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Crepaz, M., & Hanegraaff, M. (2020). The funding of interest groups in the EU: are the rich getting richer? *Journal of European Public Policy*, *27*(1), 102-121 . https://doi.org/10.1080/13501763.2019.1567572

Published in:
Journal of European Public Policy

Document Version:
Peer reviewed version

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Article - Accepted Version (Refereed)

The article has been accepted for publication and appears in the *Journal of European Public Policy*. There may be differences between this version and the published version. You are advised to consult the publisher's version if you wish to cite from it.

Original citation: Crepaz, M., & Hanegraaff, M. (2020). The funding of interest groups in the EU: are the rich getting richer?. *Journal of European Public Policy,* 27(1), 102-121.

Abstract

Governmental subsidies are demand-side factors, which allow governments to 'mould' interest group communities. The EU is the worlds' largest donor and has claimed to use public funds to promote the participation of organised interests in public policy. Previous studies found support for this claim and concluded that EU subsidies help to alleviate existing biases in the system of interest intermediation. In this article, we challenge these findings and argue that scholars paid too little attention to the applications for funding filed by interest groups. Using data collected from a survey of applying organizations, we consider the effect of four types of bias on the attainment of funds. Our results suggest that an organization's financial resources and its past success with applications increase the likelihood of winning a grant. These results question the redistributive aspect of EU funds and compare biases in EU funding with existing biases in the interest intermediation system.

Keywords: Interest Groups; Bias; European Union; European Commission; Government funding

Introduction

Liberal democratic theory places great emphasis of the role of civil society in the support of the democratic process (de Tocqueville, 2003; Truman, 1951; Dahl, 1961; Cohen & Arato, 1994; Putnam, 1995; Fukuyama, 2001). A functioning democracy requires a vibrant and autonomous civil society and an effective state capable of filtering the demands of organized interests into the 'black box' of politics (Baumgartner & Leech, 1998; Gray & Lowery, 2000; Jordan & Maloney, 2007; Saurugger, 2008). However, many studies have demonstrated that interest groups do not always function as efficient transmission belts. Resource-rich actors, business groups, and more professionalised organizations are often better represented and are privileged in their relationship with government (Lindblom, 1982; Austen-Smith, 1987; Grant, 2001; Yackee & Yackee, 2006; Rasmussen & Carroll, 2014).

The European Union (EU) is no exception to this rule, as many studies have illustrated the biased nature of the EU interest group population (Greenwood & Aspinwall, 1998; Coen, 1998, 2007; Bouwen, 2002; Dür & De Bièvre, 2007; Beyers & Kerremans, 2007; Saurugger, 2008; Dür & Mateo, 2012). In order to balance the input of interest groups and guarantee an open participatory political system for all interests, as articulated by the European Commission (EC) itself, the EC has created an extensive funding scheme for improving the input legitimacy of the EU's political system and for the quality of its policy proposals (European Commission, 2001, p. 1; see also Smismans, 2006; Finke, 2007; Greenwood, 2007; Kohler-Koch & Rittberger, 2007; Saurugger, 2008).

This monetary support is of critical importance to interest groups, as direct transfers have demonstrated to substantially strengthen the financial resources of interest groups, helping them to increase the efficiency of their (lobby) activities (Chaves et al., 2004; Cram, 2005; Beyers & Kerremans, 2007). In fact, many organizations now depend on these subsidies for their survival (Anheier et al., 1997; Froelich, 1999; Salgado-Sanchez, 2007; Neumayr et al., 2013). As a result, the existence of a vibrant and autonomous civil society seems to depend to a large extent on the generosity of public donors (Henderson, 2002). Bearing this in mind, two key questions arise: a) which organizations are more likely to be recipients of EU funding; and b) is the distribution of the resources reflective of the idea of the funds as means to encourage a vibrant and diverse interest group system?

There is currently surprisingly little literature addressing the above questions. Moreover, the few studies we found offer mixed results about whether the EU meets its redistributive objectives or not. Some research indicates that non-governmental organizations (NGOs) are funded more often than businesses organizations (Mahoney, 2004; Mahoney & Beckstrand, 2011). In addition, EU funding tends to target NGOs that have more trouble organizing themselves compared to more wealthy organizations (Sanchez Salgado, 2014). The same studies, however, also find several sources indicating a biased distribution of funds. For example, interest groups based in EU-15 countries and organized at the European level (rather than at the national level) more often receive grants from the Commission. These findings suggest that, while the EU appears to promote a level playing field promoting weaker organizations, it also seems to promote its own agenda regarding European integration and Europeanization (Mahoney & Beckstrand, 2011; Sanchez Salgado, 2014).

In this paper we try to bring together these various insights and analyse whether the European funding system systematically favours more privileged actors or tries to fund more marginalized groups in the EU policy process. In doing so, we propose an empirical innovation based on the analysis of the success rate of grant applications to the European Commission. This is a critical innovation compared to previous work. While previous studies have considered the attainment of funds by interest groups, we focus on their *capacity* to obtain funds. We interpret the success rate of an application as an objective indicator, which is reflective of the Commission's strategy to use the funds to improve input legitimacy (European Commission, 2001). If more marginalized groups in the policy process (for example, NGOs or less-resourced groups) have a higher success rate in the attainment of funding, this is a clear indication that the Commission is doing its part in stimulating a diverse interest group system in the EU. If this is not the case and more privileged groups (for example, business groups or better-resourced groups) are more successful in gaining funds, then it can be argued that the EC funding scheme is unlikely to lead to a more balanced system of interest representation. Rather the opposite is true; it perpetuates existing biases in favour of better-endowed organizations.

To empirically explore the allocation of EC funds across different interest groups, we rely on data collected in 2016 from a survey of 290 organizations registered on the EU's Transparency Register (TR). We chose the TR as main source because it contains registrations of organizations that regularly engage in EU policy-making. In 2016, there were approximately 8,500 organizations registered on the TR, 1,400 of which declared that they had obtained funding. We drew a random sample from this population for our survey, which allowed us to analyse the differences between successful and unsuccessful organizations that had applied for EU grants during the 2014-2016 period.

Our paper contributes to several debates. First, we contribute directly to research on the distributive effects of government funding. While much of this work has been done on the *effects* of government funding for interest representation (see Ebrahim, 2003; Ostrander et al., 2005; Boris & Mosher-Williams, 1998; Child & Gronbjerg, 2007; Chaves et al., 2004; Berry, 2005), we focus on the ability of various types of groups to *acquire* funds (see Mahoney & Beckstrand, 2011; Bloodgood & Tremblay-Boire, 2017). More broadly, our paper contributes to debates about the origins of biases in interest group populations. Bias in mobilization is generally analysed in light of collective action problems and the ability of groups to mobilize constituent support (Mahoney, 2004, p. 442; Berkhout et al., 2015). To this view, we add the perspective of government actors, namely the government's willingness to intervene in the 'natural' mobilization process and with the funding of marginalized or disadvantaged groups. Funds can therefore be understood as a critical source of bias (or balance) in interest group populations.

The following section describes how our question fits into the broader literature. In the next section we explore which actors have been identified in the literature as more privileged or more marginalized in the EU policy process, which we then link to the organizations' success rates in fund applications. This is followed by a description of our data and the empirical analyses. We end with some concluding remarks and a pathway for future research.

The effects of funding for interest groups

The literature on the effect of government funding for interest groups is vast. Studies in this field tend to agree that funding has a major impact on the functioning of interest representation. For instance, research has revealed that direct transfers substantially strengthen the financial resources of interest groups, helping them to increase the efficiency of their activities (Chaves et al., 2004; Gazley, 2008; Salamon, 2004). In many cases, funding is so important for organizations that it creates a form of dependency on the state (Anheier et al., 1997; Salgado-Sanchez, 2007; Geyer, 2001; Greenwood, 2007; Ruzza, 2011). Dependency can be so significant that ultimately organizations lose 'whatever distinct characteristics and qualities they once had' and become more 'state-like in their organizational structure, orientation and behaviour' (Anheier et al., 1997, p. 190). For this reason, these organizations employ many of their resources in seeking funds to guarantee a future for themselves (Sanchez-Salgado, 2007) and foster their organizational development (Chaves et al., 2004; Berry, 2005; Sanchez Salgado, 2010; Smith, 1999; Klüver & Saurugger, 2013). These effects are not trivial. As Mercer (2002, p. 15) has noted, 'the increased availability of large-scale funding has been one of the primary factors driving NGO growth since the 1980s' (see also Pratt, 2016, p. 7). In line with these observations, the survey data we collected for this study indicate that no fewer than 30% of the organizations would cease to exist within five years without EU funding. With the allocation of funding, governments therefore have the potential to radically shift the representative nature of interest group systems.

In addition, public funds have been found to have a major impact on organizations' political activities, such as lobbying (Leech, 2006; Bloodgood & Tremblay-Boire, 2017). Suarez (2011), for example, has demonstrated that government grants and contracts help groups in gaining access to policymakers. Similarly, success in obtaining government resources can increase a non-profit organizations' legitimacy or credibility with other potential donors, such as (potential) members (DiMaggio & Powell, 1983; Nikolic & Koontz, 2007; Baumgartner & Leech, 1998; Pallas & Uhlin, 2014; Bloodgood & Tremblay-Boire, 2017). Furthermore, monetary transfers help organizations to mobilize members, improve organizational capacity, build policy communities and apply for new funding (Sanchez-Salgado, 2010, 2014; Leech, 2006; Ruggiano & Taliafero, 2012).

Funding is therefore a powerful tool governments have at their disposal to shape interest representation. Groups that get funding have more leeway to develop a lobby strategy, mobilize constituents, strengthen their organizations, and have much better odds to survive in the long term. It is therefore surprising that the mechanisms underlying the distribution of funds to interest groups are still so poorly understood (Sanchez-Salgado, 2014; Mahoney & Beckstrand, 2011). Governments themselves often claim to use subsidies to improve the democratic legitimacy of private actors' participation in policy-making and, by using expert advice from interest organizations, seek to improve the quality of decision-making (Finke, 2007; Greenwood, 2007; Kohler-Koch & Rittberger, 2007).

The European Union has certainly advocated this objective (Sanchez-Salgado, 2014; Mazey & Richardson, 2006; Geyer, 2001; Greenwood, 2007; Ruzza, 2011). In recent decades, the EU has put in place a system of participatory democracy based on direct transfers to the interest group community, with the explicit goal of 'influencing interest mobilization and formal inclusion in the policy-making process in the European Union' (Mahoney, 2004, p. 441; see also Greenwood, 2007, 2011; Kohler-Koch & Finke, 2007; Steffek & Hahn, 2010). A key objective is to 'balance the input of interest groups and guarantee an open participatory political system for all interests' (European Commission, 2001, p. 1). Hence, the question as to whether or not the subsidy mechanism indeed redistributes resources equally across the interest group community in the European Union is a timely one. Does the subsidy system favour marginalized groups to uphold a diverse and vibrant community of interest representatives, thereby supporting a pluralist construction of interest representation in Europe? Or does the subsidy system strengthen the already powerful actors, thereby supporting an elitist view of democracy? In this paper we aim to provide a first answer to these questions.

Explaining direct subsidies: a biased distribution?

To answer this question, we first need to know which groups are generally better represented in the EU interest group population. Fortunately, the study of interest group politics has identified several types of organizations as being politically more privileged or marginalized in the policy process (Berkhout & Lowery, 2010; Lowery et al., 2015). From this literature we identified four major sources of representational biases which are helpful to understand the attainment of funding, namely *group type*, an organization's *financial resources*, an organization's *geographical origin*, and an organization's *insider status*. Our assumption is that the EC is aware of these biases in interest representation, and, if the EC aims to level the playing field in interest mediation, then we should observe greater success by less privileged organizations in the attainment of funds.

As we are the first to directly analyse the allocation of EC grants, we are refraining from formulating explicit hypotheses about the determinants of an applicant's success in the attainment of funding. We think there are valid arguments to be made for both directions of the relationship. On the one hand, it might be that the EU grants system is intended to favour more marginalized applicants (e.g. Bloodgood & Tremblay-Boire, 2017). On the other hand, it could very well be that powerful actors attract more funds, with the effect of dampening the redistributive intentions of the EC (e.g. Sanchez-Salgado, 2014). The exploration of the direction of the relationship is our empirical task and the objective of this paper.

Our discussion starts with considerations about different *group types* and their relation to EU funds. Studying variations across group types is a common starting point for interest group scholars, given the extensive normative implications. Most studies tend to agree that the EU system is biased towards economic interests in terms of its political power. This is particularly evident when the total number of active interest groups at the European level is considered. A recent study has revealed that business groups compose approximately 60% of the EU interest system, while citizen groups account for only 20% of the total (see Berkhout et al., 2015). Recent studies attest that this disproportion in the ecology of interest groups reflects the agenda of the EU, which generally prioritises economic issues (Berkhout et al., 2017). However, EU competences are growing beyond economic issues and, as far as public funds are concerned, the EC (2017, p. 2) offers grants in the areas of 'research, employment, regional development and cooperation to education, culture, environment, humanitarian aid and energy among many others'.

Former research indicates that NGOs are the largest interest group family among funded organizations (Mahoney, 2004; Mahoney & Beckstrand, 2011). According to these findings, the EU subsidy system effectively serves as a mechanism of redistribution of resources to counter-balance the existing business bias and to promote wider civil society participation (Mahoney, 2004; Sanchez-Salgado, 2014; Bloodgood & Tremblay-Boire, 2017). This observation is important, because the European Commission itself purposely describes NGOs as the 'natural target' of funding (European Commission, 2008, p. 7). It would therefore be reasonable in this study to expect NGOs to be more successful in obtaining EU funds.

However, most of the existing literature has studied the allocation of EU funds to NGOs only (without engaging with economic organizations or research institutions) (Sanchez-Salgado, 2014; Bloodgood & Tremblay-Boire, 2017). Our contribution considers all interest group categories, allowing us to provide a more comprehensive analysis of the allocation of funding to different interest group types. Moreover, previous contributions have focused on the allocation of funds without considering which organizations have (or have not) applied. It might be that previous studies have found that NGOs obtain more funding simply because they had filed a larger number of applications. Our study accounts for this aspect and explores a group's success in terms of filed applications. If we find that applications filed by NGOs are more successful in obtaining EU funds, this might signal that the EC uses funds to alleviate biases in the EU's interest group population. If, however, economic groups are more successful in gaining EU grants, this means that the pro-business bias previously observed in the EU interest system is also reflected in the EU funding system.

Another key source of variation concerns a group's *financial resources* (Mahoney, 2004). Former research has established that financial resources are one of the key factors shaping the European interest group population and its activities (Berkhout et al., 2015). Access to EU institutions for lobbying is, for example, predominantly guaranteed to large and well-resourced organizations, while organizations with fewer resources find it more difficult to engage in EU policy-making (Mahoney, 2008). Moreover, small interest groups often rely fully on EU public funds for their survival, exemplifying the importance of these grants for resource-deprived organizations (Sanchez-Salgado, 2014). Hence, if the EU subsidy mechanism had to help civil society to 'better connect' with the EU policy process (European Commission, 2001), then one would expect to see more successful funding applications among the less-resourced organizations.

Yet, it might be that resources play a positive role in grant applications, because an organization's budget is an indicator of its reputation and its capacity to administer a grant (Pratt et al., 2006). This concerns both the implementation of projects and the implementation of administrative and organizational changes supported by the grant. This means that, in the EC's evaluation, better-resourced organizations are more likely to obtain funds because they are more likely to administer the grant successfully (Pratt et al., 2006). This could mean that better-resourced organizations are, despite their stronger position, still more likely to see their applications accepted.

A third source of variation associated with the funding mechanisms is related to the *geographical origin* of applying organizations. Former research has indicated that groups originating from the European periphery are underrepresented in the EU interest group system (Berkhout et al., 2017; Carroll & Rasmussen, 2017). However, studies have also demonstrated that the EC tends to reach out to groups from outside the EU-15 with the aim of alleviating the underrepresentation of the Union's periphery (Mazey & Richardson, 2001; p. 228; Sanchez-Salgado, 2014, p. 345).

In order to see whether this is the case as far as the EC subsidy mechanism is concerned, Mahoney and Beckstrand (2011) investigated the extent to which funded organizations are based in Eastern European countries. In contrast with their expectations, the results of their study suggested that funded organizations tend to come from EU-15 member states. The authors find this to be based on an organization's capacity to submit quality applications for funding. Civil society in the periphery of the Union might be 'so weak in some countries that the organizations do not have the resources to even develop a proposal, or a proposal that is competitive enough against older, better-resourced, Western-based organizations' (Mahoney & Beckstrand, 2011, p. 1354).

However, Mahoney and Beckstrand did not consider the number of applications submitted by Eastern European organizations. The validity of their interpretation therefore remains contested. Taking applications from organizations based in the periphery of the Union into account, the EC might still appear to favour the development of interest group communities in these countries with the allocation of public funds (Mahoney & Beckstrand, 2011; Aliyev, 2016).

Finally, funding can also vary in terms of organizations' level of *experience*. Interest group scholars assume that building and maintaining organizational political experience is critical for an interest group's political success (Grant, 2001; Berkhout & Lowery, 2011). Yet gaining experience takes time and, for this reason, organizations that have already gained access to political institutions are more favourably positioned to influence public policy than newcomers. Over time this mechanism leads to a core-periphery structure, in terms of which a small set of actors increasingly dominate interest group populations, while the opportunities for newcomers become slimmer (LaPira et al., 2014).

This theoretical framework can be applied equally to subsidy mechanisms. According to this view, organizations with experience of success in past applications would also be more successful in future applications. This expectation appears to be not far from reality, as the leaders of many funded organizations in the United States (US) argue that 'once in, you are pretty much in' (Suarez, 2011, p. 316). Broadly speaking, literature on the US finds that increased government funding leads to NGOs increasingly advocating for funding rather than for policy change (Anheier et al., 1997; Chaves et al., 2004). As a result, interest groups spend much of their resources on preparing applications and previous success is crucial to obtain future financial support (Suarez, 2011).

In addition, organizations applying for funding know that, from a donor's point of view, government agencies have an interest in funding organizations that make the best use of their financial support (Pratt et al., 2006; Suarez, 2011; Sanchez Salgado, 2014). In this case, an organization's track record of successes with the implementation of funded projects represents an important evaluation criterion, while 'ties and experience with government agencies can lead to long-term gains with public organizations providing continuity through consistent funding' (Suarez, 2011, p. 317). As a result, it could therefore be the case that organizations with a positive track record of funded projects are generally more successful in the attainment of funds than less experienced ones. The downside effect of a core-periphery structure between funding insiders and outsiders is that it cumulatively narrows the scope of funding, hence making it increasingly difficult for newcomers to gain public funding.

Research design and data

The EU represents the world's largest public donor. In 2015, the EU made use of its €20 billion budget to fund 78,827 organizations around the world (70,000 of which are active in EU member states). The general objective of the funds is to sustain the implementation of a project (project funding) or to support an organization's management/administrative capacity (core funding). The funds cover a broad range of topics: from business and industry to climate action and animal welfare. Eligible actors for the attainment of grants are firms, associations, NGOs, researchers and national public bodies. The subsidies are granted through funding programmes managed in EU countries. There are more than 50 different funding programmes, of which the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund are the largest and well-known ones.[1] Most EU subsidies come in the form of structural and investment funds, allocated by the EC but managed by national authorities and the staff of funding agencies. These have little or no impact on the interest community, since the recipients of the funds, such as start-ups, small enterprises or public bodies, are generally not very active interest groups in the European system of interest representation.

Nevertheless, a proportion of the interest groups active in the EU receives funds in the form of grants that are allocated and managed directly by the EC. These are the focus of our study. European Commission grants generally form approximately 50% of the overall funding budget. Well-known funds falling in this category are the *Connecting Europe Facility*, which receives €2.5 billion for transport, energy and digital services, and *Life+*, which receives €3.4 billion for environmental policy. The importance of these grants is well documented. According to evaluation reports published by the EC (2015, pp. 8-9), funding programmes such as *FP7 NMP for research and development for European industry*, 'has delivered various economic outputs that will provide a contribution to

[1] The allocation of all EU funds can be consulted on the website of the Financial Transparency System. http://ec.europa.eu/budget/fts/index_en.htm

competitiveness of the European economy'. In the list of the positive effects of the funding scheme, the document reports increased productivity for small and medium enterprises, increased collaboration between firms and universities on scientific research, and increased positive social and environmental externalities (European Commission, 2015). This is an example of many funding schemes that testify to the importance that the EC places on the allocation of grants.

It is a requirement for interest groups wishing to lobby EU institutions, to disclose having received EU grants in the Transparency Register. Currently, approximately 20% of the registered interest groups receive funds from the EU. This is the focus of our analysis, as it ties directly into our main question.

The application for funds is a complicated process that requires a noticeable investment of financial and human resources. To decide on the allocation of subsidies, the Commission relies on the expertise of specialists in charge of evaluating proposals. These specialists can be members of the Commission staff or independent specialists recruited for a specific allocation because of their experience and knowledge in the field. Proposals are evaluated against a set of criteria that depend on the funding programme (Sanchez-Salgado, 2014). In the evaluation of applications, it is the Commission's intention to balance the inputs of interest groups and guarantee an open participatory political system for all interests (European Commission, 2017, p. 1). The EC considers interest group participation in policy-making as important for improving the input legitimacy of the EU's political system. The balancing purposes of the scheme make the attainment of EC grants an ideal case to study bias in the funding systems.

Our data collection differs somewhat from other studies focusing on EU subsidies. Previous contributions have used data directly derived from the Transparency Register. Our study employs data collected from an extensive survey we conducted with 290 organizations, which includes 8.5% (N = 120) of all funded organizations in the TR as of 2016. We believe that our survey approach brings several advantages compared to previous contributions. First, the survey approach allows us to collect information about the application process. This information is absent in the TR and cannot be accessed except by directly contacting the organizations. By contrast, with the survey we were able to include questions about the organizational capacity, an organization's membership and its resources, information which is not available in the TR but is key to our analysis. Second, the survey method allows us to adjust for biases in the interest group population listed in the TR. Former studies could not make a distinction between groups whose applications had been either granted or rejected. Mahoney (2004) and Mahoney and Beckstrand (2011) selected organizations that had obtained funding, while Bloodgood and Tremblay-Boire (2017) drew a distinction between funded and unfunded organizations but without excluding organizations that had not applied for grants from their sample. In our survey, by contrast, we have collected data from organizations that had *and* had not applied for EU grants and excluded organizations that had not applied from this particular study.[2] This is an important distinction because in the study of the factors which determine the distribution of public funds it would make little sense to compare interest groups that regularly apply for grants with organizations that have never applied and have no interest or need to do so. Compared to previous literature, which does not draw this distinction, our survey strategy allows us to construct more accurate and valid measurements of an organization's success in the attainment of funding.

To draw a valid sample of organizations that had applied for EU funding, we selected all organizations registered in the Transparency Register since the start of 2015. We

[2] We slightly oversampled funded organizations to adjust for a skewness in the TR data in terms of which fewer than 10% of the registered organizations are funded while the rest do not declare EU funds.

decided to focus only on private organizations and we therefore excluded all public organizations (such as regional entities) that had applied for funding.

Next, we drew a random sample of 750 organizations from the TR. To ensure we had enough organizations that had received funding, we oversampled organizations from the TR that had reported to have received some sort of EU subsidy (with a factor 2, if they had gained some sort of funding, and a factor 1, if they had not received funding). The organizations included in the sample vary substantially across types and origins of the interest groups (we counted Europeanized business associations, firms from the United States, German labour unions and research organizations from Belgium, to name a few). In total, we sent out surveys to 750 organizations (with a response rate of 38.7%). This stratified sample of funded and unfunded organizations is representative of the population of interest groups active at the EU level in terms of organizational structures, policy area in which the organization is active, age of the organization, and geographical origin. A table containing a descriptive summary of these characteristics can be found in the online appendix.

The survey contains various questions related to EU grant applications. Below we discuss those that are relevant for this paper. The *dependent* variable in our study is the success of a 'grant application'. For its construction, we asked whether or not groups had applied for funding since the start of 2015. To ensure answers were as specific as possible, we asked groups to indicate whether they had finalized a grant application in 2015. Considering only those that had applied, we then asked about the success or failure of the most recent application ('Was your organization's application for funding successful/unsuccessful?'). This provided a dichotomous dependent variable called *application success*, indicating whether or not groups had been successful in their applications.

In the analysis we rely on a set of *independent* variables. With the aim of investigating the effect of different 'group types', the survey asked organizations to self-identify themselves as a business association, a professional association, an NGO, a research institution or a firm. We grouped these into three main categories: citizen interests (NGOs), economic interests (firms, business associations, and professional organizations), and research organizations (Berkhout et al., 2017). Our definition of interest group follows the behavioural definition offered by Beyers et al. (2008) and Baumgartner et al. (2009). This approach describes an interest group based on its observable, policy-related activities and their informal nature.[3] This broad definition allows to include membership groups, but also non-membership groups such as firms as interest group category. This clarification is important, as firms are relevant economic actors that lobby extensively at the EU level and are capable of attracting grants. According to the data of the TR, firms have attracted more than €2.5bn in funds over the last year. The funds went to approximately 500 firms, which are part of an active lobbying community of more than 2,000 actors. With our argument based on the relationship between group type, resources and application success in mind, the exclusion of firms in the economic interests category would have been a serious omission. Moreover, relying on this definition allows us to link our findings to research in the interest group literature, such as studies related to biases in interest group populations or research focused on political activity by interest groups.

To measure a group's financial resources, we asked about the budgets of organizations in 10 categories, ranging from 'less than €100,000' to 'more than €1 billion'. Because it makes little sense to directly compare the budget of an NGO with that of a firm, we divided the groups into the highest, middle, and lowest resourced actors for each group type

[3] The informal nature of an interest group's activity refers to the fact that, as opposed to political parties, interest groups do not seek political objectives through the attainment of public office.

(divided equally into 33% of actors each). This resulted in the variable 'resources', which allowed us to compare, for example, the richest NGO with less-resourced NGOs.

Third, for what we call 'Eurocentrism', we constructed a variable depending on the geographical origin of the surveyed organization. The EU-15 organizations are based in the original six states and member states which entered the Union during the waves of 1973 (Denmark, Ireland, the United Kingdom), 1981 (Greece), 1986 (Spain and Portugal), and 1995 (Sweden, Finland, Austria) (Mahoney & Beckstrand, 2011).

Fourth, to account for the organizations' experience with funding, we asked the surveyed organizations to evaluate the success rate of their applications over the past five years (on an ordinal scale of five categories, ranging from 0-20% to 20-40%, 40-60%, 60-80% and 80-100% success rates of previous applications). We constructed an ordinal variable, which measures an organization's previous success with applications.

We also added several *control* variables to our analysis. First, we asked whether or not the application had been filed as a 'coalition' between different organizations (Graddy & Chen, 2006; Suarez, 2011). The EC (2017) formally encourages organizations to find partners, pool resources, and file applications as a coalition. This should theoretically have an impact on the likelihood of an organization filing an application alone or as a group. We constructed a dummy variable for applications filed as a *coalition*.

Second, we controlled for the 'importance' of the funding for each organization. For many organizations, obtaining funding from public donors is vital (Henderson, 2002; Chaves et al., 2004; Parks, 2008; Sanchez Salgado, 2014). We therefore asked organizations to 'evaluate the importance of the grant for the sustainability of their organization' and included the answers (ordinal from 'not important at all' to 'extremely important') in our analysis.

We also controlled for the complexity of an organization's management structure. From the organization's perspective, an efficient management structure increases the likelihood of obtaining grants (Suarez, 2011). From the perspective of the donor, it would be a 'waste of money' to fund projects that are less likely to be implemented because of a lack of organizational capacity (Pratt et al., 2006). To operationalize this variable, we asked about indicators of a complex governance structure (board of directors, secretariat, financial department, public affairs and communication department) and created an additive index ranging from zero (meaning a simple structure) to six (meaning a complex structure). To account for the level of Europeanization of an organization, we asked about the concentration of its membership, donors, or clients within one or more member states of the EU. We included this in our study as a dummy variable called 'Pan-EU'.

Finally, the EC offers grants across many policy 'domains'. The organizations in our survey are active in 13 different policy fields. To account for potential heteroskedasticity related to the policy fields in which organizations are active, we relied on a random intercept model to obtain unbiased standard errors of the coefficients (based on 13 policy fields). Table 1 summarises the construction of the variables used in the analysis.

Table 1. Overview of the variables used in the analysis

Variable	Operationalization	Mean	Min	Max
Dependent variables				
Application success	1=Successful application (n=120; 0=Non-successful application (n=52)		0	1
Independent variables				
Group type	1=citizen groups (n=62) 2=economic groups (n=82) 3=research organizations (n=22)		1	3
Resources	1=lowest 33 percent, by group type (n=44) 2=middle 33 percent, by group type (n=47) 3=highest 33 percent, by group type (n=56)	1.96	1	3
Eurocentrism	Where is the headquarter of the organization located? 1=EU-15 (n=137); 0=non EU-15 (n=20			

Previous success	1=no former success (n=28); 2=20-40% success (n=38); 3=40-60% success (n=45); 60-80% success (n=33); 80-100% success (n=28).	3.08	1	5
Control variables				
Management structure	1=very simple (n=16); 2= simple (n=23); 3=below average (n=31); 4=above average (n=31); 5=complex (n=37); very complex (=24)	3.62	1	6
Importance	1=not (n=8); 2=somewhat (n=29); 3= moderately (n=40); 5=very (n=50); critical (=41)	3.52	1	5
Pan-EU	1= donors/customers in more than 1 country (87); 0=donors/costumers in only one country (70).		0	1
Coalition	1=applied as part of coalition (n=122); 0=applied individually (n=51).		0	1

Empirical analysis

In the empirical section, we investigated the likelihood of receiving grants using a model of logistic regression. The results of five model specifications by group of variables are presented in Table 2. The dependent variable in this analysis is the dichotomous variable *Application Success*, indicating success in obtaining a grant (=1) and an unsuccessful application (=0). In our survey of 290 organizations, only 172 had applied for EU grants. We considered only organizations that had filed an application in our analysis. In total 120 of the respondents had received a grant, whereas 52 had not. To account for potential heteroskedasticity related to the policy fields in which organizations are active, we included clustered standard errors to obtain unbiased standard errors of the coefficients (based on 13 policy fields). The models in Table 2 are displayed by group of independent variables, namely *Group Type*, *Resources, Eurocentrism,* and *Previous Success*.

Table 2 –Logistic regression of the likelihood of receiving grants

	Model 1	Model 2	Model 3	Model 4	Model 5
Independent variables					
Group type					
Citizen	Ref.				Ref.

Economic	-0.261				-0.624
	(0.458)				(0.575)
Research Inst.	-0.932				-0.409
	(0.663)				(0.871)
Resources		0.738***			1.226***
		(0.303)			(0.375)
Eurocentrism			0.553		0.225
			(0.642)		(0.763)
Previous success				0.737***	0.868***
				(0.201)	(0.250)
Control Variables					
Importance	0.283**	0.588***	0.221*	0.367**	0.801***
	(0.180)	(0.206)	(0.179)	(0.194)	(0.252)
Management structure	0.083	-0.078	0.057	0.114	-0.145
	(0.128)	(0.151)	(0.137)	(0.136)	(0.179)
Coalition	1.184*	0.864	1.115*	0.537	0.017
	(0.520)	(0.545)	(0.520)	(0.559)	(0.625)
Pan-EU	-0.134	0.075	0.016	0.078	-0.050
	(0.436)	(0.422)	(0.430)	(0.431)	(0.548)
Diagnostics					
Constant	0.773	1.802**	0.282**	-2.465*	5.963***
	(1.101)	(1.288)	(1.093)	(1.280)	(1.922)
Country level intercept	0.135	0.046	0.163	0.269	0.124
	(0.207)	(0.191)	(0.236)	(0.298)	(0.279)
Log-likelihood	-82.604	-71.040	-78.973	-75.729	-59.391
N	146	132	139	147	128

*Notes: The model is a mixed-effects logistic regression which estimates a random intercept for each 13 policy areas (not shown). The dichotomous dependent variable is whether or not groups were successful in their grant application. Logit coefficients, standard errors (in parentheses), and significance are presented, whereby:*P<0.1; **P<0.05; ***P<0.01.*

The discussion of our main findings begins with the allocation of funds per *group type*. When applications for EU funds are considered, EU subsidies do not appear to be biased in favour of citizen organizations. Neither do they appear to systematically go to business organizations or research groups. Rather, all types of groups appear to have an equal chance of filing a successful application and getting an EC grant. This is in contrast with previous literature, which indicated that the majority of funded organizations are NGOs. Our analysis demonstrates that this previous finding can be explained by the higher propensity of citizen groups to file applications compared to other groups. Our data indicate that 62 citizen groups had filed applications, compared to economic groups (taking business associations and firms together) which had filed 82, and research institutes which had filed 22 applications.

If previous literature has found a group type bias in the ecology of EU interest groups and their access to political institutions (Mahoney, 2004; Saurugger, 2008; Greenwood, 2011; Mahoney & Beckstrand, 2011; Berkhout et al., 2015), the same cannot be observed in relation to the allocation of EU subsidies. While the absence of group bias could be considered a positive finding, it could also be argued that the EU does not use funding to alleviate the business bias in the existing interest group system. This challenges previous studies that have claimed that EU funds might serve to level the playing field for interest groups (Mahoney, 2004; Mahoney & Beckstrand, 2011).

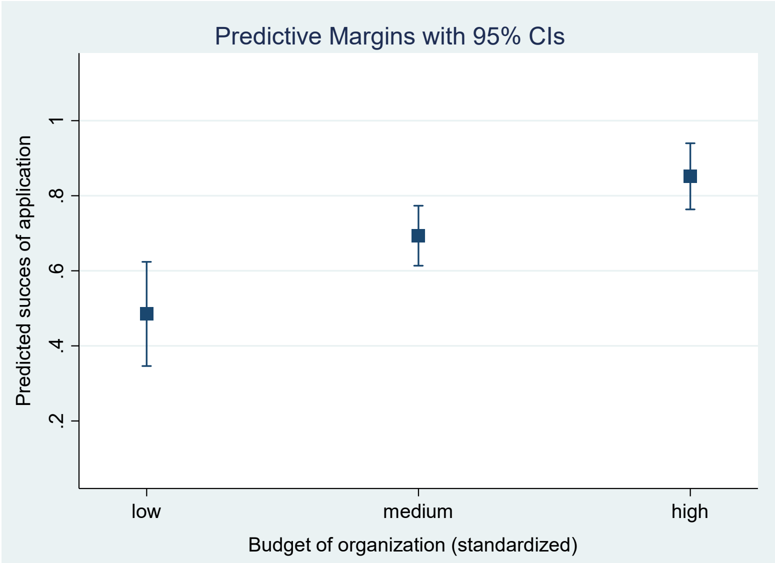
Regarding the importance of *resources,* in line with existing literature (Mahoney & Beckstrand, 2011; Leech, 2006), we find that the financial resources of an organization positively influence the likelihood of obtaining EU funds (see Figure 1). Based on the results of model 5, organizations with the largest budgets are almost twice as likely to obtain funding as organizations with the lowest budgets. As this variable has not been considered in previous studies, we provide the first interpretation of this finding. We do not believe that the EC discriminates between well-resourced and less-resourced organizations, but we argue that the EC tends to approve the applications of better-resourced organizations, because these groups have the resources to write strong applications, and are associated with positive reputations and credibility when it comes to administering subsidies (Pratt et al., 2006). We believe this might be a plausible explanation for our results, but we cannot provide a solid proof of our argument with these data. Future studies might want to investigate the reasons why better-resourced organizations are favoured in a more systematic way.

It should be noted that our argument on the importance of resources is valid across all group types. In other words, better-resourced NGOs obtain more funding than less-resourced NGOs. Similarly, wealthier business groups tend to gain more than less wealthy business groups.

This time, existing biases in the EU interest community are comparable to the system of EU subsidies. It has been observed that better endowed interest groups are more likely to survive, find it easier to Europeanize their activities (Beyers & Kerremans, 2007), and are in a privileged relationship with government (Berkhout et al., 2015; Lowery et al., 2015). To these studies we add that the same general conclusions can be drawn as far as EU funds are concerned. European Union subsidies do not serve to alleviate existing biases in the distribution of resources, as previous research has suggested. If we assume that the resources obtained through funding empower the political activities of interest groups, as the civil society literature suggests (Chaves et al., 2004; Berry, 2005; Sanchez Salgado, 2010; Smith, 1999; Sanchez Salgado, 2010; Anheier et al., 1997; Neumayr et al., 2015; Bloodgood & Tremblay-Boire, 2017), then the allocation of EU funds seems to aggravate the bias, increasing the gap between less-resourced and better-resourced organizations.

Figure 1 – Predictive margins success in grant application

for different sizes of budget (resources)



Next, *Eurocentrism* does not appear to affect application success. We do not find differences between organizations from EU-15 countries and those on the periphery of the Union as far as successful applications are concerned. Previous research was somewhat divided on this issue. On the one hand, some literature has argued that the EC tends to reach out to groups from outside the EU-15 (Mazey & Richardson, 2001; Sanchez-Salgado, 2014). On the other hand, analyses of the Transparency Register indicated that funded organizations are mostly based in the EU-15 because they tend to have better capacity to apply for funding (Mahoney & Beckstrand, 2011). Our analysis suggests that neither body of literature appears to be entirely correct. We find that organizations based in the EU-15 indeed apply more than groups on the periphery of the Union (with 137 versus 20 applications), but the likelihood of success of these organizations' applications does not differ statistically between the groups.[4] As a result, we do not find evidence of a geographic bias as far as the subsidy system is concerned.

[4] The validity of this finding should however be treated carefully as the distribution of the variable is skewed in favour of EU-15 countries. Future studies might decide to oversample the number of organizations coming from non-EU-15 countries to include more applications from these member states in the analysis.

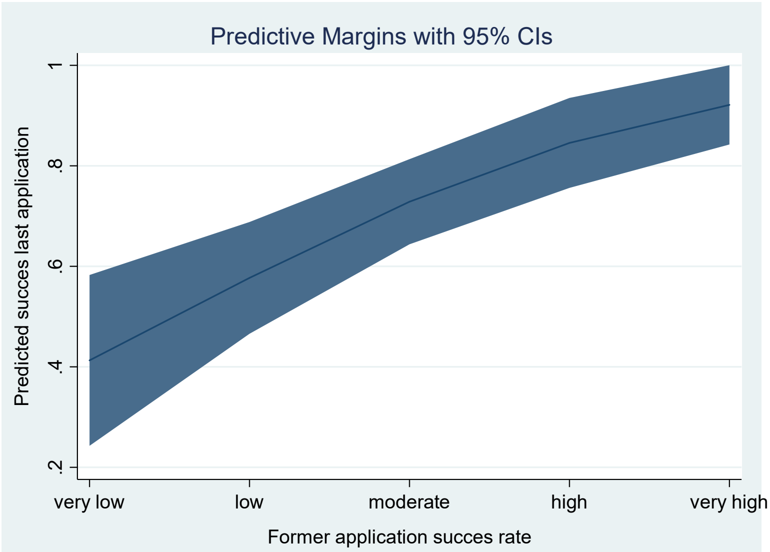
Finally, considering an organization's experience with funding (see Figure 2), we find that organizations declaring a success rate for previous applications of more than 90% (see category 'very high' in Figure 2) more than double the odds of receiving funding, compared to interest groups which had no success with regard to previous applications. This suggests that experience with the application process is a determining factor for successful applications. Some anecdotal evidence drawn from other questions of our survey helps to support this interpretation. When we asked organizations 'why they think their application was successful/unsuccessful', 27% of the respondents indicated knowledge of the application system and the track record of their organizations as the *main* reasons for their present success.[5]

Our finding about an organization's past success builds links between the study of public funding and the literature on insider status. Of course, we do not claim that what we call 'experience' in this study equals what authors such as Grant (2001) or Maloney et al. (1994) refer to as 'insider status'. Yet, just like what has been observed in relation to interest group access to EU institutions, there appears to be a core-periphery structure in the subsidy system which allows insider organizations to increasingly strengthen their position *vis-à-vis* outsiders, leading to an increasingly narrow core (that is, more success leads to more success, leads to more success, etc.). Over time, this skews the system in favour of insiders, while newcomers remain outsiders. The fact that over time communities tend to produce insiders and outsiders is a common sociological phenomenon. It fits with what Merton (1968) once called the 'Matthew effect', in terms of which reputation and former achievements, *ceteris paribus*, have a positive effect in selection processes and result in a concentration of resources to a selected group of actors. In theory, government

[5] The most frequent category for success is 'alignment with EU objectives' (37%) and the most frequent category for failure is 'too much competition on this topic' (55%).

funding could resolve the Matthew effect following some principle of redistribution. In practice, we find that the allocation of funds actually supports it.

Figure 2 – Predictive margins success in grant application for levels of previous success (experience)



Finally, some of the *control* variables included in the analysis deserve attention. First of all, the importance of the grant for the organization's sustainability appears to be significant. If the organization needs the funding for its sustainability, then it is more likely to receive it. This might indicate that the EC uses funding to sustain organizations that need the funding for their survival. Some scholars might interpret this finding based on the level of dependence (autonomy) of interest groups on EU funds (Sanchez Salgado, 2010). Organizations that need the funding to survive might be willing to do whatever it takes to obtain the grant, even if this means giving up part of their autonomy to the donor (Hadenius & Uggla, 1996; Parks, 2008). A completely different interpretation might indicate that organizations that need the funding put more effort into the preparation of the proposals. Finally, it might also be the case that the surveyed organizations overstated their need for funding, as this is self-reported data. Our data, unfortunately, do not lead us to a clear interpretation and we leave the question open for future research.

Moreover, an organization's management structure does not indicate any significant impact on the likelihood of obtaining a grant. This finding challenges some earlier studies on the importance of management and professionalization for EU and non-EU funding (Suarez, 2011; Sanchez-Salgado, 2014). It could very well be that only organizations with some threshold of organizational complexity apply for funding, indicating that the management structure indeed serves as a gatekeeper for application, but not for success. We find a statistically significant association between the submission of an application and the complexity of the organization's management structure in our data (chi-square 12.11, df = 5, p-value = 0.033), but leave future research to investigate the interaction between these variables.

Furthermore, the variable *coalition* does not consistently influence the likelihood of getting a grant (although the variable is significant at 10% in two of the models). This is in contrast to calls from the EC to form coalitions between interest groups. In our survey we asked several questions regarding the application procedure, and 58% of the respondents declared that they had been strongly encouraged to engage in partnerships with other organizations. In the end, however, this does not increase their success rate.

Finally, whether or not a group is organized as a pan-European organization also does not affect the likelihood of receiving a grant. This stands in contrast to some previous findings (Mahoney & Beckstrand, 2011). We argue that two opposite mechanisms that cancel each other out might serve as an explanation. On the one hand, the EU wants to stimulate Europeanization and EU integration, leading to more Europeanized groups being funded. On the other hand, the member states that contribute to the EU budget might push to see part of their contributions flowing back to organizations within their country.

Conclusion

This paper has contributed to the study of EU funding of interest groups. The main objective of the paper was to offer an understanding of the factors which determine an interest group's attainment of EU grants. Analysing an organization's success in obtaining funding from the EC, we have provided the first insight into existing biases in the allocation of EU funds, comparing such imbalances with existing biases in the EU interest system. While previous research on interest group bias has focused on supply-side factors (that is, economic and societal sources) and demand-side factors (that is, legislative activities, institutional variation, and political salience), this paper has demonstrated that also the allocation of government funding can be understood according to similar principles. The results of our study suggest that resource and insider bias also exist in the system of public funding. These findings have significant implications for future studies in this area.

The creation of a level playing field among interest groups is often seen as the main objective of the EU subsidy mechanisms (Mahoney, 2004; Saurugger, 2008; Greenwood, 2011; Mahoney & Beckstrand, 2011; Berkhout et al., 2015). Previous studies indicated that, in trying to achieve this goal, the EC often favours one group over another. However, the picture drawn so far depicts a model of associative democracy, in which marginalised interests are better funded than privileged ones (Mahoney, 2004; Mahoney & Beckstrand, 2011; Sanchez Salgado, 2014).

Our analysis of 172 EC grant applicants reveals a somewhat different reality. First of all, we find that no substantial difference exists between group types. Citizen organizations file many applications but are not more likely to obtain funding compared to other organizations. This challenges previous work by Mahoney (2004) and Mahoney and

Beckstrand (2011), which has claimed that EU funding serves as a balance mechanism to alleviate business bias in the interest group population.

Second, Eurocentric applicants' countries are as likely to receive grants as organizations from the EU periphery. Also this finding differs from earlier studies by Mahoney and Bekstrand (2011), which pointed towards a geographic bias. Accounting for applications from EU-15 and non-EU-15 countries, our analysis indicates that this geographical bias is absent as far as the allocation of grants is concerned, but seems to exist as far as the number of filed applications is concerned. If the EC wishes to support civil society in the EU periphery, then it needs to provide organizations with the tools and opportunities to prepare and file more applications.

On a more pessimistic note, we found that financial resources are consistently associated with the attainment of grants. In other words, better-resourced organizations are more likely to obtain funding than less-resourced ones. However, this finding should not lead to an erroneous interpretation of the EU as a system dominated by the rich organizations. Obviously, our results cannot directly illustrate that the allocation of funding to resource-rich organizations 'causes' a resource bias in the interest group community. Nevertheless, we highlight that there is a strong association between the attainment of funding and the budget of an organization, which could pose a problem for the representative nature of EU lobbying. Larger budgets seem to be associated with better and more qualified resources for the submission of more competitive grant applications. This might create a system in which a few well-resourced organisations dominate both the representation of interests in policy-making and the attraction of EU funding. However, we call upon future studies to evaluate the *effects* of EU funds on interest group bias in a systematic way.

The link between competence and application success has been further demonstrated by the fact that more experienced organizations (with higher success rates in past applications) are more likely to obtain funding. From this result we conclude that public subsidy systems are comparable to interest mobilization systems and could be interpreted in terms of the insider-outsider model in future studies (Grant, 2001).

The most straightforward interpretation of these latter findings is that, even though the EU might seek to promote a level playing field for interest groups, better-resourced and more experienced organizations will obtain more grants. In other words, the EU can try to help weak organizations, but the stronger ones will make better use of these opportunities. This will result in a biased subsidy system. This rather pessimistic view can however also be read differently.

We are aware of the fact that the final decision on the allocation of funding remains in the hands of the EC. It is therefore important to understand the reasons behind the EC's decisions on the allocation of funding in future research. The EC is a relatively small bureaucracy to administer a €20 billion budget in donations (Greenwood, 2011). When it comes to implementing their subsidy policy, the EC might not have the resources to effectively monitor every grant holder. With the aim of avoiding a problem of adverse selection, the EC might therefore decide to give funds to 'big' players (Pratt et al., 2006). This brings several advantages. First, 'big' players have the resources, experience and organizational capacity to manage large sums of money efficiently. Second, the allocation of funding to already established actors reduces the costs of implementation for the EC. There are however also many disadvantages that need to be mentioned.

A subsidy system that favours 'big' players disempowers participatory democracy. As a result of the funding, large organizations tend to grow bigger and the gap between established and weak organizations increases (Pratt et al., 2006). The systematic facilitation of better-resourced, more experienced organizations creates barriers to entry for less-resourced and less experienced groups that will therefore decide not to participate. Over time this bias in the system of public subsidies might increase the already existing bias in the EU system of interest intermediation.

As demand-side forces, public funds have the power to model and shape civil society (Mahoney, 2004). Without this incentive structure, weaker groups will remain latent (Olson, 1965), with obvious negative consequences for the innovative aspects of political participation. Based on this analysis, we believe that if the EC wishes to model and shape European civil society, then it should consciously make use of its demand-side forces. This would mean 1) empowering its bureaucracy in a way to monitor and support the implementation of 'high-risk' projects for less-resourced and less experienced organizations; and 2) providing support to weaker organizations in the preparation and submission of grant applications.

However, our conclusions remain partial, as more research is needed to provide the full picture of the donor-groups relationship in the EU. Most importantly, in this article we have not explored the effects of EU funding on interest groups' survival, access to political institutions, or influence. We have simply observed an organization's attainment of public subsidies through the eyes of interest group researchers interested in the study of bias. In future studies, scholars might instead try to disentangle the effects of bias and analyse variations across countries, policy fields, or funding programmes extensively. For example, applications in policy fields that carry political weight, such as Finance or Trade as opposed to the Environment or Foreign Aid, could be overrepresented. Answering such questions seems especially relevant considering that many interest groups depend on the EU for their survival. These questions all fall beyond the scope of this article but are at the top of our agenda. We hope that other scholars will tap into this debate in the future.

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