N = 47,365$), and a 0 when the answers are “not at all important” ($N = 495$), “not very important” ($N = 2,877$) or “fairly important” ($N = 27,451$). This is an important control, because the theory focuses on the relationship between Commission-funded NGOs and support for EU environmental policy. This relationship is clearly influenced by whether an individual thinks the environment needs protecting in the first place. If the environment is not important to an individual, it is much less likely that the individual will want the EU to be involved in environmental policy-making, regardless of their thoughts about the EU specifically. While the Commission-funded NGOs are working to make the environment more important to citizens, this is the mission of all environmental NGOs, not just those funded by the EU. Since I cannot separate the effects of the campaigns by Commission-funded environmental NGOs in Europe and those by environmental NGOs in general, isolating the specific dimension of feelings towards the EU on issues of environmental policy offers a way around this limitation.

This control is also valuable because it helps to capture some of the state-level

variation that might bias the results, since popular sentiment towards the environment varies by member-state. Being able to capture this at the individual respondent level reduces the need for controls at the state level, since concern for the environment, and for environmental performance (addressed below) are two key areas where states can vary in a way that may affect the interpretation of the model.

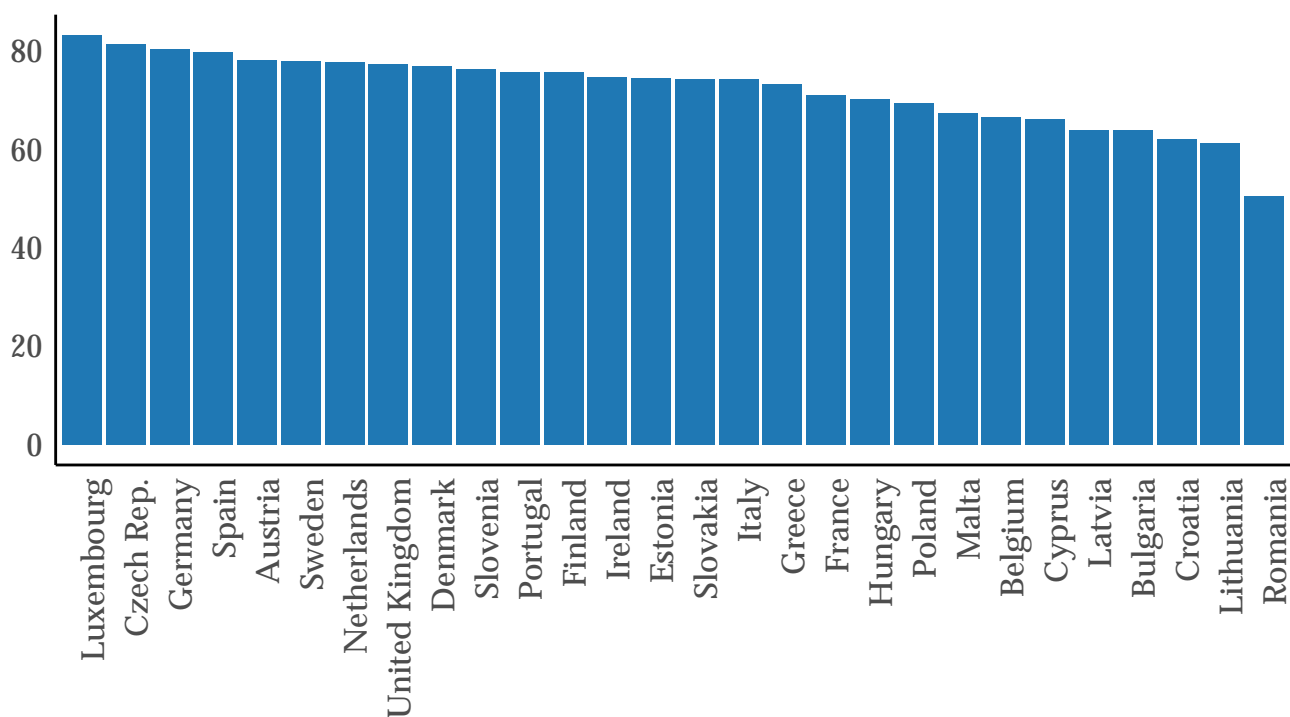
The Eurobarometer provides several other important individual-level covariates such as age, education-level, and gender. There is some variation in the information available in each of the surveys, so my models only use variables that are consistent across all years. The age variable consists of four categories: 15-24 years old (N = 8,572), 25-39 years old (N = 17,776), 40-54 years (N = 20,087), and 55 years and older (N = 32,108). The Eurobarometer does not ask what educational degrees people have acquired, but does ask at what age they stopped full-time education. The variable “highly educated” is binary, and is a 1 for those who report being 20 years or older when they stopped full time education.¹²

The Eurobarometer unfortunately does not ask about a respondent’s income level, so no information is included on this dimension. While it’s possible that income level could affect an individual’s feeling about EU environmental legislation, using controls such as years of education and age are likely to capture a lot of this variation, limiting the impact of omitting this variable. Additionally, political preferences were not directly asked of respondents in 2014, while in 2011 and 2007 a large percentage of respondents refused to answer this question, so my models omit this variable. The concern here would be that an individual’s political preferences influence how much they care about the environment, but since the Eurobarometer asks this question directly, the potential bias that not including this control might introduce is limited. Dummy variables are included for 2011 and 2007, and 2014 is omitted as the reference category.

¹²This cutpoint is consistent with the methodology used in the Commission’s own analysis of the Eurobarometer data.

Finally, at the country-level, I include the Environmental Performance Index (EPI), which is produced by Yale University. This index ranges from 0-100, and includes information about a country's environmental performance across several indicators, such as air quality, water quality, and the volume of carbon emissions. It is likely that individuals in a country with a very good environmental record, such as Germany (80.47), Spain (79.79) or Austria (79.79) (in 2014) may feel differently about environmental legislation, or about the environment broadly, than individuals from countries with a poor environmental record, such as Bulgaria (64.01), Belgium (66.61) or Malta (67.42). Figure 2.5 shows the index values for EU member states in 2014.

Figure 2.5: Country Environmental Performance Index Scores (2014)



Data Source: Yale Center for Environmental Law and Policy

Yale updates the EPI every two years. Since the index is based on the past and current performance of a country, and does not predict its future performance, I

used the 2008 EPI values used for the responses to the 2007 Eurobarometer, and the 2012 EPI for the responses to the 2011 Eurobarometer. The 2014 Eurobarometer is matched with the 2014 EPI.

RESULTS

For each set of models that test a given hypothesis, the paper includes different versions to provide a more complete picture of the impact of each of the key independent variables, and of the most interesting covariates. The first model in each set includes all variables discussed, the second looks at the role of Eigenvector centrality while omitting the count of organizations, the third omits Eigenvector centrality to focus on the count of organizations, and the final model examines just Eigenvector centrality and the organization count, while omitting whether individuals trust scientists, environmental organizations, and whether they report that protecting the environment is very important to them.

Hypothesis 1 - Individuals that are exposed to Commission funded NGOs are more likely to trust the EU on environmental issues.

The dependent variable here captures trust in the EU on environmental issues. Individuals are asked ‘From the following list, who do you trust most when it comes to environmental issues’, and were offered the opportunity to select up to five options from the list. The responses are binary; a 1 if respondents report they trust the EU (N = 7,970), and a 0 if the EU is not included among their trusted sources (N = 70,575). Two of the alternatives, scientists and environmental NGOs are included in the rest of the models, but are omitted here due to the potential bias introduced by the relationship with the dependent variable, since selecting either NGOs or scientists makes it less likely that an individual will select the EU, because they can

make up to five choices.¹³ A logistic regression model is used in each case. Standard errors are displayed in parentheses.

Table 2.5: Results - Do You Trust the EU on Environmental Issues?

Variable	Mod 1	Mod 2	Mod 3	Mod 4
(Intercept)	1.63*** (0.14)	1.71*** (0.14)	1.39*** (0.13)	1.76*** (0.14)
Key Independent Variables				
Eigenvector Centrality	-0.51*** (0.06)	-0.56*** (0.06)		-0.53*** (0.06)
Count of Orgs (per 100,000)	0.09*** (0.03)		0.15*** (0.02)	0.11*** (0.03)
Controls				
Protecting Env: Very Imp.	0.25*** (0.03)	0.26*** (0.03)	0.26*** (0.03)	
EPI	-0.05*** (0)	-0.05*** (0)	-0.05*** (0)	-0.05*** (0)
age: 25 - 39 years	-0.3*** (0.04)	-0.31*** (0.04)	-0.3*** (0.04)	-0.29*** (0.04)
age: 40 - 54 years	-0.41*** (0.04)	-0.41*** (0.04)	-0.41*** (0.04)	-0.39*** (0.04)
age: 55 years and older	-0.62*** (0.04)	-0.62*** (0.04)	-0.62*** (0.04)	-0.59*** (0.04)
Male	0.19*** (0.02)	0.19*** (0.02)	0.18*** (0.02)	0.18*** (0.02)
Highly Educated	0.15*** (0.03)	0.15*** (0.03)	0.13*** (0.03)	0.16*** (0.03)
2007	0.93*** (0.04)	0.93*** (0.04)	0.9*** (0.04)	0.96*** (0.04)
2011	-0.29*** (0.03)	-0.28*** (0.03)	-0.28*** (0.03)	-0.27*** (0.03)

Table 2.5 displays the results. The first model in the table includes all variables, including individual level covariates and the key variables for the hypothesis: the Eigenvector centrality of the respondent's country in the Commission-funded environmental NGO network, and the number of Commission funded environmental

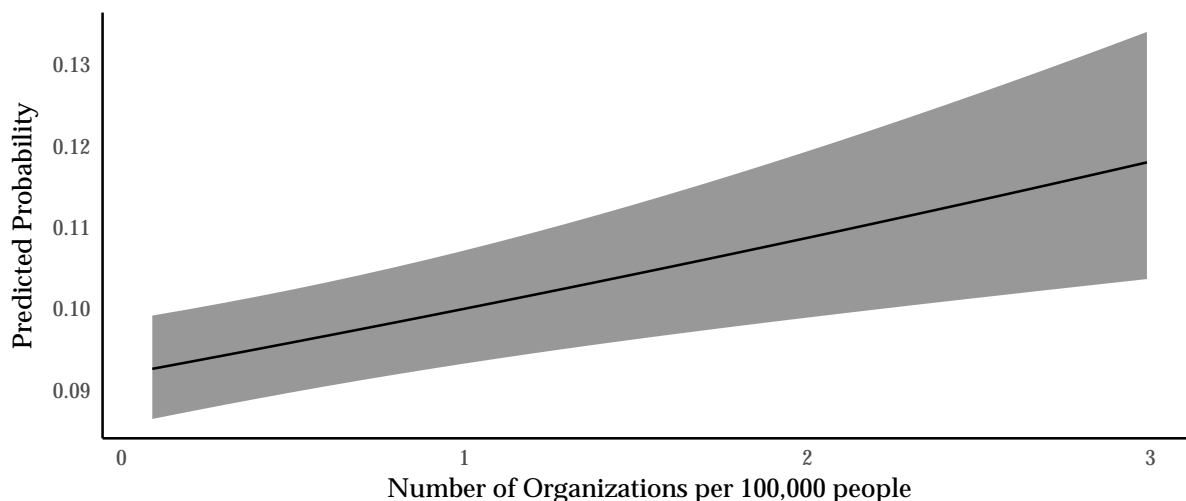
¹³Including these variables does not substantially change the results.

NGOs and their partners in a respondent's country, adjusted by population.

The first key independent variable, Eigenvector centrality, is statistically significant, but negative. Unfortunately, this is inconsistent with the theory. This result could be capturing latent distrust in the EU, rather than anything specific about the environment. Several of the countries with the highest Eigenvector centrality scores are those with growing Eurosceptic movements, such as France, UK, and the Netherlands. The second key independent variable, the number of organizations, is statistically significant and positive, as the theory predicts. These results hold across all model specifications.

The marginal effect of increasing the number of Commission funded organizations and their partners by 1 per 100,000 people is a .08% percent increase in the probability that an individual in that country reports trusting the EU. These results are modest, but do indicate that funding these organizations is helping the Commission gain legitimacy on the ground. Figure 2.6 displays the predicted probability for the range of options for this variable, from the minimum to the maximum. All binary variables are held at 1, and continuous variables are held at their mean. A marginal effects plot is provided by Figure C.1 in the index.

Figure 2.6: Predicted Probability of Trusting the EU on Environmental Issues



Individuals who report that protecting the environment is very important to them are more likely to trust the EU, while older people are less likely to trust the EU. More highly educated individuals, as well as men, are also more likely to trust the EU. Finally, individuals whose countries perform worse on the EPI are less likely to report trusting the EU. This is an interesting finding, but may relate to the fact that many of the countries with lower EPI scores, such as Romania, Lithuania, Croatia and Bulgaria, are also some of the newest EU members, and may trust the EU less because they have had less exposure.

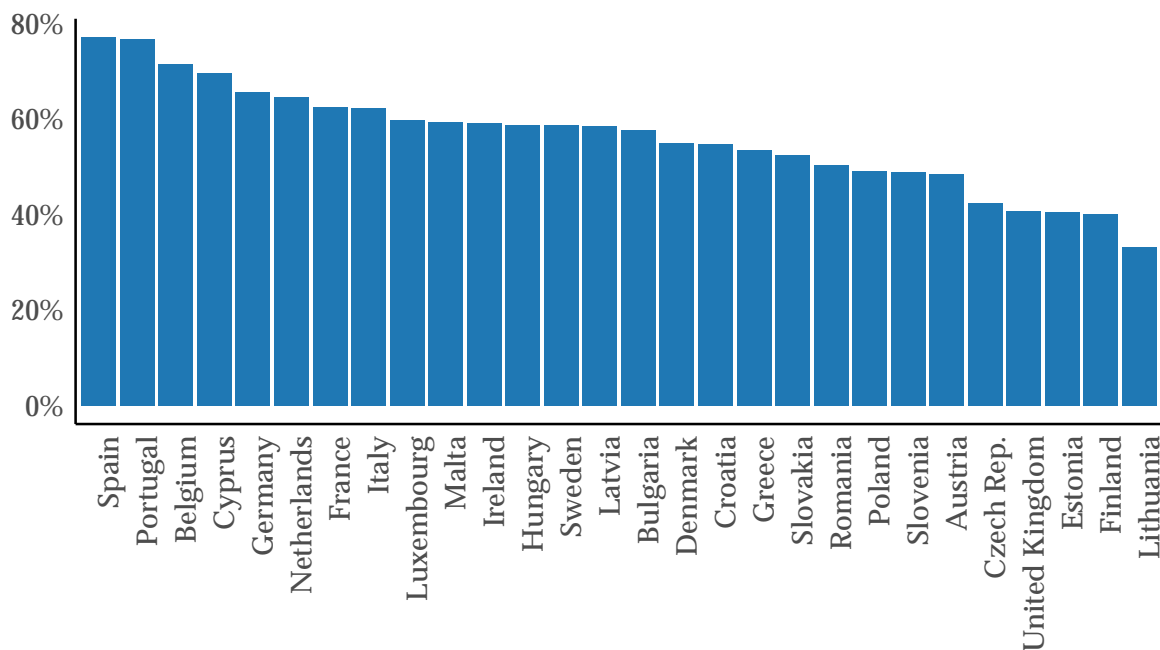
In short, the count of organizations provides some initial support for the theory, and suggests a positive relationship between the presence of funded environmental NGOs and trust in the EU on environmental issues.

Hypothesis 2 - Individuals that are exposed to Commission funded environmental NGOs are more likely to believe that the EU should be involved in environmental decision-making.

The next dependent variable comes from the question that asks respondents: “When it comes to protecting the environment, do you think that decisions should be made by the (NATIONALITY) Government or made jointly within the EU?” The variable is treated as binary and coded as a 1 if individuals respond that decisions should be made jointly with the EU. The models here employ logistic regression.

Figure 2.7 displays the percentages of individuals that agree with this statement in 2014. This question reflects an individual’s feeling about the EU’s involvement in environmental decision-making. If the theory is correct, and these organizations are successfully advocating on behalf of the EU’s environmental agenda, then the presence of Commission-funded NGOs and their members should make individuals more likely to support the EU having a say in environmental decision-making.

Figure 2.7: Percent That Think Environmental Decisions Should be Shared with the EU (2014)



Data Source: Eurobarometer 81.3, 2014

Table 2.6 displays the results. The first model, which includes all variables, appears to lend some promising support for the theory. Eigenvector centrality is highly statistically significant and positive, as expected, which suggests that individuals from countries that are more embedded in the environmental NGO network are more likely to support a greater EU role in environmental decision-making. The count of organizations is positive as expected, but not statistically significant. The lack of a strong effect here suggests that the network variable is capturing more than the number of organizations present. This is consistent with the experiences of the individuals that work with the NGOs that receive the grants, and much of the NGO scholarship that focuses on the importance of TANs. That environmental NGOs are not as effective when working alone is thus not entirely surprising.

The marginal effect of a change in a country's Eigenvector centrality from 0 to

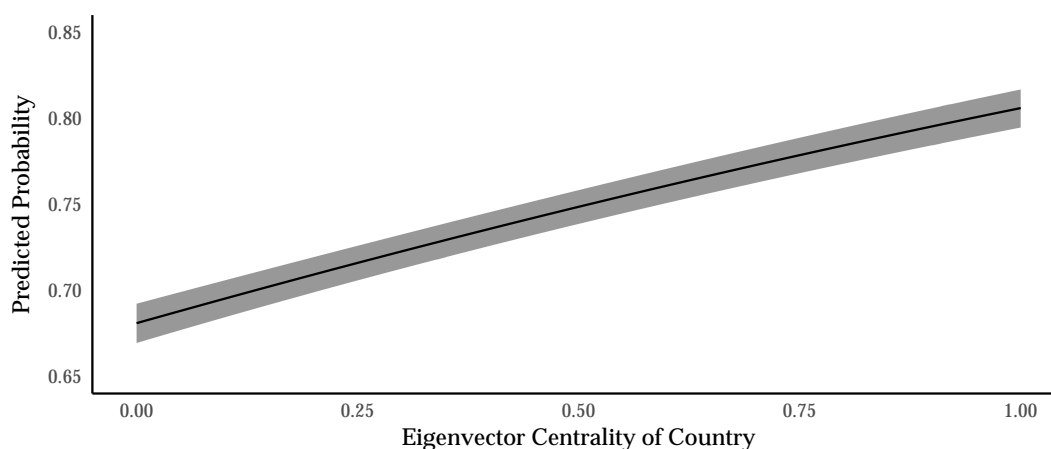
Table 2.6: Results - Do You Think the EU Should be Involved in Environmental Decision Making?

Variable	Mod 1	Mod 2	Mod 3	Mod 4
(Intercept)	0.26** (0.09)	0.28** (0.09)	0.49*** (0.09)	0.42*** (0.09)
Key Independent Variables				
Eigenvector Centrality	0.67*** (0.03)	0.65*** (0.03)		0.69*** (0.03)
Count of Orgs (per 100,000)	0.02 (0.02)		-0.06*** (0.02)	0.07*** (0.02)
Controls				
Trust Env NGOs	0.32*** (0.02)	0.32*** (0.02)	0.33*** (0.02)	
Trust Scientists	0.22*** (0.02)	0.22*** (0.02)	0.23*** (0.02)	
Protecting Env: Very Imp.	0.25*** (0.02)	0.26*** (0.02)	0.24*** (0.02)	
EPI	0* (0)	0* (0)	0** (0)	0 (0)
age: 25 - 39 years	-0.22*** (0.03)	-0.23*** (0.03)	-0.23*** (0.03)	-0.23*** (0.03)
age: 40 - 54 years	-0.37*** (0.03)	-0.37*** (0.03)	-0.37*** (0.03)	-0.37*** (0.03)
age: 55 years and older	-0.63*** (0.03)	-0.63*** (0.03)	-0.61*** (0.03)	-0.64*** (0.03)
Male	0.05** (0.02)	0.05** (0.02)	0.06*** (0.01)	0.03 (0.01)
Highly Educated	0.13*** (0.02)	0.13*** (0.02)	0.14*** (0.02)	0.21*** (0.02)
2007	0.33*** (0.02)	0.33*** (0.02)	0.35*** (0.02)	0.32*** (0.02)
2011	0.21*** (0.02)	0.21*** (0.02)	0.21*** (0.02)	0.24*** (0.02)

1 on the respondent's probability of supporting EU involvement in decision making is 16%. However, since this variable is an index between 0 and 1, a 1 unit change is extreme. Instead, it's worth focusing on the average differences between countries. The standard deviation of Eigenvector centrality is .23, which is associated with a 4% change in the probability of supporting the EU's involvement in environmental

decision-making. A marginal effects plot is provided by Figure C.2 in the appendix. The predicted probability plot is shown in Figure 2.8. All binary variables are held at 1, and all continuous variables are held at their means.

Figure 2.8: Predicted Probability of Supporting Shared Environmental Decision-Making with EU



The covariates tell an interesting story. Individuals that trust environmental NGOs are more likely to support EU involvement in environmental decisions. This is worth focusing on, since one of the theory's key assumptions is that environmental NGOs are promoting the EU's message and are mobilizing support for EU policy. While the Eurobarometer surveys do not ask about this directly, the relationship between trusting environmental NGOs and supporting EU involvement is positive and highly significant. This offers some evidence that these NGOs are in fact successful at promoting a pro-EU message among the public. This is the case for all model specifications, and changes little based on the included variables.

Additionally, individuals that list scientists as one of their most trusted sources are also more likely to believe that the EU should be involved in environmental decision-making. Environmental scientists often demonstrate the necessity of more far-reaching environmental policies. Since the EU is generally more aggressive in proposing environmental regulations than national governments, this makes sense

that those that listen to these scientists would support a bigger role for the EU. In this same category, individuals that report that protecting the environment is very important to them are also more likely to support EU involvement.

The environmental performance index appears to have no effect, which is interesting because there is a great deal of variation across member states and years. This potentially captures that respondents' feelings towards the EU are more a function of exposure to NGOs, and less a result of the state of their own environment, as the theory posits. Men are more likely to support EU environmental policy, and support for EU environmental policy decreased between 2007 and 2011, and between 2011 and 2014.

In model 2, excluding the count of organizations does not lead to any significant changes. By omitting Eigenvector centrality in model 3 the count of organizations becomes statistically significant, although the direction is inconsistent with the theory. It is interesting to note though that omitting the count from model 2 does not change the impact of the Eigenvector centrality. This suggests that Eigenvector centrality may be explaining a lot more than the count of organizations.

Model 4 omits the individual-level covariates from the Eurobarometer that look at the trusted sources and feelings toward the environment, and finds that both key independent variables are positive and highly significant, as the theory predicts. This demonstrates that these covariates provide important control, since they capture a great deal of variation. The fact that Eigenvector centrality is still positive and significant across the board, even when including these covariates, is promising for the theory. By controlling for an individual's feelings on protecting the environment in general, it makes an alternative explanation: that individuals just want the EU involved when they care about the environment, less likely.

Hypothesis 3 - Individuals that are exposed to Commission-funded NGOs that

work to raise awareness about certain environmental issues, specifically water pollution, air pollution, and biodiversity, are more likely to report being concerned about those issues.

While the first two hypotheses offer some initial evidence that exposure to EU funded NGOs may make European citizens more likely to support EU environmental policy, a more extensive analysis below will focus on differences across issue areas.

The environmental DG deals with a lot of different issues, from air pollution to climate change to waste management. Clearly, not all NGOs that receive the DG's operating grants every year work on all issues, nor do two NGOs deal with the same set of issues, but each NGO's issue set remains relatively stable over time. Terhi Lehtonen, the advisor to the Environmental Committee in the European Parliament, explained how the big environmental NGOs have adopted a divide and conquer strategy so they use their time and resources efficiently, and don't step on each other's toes. The European Environmental Bureau and HEAL are the primary NGOs that focus on air quality, while Birdlife Europe is the main NGO that works on biodiversity, and Climate Action Network Europe is the foremost NGO operating in the area of climate change.

While it would be ideal to have access to the grant applications to determine the specific issues a grant requires an NGO to work on, these are confidential. Instead, I identified the issues the NGOs work on through their websites. Christina Camaini, an administrator of grants issued by the EACEA, said the Agency uses their recipients' websites to ensure they report honestly on the subjects they work on in their grant applications. This suggests that the issues they work on for the Commission are posted on their websites, and supports my coding strategy.

Across the 55 organizations that received funding during the sample, 28 issue areas were present on their websites. I employed a similar system of specification

and categorization as the Commission’s grant calls. For example, organizations that work on invasive alien species, or those that work on protecting birds were all coded as working on biodiversity. In 2014, of the 28 organizations that received funding, 13 mention work on biodiversity on their website.

To construct the issue area networks for each year, I assumed the national members of the recipient NGOs work on the same issues. I thus identified the subset of NGOs that work on biodiversity and that received an operating grant, for each year in the study. These NGOs and their members were subsequently included in the network of biodiversity NGOs. I then calculated the same network statistics; count of organizations per 100,000 people and Eigenvector centrality, based on this subset of NGOs.

The broad Eurobarometer analysis here is relatively limited in its ability to capture issue-level variation in demand for EU policies that would directly address the hypothesis. However, there is a question that asks respondents to pick the five main environmental issues they worry about, from a list of 15 options. I selected three of these options; air pollution, water pollution, and the protection of biodiversity for further analysis, since these were available in all three years of the Eurobarometer surveys, were reported on the websites of recipient NGOs, and had an EPI score for all member states.¹⁴

Table 2.7 shows the number of funded NGOs that claim each issue area from 2007 to 2014. Notably, there is a lot of variation in the Commission’s level of priority for each of these three issues during the timeframe in the sample. Of the three, air pollution is the highest priority issue to the Commission. For instance, the “Clean Air Policy Package” was finally passed in December of 2013, after years of work. According to several interviewees, NGOs were important in mobilizing support for

¹⁴The EPI dataset offers two types of measures for the score of both water and air quality; “effect on humans” (“EH”) and “effect on ecosystems”. I assume that respondents are more aware of, and are more concerned about the effect on humans, so I used the “EH” measure.

Table 2.7: Agendas of Funded Environmental NGOs

Year	Air Pollution	Biodiversity	Water Pollution
2007	5	18	14
2008	5	19	16
2009	6	15	15
2010	5	19	13
2011	3	13	11
2012	4	15	14
2013	3	13	12
2014	4	13	10

this issue in member states. In contrast, the most recent large change in water policy, the Water Framework Directive, passed in 2000. While the Commission has enacted minor changes, it has largely prioritized other issue areas. Finally, no new legislation on biodiversity has been proposed since 2009, and little has been passed since 1992. While this area is a priority for the Commission, it requires fewer changes of a legislative nature.

The dependent variable measures whether a respondent ranks the issue as a priority concern. The response is binary; a 1 if they mention it as a concern, 0 if not. I use logistic models for all issue areas, and have included the same controls as with the tests above.

Table 2.8 depicts the results for all three issue areas. First, the air pollution model provides some initial support for the theory. The count of organizations is positive, highly statistically significant, and is the largest coefficient by a large margin, compared with the other issue areas. Since we know this issue was the Commission's highest priority during the timeframe, this result makes sense. While Eigenvector centrality is negative, the size of this issue area's network is relatively limited; only nine organizations that receive funding at any time during the sample work on air pollution during the time frame, which may complicate picking up relationships at this level. While the full network includes more organizations, it is still significantly

Table 2.8: Results - Which Environmental Issues are Priority Concerns to Europeans

Variable	Air Pollution	Biodiversity	Water Pollution
(Intercept)	0.477*** (0.06)	-2.199*** (0.04)	-0.264*** (0.04)
Key Independent Variables			
Eigenvector Centrality	-0.099** (0.03)	0.698*** (0.04)	-0.451*** (0.04)
Count of Orgs (per 100,000)	0.591*** (0.09)	0.073* (0.03)	0.064 (0.04)
Controls			
Trust Env NGOs	0.021 (0.02)	0.449*** (0.02)	0.255*** (0.02)
Trust Scientists	0.108*** (0.02)	0.257*** (0.02)	0.209*** (0.01)
Protecting Env: Very Important	0.171*** (0.02)	0.296*** (0.02)	0.209*** (0.02)
SubjectEPI	-0.003*** (0)	0.001*** (0)	0.001 (0)
age: 25 - 39 years	-0.128*** (0.02)	-0.291*** (0.02)	0.017 (0.02)
age: 40 - 54 years	0.068*** (0.02)	0.013 (0.02)	0.016 (0.02)
age: 55 years and older	0.022 (0.02)	-0.045* (0.02)	-0.03* (0.02)
Male	-0.008 (0.01)	0.097*** (0.02)	0.042** (0.01)
Highly Educated	-0.135*** (0.02)	0.289*** (0.02)	0.089*** (0.02)
2007	-0.613*** (0.02)	0.044 (0.03)	-0.145*** (0.02)

smaller than the network for biodiversity.

In the biodiversity model, the relationship between the count of organizations and an individual's concern is less strong, although still present and statistically significant at the 90 percent confidence level. Of the three issue areas, the largest number of NGOs claim biodiversity as one of their activities: 27 total from 2007-2014. However, many of these NGOs may not be actively promoting EU biodiversity policy, since there has been less legislative action in this area.

Finally, 23 of the organizations that received funding from 2007-2014 worked on water pollution issues. The relationship between the number of organizations and the probability that an individual is concerned with the issue is positive, but not statistically significant. Since this issue was a much lower priority to the EU during this timeframe, it is not surprising that the relationship is not as strong as it is for air pollution. Eigenvector centrality is negative for this issue area as well, which may be a function of the limited data in this category.

ENDOGENEITY TESTS

The issue of endogeneity complicates the theory and the tests. It is possible that grant money is simply going to areas where support for EU policy is already high, or where concern for the environment already drives support for the kind of policy preferences the EU wants to foster. The individual level analysis presented above can begin to address the endogeneity challenge by including important covariates, such as the respondent's level of concern about the environment, and country-level variation in environmental performance. Furthermore, these data can address this concern more directly, by demonstrating that the grant money is actually going to places where both support for the EU and concern for the environment are low, and does not target areas where support is already high.

Another potential way to address the possible endogeneity question is to reverse the independent and dependent variables. A finding that would reduce the endogeneity concern is if the money flowed to areas where concern for the environment was lower on average, such that there were more funded organizations in states where concern about environmental issues was low. This would demonstrate that the Commission is not just providing grants to organizations in areas that are already concerned about the environment. For instance, we can examine the average levels of concern, by state, for each survey year. If the theory is right, then the higher the

average level of concern for a subject matter, the fewer organizations that deal with that issue in that state would receive funding in the following year, as evidenced by a lower count of organizations active in that field in that state.

Table 2.9: Funding and Concern about Environmental Issues

Variable	Coefficients (Standard Error)
(Intercept)	28.9*** (2.49)
Concern	-8.39 (8.39)
Chemicals	-13.34*** (2.52)
Pollution	-22.05*** (2.67)
Urban Problems	-26.07*** (2.26)
Waste	-15.17*** (2.41)
Water Pollution	-8.44** (2.99)
2008	0.89 (1.29)

Table 2.9 displays the results. For two of the sample years, 2007 and 2011, the independent variable is the average level of concern for each subject area. The dependent variable is the number of organizations that receive funding to work on that issue in the following year, so 2008 and 2012 respectively. The 2014 survey was left out, since funding data for 2015 is not included in this analysis.

By omitting the EPI in this model, I was able to include a greater number of issues areas as variables. These required both an indicator of whether an NGO in the set worked on that issue, and an option in the Eurobarometer surveys for respondents to report they were concerned with the issue. A total of six issue areas met these criteria: biodiversity, water, waste, pollution, urban problems, and chemicals. These

issue areas, across 28 member states and two survey years, resulted in a sample of 324 observations. A simple OLS regression model was used, which controlled for issue area and survey year. While the variable ‘concern’ is not statistically significant, the direction of the coefficient supports the theory. It signals a negative relationship between average concern for an issue and the funding that issue received the following year. Since the model controls for variation across issue areas, this result appears to show that funding is going places where concern is low. The lack of statistical significance is not surprising here, since the sample is relatively small, and a lot of variation is absorbed by the issue and year controls.

I conducted another validity test that leverages information about the first-differences, or the relationships between changes across years, rather than the actual values for the years. If the theory is right, then larger changes in the independent variables should lead to larger changes in the dependent variable. Since the respondents are not resampled, the only way to explore this is by using the average of the dependent variable across countries.

The final test examines the change in the independent variable between both 2007 and 2011, and 2011 and 2014, and checks whether they are positively correlated with the change in the average level of support for the EU. The test only evaluates binary variables, including two of the dependent variables, and two other variables that are worth investigating, specifically whether individuals are well informed about the environment, and whether protecting the environment is important to them. Table 2.10 shows the resulting correlations.

All pairs are positive, which is consistent with the expectations from the theory, except the relationship between Eigenvector centrality and the percentage of citizens that trust the EU on environmental issues, which is negative. Recall though, that respondents could select up to five most trusted sources in response to this question.

Table 2.10: Correlation Table

	Count	Eig
How well informed about the environment are citizens	0.022	0.012
Should environmental decisions be shared with the EU	0.206	0.062
How important is protecting the environment to citizens	0.023	0.09
What percentage of citizens trust the EU on the environment	0.015	-0.191

When a country becomes more central in the NGO network, respondents may be more likely to choose NGOs as one of their five most trusted sources, which lowers the likelihood that the EU is one of the remaining four choices.

The rest of the relationships are consistent with the expectations, with a large effect observed for the relationship between the number of organizations present in a country and the percentage of people that believe environmental decisions should be made in concert with the EU. Some states, such as Italy - have a positive change in all variables from 2007 to 2011, and then a negative change in all variables from 2011 to 2014. Other states, such as Slovenia, have a negative change across all variables from 2007 to 2011, and from 2011 to 2014. There is substantial variation in the organizations present in each state during the years in the sample, with an average increase of 8 organizations per state from 2007 to 2011, and an average decrease of 9 from 2011 to 2014. The average change in Eigenvector centrality from 2007 to 2011 is -.03, and 0.01 from 2011 to 2014. Tables and C.3 and C.4 in the appendix display all the changes by country.

CONCLUSION

This paper contributes to the literature on global governance by providing a theory driven account of how international actors collaborate to accomplish their goals. By examining how IGO funders and NGO recipients interact and cooperate, we can gain a better understanding of the impact of funding on the agenda and activities of the

recipients, and of the long-term implications for international policy. While IGOs are often viewed as acting in isolation, appreciating how working with NGOs can increase the effectiveness of IGOs contributes important insights in studying transnational governance.

The evidence provided here suggests that IGO funding of NGOs is an effective way to mobilize support for desired policies in member states. Specifically, the organizations the European Commission funds increase demand for EU policies on the ground. This phenomenon may partly explain the gradual transfer of power from national governments to the EU over the last several decades. When international bureaucrats use the power of the purse to employ NGOs it can make them more effective at promoting their agenda.

The evidence provided here also reinforces the importance of a network of NGOs in promoting a funder's objectives. While this is no surprise to constructivists, the theory here offers more concrete evidence for why partnerships among NGOs, and between NGOs and IGOs, matter. Funders who wish to maximize their impact should identify NGOs that are well connected in the countries they seek to target.

While EU advocates will likely find the outcome of this research laudable, leaving unelected international bureaucrats, not beholden to democratic legitimacy, in control of determining which interest groups are strengthened in policy-making could become a challenge to democracy, or could evoke a backlash. Empowering environmental NGOs over multinational corporations is unlikely to be controversial, but providing more funding to Danish NGOs than Hungarian NGOs, or prioritizing women's rights groups over minority rights groups has the potential to undermine the representativeness of the interests served in Brussels, and reshape the preferences of the population.

This funding relationship is not unique to the European Union, or even international organizations. The model can be applied to explain how moneyed interests

can best mobilize popular demand for policy change. The opportunity to redirect the priorities and activities of NGOs gives any grant-making institution, from the Gates Foundation to the US State Department, the ability to mobilize popular demand and legitimacy for its agenda. Far from an example of socialization and norms, this is a story of how rational actors that pursue their independent objectives will converge behind a unified agenda. Maybe money can't buy happiness, but it can buy influence.

3. Sponsoring Influence

INTRODUCTION

In 2003, the EU started offering farmers incentives to produce biofuels. These fuel sources, created from crops like rapeseed, palm oil, soy, sugar, wheat and corn, were thought to benefit the planet by replacing fossil fuels to lower carbon dioxide emissions. The production and consumption of biofuels grew rapidly after the Renewable Energy Directive and the Fuel Quality Directive were adopted in 2008 and 2009, which set binding targets of a minimum of 10% renewable energy in transport fuels by 2020, and the decarbonization of transport fuels by 6% by 2020. Biofuels were considered a great solution for countries that wanted to strike a balance between being environmentally friendly and pro-industry ([Friends of the Earth Europe 2015b](#)).

Unfortunately, biofuels were soon discovered to actually have a significantly worse impact on the environment than fossil fuels. Not long after the biofuel boom began, several scientific studies showed that the production of biofuels created more emissions due to the indirect land-use change (ILUC). To shift cropland from food production to energy production, crop cultivation had to expand, and more forests (which absorb CO₂ emissions) had to be converted to cropland. Once ILUC is considered, biofuels create more carbon emissions than they save.

By the time this research was published, the interests benefitting from the biofuels boom were already entrenched. Since 2003, biofuel producers had been receiving

substantial subsidies from the Agriculture Directorate General (DG), and benefited from the required targets for renewable energy that the European Commission had imposed on member states. DG Environment and DG Energy, which focused on the climate impact, were quick to reverse their stance on biofuels. However, DG Agriculture, which focused on the future of the biofuel industry and the protection of subsidies for producers, was much less willing to change course. In a damning leaked letter from the head of DG Agriculture that referred to mounting evidence that biofuels do serious harm to the climate, he stated that unless handled carefully, the scientific perspective could “kill biofuels in the EU” (Transport & Environment 2010).

In response to the findings, DG Energy quickly drafted new legislation that would dramatically limit biofuel consumption in Europe. What followed has been referred to as a battle of the lobbies. The biofuels industry, worth some €13 billion at the time, furiously fought back by attempting to poke holes in the Commission’s scientific studies, and worked to discredit the environmental concerns, with the support of DG Agriculture. While involved in the issue, DG Environment lacked the access, expertise, or legitimacy to pressure MEPs, placing the institution at a disadvantage compared to the biofuels industry. It did, however, have the resources to sponsor environmental NGOs to mobilize in support of their shared agenda.

The environmental DG provided millions of euros to NGOs to influence policy makers to oppose biofuels. In 2015 legislation was proposed to limit biofuels in the EU, and that year the European Environmental Bureau received €900,000 from DG Environment to work toward “a political agreement in second reading that includes ILUC factors, a sustainable cap on land-based biofuels and a framework for next generation biofuels.” Another prominent NGO, Friends of the Earth Europe (FoEE), received €813,720 from the Commission to “engage in the EU and Members States’ policy processes to achieve strong environmental policies in the following areas: Climate

change, energy savings and renewables (including biofuels and biomass)” (European Commission 2015, p. 11, 14). A large number of other environmental organizations joined the fight, from the World Wildlife Fund, to Transport & Environment, to numerous national NGOs invested in clean energy.

The European Parliament was split on the issue; industry-oriented MEPs were concerned for the biofuels industry and the financial consequences for farmers, while environmentally oriented MEPs worried about the effects on climate change and sustainability. The NGOs had far less resources than the biofuels industry, but their tactics turned out to be more effective. By commissioning studies, sharing information with MEPs, and building a powerful coalition of environment and development groups to campaign for ‘Food not Fuel’, these NGOs effectively leveraged their credibility and access to legislators, and the resources provided by their allies in the European Commission, to win the war of the lobbies.

On April 29th, 2015, the European Parliament and EU member states passed a resolution limiting the use of biofuels to a maximum of 7% of a country’s energy consumption. This represented a drastic shift from biofuels being expected to primarily fulfill the 10% renewable energy mandate for transport fuels, just 7 years previously. While environmental groups would have preferred to see biofuels banned altogether, they still considered the resolution a significant win. According to Friends of the Earth Europe, “It is a testament to our campaign that policy-makers set a limit of 7%, even if we would have liked to see the end of all food for fuel” (Friends of the Earth Europe 2015*a*, p. 6).

Academics have learned a lot about lobbying, including the most effective tactics, the characteristics of the most effective lobbyists, and the conditions under which interest groups are most likely to get their way. These works focus on how lobbyists influence policy makers to achieve their desired outcomes, but have paid no attention to how policy makers can use lobbyists to achieve their desired outcomes. One

such way is through providing funding to select groups to lobby other policy makers. The example of the biofuel debate showed how the Environmental DG used NGOs to counter the influence of other DGs and interest groups with differing policy preferences. Taking it a step further, providing resources to NGOs to lobby the European Parliament and Council may also provide the Commission the ability to influence legislators to support a DG's own proposals.

Other scholars have examined the distribution of the Commission's funding (Berkhout and Lowery 2010, Mahoney and Beckstrand 2011), but limited work has studied the impact of the Commission's funding on policy change. In this paper, I examine the relationship between receiving operating grants from the European Commission and lobbying the other branches of the EU. The paper will proceed with a literature review that looks at the relationships between IGOs, NGOs and states, as well as the relationships between institutions and interest groups. The paper will then discuss the theory, and will explore why receiving funding from the European Commission is likely to make NGOs more effective and active lobbyists. It will also discuss some of the tradeoffs faced by the NGOs that may limit the impact of the funding. The theory will be tested using qualitative evidence gathered through interviews with EU experts and NGO representatives, and quantitative evidence that uses an original dataset of operating grants provided by the European Commission between 2012 and 2013, and information about the behavior of the recipients provided by the EU Lobby Register. The paper will conclude with a broader discussion the dissertation as a whole, and the evidence that the European Union provides operating grants to NGOs to advance policy.

LITERATURE REVIEW

IGO scholarship has come a long way in the last few decades. The dominant questions no longer focus on whether IGOs matter, as Waltz (1979) and Mearsheimer (1995) anticipated, but rather on how they matter, and on the conditions under which they are most likely to be effective. Rationalists have credited the success of international institutions in facilitating coordination, transparency, monitoring and information exchange (Abbott and Snidal 1998, Keohane 1998). The observable evidence provided by organizations like the World Trade Organization, the International Monetary Fund, and the European Union demonstrate that these organizations are having a non-trivial impact on global governance. Despite their potential, IGOs still face significant obstacles in administering international justice and driving global governance. They often struggle with restrictive treaty mandates, close member oversight, and limited resources, both financial and administrative. Consequently, IGOs often lack the capabilities to achieve the outcomes they were created to fulfill (Abbott, Genschel and Snidal 2015).

While these factors don't eliminate their potential to promote their agenda, as skeptics have predicted, IGO effectiveness frequently depends on the ability to bypass recalcitrant states, and create change through less observable channels (Abbott and Snidal 2009*a,b*, 2010, Mathews 1997, Reinicke 1998, Rosenau 1995). Working with third parties has become an increasingly common way in which IGOs pursue their objectives despite the limitations they face. Some delegate specific tasks to outside agencies, such as when the European Commission enlists domestic regulatory networks as intermediaries to implement EU regulatory policies (Blauberger and Rittberger 2015), or when the United Nations High Commissioner for Refugees (UNHCR) contracts out the management of refugee camps to private relief organizations (Cooley and Ron 2002).

The most comprehensive look at how IGOs use third parties to achieve their objectives is presented by Abbott, Genschel, and Snidal (2015). The book investigates the conditions under which IGOs enlist the help of other organizations, including NGOs, business groups, trans-governmental networks, and other IGOs. The authors examine several different partnerships, and posit that IGOs use intermediaries when they lack capabilities, and when the goals of the member states diverge. The intermediaries bring governance capabilities, such as local information, technical expertise, enforcement capacity, material resources, legitimacy and direct access to targets.

Abbott et. al and the scholars that contribute to the chapters provide compelling evidence that the relationships IGOs form with third party actors matter in global governance. However, the authors pay less attention to how particular institutional features, such as control over discretionary spending, affect the ability of IGOs to pursue their objectives. International bureaucrats are a critical piece of this story, but are generally treated as exogenous to the outcomes.

Indeed, international bureaucrats are rarely seen as consequential in IGO scholarship, and little attention is paid to the variation in the tools they have at their disposal. The old-school realists, such as Mearsheimer (1994-1995), Morgenthau (1967), Waltz (1979) treat their impact on powerful states as theoretically unlikely. A number of constructivist scholars, such as Barnett and Coleman (2005), Barnett and Finnemore (1999), Hurd (1999), Wendt (2001) have focused on the role of IGO employees in promoting norms, but have given limited scrutiny to the concrete processes through which this occurs. The belief that IGOs gradually gain influence over more issue areas has also been promoted by functionalists, such as Mitrany (1948) and neo-functionalists such as Haas (1958) and Sandholtz and Sweet (1998), but these scholars attribute the changes to states' increasing investment in the survival and growth of an IGO.

IGO literature still often considers IGOs as uniform entities. However, by ne-

glecting to examine the international bureaucracy in a broader analysis of the relationship between IGOs and their member states, scholars miss out on some important questions. International bureaucrats are often beyond the direct, formal control of individual national governments, but can craft policies that affect individuals and states all over the world. They are free from the constraints of a constituency, and generally possess a high degree of expertise. There is much we still don't know, however. For instance, why do differences exist in the level of autonomy they are granted, and under what conditions are they most likely to be effective? Appreciating the incentives and activities of international bureaucrats, as well as the partnerships they form to accomplish their goals as distinct from the member states they seek to govern is a worthwhile topic of study.

This paper contributes to this body of literature by studying the relationship between providing international bureaucrats control over discretionary spending, and the ability of an IGO to accomplish its policy objectives. I examine another avenue through which IGOs can increase their influence; by funding advocacy NGOs to increase their legitimacy on the ground, and to lobby governments in support of their agenda.

With the very recent exception of Abbott et al. (2015), IGO scholarship has tended to treat IGOs as stand-alone actors (Abbott and Snidal 1998, Barnett and Finnemore 1999, Hawkins et al. 2006, Hooghe and Marks 2012, Krasner 1983, Mearsheimer 1994-1995, Zürn, Binder and Ecker-Erhardt 2012). The same is true of NGO scholarship, which may appreciate that other actors matter, but provides few theoretical mechanisms through which these relationships influence outcomes beyond adding more actors to a network that promote new norms (Keck and Sikkink 1998, Reimann 2006).

NGO scholarship has long emphasized the role these organizations play in spreading new norms and promoting policy change as a function of socialization.

Constructivists focus on the Transnational Advocacy Networks (TANs) that pressure national governments by raising awareness, by providing information about the behavior of states, and by increasing the popular salience of particular issues among the population (Keck and Sikkink 1998). These scholars attribute the gradual shift in the preferences of populations and states to socialization, but the incentive for actors to adopt new norms is unclear and difficult to predict. While this perspective is generally useful to understand, ex-post, why NGOs successfully pursued certain issues that are then adopted as international norms, it is largely unable to explain and predict which issues are chosen, or what the incentives are for actors to adopt these new norms.

The constructivist perspective views NGOs as the primary agent of change. However, it misses the bigger strategic environment, because it does not treat IGOs as actors in their own right. This view is consistent with the realist school, which treats IGOs as constrained and only as powerful as their member state principals allow. This paper considers IGOs as a strategic player, and not just as the outcome of strategic interaction between NGOs and the state. By viewing international bureaucrats as actors with their own policy preferences and agendas, it becomes apparent how the IGOs' agenda may be the source, and not the outcome, of successful NGO activism. This approach may yield insight into why NGOs choose the issues they do, or when they are likely to be successful. This paper contributes to a growing body of literature on transnational governance by providing concrete theoretical mechanisms through which IGOs and NGOs increase their effectiveness and shape each other's capabilities and goals. More closely examining the conditions under which these partnerships occur, and the impact they have on policy outcomes, is not only relevant to scholarship, but also to practitioners that seek to make their organizations more effective.

In contrast to scholars that focus mostly on IGOs, NGO scholars have long held

that IGOs often depend on NGOs to solve global problems. NGOs provide services, agenda setting, monitoring, lobbying, and information gathering, and can mobilize public opinion and garner media attention (Gordenker and Weiss 1996, Raustiala 1997). As Abbott, Genschel and Snidal (2015) illustrate, both states and IGOs have increasingly had to rely on NGOs to provide capabilities that existing institutional structures lack (Reimann 2006).

However, like Abbott et al. (2015), the actors are assumed to work together, because they have compatible agendas, and because the arrangement is mutually beneficial. While NGOs are generally understood to influence the agendas of IGOs through targeted activism (Keck and Sikkink 1998), the influence of IGOs on NGO agendas has been largely overlooked. Treating the agendas of these actors as exogenous to the partnership misses a crucial and interesting part of the story. In this paper, the relationship between the resources the IGO provides and the agendas of the NGOs that receive the funding plays a central role.

NGO scholarship has taken a limited approach to measuring and studying the relationships between NGOs and distinct audiences. While significant attention has been paid to the success of advocacy coalitions, such as those behind the international campaign to ban landmines and conflict diamonds (Stroup and Wong 2015), measuring the impact of NGO activities has been a challenge for scholars. This paper identifies precise channels of influence, and measures the impact of NGO advocacy.

LOBBYING

The role of interest groups in policy making has long been recognized as an important channel through which citizen express their preferences (Grant 1989, Lazarsfeld, Berelson and Gaudet 1948, Lindblom 1965). The interactions have generally been seen as a strategic game between the lobbyists and the policy makers they target to try to achieve their desired outcomes. Scholars focus on the conditions under which

organizations are able to exert influence and achieve successful lobbying outcomes, identifying variables such as density (Berkhout et al. 2015, Klüver 2011, 2013), information provision (Chalmers 2011, Crombez 2002, Dür and de Bièvre 2007, Hall and Deardorff 2006), and issue salience (Baumgartner and Leech 2001, Baumgartner et al. 2009, Caldeira, Hojnacki and Wright 2000, Hansford 2004, Strolovitch 2006). A layer in the strategic game that has been ignored until now is how policy makers can use lobbyists to try to achieve their own desired outcomes, such as providing funding to select groups to lobby other policy makers.

The representation of interest groups in the EU and the US is generally understood to be dominated by private interests at the expense of diffuse interests (Coen 1998, Cowles 2001, Hueglin 1999, Mazey and Richardson 2007). Scholars who have studied the Commission's funding to NGOs have found that it has indeed helped to even the playing field in Brussels (Mahoney and Beckstrand 2011), but little attention has been paid to what the organizations that receive the Commission's money do with it. Investigating the interplay between the international bureaucrats in the Commission, and the policy makers who must approve their proposals, adds a new dimension to the relationship between institutions and interest groups.

The scholars that have considered how institutions broadly affect the development of the advocacy community have focused on the characteristics of the governing institutions, such as degree of centralization or accountability of decision makers to citizens (Heitshusen 2000, Hula 1999, Sheingate 2001, Woll 2008) rather than how policy makers directly engage with interest groups. Some more recent work has begun to offer evidence that organizations' advocacy behavior is affected by collaboration with other actors, including policy makers (Baumgartner et al. 2009, Mahoney 2008) and the variation in patterns of participation among different types of groups (Baumgartner and Leech 2001, Gais 1996), but very little attention has been paid to funding from the institution itself as a variable in the presence and effectiveness of interest

groups.

While a number of IGOs provide grants to NGOs, this paper will focus on the European Union, and the relationship between the grants provided by the European Commission and the activities of the NGO recipients in Brussels.

THEORY

The European Commission began offering operating grants to NGOs in the early 1990s to diversify the representation of interest groups in Brussels, which up until that point was largely dominated by corporate interests (Monaghan 2008). The infusion of funding contributed to a substantial shift in interest representation in Brussels. Berkhout and Lowery (2010) find that the EU's interest group population grew significantly during the early 1990s, and changed markedly to include a relatively larger group of organizations that represented public interests, at the expense of corporations and commercial consultants. The considerable increase in public interest groups in Brussels facilitated the growth of policy networks, which helped these organizations engage the public on EU policy making, and compete with industry lobbying efforts.

Nominally, the funding is provided to help the NGOs have an office in Brussels and dedicate time and attention to EU policy making, including lobbying.¹ The effectiveness of NGOs as lobbyists comes from the high quality of the information they can provide. In a recent interview, Anna Cozzoli, the head of operating grants for the Europe for Citizens program, explained that the grant recipients' influence comes from their strong capacity to analyze policy and produce high quality work. "It has long been recognized that information is the currency of lobbying in Brussels" (Chalmers 2011, p. 475).

¹The grants are officially provided to NGOs to "coordinate the positions of the members, providing the Commission with one single interlocutor and giving a voice to a large number of local organizations which would otherwise have difficulties reaching to EU decision-makers" (European Commission 2008, p. 6)

High quality policy analysis is in demand because legislators deal with many issues and operate under a high degree of uncertainty about the nature of a given policy problem and the potential consequences of a specific policy measure (Austen-Smith 1993, Bouwen 2004, Lohmann 1993). To contrast, interest groups are experts in their policy area. An interest group's success is directly related to their resources, because their influence increases with the amount of information they can supply to support their position (Austen-Smith 1993, Mahoney 2007, 2008). As one representative of Transparency International stated: "There is a strong link between the amount of money you spend and the number of meetings you get" (Freund 2015, p. 4). These operating grants from the Commission provide the NGOs with the resources they need to lobby effectively by funding research to influence their targets, and paying the salaries of policy officers (aka lobbyists).

LOBBYING ON BEHALF OF THE COMMISSION

The partnership is ideal, because the NGOs need resources that the Commission can provide, and the Commission relies on the NGOs for expertise and legitimacy. The Commission, like many governments, is a highly understaffed bureaucracy that depends heavily on external actors to provide specialized policy expertise and research (Klüver 2013). NGOs are experts in their policy area and know far more than the Commission about how to go about mobilizing support for a particular policy. Further, one EU policy expert referred to them as more cost effective per euro than any other channel of influence because policy makers are more likely to give them the benefit of the doubt. This expertise and legitimacy make NGOs great lobbyists and an ideal partner for pursuing policy change. However, lobbying is an expensive endeavor, especially in the quantities necessary to compete with corporate interests, and the Commission's resources are finite.

To complicate the endeavor, the NGOs have their own priorities, many of which

are not the same as the Commission's. In a recent interview I conducted with grant recipients, several explained that there is a tension between the priorities of their members, who may want them to focus more on events, or on work outside of Brussels, and the Commission, who wants them to focus on policy work and lobbying. The situation is further complicated by the fact that the Commission relies on the NGOs to propose the strategy and determine the amount of funding necessary to accomplish it. The need to cater to their member base creates opportunity costs for spending too much attention and money on the Commission's priorities, and receiving more money than they need to pursue the Commission's policy objectives means they can spend more of their own money on the activities that earn them support from other groups.

This zero-sum dynamic introduces an incentive for NGOs to withhold information. Fundraising is hard, private donations are highly inconsistent, and more grant money makes everything better, from higher salaries for NGO leaders to reduced need to cater to other funding sources. The problem is that getting a large grant from the Commission is always better than spending their own money, or having to pursue the same objectives with a smaller grant, but will not always lead to a different outcome or even an observable change in behavior if the NGO simply reroutes the money they would have otherwise spent on the shared priority to other objectives. The traditional principal agent dynamic is at work, in which the Commission must decide how much money to provide based on the information of an agent that benefits from the money. Not knowing exactly how much money the NGO needs to accomplish its objectives makes delegating to NGOs a risky choice for funders because the NGOs may have an incentive to use the money inefficiently.

Further, the Commission has difficulty assessing the effectiveness of the recipients. While the organizations have to produce a final report on all activities and outcomes, sometimes the goals of the program make the impact of the NGOs difficult

to measure. According to an internal review of the EU's LIFE funding program, "since the objectives of the program are broadly framed it is not possible to exactly measure the resources necessary to achieve them" (European Commission 2008, p. 10). This uncertainty means that the relationship between receiving funding from the Commission and increasing activity that promotes the Commission's agenda is not a given. While we expect organizations to be responsive to the funding, identifying whether the money leads to a measurable change in the recipients' behavior is critical.

In this paper, I am specifically interested in whether the funding increases the amount of lobbying the NGOs do. Using data provided by the EU Lobby Register, I will test two hypothesis to demonstrate whether there is a relationship between receiving EU operating grants and increasing activity that promotes the Commission's agenda.

Hypothesis 1 - The more money an NGO receives from the European Commission in the form of an operating grant, the more the NGO will engage in lobbying the European Parliament.

Hypothesis 2 - The more money an NGO receives from the European Commission in the form of an operating grant, the more money the NGO will spend on lobbying in the EU.

The next section will provide a brief overview of the grant process, and then move into qualitative and quantitative evidence for the theory, and direct tests of the hypotheses.

THE GRANT PROCESS

These operating grants are intended primarily for NGOs that would otherwise not have been able to dedicate resources to the Commission's priority areas, either due to institutional constraints, membership demands, or the inconsistency of private donations. The operational grants specifically provide financing to support an NGO's

operational capacity. This allows NGOs to maintain offices in Brussels, and engage in advocacy work. All EU grants to NGOs are provided based on how the recipient organization's goals align with those of the Commission, how effectively they would use the money, and the likelihood of accomplishing the objectives outlined in the funding call. In short, while these NGOs may already have been active in advocating or implementing the shared priorities, the grant money ensures they face no restrictions to mobilizing on issues that are important to the Commission. According to an internal Commission document reviewing the grant program: "Without funding from the program, the majority of beneficiaries would need to substantially reduce their activities, including the contributions to the EU policy process" (European Commission 2008, p. 8).

The grants are provided by the DGs through specific funding instruments that have been approved by the Parliament and Council. Each DG manages its own grant program, and they often work with executive agencies to screen and select applicants, and hold recipients accountable for their spending. The grants are provided on an annual basis² and applicants must reapply every year. The Commission posts a funding call, listing their annual priorities, and the NGOs submit their application proposing activities that deal with some percentage of the priorities, and propose a budget associated with the activities. The application also requires a complete financial history for the last two years, so the Commission can more accurately gauge what an NGO is capable of funding themselves.

Applications receive a score based on how well their proposed agenda would accomplish the Commission's objectives, as well as on the scale of their geographic and organizational reach through their members. The Commission prioritizes NGOs with higher membership numbers in a greater number of countries, and prefers applications that cover more priority areas. These scores are used to rank the applications, and

²A small number of programs provide multi-annual grants.

the top organizations are selected for the grants. The scores are shared with all applicants, but the reasoning behind the scores is not.

Once the recipient organizations are selected, the Commission determines the actual amount of funding they will receive by examining their proposed budget and their financial history. The Commission and its agencies assess the amount of money that the recipients can be expected to contribute themselves. They then award them a co-financing rate for the grant, such that the Commission's contribution, and the amount they expect the recipient NGO to provide, equal the total budget proposed by the NGO. The maximum co-financing rate is 80 percent. The average from 2007-2013 is 47.5 percent, with a standard deviation of 24.7.

The NGO must then raise the funds for their remaining share through other means, usually from membership dues or grants from foundations or national governments. The Commission expects an NGO to spend according to its co-financing rate. For example, for a co-financing rate of 80 percent, the NGO must prove that they spend 20 cents for every 80 cents the Commission funds, up to the maximum of the grant. In an original game theory model, I show that this co-financing system reduces an NGO's incentive to misrepresent their need, and incentivizes recipient NGOs to use the money efficiently (Wilson 2017).

In an attempt to reduce waste, the Commission disburses the money in several tranches. At each one, an NGO must provide detailed records of what they spent the previous round of funding on to receive the next disbursement. The Commission also retains the right to audit the recipients for up to ten years after the grant term is completed. Recipients described the process as extremely burdensome. Where other funders may require little to no records of what their money was spent on, the Commission requires a receipt for every single expense, in addition to an activity report that is far more detailed than what NGOs normally provide to their members.

From 2007 to 2013, there were 1,911 operating grants disbursed to NGOs. Five

different DGs provided the grants, across 13 different funding programs. The average grant amount was €203,835, with a standard deviation of €678,713. Across all DGs, a total of 1,028 recipients received these operating grants during this time, with the average recipient receiving only 2 years of funding. Table 3.1 shows the number of grants provided by each DG between 2007 and 2013.

Table 3.1: Distribution of Operating Grants by DG

	2007	2008	2009	2010	2011	2012	2013
Employment	11	31	2	2	2	2	19
Environment	30	33	32	32	27	31	32
Education and Culture	108	206	175	182	187	208	210
Health and Food Safety	0	10	10	10	18	21	21
Justice	0	5	7	142	6	31	17

EMPIRICAL ANALYSIS

QUALITATIVE EVIDENCE

Much academic literature has been dedicated to how NGOs operate and the impact they have on public discourse and policy. However, the experiences of the people within these organizations may not line up with existing academic theories. To better understand the relationship between institutional funders and European NGOs focused on the EU policy process, I spent a month in Brussels in the Fall of 2015 to interview representatives of NGOs, staff for Members of the European Parliament, advisors to the European Parliament, and bureaucrats that work for the European Commission running some of the grant selection and disbursement programs. The purpose of these interviews was to validate the assumptions and mechanisms at work in my theory, and gain a deeper understanding of the incentives and processes involved in the funding. I was interested in how organizations perceive their own influence in

Brussels and at the national level, how funding affects their agendas, and how the NGOs interact with EU institutions. A full list of the individuals interviewed and a more extensive summary of the results are included in the appendix.

I conducted the largest number of interviews with representatives of NGOs. These individuals generally worked, or had previously worked for a Brussels-based NGO that received funding from the Commission. Several individuals who had previously worked with organizations that received the Commission's operating grants unequivocally confirmed that the recipient's agendas follow the money; some even went so far as to refer to it as "grant chasing." These NGOs try to anticipate what the Commission will be looking to fund, and alter their activities to be eligible for such funding. Diogo Pinto, the former Secretariat of the European Youth Forum (which receives 80 percent of its funding from the Commission) explained that when there are competing organizations that do similar things, the threat of losing funding is real, and recipients must align their messages and activities with the Commission's priorities to ensure continued funding. Daniel Freund, the head of Advocacy on EU Integrity with Transparency International (a recipient of EU operating grants) explained that while they have their own agenda, they need money, so when a funding call shares some overlap with their own agenda, they prioritize the overlapping projects to obtain EU funding. Some organizations can even lose track of their mission and become too dependent on funding. In another interview, a former employee of Transparency International, who requested to remain anonymous, was decidedly critical of his former employer, and described a process of jumping through hoops to get money from the Commission. Several interviewees confirmed that at the organization level, priorities are driven by the available funding, and corroborated that funders can influence civil society's agenda by making their preferences known, and by rewarding organizations that share their priorities with grants. Recipients also explained that the Commission is uniquely inflexible in this area. While other fun-

ders may allow recipient organizations to shape their own mission and priorities, the Commission only wants to fund their own specific agenda. In Brussels, though, the Commission offers the largest source of money, so NGOs accept these demands to access their substantial funds.

NGOs have a lot of credibility with EU institutions and policy makers, as well as with Brussels-based media. Mark Perera of Amnesty International explained that this credibility allows them to be really effective when they engage in direct advocacy with institutions. Terhi Lehtonen, an advisor to the Greens/European Free Alliance group in the European Parliament's Environmental committee explained that NGOs have a good reputation and their work is often echoed in environmental committees, and that they have good access and credibility with other political parties as well. In fact, many MEPs consider them necessary to assess the Commission's proposals. Tehri explained that NGOs are so well respected that "even if they don't proactively lobby, members will call on them to ask their views" (personal interview, October 2015). They also have an easier time getting meetings with MEPs; one MEP aid explained that representatives are much more eager to accept meetings with them than with companies. The leaders of NGOs confirm this access as well; Gabriella Civico with the European Volunteer Center told me she gets almost any meeting she asks for.

While I do not have information about what these NGOs are doing in the meetings with MEPs, decades of scholarship on lobbying, in both the US and the EU, offers compelling evidence that having more lobbyists makes it more likely that a group achieves its preferred outcome. (Bernhagen and Brauningner 2005, Bouwen 2004, Broscheid and Coen 2003, Crombez 2002, Dexter, Bauer and de Sola Pool 1963, Eising 2007, Grossman and Helpman 2001, Lohmann 1993, Potters and van Winden 1992). In order to have access to the European Parliament, an individual must get a door pass to enter the building. The number of individuals that have passes within an

organization in a way to measure the number of people that are engaging in lobbying the European Parliament.

This information is provided by the EU Transparency Register, and available for the years 2012-2016. Combining this information with an original dataset of all operating grants provided by the Commission to NGOs from 2012-2013, I will show that providing more resources to NGOs in order to lobby leads these groups to hire more lobbyists, increasing the likelihood that the Commission achieves its desired outcome. Organizations that receive the funding acknowledge this connection precisely. Thomas Bignal with the EASPD explained that the less operating funding an NGOs has from the Commission, the less policy officers they have, and thus the less lobbying they are able to do at the EU-level. While anecdotal evidence exists for this causal chain, the empirical evidence that these Commission grants are increasing the amount of time that NGOs are spending lobbying has, until now, been absent.

One initial example comes from the organization Caritas, which received its first operating grant from DG Employment, Social Affairs and Equal Opportunities DG in 2013 under the PROGRESS funding instrument. In 2012, when they received no funding, Caritas reported spending between €350,000 - €400,000 on lobbying, and no one in the organization had access to lobby the European Parliament. In 2013 they received a €598,029 operating grant from the Commission, their reported lobbying spending increased to between €800,000 - €900,000, and they acquired 10 passes to lobby the EP.³

Losing funding can dramatically reduce an organizations access to policymakers as well. For example, in 2012 the European Cyclists Federation received an operating grant of €338,523 from DG Environment under the LIFE+ funding instrument. In 2013 they lost their grant, and the number of EP passes the organization held dropped from four in 2012 to only one in 2013. Even just reducing the amount of funding

³Data provided by the EU Transparency Register

without eliminating the grant can lead an organization to reduce the number of lobbyists an NGO can send to the EP. In 2012 the European Council on Refugees and Exiles received €444,120 from DG Education and Culture under the Europe for Citizens funding program. In 2013 the grant amount dropped to €310,000, and the organization went from having one EP pass to no EP passes.

QUANTITATIVE EVIDENCE

THE DATA

The next section will test the hypotheses directly. The key independent variable is the amount of money an NGO receives from the Commission in a given year.⁴ I began gathering this data by compiling a list of all funding instruments that included operating grants to NGOs between 2007 and 2013. Since the dependent variable is provided by the EU Transparency Register, which became available starting in 2012, the analysis will focus on the years 2012 - 2013. In these two years, there were a total of 592 grants, offered by 5 different DGs.⁵

I then put together a dataset of the NGOs that received operating grants through these funding instruments, resulting in a set of 402 NGOs for 2012 and 2013. The grants are administered annually, so the observations are at the NGO/year level. The information about the grants was gathered from the European Commission's website, but each DG varies in their level of transparency. Some were easy to find, like the grants provided by the Environmental DG through the LIFE+ funding instrument, while others, like the grants provided through the EU Health Program, provided by DG Health and Food Safety, were buried in press releases and challenging to compile. For each grant, I coded the total amount of the grant and the co-financing

⁴The grants are disbursed at the beginning of the year so there is no need to lag the dependent variable.

⁵The data were originally collected in 2014, and have not been updated, resulting in the relatively limited sample.

rate, when available. The information on the co-financing rate was unavailable for the grants provided through the EU Health Program, 90 of the grants. 289 NGOs received operating grants in 2012, and 297 received them in 2013. Many of these NGOs receive grants both years, but there is turnover: 89 NGOs lose all funding, and 97 start receiving grants from 2012 to 2013. The average grant amount among this sample of grants is €246,564, with a minimum of €25,000 and a maximum of €1,536,189.

These data yield three independent variables: the amount of funding provided by the Commission to an NGO in a given year (divided by 10,000), the co-financing rate of the grant (0-100, where 100 is fully funded by the Commission and 0 is fully funded by the NGO), and the NGO's total budget, calculated by dividing the grant amount by the co-financing rate as decimal, also then divided by 10,000.

The dependent variables were coded using data provided through the EU's Transparency Register, which is a voluntary register for all organizations that participate in lobbying in Brussels.⁶ Organizations are encouraged to provide their information, and rewarded with easier access to the Commission and European Parliament. They are invited to update as frequently as they wish, but it is not required at any specific interval. While some organizations that are funded do not register, or had not registered yet by 2012, the lack of this information would simply limit the sample size for the analysis here, it would not bias the results, since I am not interested in whether or not an organization is present in the register, but rather the information they provide. There is no reason to believe that NGOs provide false information, although there is no system to verify their details. While many organizations update regularly, not all do. Since I am only looking at years 2012 and 2013 here though, this is less of an issue, since at most the information would be one year old.

The current information provided by all registered organizations is available on

⁶Dataset is available at: <http://ec.europa.eu/transparencyregister/public/homePage.do>

the website, but past information is not available for download. Fortunately, a group called Corporate Europe Observatory has a repository of past versions of the register and provide the opportunity to download the full set of organizations registered as of any given date after January 2012.⁷ I used this resource to download a copy of the register as it looked on April 2012, and April 2013. April was selected because it gives organizations enough time after the register was introduced at the beginning of 2012 to register, and enough time after the grants are disbursed at the beginning of the year to have adapted to their new incentives and opportunities. 1,276 NGOs are present in the register as of April 2012, and 1,554 are present as of April 2013, meaning an additional 278 NGOs registered between April 2012 and April 2013.

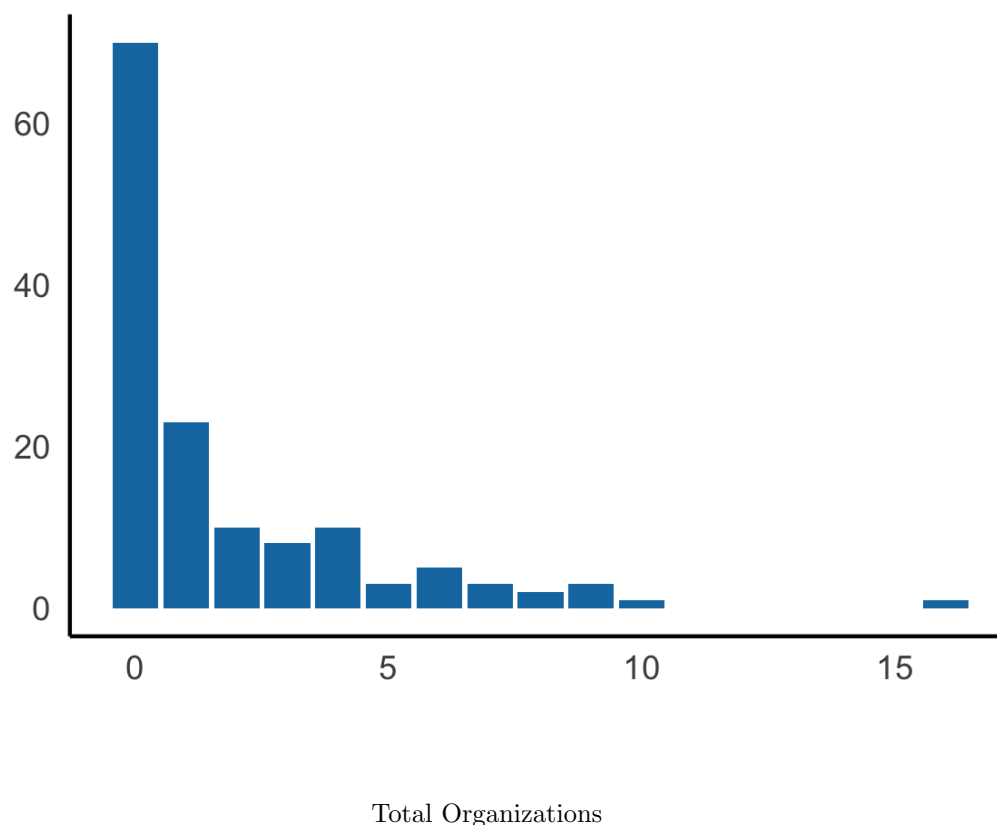
To enter the European Parliament building, individuals must have an official European parliament lobbyist pass. The EU Transparency Register asks organizations how many individuals on staff have these passes. This is a proxy for how much the organization is lobbying the EP, and also a measure of access, since not everyone gets these passes that requests them. The average number of EP passes is 1.7, with a median of 0. The distribution is shown in Figure 3.1.

The lobby register also asks organizations how much they are spending on lobbying each year. The options are provided in 24 intervals, from $< \text{€}9,999$, all the way up to $> \text{€}10,000,000$. Figure 3.2 shows the distribution of NGOs in the sample. The median category of spending on lobbying is $\text{€}50,000 - \text{€}100,000$. The reported spending categories were assigned an integer from smallest to largest, such that $< \text{€}9,999$ is category 1, and $\text{€}3,500,000 - \text{€}4,000,000$ is category 24. These ordinal categories will be used in the model.

The analysis here focuses on organizations that are present in both datasets, and have complete information for all variables, resulting in a sample size of 61 organizations in 2012 and 78 in 2013. This resulted in a total of 139 NGO/years.

⁷Dataset is available at: [offered at lobbyfacts.eu/reports/lobby-costs/all](http://lobbyfacts.eu/reports/lobby-costs/all)

Figure 3.1: NGO European Parliament Passes (2012-2013)



An example of the dataset is shown in Table 3.2. One organization, Caritas, does not receive any grants in 2012, and receives a grant of €598,029 in 2013, at a co-financing rate of 60%. To contrast, the European Cyclists Federation (ECF) loses their funding in 2013, and the Federation of Associations for Hunting and Conservation of the EU (FACE) receives funding both years.

RESULTS

The first model tests hypothesis 1, that the more money the NGO receives from the Commission, the more they will lobby the EP. The dependent variable here is the number of individuals within the organization that are accredited to lobby the EP.

Figure 3.2: NGO Lobby Spending (2012-2013)

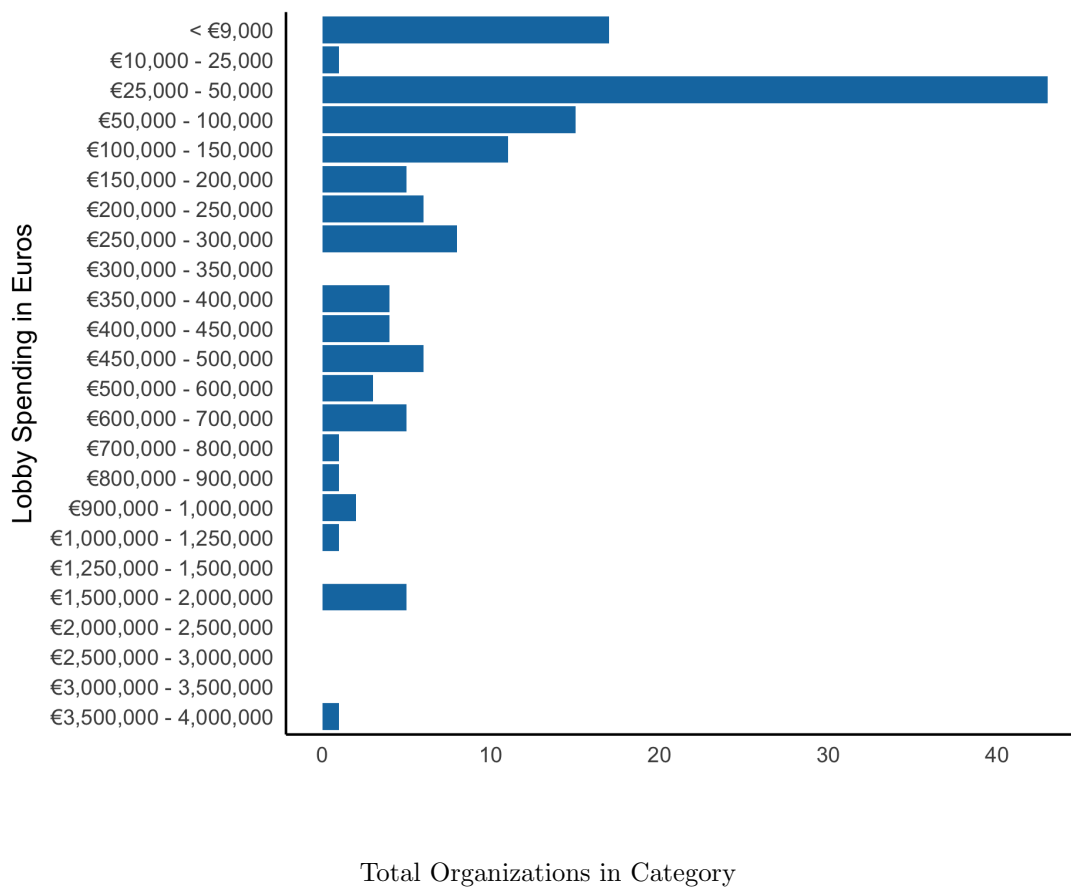


Table 3.2: Example of Dataset

Year	NGO	EC Funding	Co-fin.	Lobbying costs	Lob. Cat.	EP passes
2012	Caritas	0		350,000 - 400,000	10	0
2013	Caritas	598,029	60%	800,000 - 900,000	16	10
2012	ECF	338,523	34%	1,500,000 - 1,999,999	20	4
2013	ECF	0		1,500,000 - 1,999,999	20	1
2012	FACE	144,160	27%	350,000 - 400,000	10	1
2013	FACE	147,680	27%	500,000 - 600,000	13	4

Out of the 139 observations, 70 are zero, so a zero-inflated regression model for count data is used. This type of model is a mixture model that combines a count component using a negative binomial distribution and a point mass at zero (Lambert 1992). The model essentially treats some of the zeros as ‘real’ zeros, and some as structural zeros that are zero for reasons unrelated to the fundamental relationships in the model. In this case, the real zeros are organizations that are based in Brussels and thus the fact that they have no EP passes is notable. On the other hand, there are organizations in the dataset that do not operate out of Brussels, so the fact that they do not have EP passes is not as noteworthy - these are structural zeros. The key independent variable is the amount of EU funding an organization receives. This is predicted to be positive, according to the theory.

One potential concern is that a form of cross-contamination may be occurring in which the EU is simply funding organizations that are already lobbying a lot. To address this, two different controls are included. The co-financing rate, or the share of the NGO’s budget that the EU grant provides, is used in model 1a. This is a type of interaction effect between the recipient’s total budget and the EU grant. In practice, this is capturing the size of the organization. A large organization with a big budget will receive less money from the Commission as a share of their total budget. Since larger organizations (with bigger budgets) tend to lobby more, this is a way to control for the potential that the EU is providing more funding to organizations that are already lobbying more. The NGO’s full budget is included in model 1b, also as a proxy for organization size. Since these measures are very similar, including them in the same model would be problematic. Thus, two different models are provided for discussion.

The results of the model are presented in Table 3.3. Model 1a will be the focus of the analysis, as it fits better according to the AIC, and also provides more

Table 3.3: Results - Zero-Inflated Model: Number of EP Passes

	Model 1a	Model 1b
Count model: (Intercept)	1.04*** (0.31)	0.53* (0.24)
Count model: Grant Amount	0.01*** (0.00)	0.01** (0.00)
Count model: Co-financing Rate	-0.01* (0.01)	
Count model: NGO Total Budget		0.00 (0.00)
Count model: Log(theta)	0.56 (0.43)	0.40 (0.41)
Zero model: (Intercept)	0.18 (0.73)	0.62 (0.50)
Zero model: Grant Amount	-0.06* (0.03)	-0.04 (0.04)
Zero model: Co-financing Rate	0.01 (0.01)	
Zero model: NGO Total Budget		-0.01 (0.01)
AIC	458.51	463.39
Log Likelihood	-222.25	-224.69
Num. obs.	139	139

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$

significant results. Model 1b is included for reference, to demonstrate that using a different control for the size of the organization does not change the direction of the coefficients.

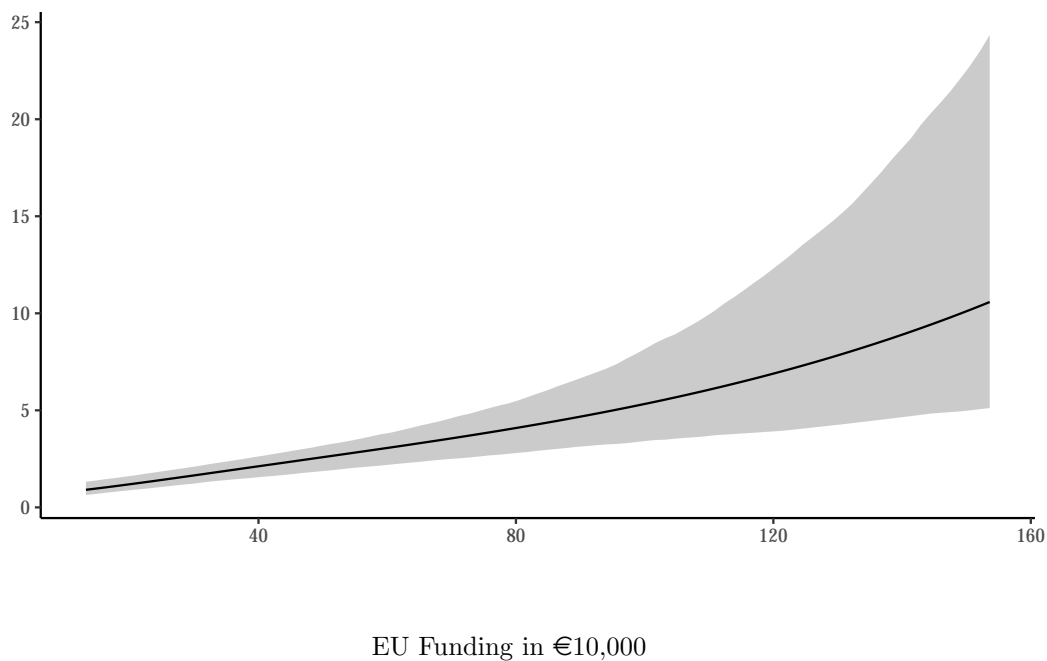
The count model offers the most insight. Here, an increase of €10,000 in EU funding is associated with an increase of 1% in the rate of EP passes, and is highly significant. While 1% may not seem like a huge increase, the standard deviation of EU funding is €289,450, so an increase in the standard deviation of funding is associated with a 29% higher rate of EP passes. This is consistent with the hypothesis. A one unit increase in the co-financing rate is associated with a 1% decrease in the rate of EP passes, and is also highly significant. The standard deviation of this variable is 23, which would result in a 23% decrease in the rate of EP passes. This is also consistent with the hypothesis.

The coefficients for the zero model can be interpreted as the change in odds of being in the zero group, versus the non-zero group, which is modeled using a binomial distribution. Receiving EU funding decreases the odds of being in the group without any EP passes, and is significant. A higher co-financing rate increases the odds of being in the group without any EP passes, but is not significant. No explicit predictions for this model are addressed, but the inferences are consistent with the theory.

Figure 3.3 displays the predicted number of EP passes across the range of EU funding. Co-financing is held at the mean, and a 95% confidence interval is displayed.

The second model, shown in Table 3.4, looks at a dependent variable of the amount of money each organization spends on lobbying. Here, the 24 categories outlined above are used, in ordinal form (1-24). A regression model is used. Comparing between models 2a and 2b, again model 2a using the co-financing rate is a better fit, offering an R^2 of .26, versus model 2b with an R^2 of 16, and less significance. The

Figure 3.3: Predicted Number of EP Passes



analysis will focus on model 2a.⁸

Once again, the results are promising for the theory. EU funding is positive and statistically significant. An increase in €10,000 from the EU is associated with an increase of .08 in the categories. The standard deviation in EU funding is 29, resulting in a change 2.32 between categories. To clarify, at the lower end of the spending, a change of two categories could be the difference between an organization spending €10,000-€25,000 on lobbying and spending €100,000-€150,000 on lobbying. At the upper end of the spectrum, it could be the difference between an organization spending €2,500,000-€3,000,000, and €4,500,000-€5,000,000.

Again, the co-financing rate is negative and statistically significant, likely capturing the same relationship above between the total budget of the organization and the amount of money they can spend on lobbying. Here, the interpretation is more

⁸A model looking at the interaction between the NGO's total budget and the EU's funding was not statistically significant, and provided a significantly worse fit than both models explored here. The value added of this model is limited, as the co-financing rate is essentially an interaction between the NGO's full budget and the EU's funding.

Table 3.4: Results - OLS Regression Model: Spending on Lobbying

	Model 1	Model 2
(Intercept)	7.88*** (0.93)	4.54*** (0.53)
Grant Amount	0.08*** (0.01)	0.06*** (0.01)
Co-financing Rate	-0.08*** (0.02)	
NGO Total Budget		0.00 (0.00)
R ²	0.26	0.16
Adj. R ²	0.24	0.14
Num. obs.	139	139

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$

straight-forward. A one unit increase in the co-financing rate is associated with a decrease of .08 spending categories. The standard deviation in co-financing rate is .23, which results in a decrease of .84 spending categories, slightly less than shift down to the next lowest category.

Unfortunately, the dependent variable employed for models 2a and 2b is not ideal. The respondents report their lobbying spending in intervals, so there is useful variation that is lost in not being able to know whether the NGO is spending at the top of the category or the bottom. Since many of the ranges are quite large, some spanning up to €500,000, lumping all NGOs together loses information, but at the same time, making the categories the same size loses information as well. The regression model employed provides preliminary evidence for this data, but having the actual amount spent on lobbying, rather than the ranges, would provide a better fit. However, a categorical model is not equipped to deal with 24 categories, so an OLS regression is adequate for now.

CONSIDERATIONS

The tests outlined here offer some initial evidence that these organizations are using the Commission's money to lobby the European Parliament. While not tested directly since no records are provided of interactions between organizations and the member states in the Council, it is likely that the theory can extend to suggest that more lobbying is going on there as well.

What these tests cannot do is make claims about what is going on in the meetings, or offer evidence that the Commission's money is making the NGOs more effective lobbyists. These objectives are a challenge for even the most methodologically advanced research agendas. One reason is that lobbyists have an incentive to keep what happens in the meetings private. My interviews offered some qualitative evidence that NGOs are working to influence legislators by providing information and leveraging their national connections, but demonstrating this empirically is next to impossible. Very recently the Commission has started to provide information about the subjects that are discussed in their meetings with lobbyists, but still, the information is limited.

The bigger challenge is assessing effectiveness. With respect to whether and how lobbying influences particular policy decisions, a 2003 European Parliament working paper explained that "In this respect, lobbying may be compared to advertising or marketing, of which Henry Ford has famously said that 50% of it worked, but that you never knew which half it was. Lobbyists will tend to overstate their influence, most of their addressees, particularly Members of Parliament, will rather play it down. For this and other reasons, no empirical studies could be found which tried to measure directly the efficacy of any real world lobbying project" (Lehmann 2003, p. 1).

One potentially biasing factor comes from the fact that NGOs with larger budgets receive more from the Commission overall, so the relationship between more

grant money and more lobbying presence may be capturing the fact that larger organizations both receive more money, and lobby more, even independent of the Commission's funding. Controlling for the co-financing rate, and the NGO's total budget can begin to address this, and finding significant results even when including these controls is encouraging for the theory. However, the ideal test would leverage changes within organizations, rather than simply comparing across organizations. With just two years of funding data, this is a challenge.

With more years of data, a strategy leveraging a difference-in-differences structure could help to get around the issues surrounding the fact that the Commission provides more funding to big organizations, and big organizations lobby more. If I were able to assess whether an increase in funding to the same organization across years leads to an increase in lobbyists and spending on lobbying within the same organization, this would provide compelling evidence. Unfortunately, the changes in the data are limited: many organizations either do not update their details in the register, or they do not report changes in the number of lobbyists or the amount of money they are spending on lobbying. With such limited changes in the data, this approach would not be fruitful at this point. Many of the organizations do report their budget and the amount they spent on lobbying in their annual reports, so a strategy for improving the model in the future could gain better estimates of the dependent variables by using these annual reports.

Looking at the annual reports could also offer a better estimate of the actual amount of lobbying spending, rather than relying on categories. These categories lose information, limiting the ability of the model to correctly assess the relationship. With more precise estimates gained by using data provided by the NGOs on their websites, the models employed here may be more accurate. This strategy could also gather additional information, such as total number of staff, or years of existence, to correct for the potential omitted variable of organization size. Future work can

incorporate better measures of organization size, which could yield additional insight into who the commission is funding, and how the organizations are allocating their money (between lobbying and other functions).

A related limitation is the small dataset. This is in part because there are a relatively small amount of grants, and also because only the years 2012 and 2013 are included here. The quality of the analysis will be higher with more observations. In the future, gathering data on funding from 2014-2016 would likely more than triple the sample size, since more organizations registered in later years, making it more likely that the organizations that received funding were also present in the register.

CONCLUSION

The evidence provided here suggests that the European Commission is funding NGOs to lobby legislators. The operating grants from the Commission are associated with an increase in the NGO's spending on lobbying, and the number of people that are engaged in lobbying the European Parliament. To the extent that lobbying helps policy actors achieve their desired outcome, this strategy may be helping the Commission advance their agenda, even in the face of member state opposition.

While EU advocates will likely find the outcome of this research laudable, leaving unelected international bureaucrats, not beholden to democratic legitimacy, in control of determining which interest groups are strengthened in policy-making could become a challenge to democracy, or could evoke a backlash. Empowering environmental NGOs over multinational corporations is unlikely to be controversial, but providing more funding to Danish NGOs than Hungarian NGOs, or prioritizing women's rights groups over minority rights groups has the potential to undermine the representativeness of the interests served in Brussels, and reshape the preferences of the population.

FINAL REMARKS

The evidence provided here shows international bureaucrats are more powerful than they are often given credit for. With control over discretionary spending, international bureaucrats can alter the priorities of civil society, change public opinion, and pressure legislators to support their policy agenda. The mechanism of providing grants to NGOs to promote the IGO's agenda is subtle but powerful. With growing skepticism of EU institutions and member state resistance to overreach from Brussels, it is surprising that it has been largely ignored, until now.

Connecting all the dots, from the disbursement of a grant to its ultimate influence over policy is no small task, and may have contributed to this phenomenon flying under the radar. The theory has a lot of moving pieces: for the funding to matter, it must impact the recipients, the target populations, and policy. To prove this, each piece of the causal process must be proven separately.

Each of the papers presented in this dissertation addresses one piece of this puzzle. The first, 'Aligning Agendas', provides a game theory model that addresses the tension between an NGO's potential opportunism and the Commission's informational disadvantage. Here, I examine the relationship as a principal-agent problem, and model a signaling interaction between an NGO applying for a grant and the Commission deciding how much to provide them. I show that by using a co-financing system to provide grants, the resulting equilibrium is one in which an NGO honestly reports its needs, and the Commission provides it with the minimum amount necessary to accomplish their shared agenda. The outcome holds that the Commission effectively captures the agenda of the recipients, and ensures those recipients spend all their funds working toward the Commission's goals.

In demonstrating that the Commission uses grants to advance policy, proving this first step is crucial. If the grant money doesn't lead to any changes in recipient

behavior, then the funding is irrelevant to outcomes. The model shows this is not the case, and in fact, co-financing allows the Commission to maximize the impact of its money on the recipients' agenda. While the implications of the model are not tested empirically in this dissertation, interviews with Commission bureaucrats and NGO representatives provide qualitative evidence. Grant recipients describe a process of grant chasing that leads them to prioritize topics important to the Commission in order to receive funding.

After establishing that the money influences recipients' agendas, the next step in the causal process holds that the NGOs must be influencing their targets, and make them more likely to support the EU's agenda. The two remaining papers address the relationship between the recipient NGOs and their targets. The second paper: 'Mobilizing Legitimacy', examines how exposure to the funded NGOs affects the likelihood that European citizens support the EU's involvement in environmental policy-making. I show that the presence of Commission-funded Environmental NGOs makes Eurobarometer respondents more likely to support involving the EU in environmental decisions, and more likely to trust the EU on environmental issues. These findings demonstrate that the funded NGOs influence public opinion in a meaningful way, and provide their funders influence over the population they represent.

The third paper: 'Sponsoring Influence', shows how the grants affect the amount of resources the recipients dedicate to lobbying in Brussels, and the number of lobbyists that meet with members of the European Parliament. I show that receiving money from the Commission leads NGOs to increase the amount of money they dedicate to lobbying in Brussels, as well as the number of staff that lobby the European Parliament. The Commission's use of these organizations to push for its legislative priorities is the last piece of this puzzle.

What is admittedly missing in the evidence provided by these three papers is an empirical link between the funding and policy change. Here, I rely on existing

literature, qualitative interviews, and logic. The academic literature on NGOs offers significant evidence that civil society can drive policy changes. Political science scholarship tells us that in democracies, popular opinion matters to policy outcomes. By funding NGOs to change popular opinion, we can expect a non-trivial impact on policy change, even if it is not measured explicitly.

Political science scholarship also tells us that lobbying matters to policy outcomes. It is thus logical that if NGOs dedicate more resources and lobbyists to advocate for the Commission's preferred outcome it would make it more likely that this outcome is achieved. While not explicitly addressed, I believe that the sum of the evidence offered here provides a compelling link between funding from the European Commission to NGOs, and policy changes in the European Union.

So, what have we learned? It turns out, money matters, especially when it's disbursed through a system of co-financing. Funders can control the agenda of the recipients, especially when they require recipients to put their own money toward the funder's objectives. By implementing such a system of financing, organizations that disburse grants can maximize the impact of their money to achieve their goals.

This perspective also offers insight into the growth of the EU's competencies, despite resistance from Eurosceptic interests. On the whole, while the EU faces a growing backlash, many DGs are still able to successfully expand their powers, seemingly with popular support. Future research may study whether variation in the ability to provide operating grants to NGOs across DGs determines the differences in popular trust between these DGs, or creates a differential in the support for DG policies among EU citizens and legislators.

This mechanism of IGOs funding NGOs also speaks to the lobbying and collective action literature, and offers evidence that, under some conditions, the public interest can overcome financial and coordination limitations to successfully challenge corporate interests. NGOs that advocate for issues that benefit a diffuse population

(as opposed to concentrated industry interests) can achieve their goals more easily with the help of international organizations. Most of my interviewees in Brussels and beyond find this outcome laudable.

The most significant contribution of this dissertation to the broader political science literature may be new evidence to support the claim that international organizations matter in global governance. To me, another important outcome of this dissertation is to call attention to the phenomenon of unelected bureaucrats as the driving source behind the priorities pursued by civil society. This perspective contrasts with several established schools of thought on the relationship between civil society, citizens, and legislators. It suggests that rather than responding to a popular desire for change, in some cases, NGOs and other activist groups may in fact be pursuing the agenda of third party IGO actors with deep pockets.

If NGOs were left to their own agenda, beholden only to the priorities of their members, what would the policy landscape look like? Has receiving these grants fundamentally changed the organizations from what they otherwise would have been in the absence of the funding? Perhaps NGOs would have been less effective at promoting their agenda, but would advocate for an entirely different set of issues. It's difficult to know the counterfactual, but it's hard to ignore the potentially problematic implications of allowing unelected bureaucrats, often very removed from the public they represent, to determine the priorities of civil society.

Conversations about executive power tend to focus on dramatic and immediate actions, such as sweeping policy changes. However, the use of government resources to fund advocacy groups happens more frequently than many people realize. I have shown that funding advocacy groups gives funders the ability to influence public opinion and increase pressure on legislators to support the funder's policy goals. While most grant programs do not rely on co-financing, and may therefore be less effective than the EU's, directing enough money at NGOs for specific priorities is still

likely to shift their agendas over time, and increase the attention paid to the funder's priorities. When that funder has the ability to make policy, this mechanism could undermine democracy.

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A. Interview Appendix

In the fall of 2015 I spent 4 weeks in Brussels interviewing representatives of NGOs, staff of Members of the European Parliament, advisors to the European Parliament, and bureaucrats that work with the Commission and run some of the grant selection and disbursement programs. I was interested in how organizations see their own influence in Brussels and at the national level, how the funding affected their agendas and how the NGOs interacted with EU institutions.

The interviews were useful not only in validating my theory, but also in presenting me with new information, examples to research further, and quotes about the reality on the ground that helped me modify my theory to better reflect reality. For example, through the interviews I learned that NGOs work with their national members to lobby national governments, and that NGOs have a lot of credibility with policy makers in Brussels, allowing them to do more with less money than corporate lobbyists.

The largest group of interviews was with representatives of NGOs. These individuals most often worked for an NGO in Brussels that received funding from the Commission, or had previously worked for an NGO that received funding. I found these people through mutual contacts, beginning with someone I had interviewed previously, Jon Worth. Jon's contacts got me started, and after each interview I asked to be put in contact with additional people. In total I conducted 22 interviews over 4 weeks. The interviews lasted between 30 minutes to one hour, and all but one were recorded (with permission).

I assumed going into it that representatives of the organizations would be unwilling to acknowledge the relationship between the funding and their agenda so explicitly. I sent emails to all of the NGOs in the "Green 10", the coalition of the largest and most powerful environmental NGOs in Brussels. My email stated: "My dissertation examines the impact of NGO operating grants from the European Commission on public opinion and policy in the EU, in particular the role of NGOs in influencing EU policy", and asked if someone from their organization would be willing to meet with me to discuss their experiences with the grants. One of these NGOs, Climate Action Network Europe, responded, and granted me an interview with the director, Wendel Trio. Another, Greenpeace, who notably does not receive any funding from the EU or any government source, also granted me an interview. The others were less cooperative.

Despite having several direct contacts at the World Wildlife Fund, I received no responses to my multiple emails. I pursued contacts at Transport and Environment, Birdlife Europe, and European Environmental Bureau and could not get a response. Tellingly, the office manager from Friends of the Earth Europe refused an interview, stating that my questions "relate to rather sensitive information that my colleagues are not inclined to disclose."

I had more success with organizations that did not receive funding from the Environmental DG, but did receive operating grants from other DGs, including Maarten Coertijens, Advocacy Coordinator at CONCORD Europe, Gabriella Civico, Director of the European Volunteer Centre, and Conny Reuter, the Secretary General of Solidar, all of which received operating grants from DG Education and Culture through the Europe for Citizens program. Additionally, I spoke with Daniel Freund, the Head of Advocacy EU Integrity at Transparency International, which receives grants from DG Justice through the Fundamental Rights and Citizenship program.

I also spoke with a number of people who had previously worked at organiza-

tions that received funding, but are now employed by different organizations. These interviewees were much more open about the impact of the grants on their previous organizations, some were even willing to go on record confirming that the recipients change their agenda to reflect the priorities of the funders, such as Diogo Pinto, the previous directorate of the European Youth Forum, an organization that has received almost 80 percent of their total budget from the European Commission, over one million euros a year.

A number of people who have been deeply involved in the process of both providing the grants on the Commission's side, and receiving the grants on the NGO's side, acknowledged that the grants have the potential to change policy because many organizations that have a big impact on policy making are also very dependent on EU funds, and are likely to alter their agenda to chase the money.

Diogo Pinto, the former Secretary General of the European Youth Forum, explained that while the Commission doesn't tell them what to say, it does tell them what to speak about. For example, if the Commission says priority will be given to NGOs that do work on Russian speaking organizations in the Ukraine, then a lot more organizations would do work there and those organizations may stop doing other important work in order to chase that money - for example giving less attention to Armenia.

ON THE POLITICAL CONTEXT FOR THE GRANTS

Why do member states and the European Parliament allow the Commission so much autonomy? Terhi Lehtonen, advisor to green group in the Environmental committee acknowledges that the LIFE grants have been political controversial over time, and there have been many attempts to get rid of them, especially from right wing groups. To alter the program and the funding, for example to exert more control, there is a

risk that they could lose the whole program, so the EP avoids opening Pandora's Box and just allows the Commission to determine the size and recipients of the grants.

Frédérique Chabaud, a Parliamentary advisor for the Education and Culture Committee with an expertise in the Europe for Citizens program explained how the Council and the Commission put together a proposal for the budget, and MEPs just get to vote yes or no. It's not an issue of co-decision. Every year the EP tries to get more money for the program but instead it gets cut.

Alberto Alemanno, an EU legal scholar, explained that national governments have reduced their funding in response to the EU grants. They basically say it's being dealt with in Europe, why do we need to fund them here? In response, national NGOs are dying out. This is especially a problem for smaller countries like Portugal because the European money is mostly going to Western NGOs, from countries like Germany and the UK. National Portuguese NGOs still rely immensely on the national government to survive, but that funding is drying up. The Commission's influence is getting stronger as it becomes the only source of funding.

GRANT CHASING

A number of individuals who had previously worked at NGOs that received the Commission's operating grants unequivocally confirmed that the recipient NGOs' agendas do follow the money. These NGOs anticipate what the Commission will be looking to fund and alter their activities to be eligible. When there are alternative organizations that do similar things, the threat of losing funding is real, and recipients must compete by making their messages and activities in line with the Commission's priorities in order to ensure they continue to receive funding.

A representative of Transparency International (a recipient of EU funding) suggested there is a lot of 'grant chasing' going on with Transparency International.

They have their own agenda, but they need money, so when a funding call shares some overlap with their own agenda, they make the overlapping priorities much more central in order to get EU funding. Some organizations can even lose track of their mission and become too dependent on funding to do everything, like contractors. In another interview, a former employee of Transparency International painted a very critical picture of jumping through hoops to get money from the Commission. A number of interviews confirmed that at the organization level, priorities are driven by what funding is out there, and funders have the ability to influence civil society's agenda by making their preferences known and rewarding organizations that share their priorities with grants. As money becomes harder to come by, organizations must adjust their agenda in order to survive.

The Commission is particularly inflexible in this area. While other funders may allow organizations to shape their own mission and priorities, the Commission only wants to fund their own specific agenda. In Brussels though, the Commission is always the biggest pot of money. Further, the Commission is one of the only sources of funding that provides operating grants. Operating grants are important because they offer job stability, which allows organizations to keep good people. Several organizations spoke about using the funding to hire policy officers who work on EU policy specifically, both to influence and react to it. Without the funding, there would be much fewer policy officers, limiting these organizations' ability to participate in EU policy making. By selectively providing this funding, the EU is not only improving the ability of organizations they support to participate in the process, but limiting the participation of organizations they don't align with.

Representatives from the Commission who administer the grants and select the recipients look for a specific link to the criteria listed in the calls. They don't expect applications to respond to all priorities outlined in the funding call, but the more priorities they respond to, the more likely they are to be selected.

Some organizations do not see the grants as altering their priorities. For example, Thomas Bignal of the EASPD suggested that the Commission's priorities do not affect their agenda because it is what they would have worked on anyway. They write the grant application in a certain way that responds to some priorities, but they can always make it fit pretty easily.

Off the record, a representative of one organization explained how the Commission may sometimes make a call that is directed toward their organization. Since they are a favorite of the Commission there is little risk of losing funding.

Gabriella Civico with the European Volunteer center explained that they do focus on things they wouldn't have otherwise because the EU says it's a priority. For example, 2014 was the anniversary of WWI, which was a priority in the call, so they held events and made it a part of their agenda to focus on how volunteers have contributed. Without the grant program and the call they wouldn't have thought to include it. They frequently do things that they wouldn't have otherwise because it's in the EU's priorities. She explained that it's not a bad thing, just a fact.

ON THE TENSION BETWEEN MEMBER PRIORITIES AND THE COMMISSION'S PRIORITIES

Laurianne Krid with FIA discussed how her organization used to get a lot of grants from the European Commission, but the grants forced them to do activities that weren't in line with their member priorities and the members got mad. Now they get fewer so they are able to focus on member priorities.

Gabriella Civico with the European Volunteer center explained that there is a tension between the priorities of their members, who want them to focus on events, and the grants, that require them to focus on policy work.

Maarten Coertjens of CONCORD explained that civil society wants to be

funded for work it does, but the Commission wants to involve it on its priorities, which creates a tension in all programs.

Diogo Pinto explained that organizations that pop up in response to the availability of funding are much more able to alter their mission and activities based on what the Commission wants. Existing organizations like EMI will have a harder time doing this because their members are stronger and have their own opinions and presence. The preferences and identity of the network head organization cannot just change with the wind and with new members because their members will just say what they want anyway and overrule them. Their mandate is much stricter in that sense.

ON CO-FINANCING

Thomas Bignal from EASPD confirmed that members provide the fees that make up their contribution to the budget, but they are trying to diversify. They get about 80% of their funding from the Commission but from different sources, some from project funding, some from operating grants.

Gabriella Civico with the European Volunteer center explained that they are trying to become less dependent on the Commission. In the application they have to state their total budget and request the part they want the EU to pay. As they get more money from other sources they have kept the budget the same and just requested less from the EU. There is a fear that if the EU revokes funding they would collapse. Now that they only get 50 percent from the Commission this is less of an issue. 25 percent comes from membership fees, 25 percent comes from ad-hoc grants from foundations.

ON CRITICIZING THE COMMISSION

While interviewees were clear that criticizing the Commission was allowed, several pointed out that being critical of the Commission was not a good strategy, and instead focused on informing and participating. In other words, you catch more flies with honey than with vinegar.

Maarten Coertjens of CONCORD explained that while they are free to criticize, there is still a chance of self-censorship. When you employ a lot of people you have to think about the impact that losing the grant would have. All DGs count on the organizations they fund to put pressure to bear for their priorities. They expect them to try to influence national governments, which becomes clear when there are budget negotiations.

Jiri Jerabek, a CO2 campaigner for Greenpeace explained that since Greenpeace is not restricted by funds they can be harsher on the Commission, and they usually are. They do things like hanging banners to shame them, and can be more controversial in their tactics. They can also be more flexible and change topics more quickly since they don't need to stick with what they specified in their grant application.

Olivier Hoedeman, a policy officer with Corporate Europe Observatory explained that NGOs do depend on the Commission's funding and there is a risk that the funding influences the campaigns they choose. Unfortunately, most NGOs in Brussels have no choice but to depend on the Commission.

ON ACCOUNTABILITY TO FUNDERS

Thomas Bignal of the EASPD spoke of how they provide financial and narrative reporting on what they used the Commission grants for.

Anna Cozzoli with the EACEA explained how the agencies that administer

the grants evaluate the effectiveness of the recipients. They monitor them closely throughout the year, they visit the organizations, and use the quantitate measures of the things that are easier to quantify. Some things are harder to measure though, like: do citizens feel more European? The organizations also produce a final report on all activities and the main outcomes.

An aid to an MEP explained that one of the likely impacts of the funding on the recipients is that the recipients have to spend more time proving they are doing something, which may inspire them to hold more events that can show the Commission how active they are in their annual report. But the funding is going to NGOs that focus on legislation, rather than actual change on the ground.

Frédérique Chabaud, a Parliamentary advisor for the Education and Culture Committee explained that one organization actually had to give €20,000 back because they had specified things under the wrong budget line. To ensure the money is spent the way they want the Commission withholds 30 percent of the budget until the final report.

The process for getting Commission grants is much more involved than other donors. Jiri Jerabek, a campaigner for Greenpeace explained that since Greenpeace gets most of its money from small donors they don't have to write reports and there is much less accountability.

On assumption that NGO spends what they say they are going to - Diogo Pinto explained the extremely tedious and demanding process of accounting for every single dollar spent. They have a 10% margin of error around their original estimates in their proposal by category. Every year they must provide an elaborate report, confirming that every cent was spent in accordance of what was approved in the application. There is also an external audit they must be subject to, and the Commission maintains the ability to request an audit for up to 10 years after.

ON LOSING FUNDING

Maarten Coertjens of Concord confirmed that sometimes organizations that get 5-10 years of funding suddenly don't anymore. A lot of them probably wouldn't have set up an office if the grants didn't exist.

The NGOs selected for the grants do change though, and there is an idea among NGOs that the Commission likes to change periodically. Terhi Lehtonen, advisor to the green party, spoke of NGOs expecting to lose their funding because they have gotten it for several years in a row.

Wendel Trio of CAN confirms that his organization does worry about losing funding, but since they are the only climate focused network the risk is minimal. If there were more competition they would be more concerned. Even if the grant evaluators wanted to cut their funding, DG Environment and DG Climate would intervene on their behalf.

Frédérique Chabaud described how when the funding for the cultural Europe program disappeared the organizations they funded disappeared too.

ON MEASURING PRIORITIES

Terhi Lehtonen confirmed that different NGOs work on different issues, and it is pretty consistent over time. For example, among the big environmental NGOs in Brussels (the Green 10), the European Environmental Bureau is the main NGO that works on air quality, Birdlife Europe is the main one on biodiversity, and Climate Action Network is the main one on climate issues. The lead NGO spearheads the position paper, and then the others sign on to create a consensus from the Green 10.

Wendel Trio, Director of the Climate Action Network, confirmed that NGOs' portfolios of issues do not change much year to year. Their agenda is closely linked

to the EU policy process - often lead by the Commission. Commission comes up with a proposal, they will review it. If they didn't have the grants they would have less resources and staff, but they would still be focused on the same issues.

The priorities listed in the grant calls do change. For example, Cristina Camaini with the EACEA explained that they added a 5th specific priority this year that applicants should focus on migrants. Applicants must show a concrete impact in at least half of the priorities listed in the call. She also explained that to be eligible for the funding European NGOs must have members in at least 12 countries. Their impact is assessed based on the number of members they have. The operating grants are intended to in part help expand their membership. National members are important in their ability to spread policy at the national level, and promote the objectives of the call at the national level.

ON NGO'S COMPARATIVE EXPERTISE/LEGITIMACY

The interviews also validated the idea that NGOs have legitimacy among Europeans, and are able to mobilize people. Jon Worth referred to them as more cost effective per euro because the EU is more likely to give them the benefit of the doubt.

Terhi Lehtonen confirmed that these NGOs have a good reputation, and their work is often echoed in environmental committees. They have good access and credibility with other parties as well. These NGOs are viewed as necessary to assess the Commission's proposals.

A representative of Amnesty International discussed the reputational credibility of the organizations that receive the funding. This credibility allows them to engage in direct advocacy with institutions, including legislators and policy makers. They also engage with a lot of Brussels based media

Diogo Pinto explained that one big issue is that civil society often has a much

better idea of what the priorities should be (what civil society needs) than the Commission. If the Commission is consulting with more than one NGO in order to formulate their agenda, this is fine. But sometimes they don't consult enough and the priorities don't make sense.

UNCERTAINTY ABOUT WHAT IS POSSIBLE

Maarten Coertjens of CONCORD explained that while some organizations, such as Amnesty International and Transparency International work top down, and can order their sectors to campaign on what they ask them to, most are bottom up, so the members decide what is important to them. Whether something is actually possible depends on whether the members will go for it. The Commission also doesn't know what is possible, depends on what the members will go for. They can't just pull something out of thin air and make it a thing. For example, the Youth on the Move campaign was invented in Brussels, and NGOs were encouraged to engage with policy makers and civil society. All the Brussels based organizations were behind it, but since it didn't come from the bottom up and the members didn't care about it, it got stuck in Brussels. If it's not already a priority for the members it won't work.

Maarten also explained how the funding has limits for the Commission as a policy tool. Funding artificial priorities doesn't work, but the Commission can only work with these organizations if they fund them. The organizations will still take the money but the priority will die.

Anna Cozzoli with the EACEA explained that the grant programs, specifically Citizens in Action, have a very small budget and an enormous target: all EU citizens. There is a gap between the expectations and the concrete possibilities.

ON WHO GETS THE GRANTS

Anna Cozzoli also explained that previously their priorities were quite open but this left the door open to too many organizations because everyone could fit. Christina Camaini spoke of how they check the websites of the recipients so they can't totally change who they are for the grants.

A head of office for an MEP explained that bigger NGOs are benefiting more from the funding. Applications are so complex and demanding that organizations who have someone dedicated to dealing with the funding receive more grants.

The funding also contributes to the formation of European-wide NGOs. Gabriella Scibiorska, who runs the Youth Grants program under the Erasmus+ funding instrument, told me that the Commission prioritizes organizations with statutory links to members, and explained that some NGOs saw the value of being registered as a European NGO and created formal ties with new members and changed their organization in order to become more competitive for funding, which was rewarded by the Commission.

WHAT THEY DO WITH THE MONEY

Olivier Hoedeman, a policy officer with Corporate Europe Observatory, explained that the grants facilitate a transfer of power from national governments by strengthening the Commission's position in battles with member states. The funded NGOs favor an EU-level solution to different problems in society. They echo calls for EU directives, and can help overcome a national governments skepticism to a need for a directive.

Anna Cozzoli with the EACEA and the head of sector for operating grants for the Europe for Citizens program explained that the influence of the recipients on policy comes from their strong capacity to analyze situations and policy and produce

quality work.

Wendel Trio of Climate Action Network said that the Commission grants ensure they aren't totally dependent on other donors that may demand they focus on other priorities and issues through project grants, which ensures they can spend time and energy on the EU agenda. In terms of the impact on policy, the grants help organizations like theirs ensure they provide better information to their members and facilitate the participation of members outside of Brussels - essentially it allows them the resources to tell members outside of Brussels what they are doing in Brussels. This increases the capacity of their national members to lobby, allows them to have a specific person on staff to work with members, not on a project. This person can provide information, and do things like overseeing workshops in the member countries. This makes them more effective as an NGO community for information exchange, without it they would have less access.

Thomas Bignal of the EASPD confirmed that the operating grants fund policy officers. The less operating funding you have, the less policy officers. Without this funding there would be less lobbying activities at the EU-level, much less civil society. They also prepare proposals and position papers, which the Commission often uses large parts of in their final policies.

Gabriella Civico with the European Volunteer center explained how the operating grants allow her organization to survive in its current form. The grants cover 50 percent of their operating costs, and allow them to have three full time staff in Brussels. Without the grant they would need to reduce to only one staff member. She also explained how the grants make them a more effective organization by allowing them to dedicate time to policy making.

Gabriella also explained that their national members have been weakened due to austerity measures. They need to be made aware of EU policy, and the only way they know about EU policy is because of the European Volunteer center. The EC

operating grants allow them to do this. Some examples of this are the Visa Directive, and recognition of learning and skills gain through non-formal learning.

The availability of organizations that agree with the Commission is beneficial to the Commission - Gabriella explained how an MEP was writing a paper on corporate social responsibility and contacted them to ask for their input. If they hadn't been there perhaps they would have found another organization or none at all, so it's good for the Commission to keep the expertise pool well stocked with organizations that they like.

Gabriella Civico explained that they engage in lobbying, and one example is their work on the visa directive. There is a part about allowing third country nationals to enter the country to volunteer, which Germany is resisting. CEV is working with their German member, BBE, and German members of the European Youth Forum (because many volunteers are young people) to pressure the German government. The tactics are focused on meetings, rather than campaigns, since its a niche issue.

WHAT WOULD ORGANIZATIONS DO WITHOUT THE MONEY?

Olivier Hoedeman, a policy officer with Corporate Europe Observatory explained that NGOs are still primarily nationally focused, so it is a difficult choice to prioritize spending money in Brussels. But organizations must be in Brussels to get meetings with decision makers.

The Commission really needs them to push the members and industry to bring in environmental law. NGOs are necessary in the meetings, but without the funding they would not be able to participate because less visible activities like that are not the kind of things that members are willing to fund.

Diogo Pinto was very positive about the operating grants, as these NGOs would

not be able to operate in Europe without them. No other grant makers would be willing to pay the salary of the Secretary General of an organization, even though of course a team needs a leader. The fact that the Commission lets these organizations survive where they otherwise wouldn't exist.

ACCESS TO POLICY MAKERS

A head of office for an MEP explained that it is much easier for NGOs to get access to decision makers because representatives are much more eager to accept meetings with them than companies. He also explained that NGOs still tend to approach MEPs of their nationality.

Gabriella Civico with the European Volunteer center says she usually gets meetings when she requests them. During 2011, which was the European Year of Volunteering (indicating that volunteering was high on the priority list), they were granted any meeting they asked for.

HOW THEY MOBILIZE

To get their message out, NGOs like Solidar target their members, not the public. A representative of Amnesty International talked about instructing their national chapters to lobby at the capitals. Thomas Bignal of the EASPD described his organization's role as helping their national members pressure MEPs, for example by offering toolkits for how national members can lobby, and helping national members understand legislation and what needs to happen for their goals to be met. Organizations like EASPD and Solidar work with the Commission from legislation's inception, which makes them experts. They work with their members and national governments to help transpose the law into national frameworks, and alert the Commission to violations. They also engage in capacity building for their members, and educate them

about how to participate.

Gabriella Civico with the CEV explained that working with other (national) NGOs makes them more effective because they can facilitate networking and coalition building.

Jiri Jerabek, a CO2 campaigner for Greenpeace explained how they work together with certain organizations, mostly Transport and Environment because their goals are aligned. They go head to head with companies, such as Volkswagen, to try to stop them from lobbying against CO2 regulations. Jiri also explained how they lobby jointly with other green NGOs in meetings with Parliament, Commission and permanent reps.

LIST OF INTERVIEWS

September 29th, 2016

Diogo Pinto, Former Secretary General of The European Youth Forum.

Alberto Alemanno, EU legal scholar and expert on EU regulatory politics.

October 1st, 2016

Jon Worth, EU blogger and policy expert.

October 7th, 2016

Tom Bookes, Executive Director of the European Climate Foundation.

Daniel Freund, Head of advocacy: EU Integrity, Transparency International.

October 8th, 2016

Thomas Bignal, policy and communications officer with the European Association of Service Providers for Persons with Disabilities (EASPD).

Mark Perera, project manager/EU advocacy coordinator at Amnesty International.

Conny Reuter, Secretary General at Solidar.

October 14th, 2016

Gabriella Civico, Director at the European Volunteer Centre.

Gabriela Scibiorska, administrator of Youth Grants under Erasmus +, European Education, Audiovisual, and Culture Executive Agency (EACEA).

Siobhan Dillon, assistant to MEP Derek Vaughan.

Terhi Lehtonen, advisor to Green Group in Environmental committees.

October 15th, 2016

Thomas Thaler, Head of office for MEP Paul Rubig.

Anna Cozzoli, head of operating grants for Europe for Citizens program, European Education, Audiovisual, and Culture Executive Agency (EACEA).

Cristina Camaini, head of education and training grants, European Education, Audiovisual, and Culture Executive Agency (EACEA).

Wendel Trio, Director of the Climate Action Network Europe.

October 19th, 2016

Frédérique Chabaud, Parliamentary advisor for the Education and Culture Committee.

Maarten Coertjens, head of advocacy and policy at CONCORD Europe.

Laurianne Krid, Policy Director at the International Automobile Association (FIA).

Jiri Jerabek, CO2 campaigner for Greenpeace.

October 21st, 2016

Olivier Hoedeman, research and campaign coordinator at Corporate Europe Observatory.

Christina Colclough, Senior communications advisor, UNI Global Union.

B. Appendix to Aligning Agendas

MODEL

I develop a two-player signaling model with incomplete information that is based on the grant application and selection process employed by the European Commission. The actors are the European Commission and an NGO applying for a grant. The NGO decides whether to request funding, and the European Commission decides how much funding to provide.

The strategic interaction is modeled as a principal agent problem, in which the principal, the European Commission, lacks information about the true cost of the objective, which is a function of the level of opposition. At the start of the model, Nature draws the level of opposition, $\omega \in \{L, H\}$, where with probability π , the opposition is low, indicating an inexpensive goal the NGO can achieve alone, and with probability $1 - \pi$, the opposition is high, indicating an expensive objective that the NGO cannot accomplish themselves. The agent, the NGO, knows the true cost, ω , which is their private information, then decides whether to request a big or small grant, $G \in \{S, B\}$, where $0 < S < G$. The small grant, S , must be small enough that the NGO in the world of low opposition can afford to fund it themselves, thus $S^2 \leq X$.

Upon observing a grant request, the Commission proposes a co-financing rate, $\gamma \in [0, 1]$, which defines the terms of the budget division. If $\gamma = 0$, the Commission contributes nothing, and if $\gamma = 1$, the Commission fully funds the grant. The NGO

chooses to either accept, A, or reject, R, the grant at the co-financing rate the Commission offers. If the NGO spends at least B in the world of high opposition, or S in the world of low opposition, they achieve the policy objective, $X \geq 0$, resulting in positive utility for both actors. Since an NGO can request and accept a grant that is insufficient to achieve the policy, an indicator, T, is used to specify whether enough money is acquired to achieve the policy objective, where T=1, and where T=0, the NGO has received less money than needed. In the high opposition world, X will be achieved only with the help of a big grant from the Commission. In the low opposition world, X can be achieved with or without a grant from the Commission.

If the NGO accepts the grant, the NGO gains positive utility from the Commission's contribution, γG , and the Commission pays $-\gamma G$. The NGO pays the remainder of the grant requested, $-((1 - \gamma)G)^2$, modeled as a negative quadratic function to capture the opportunity costs of spending their own finite budget.

The utility functions takes two main forms; in the low opposition world, the NGO receives the utility for spending whether they accept or reject the grant. If the NGO in the world of low opposition rejects the grant, this is equivalent to accepting a grant where $\gamma = 0$. The NGO in the high opposition world receives the utility for spending only when they accept a grant, and the utility of not spending for rejecting a grant. The utility of not spending is zero for both actors.

The utility for spending is:

$$U_N(S) = \gamma G - ((1 - \gamma)G)^2 + (T)X,$$

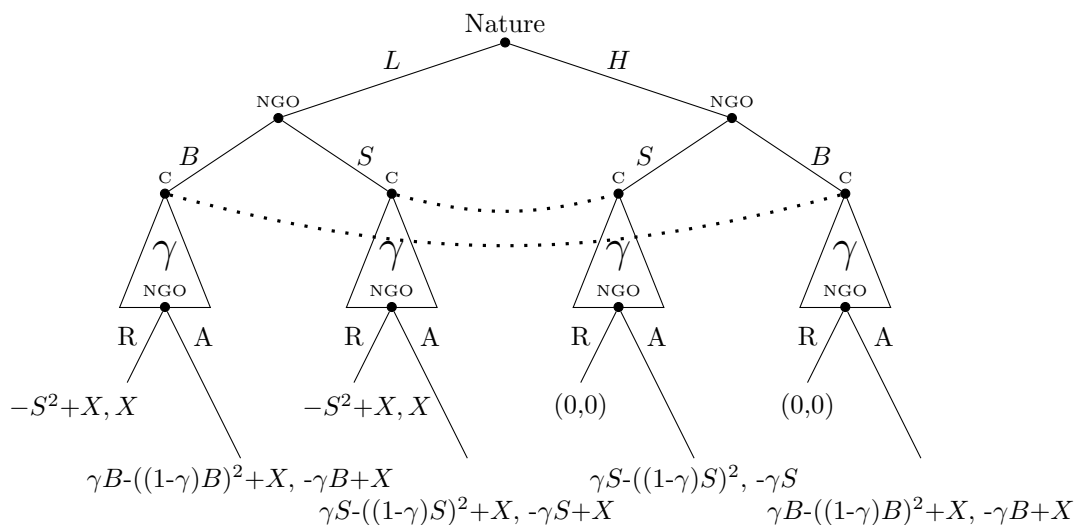
for the NGO, and

$$U_C(S) = -\gamma G + (T)X,$$

for the Commission.

The stylized game is presented below.

THE GAME



EQUILIBRIUM BEHAVIOR

The solution concept is a perfect Bayesian equilibrium. The proof below shows that a unique separating equilibrium exists in which the NGO in the low opposition world requests a small grant and the Commission offers $\gamma = 0$, and the NGO in the high opposition world requests a big grant, and the Commission offers $\gamma = \gamma_h^*$. Both NGOs accept the grant and accomplish the objective, X .

WHEN THE NGO REQUESTS S

In the low opposition world, under what conditions does the NGO who requests a small grant (S) accept? Note, if the NGO rejects the grant, it still receives the utility for spending $U(S)$ but with $\gamma = 0$, because they fund the objective alone.

$$\begin{aligned}
 U_N(A|S, L) &\geq U_N(R|S, L) \\
 \gamma S - (S - S\gamma)^2 + X &\geq -S^2 + X \\
 \gamma S - (S - S\gamma)^2 &\geq -S^2
 \end{aligned}$$

$$\begin{aligned}
\gamma S - (S^2 - 2S^2\gamma + S^2\gamma^2) &\geq -S^2 \\
\gamma S - S^2 + 2S^2\gamma - S^2\gamma^2 &\geq -S^2 \\
\gamma S + 2S^2\gamma - S^2\gamma^2 &\geq 0 \\
1 + 2S - S\gamma &\geq 0 \\
1 &\geq S(\gamma - 2) \\
S &\geq \frac{1}{\gamma - 2}
\end{aligned} \tag{B.1}$$

Since $\gamma \in [0, 1]$, this is always true.

In the high opposition world, under what conditions does the NGO who requests a small grant (S) accept? Note that when a small grant is accepted in the high opposition world, the policy is not achieved, therefore $T=0$. If the NGO rejects the grant, they receive the utility of not spending: zero.

$$\begin{aligned}
U_N(A|S, H) &\geq U_N(R|S, H) \\
\gamma S - ((1 - \gamma)S)^2 &\geq 0 \\
\gamma S &\geq ((1 - \gamma)S)^2 \\
\gamma S &\geq (S - \gamma S)^2 \\
\gamma S &\geq S^2 - 2\gamma S^2 + \gamma^2 S^2 \\
\gamma &\geq \gamma^2 S - 2\gamma S + S \\
\gamma &\geq S(\gamma^2 - 2\gamma + 1) \\
S(1 - \gamma)^2 &\leq \gamma \\
S &\leq \frac{\gamma}{(1 - \gamma)^2}
\end{aligned} \tag{B.2}$$

WHEN THE NGO REQUESTS B

In the low opposition world, under what conditions does the NGO who requests a big grant (B) accept? Note, if the NGO rejects the grant, they still receive the utility for

spending $U(S)$ but with $\gamma = 0$, because they fund the objective alone, and $T=1$ in both cases.

$$\begin{aligned}
 U_N(A|B, L) &\geq U_N(R|B, L) \\
 \gamma B - ((1 - \gamma)B)^2 + X &\geq -S^2 + X \\
 S^2 &\geq ((1 - \gamma)B)^2 - \gamma B
 \end{aligned} \tag{B.3}$$

In the high opposition world, under what conditions does the NGO who requests a big grant (B) accept? Note, if the NGO rejects the grant, it receives the utility of not spending: zero.

$$\begin{aligned}
 U_N(A|B, H) &\geq U_N(R|B, H) \\
 \gamma B - ((1 - \gamma)B)^2 + X &\geq 0 \\
 \gamma B - ((1 - \gamma)B)^2 &\geq -X \\
 X &\geq ((1 - \gamma)B)^2 - \gamma B
 \end{aligned} \tag{B.4}$$

To see what the Commission does, let θ represent the Commission's beliefs that $\omega = H$ when the NGO requests a small grant, S , and μ represent the Commission's beliefs that $\omega = H$ when the NGO requests a big grant, B . To see what the Commission offers when a small grant is requested, I prove the following claim.

CLAIM 1: WHEN S IS REQUESTED, THE COMMISSION OFFERS $\gamma = 0$.

PROOF

Since $\gamma \in [0, 1]$, the condition given by equation 1 is met and therefore the NGO in the low opposition world accepts any γ .

To see that the Commission prefers $\gamma = 0$ there are two cases to consider. Either γ satisfies (2) and the NGO in the high opposition world accepts, or it does not, in

which case the NGO in the high opposition world rejects. For ease of exposition, the γ that satisfies (2) will be referred to as $\underline{\gamma}$, such that if $\gamma \geq \underline{\gamma}$ the NGO accepts, and if $\gamma \leq \underline{\gamma}$ the NGO rejects.

The Commission's expected utility of offering $\gamma = 0$ is $X(1 - \theta)$. Because the NGO in the low opposition world always achieves X (T=1), the Commission receives X if $\omega = L$, and pays no costs.

To see that the Commission prefers to offer $\gamma = 0$, in the first case, if the Commission offers $\gamma > \underline{\gamma}$ then (2) is satisfied, and the NGO in the high opposition world accepts the grant. Since the NGO in the low opposition world always accepts, the Commission will pay $-\gamma S$ with certainty. However, since the NGO in the high opposition world is underreporting, if the NGO accepts then T=0, thus T=1 only if $\omega = L$.

CASE 1

$$EU_C(\gamma = 0, \theta) > EU_C(\gamma \in [\underline{\gamma}, 1], \theta)$$

$$X(1 - \theta) \geq -\gamma S + X(1 - \theta)$$

$$0 \geq -\gamma S$$

This is true for all γ .

In case 2, to see that the Commission prefers to offer $\gamma = 0$, if it offers $\gamma < \underline{\gamma}$, then the NGO in the high opposition world will reject the grant, and only the NGO in the low opposition world will accept. Since only the NGO in the low opposition world can achieve X with a small grant, the probability the grant is accepted is the same as the probability the objective is achieved.

CASE 2

$$U_C(\gamma = 0, S, \theta) > U_C(\gamma \in (0, \underline{\gamma}), S, \theta)$$

$$X(1 - \theta) \geq -\gamma S(1 - \theta) + X(1 - \theta)$$

$$0 \geq -\gamma S(1 - \theta)$$

This is true for all γ and all θ . This proves Claim 1.

Therefore, when S is requested, the Commission offers $\gamma = 0$.

To see what the Commission offers when B is requested, I prove the following claim.

CLAIM 2: FOR ALL B, THE COMMISSION PREFERS EITHER $\gamma = \gamma_h$ OR $\gamma = 0$

PROOF

Let γ_L represent the offer that an NGO accepts if $\omega = L$, and γ_h represent the offer an NGO accepts if $\omega = H$.

Given (3), the NGO in the low opposition world accepts if $\gamma \geq \gamma_L$ and given (4), the NGO in the high opposition world accepts if $\gamma \geq \gamma_h$. Since $X \geq S^2$, we know $\gamma_L \geq \gamma_h$.

Recall:

$$(3) \quad S^2 \geq ((1 - \gamma)B)^2 - \gamma B \text{ and}$$

$$(4) \quad X \geq ((1 - \gamma)B)^2 - \gamma B$$

Since the Commission offers the minimum for acceptance, these constraints are binding.

$$S^2 = ((1 - \gamma_L)B)^2 - \gamma_L B$$

$$X = ((1 - \gamma_h)B)^2 - \gamma_h B$$

Since $X \geq S^2$, the following inequality must hold.

$$((1 - \gamma_h)B)^2 - \gamma_h B \geq ((1 - \gamma_L)B)^2 - \gamma_L B$$

$$(B - \gamma_h B)^2 - \gamma_h B \geq (B - \gamma_L B)^2 - \gamma_L B$$

$$B^2 - 2\gamma_h B^2 + \gamma_h^2 B^2 - \gamma_h B \geq B^2 - 2\gamma_L B^2 + \gamma_L^2 B^2 - \gamma_L B$$

$$\begin{aligned}
-2\gamma_h B^2 + \gamma_h^2 B^2 - \gamma_h B &\geq -2\gamma_L B^2 + \gamma_L^2 B^2 - \gamma_L B \\
-2\gamma_h B + \gamma_h^2 B - \gamma_h &\geq -2\gamma_L B + \gamma_L^2 B - \gamma_L \\
2\gamma_L B - 2\gamma_h B + \gamma_h^2 B + \gamma_L - \gamma_h &\geq \gamma_L^2 B \\
2\gamma_L B - 2\gamma_h B + \gamma_L - \gamma_h &\geq \gamma_L^2 B - \gamma_h^2 B \\
2B(\gamma_L - \gamma_h) + 1(\gamma_L - \gamma_h) &\geq B(\gamma_L^2 - \gamma_h^2) \\
(2B + 1)(\gamma_L - \gamma_h) &\geq B(\gamma_L^2 - \gamma_h^2) \\
(2B + 1)(\gamma_L - \gamma_h) &\geq B(\gamma_L - \gamma_h)(\gamma_L + \gamma_h)
\end{aligned}$$

Now, consider if $\gamma_L \leq \gamma_H$, then dividing by $\gamma_L - \gamma_h$ requires flipping the inequality.

$$\begin{aligned}
2B + 1 &\leq B(\gamma_L + \gamma_h) \\
2 + \frac{1}{B} &\leq \gamma_L + \gamma_h
\end{aligned}$$

Since $\gamma_L + \gamma_h \leq 2$, this is never true.

Now, instead consider if $\gamma_L \geq \gamma_H$, then dividing by $\gamma_L - \gamma_h$ does not require flipping the inequality.

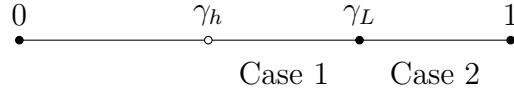
$$\begin{aligned}
2B + 1 &\geq B(\gamma_L + \gamma_h) \\
2 + \frac{1}{B} &\geq \gamma_L + \gamma_h
\end{aligned}$$

Since $\gamma_L + \gamma_h \leq 2$, this is always true. Thus, the condition is only met when

$$\gamma_L \geq \gamma_H.$$

When the Commission offers $\gamma = \gamma_h$, the NGO in the high opposition world will accept the grant, and the NGO in the low opposition world will reject the grant. The Commission receives the benefit of the policy achievement in either case, since the NGO in the high opposition world is sufficiently funded, such that $T=1$, and the NGO in the low opposition world will achieve it even though they reject the grant.

Thus the Commission's expected utility of offering $\gamma = \gamma_h$ is $\mu(-\gamma_h(B)) + X$. To prove this strategy dominates offering any other $\gamma \geq \gamma_h$, there are two alternative cases to consider, either $\gamma_h < \gamma < \gamma_L$, or $\gamma_L \leq \gamma \leq 1$.



CASE 1

To see that the Commission prefers to offer $\gamma = \gamma_h$, in the first case, if $\gamma_h < \gamma < \gamma_L$, then the NGO in the high opposition world will accept the grant, and the NGO in the low opposition world will reject the grant. The Commission prefers to offer γ_h if the following is true:

$$\begin{aligned} EU_C(\gamma_h|\mu) &\geq U_C(\gamma \in (\gamma_h, \gamma_L)|\mu) \\ -\gamma_h B(\mu) + X &\geq -\gamma B(\mu) + X \\ \gamma_h &\leq \gamma \end{aligned}$$

Since $\gamma \in (\gamma_h, \gamma_L)$, this is always true.

CASE 2

If $\gamma_L \leq \gamma \leq 1$, then the NGO in the high opposition world and the NGO in the low opposition world will accept the grant, thus the Commission's expected utility is $-\gamma B + X$. The Commission prefers to offer γ_h if:

$$\begin{aligned} EU_C(\gamma_h|\mu) &\geq EU_C(\gamma \in [\gamma_L, 1]|\mu) \\ -\gamma_h B(\mu) + X &\geq -\gamma B + X \\ \gamma_h(\mu) &\leq \gamma \end{aligned}$$

Since $\gamma_h < \gamma_L$, and $\mu \in [0, 1]$, this is true for all μ . Therefore the Commission prefers to offer γ_h over any $\gamma > \gamma_h$.

To see that the Commission's expected utility of offering $\gamma = 0$ is at least as good as any other $\gamma < \gamma_h$, a final case is considered. If the Commission offers $\gamma = 0$, the NGO in the high opposition world does not accept the grant and the Commission

receives the utility of not spending. The NGO in the low opposition world also does not accept the grant, $T=1$ with probability $\omega = L$. Thus, the Commission's expected utility of offering $\gamma = 0$ is $X(1 - \mu)$.

If the Commission offers $0 < \gamma < \gamma_h$, both the NGO in the high and low opposition world will reject the grant, and only the NGO in the low opposition world will accomplish the objective. Thus, the Commission's expected utility of offering $0 < \gamma < \gamma_h$ is $X(1 - \mu)$. Since these payoffs are the same, the Commission is indifferent. However, since it's reasonable to assume the Commission would rather offer $\gamma = 0$ than $\gamma \geq 0$ and be rejected since the transaction costs of these grants are high, so assuming the Commission would offer 0 when indifferent is reasonable.

Therefore, the Commission's best response if the NGO requests B are either $\gamma = \gamma_h$, or $\gamma = 0$. This proves claim 2.

Since the Commission offers only γ_h or 0, it will offer γ_h if:

$$\begin{aligned}
 U_C(\gamma_h|B, \mu) &\geq U_C(0|B, \mu) \\
 -\gamma_h B(\mu) + X &\geq (1 - \mu)X \\
 -\gamma_h B(\mu) + X &\geq X - \mu X \\
 -\gamma_h B(\mu) &\geq -\mu X \\
 \gamma_h B &\leq X \\
 \gamma_h &\leq \frac{X}{B}
 \end{aligned} \tag{B.5}$$

The γ_h chosen must satisfy equation (4), $X \geq ((1 - \gamma)B)^2 - \gamma B$, and equation (5).

To make the NGO in the high opposition world indifferent between accepting and rejecting, the Commission offers

$$\gamma_h^* = \frac{1 + 2B - \sqrt{1 + 4B + 4X}}{2B} \tag{B.6}$$

To see this,

$$\begin{aligned}
U_N(A|B, H) &\geq U_N(R|B, H) \\
\gamma_h B - ((1 - \gamma_h)B)^2 + X &\geq 0 \\
\gamma_h B - (B - \gamma_h B)^2 + X &\geq 0 \\
\gamma_h B - (B^2 - 2\gamma_h B^2 + \gamma_h^2 B^2) + X &\geq 0 \\
\gamma_h B - B^2 + 2\gamma_h B^2 - \gamma_h^2 B^2 + X &\geq 0 \\
\gamma_h^2 B^2 - \gamma_h B - 2\gamma_h B^2 + B^2 - X &\leq 0 \\
\gamma_h^2 B^2 + \gamma_h(-B - 2B^2) + B^2 - X &\leq 0
\end{aligned}$$

Quadratic Formula

$$\begin{aligned}
\gamma_h &\geq \frac{B + 2B^2 \pm \sqrt{(-B - 2B^2)^2 - 4(B^2)(B^2 - X)}}{2B^2} \\
\gamma_h &\geq \frac{B + 2B^2 \pm \sqrt{B^2 + 4B^3 + 4B^4 - 4B^4 + 4XB^2}}{2B^2} \\
\gamma_h &\geq \frac{B + 2B^2 \pm \sqrt{B^2 + 4B^3 + 4XB^2}}{2B^2} \\
\gamma_h &\geq \frac{B(1 + 2B) \pm B\sqrt{1 + 4B + 4X}}{2B^2} \\
\gamma_h^* &\geq \frac{1 + 2B - \sqrt{1 + 4B + 4X}}{2B}
\end{aligned}$$

This satisfies (5)

Proof: Plugging γ_h^* into (5) yields:

$$\begin{aligned}
\frac{1 + 2B - \sqrt{1 + 4B + 4X}}{2B} &\leq \frac{X}{B} \\
X &\geq B\left(\frac{1 + 2B - \sqrt{1 + 4B + 4X}}{2B}\right) \\
X &\geq \frac{1 + 2B - \sqrt{1 + 4B + 4X}}{2} \\
2X &\geq 1 + 2B - \sqrt{1 + 4B + 4X} \\
\sqrt{1 + 4B + 4X} &\geq 1 + 2B - 2X
\end{aligned}$$

$$1 + 4B + 4X \geq 1 + 2B - 2X + 2B + 4B^2 - 4BX - 2X - 4XB + 4X^2$$

$$8X \geq 4B^2 - 8BX + 4X^2$$

$$2X \geq B^2 - 2BX + X^2$$

$$2X \geq (B - X)^2$$

$$\sqrt{2X} \geq B - X$$

$$B \leq X + \sqrt{2X}$$

Therefore when $B \leq X + \sqrt{2X}$, the Commission offers γ_h^* , and when $B > X + \sqrt{2X}$ the Commission offers $\gamma = 0$.

To see that this offer is incentive compatible with the NGO's first move, note that the decision to apply for a small grant or a big grant, given the Commission's strategy of offering $\gamma = 0$ if S, is requested and $\gamma = \gamma_h^*$ if B is requested.

When $\omega = L$, the NGO requests S when the expected utility of a small grant with no co-financing is greater than the expected utility of requesting a big grant and receiving co-financing. The γ that meets this condition is γ_L . To see that γ_h^* satisfies this, γ_L is solved for below.

$$\begin{aligned}
U_N(S|L, \gamma = 0) &\geq U_N(B|L, \gamma > 0) \\
-S^2 + X &\geq \gamma_L B - ((1 - \gamma_L)B)^2 + X \\
-S^2 &\geq \gamma_L B - (1 - \gamma_L)^2 B^2 \\
\frac{-S^2}{B} &\geq \gamma_L - (1 - 2\gamma_L^* + \gamma_L^2)B \\
\frac{-S^2}{B} &\geq \gamma_L - (B - 2B\gamma_L^* + B\gamma_L^2) \\
\frac{-S^2}{B} &\geq \gamma_L - B + 2B\gamma_L^* - B\gamma_L^2 \\
0 &\geq -B(\gamma_L)^2 + \gamma_L(1 + 2B) - \frac{-S^2}{B} - B \\
0 &\leq B(\gamma_L)^2 - \gamma_L(1 + 2B) + \frac{B^2 - S^2}{B}
\end{aligned}$$

Quadratic:

$$\begin{aligned}
\gamma &\leq \frac{1 + 2B \pm \sqrt{(1 + 2B)^2 - 4(B)(\frac{B^2 - S^2}{B})}}{2B} \\
\gamma &\leq \frac{1 + 2B \pm \sqrt{(1 + 2B)^2 - 4(B^2 - S^2)}}{2B} \\
\gamma &\leq \frac{1 + 2B \pm \sqrt{(1 + 2B)^2 - 4B^2 + 4S^2}}{2B}
\end{aligned}$$

$$\begin{aligned}\gamma &\leq \frac{1 + 2B \pm \sqrt{1 + 4B + 4B^2 - 4B^2 + 4S^2}}{2B} \\ \gamma &\leq \frac{1 + 2B \pm \sqrt{1 + 4B + 4S^2}}{2B} \\ \gamma_L &\leq \frac{1 + 2B - \sqrt{1 + 4B + 4S^2}}{2B}\end{aligned}$$

In other words, for all $\gamma \leq \gamma_L$, such that $\gamma_L = \frac{1 + 2B - \sqrt{1 + 4B + 4S^2}}{2B}$, the NGO in the low opposition world will not request a big grant.

To show that the Commission's strategy induces the NGO in the low opposition world to report honestly, γ_h^* must meet this constraint, such that

$$\gamma_h^* \leq \frac{1 + 2B - \sqrt{1 + 4B + 4S^2}}{2B}$$

Equation (6) gives the value of γ_h^*

$$\begin{aligned}\frac{1 + 2B - \sqrt{1 + 4B + 4X}}{2B} &\leq \frac{1 + 2B - \sqrt{1 + 4B + 4S^2}}{2B} \\ -\sqrt{1 + 4B + 4X} &\leq -\sqrt{1 + 4B + 4S^2} \\ \sqrt{1 + 4B + 4X} &\geq \sqrt{1 + 4B + 4S^2} \\ 4X &\geq 4S^2 \\ X &\geq S^2\end{aligned}$$

This is always true. Thus, when the Commission offers γ_h^* when B is requested, the NGO in the low opposition world reports honestly and requests S.

When $\omega = H$, to see when the NGO will ask for B, note that if the NGO honestly requests B, they receive an offer of γ_h^* and accept, achieving the policy and resulting in $EU_N(B|H, \gamma_h^*) = \gamma_h^*B - ((1 - \gamma_h^*)B)^2 + X$. If instead the NGO requests S, the Commission offers $\gamma = 0$ and the NGO rejects the grant, receiving the utility of not spending.

Thus, in order for the NGO in the high opposition world to request B, $EU_N(B|H, \gamma_h^*) \geq 0$. Since this meets the requirements in equation (6), given that the Commission offers γ_h^* , the NGO in the high opposition world will request B.

STATEMENT OF EQUILIBRIUM

When $\omega = L$, the NGO will request a small grant, S, and accept any offer, $\gamma \in [0, 1]$.

When $\omega = H$, the NGO will request a big grant, B, and accept any offer $\gamma \geq \gamma_h$.

When S is requested, the Commission will offer $\gamma = 0$

If $B \leq X + \sqrt{2X}$ is requested, the Commission will offer

$$\gamma_h^* = \frac{1 + 2B - \sqrt{1 + 4B + 4X}}{2B}$$

For all other B, the Commission will offer $\gamma = 0$

The equilibrium beliefs are $\theta = 0, \mu = 1$.

SEMI-SEPARATING AND POOLING EQUILIBRIA

To explore the model further, it's useful to demonstrate that no pooling or semi-separating equilibria exist. Claim 2 establishes that the Commission always offers $\gamma = 0$ when S is requested, and $\gamma = \gamma_h^*$ when B is requested, for all μ and θ . Therefore, any pooling equilibrium must be consistent with these strategies.

CLAIM 3: NO SEMI-SEPARATING EQUILIBRIUM EXISTS.

Proof:

Let M represent a strategy where the NGO requests S with probability p, and B with probability (1-p).

Since the NGO in the low opposition world can fund the objective themselves, the utility is the same for rejecting either grant, or accepting a small grant, $-S^2 + X$, since funding the objective themselves is effectively accepting $\gamma = 0$. By assumption then, the NGO is indifferent between requesting S and accepting if $\gamma = 0$, and requesting B and rejecting the Commission's offer. Since the Commission also receives the same utility in both cases, X, assuming the NGO will request S instead of requesting and rejecting B has no impact on the equilibrium.

The only relevant comparison then is if the NGO in the low opposition world requests B and accepts,

$$\begin{aligned}
EU_N(S, \gamma = 0) &\geq EU_N(M, \gamma \in \{0, \gamma^*\}) \\
-S^2 + X &\geq (p)(-S^2 + X) + (1-p)(\gamma^*B - ((1-\gamma^*)B)^2 + X) \\
-S^2 &\geq (p)(-S^2) + (1-p)(\gamma^*B - ((1-\gamma^*)B)^2) \\
0 &\geq S^2 + (p)(-S^2) + (1-p)(\gamma^*B - ((1-\gamma^*)B)^2) \\
0 &\geq S^2(1-p) + (1-p)(\gamma^*B - ((1-\gamma^*)B)^2) \\
0 &\geq S^2 + \gamma^*B - ((1-\gamma^*)B)^2 \\
-S^2 &\geq \gamma^*B - ((1-\gamma^*)B)^2 \\
S^2 &\leq ((1-\gamma^*)B)^2 - \gamma^*B
\end{aligned}$$

Recall, equation (3) which specifies the conditions for acceptance for the NGO in the low opposition world to accept a big grant is:

$$S^2 \geq ((1-\gamma^*)B)^2 - \gamma^*B$$

Thus, the NGO would never accept a big grant, so if B is requested, it will be rejected. Since the NGO is indifferent between requesting S and accepting and requesting B and rejecting, there is no strategy better than always requesting S when $\omega = L$, the NGO will always request S.

To consider whether the NGO plays a mixed strategy when $\omega = H$, suppose the same alternative strategy, M, where the NGO plays S with probability p, and B with probability (1-p). If the NGO in the high opposition world rejects any grant, they accomplish nothing, and receive 0.

Since $T=0$ when S is requested, the NGO's utility from accepting a small grant is $-S^2$, which is never better than rejecting the grant and receiving 0. Therefore, if the NGO in the high opposition world requests S, they will always reject.

Demonstrating no mixed strategy equilibria exist must show that accepting B is always better than rejecting a small grant.

$EU_N = 0$ with probability p , and

$EU_N = \gamma^*B - ((1 - \gamma^*)B)^2 + X$, with probability $1-p$.

$$\gamma^*B - ((1 - \gamma^*)B)^2 + X \geq (1 - p)(\gamma^*B - ((1 - \gamma^*)B)^2 + X)$$

$$0 \geq (-p)(\gamma^*B - ((1 - \gamma^*)B)^2 + X)$$

$$0 \leq \gamma^*B - ((1 - \gamma^*)B)^2 + X$$

This is met by equation (6).

CLAIM 4: NO POOLING EQUILIBRIUM EXISTS.

Claim 3 demonstrated that when $\omega = L$, the NGO will never play B with any probability, and when $\omega = H$, the NGO will never play S with any probability. Thus, no equilibrium in which both types play the same strategy exists.

C. Appendix to Mobilizing Legitimacy

Figure C.1: Marginal Effects: Impact on Trust in EU on Environmental Issues

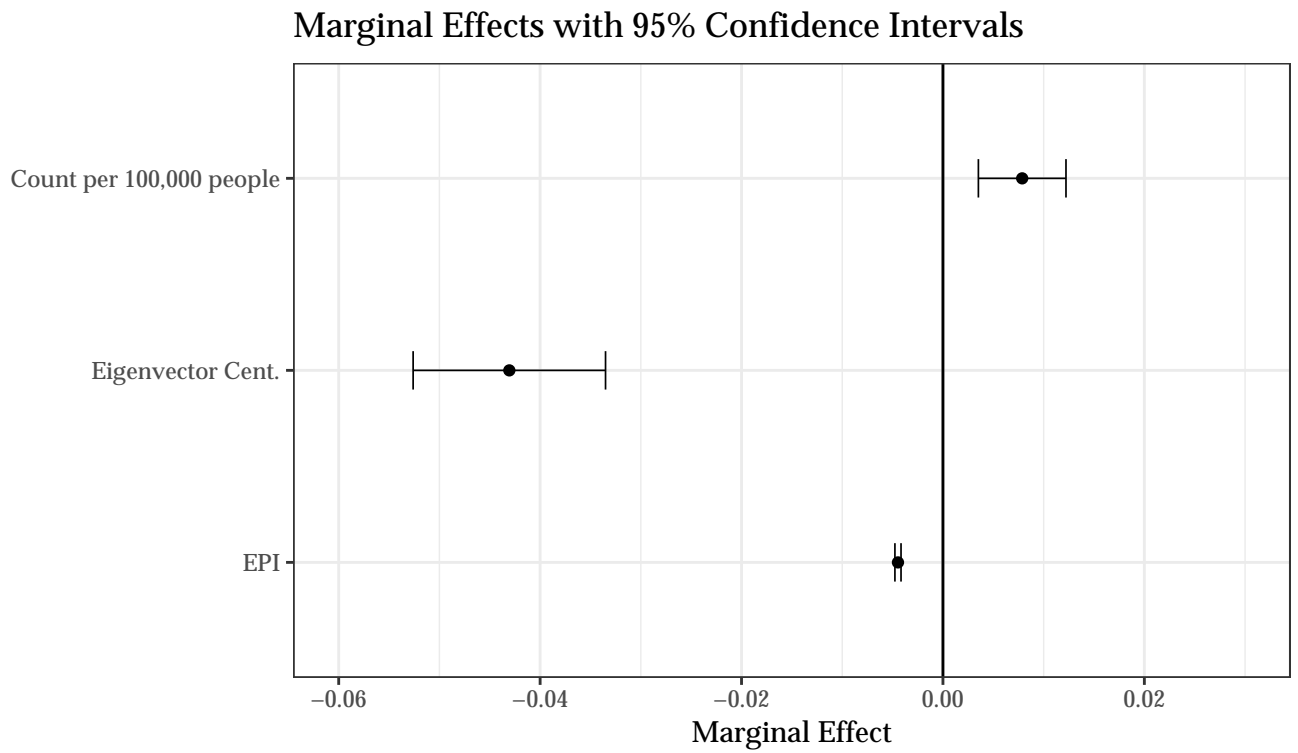


Figure C.2: Marginal Effects: Impact on Preference for Decision Making

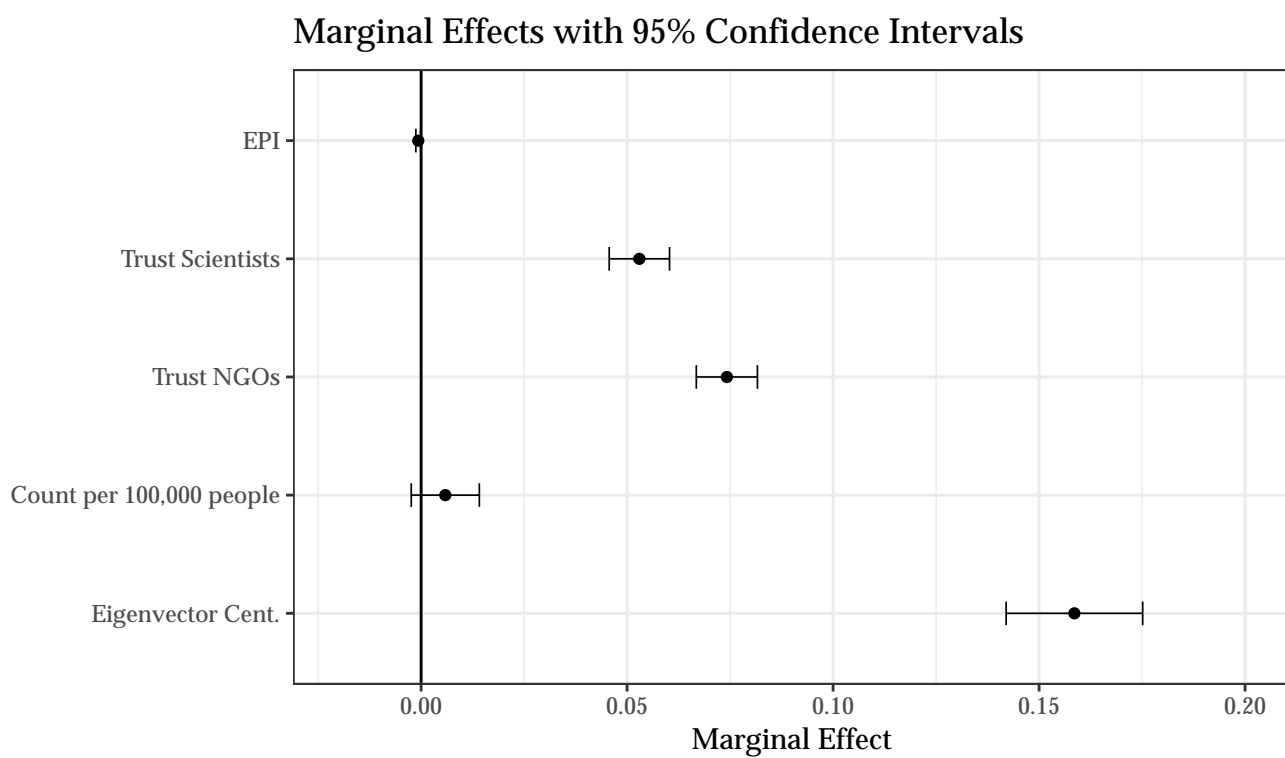


Table C.1: Eigenvector Centrality by Country/Year

Country	2007	2008	2009	2010	2011	2012	2013	2014
AT	0.32	0.31	0.27	0.28	0.24	0.26	0.30	0.26
BE	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
BG	0.20	0.20	0.17	0.18	0.17	0.19	0.18	0.17
CY	0.05	0.06	0.05	0.05	0.06	0.06	0.05	0.06
CZ	0.11	0.11	0.10	0.10	0.09	0.09	0.10	0.10
DE	0.68	0.68	0.69	0.70	0.52	0.53	0.69	0.68
DK	0.27	0.27	0.23	0.23	0.18	0.18	0.21	0.20
EE	0.03	0.03	0.03	0.04	0.03	0.04	0.03	0.03
EL	0.23	0.24	0.20	0.20	0.17	0.22	0.18	0.17
ES	0.30	0.30	0.27	0.28	0.27	0.28	0.29	0.29
FI	0.22	0.22	0.19	0.19	0.18	0.20	0.22	0.19
FR	0.63	0.62	0.52	0.52	0.50	0.50	0.57	0.54
HR	0.18	0.19	0.16	0.16	0.16	0.16	0.17	0.15
HU	0.26	0.26	0.20	0.22	0.21	0.22	0.23	0.21
IE	0.12	0.11	0.10	0.10	0.10	0.10	0.12	0.11
IT	0.17	0.17	0.20	0.20	0.12	0.14	0.19	0.20
LT	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.04
LU	0.07	0.08	0.07	0.07	0.06	0.07	0.07	0.07
LV	0.15	0.16	0.13	0.13	0.13	0.13	0.14	0.13
MT	0.06	0.06	0.05	0.05	0.05	0.05	0.06	0.05
NL	0.43	0.43	0.37	0.39	0.43	0.44	0.42	0.41
PL	0.22	0.22	0.20	0.21	0.20	0.20	0.22	0.19
PT	0.16	0.18	0.16	0.16	0.16	0.16	0.16	0.15
RO	0.56	0.55	0.45	0.46	0.45	0.45	0.50	0.43
SE	0.29	0.26	0.23	0.23	0.22	0.20	0.28	0.24
SI	0.09	0.09	0.08	0.08	0.07	0.07	0.08	0.08
SK	0.15	0.15	0.12	0.13	0.12	0.13	0.14	0.12
UK	0.57	0.55	0.44	0.48	0.48	0.48	0.51	0.46

Table C.2: Organization Count by Country/Year

Country	2007	2008	2009	2010	2011	2012	2013	2014
AT	38	36	44	43	25	28	40	42
BE	83	89	100	98	82	90	95	88
BG	21	25	25	33	28	30	22	26
CY	6	6	10	11	11	13	6	12
CZ	22	25	27	29	21	24	22	23
DE	107	111	168	173	128	136	116	162
DK	33	29	36	36	23	26	30	36
EE	11	12	12	15	12	17	12	16
EL	31	32	34	33	23	40	20	26
ES	76	74	75	83	62	75	63	78
FI	26	28	32	32	22	26	25	30
FR	95	96	95	95	58	71	76	92
HR	25	27	30	32	20	26	24	24
HU	39	40	36	45	29	35	33	37
IE	26	24	24	24	21	23	26	25
IT	85	85	105	106	42	53	92	93
LT	19	20	21	22	13	15	16	15
LU	12	15	16	16	13	16	13	14
LV	14	16	18	19	14	15	15	15
MT	8	9	11	11	7	9	8	8
NL	75	78	90	91	88	98	84	103
PL	34	37	39	44	38	41	40	43
PT	18	21	29	28	18	22	15	23
RO	44	45	42	49	39	42	42	38
SE	53	43	47	49	33	34	53	56
SI	19	19	21	17	10	14	16	17
SK	14	16	12	17	14	18	14	14
UK	121	121	121	127	103	110	112	118

Table C.3: First Differences by Country: 2007-2011

Countries	Trust	Informed	Env Important	Decisions w. EU	Eig	Count
AT	0.027	0.076	-0.075	0.006	-0.046	5
BE	-0.009	-0.101	-0.044	-0.097	0.000	15
BG	-0.020	0.179	0.082	0.174	-0.011	12
CY	-0.026	0.091	-0.056	0.031	0.000	5
CZ	-0.015	0.069	-0.008	-0.094	-0.010	7
DE	-0.022	-0.005	-0.046	-0.010	0.016	66
DK	0.010	0.005	-0.107	-0.027	-0.039	3
EE	0.009	0.132	-0.104	0.071	0.006	4
EL	-0.013	0.080	-0.045	-0.058	-0.031	2
ES	-0.035	0.015	-0.070	0.072	-0.026	7
FI	0.011	0.009	-0.072	0.030	-0.026	6
FR	0.006	-0.045	-0.165	-0.090	-0.109	0
HU	0.019	0.132	-0.082	0.008	-0.038	6
IE	-0.025	0.007	0.047	0.026	-0.025	-2
IT	0.042	0.130	-0.014	0.049	0.029	21
LT	-0.020	0.168	0.035	-0.066	-0.004	3
LU	-0.027	0.050	0.032	0.010	0.003	4
LV	-0.011	0.073	-0.094	0.035	-0.019	5
MT	-0.036	0.100	0.016	-0.074	-0.005	3
NL	-0.022	-0.106	0.008	-0.067	-0.035	16
PL	-0.045	0.038	-0.108	-0.085	-0.014	10
PT	-0.036	0.097	-0.138	0.023	-0.001	10
RO	0.022	0.170	0.083	0.054	-0.102	5
SE	0.022	0.109	-0.048	-0.131	-0.064	-4
SI	-0.000	-0.030	-0.005	-0.104	-0.016	-2
SK	-0.088	0.146	-0.036	-0.006	-0.024	3
UK	0.006	0.050	-0.071	-0.157	-0.093	6

Table C.4: First Differences by Country: 2011-2014

Countries	Trust	Informed	Env Important	Decisions w. EU	Eig	Count
AT	-0.007	0.052	0.101	0.002	0.026	-3
BE	0.006	0.010	-0.116	0.000	0.000	-3
BG	-0.113	0.071	-0.125	-0.093	-0.002	-11
CY	-0.113	0.072	-0.150	-0.121	-0.002	-5
CZ	0.008	0.000	-0.097	-0.140	0.004	-7
DE	0.021	0.006	-0.017	-0.080	-0.010	-57
DK	0.003	0.026	-0.113	-0.035	-0.023	-6
EE	-0.014	0.029	-0.088	-0.137	-0.007	-3
EL	0.049	-0.125	-0.115	0.013	-0.019	-13
ES	-0.005	0.108	0.010	-0.005	0.008	-20
FI	-0.013	0.113	-0.022	-0.064	0.027	-7
FR	-0.008	0.016	-0.077	-0.048	0.048	-19
HU	-0.043	0.162	-0.043	-0.055	0.012	-12
IE	0.002	0.088	-0.025	-0.051	0.021	2
IT	-0.144	-0.012	-0.046	-0.059	-0.004	-14
LT	0.021	0.073	-0.101	-0.275	-0.005	-6
LU	0.024	0.005	-0.049	-0.120	-0.004	-3
LV	0.024	0.054	-0.066	-0.040	0.008	-4
MT	-0.056	0.050	-0.016	-0.021	0.003	-3
NL	0.029	-0.077	-0.128	-0.069	0.027	-7
PL	-0.003	0.072	-0.056	-0.079	0.013	-4
PT	-0.016	0.187	0.044	0.044	-0.004	-13
RO	-0.135	0.106	-0.050	-0.086	0.038	-7
SE	-0.003	0.033	-0.055	0.031	0.045	4
SI	-0.028	0.113	-0.069	-0.019	0.004	-1
SK	-0.046	0.052	0.059	-0.135	0.013	-3
UK	0.020	-0.051	-0.018	0.040	0.028	-15