

Acquiescence Over Activism: How NGOs Manage Authoritarian Demands

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Abstract

How do non-governmental organizations handle authoritarian pressure? NGOs exist to complete their missions, but can only do so when allowed by a regime. Meanwhile, autocrats benefit from NGO resources if they are not outweighed by costs that NGOs present. Despite this tension, autocracies are replete with NGOs. I employ a formal model to understand this paradox. I find that when a regime becomes more politically sensitive to NGOs, groups accommodate the regime by reducing costs. I use the announcement of controversial canal construction in Nicaragua as a quasi-experiment. The construction raised costs that NGOs presented, revealing how NGOs navigate the problem of operating where they are not welcome. I use an original dataset of 13,000 NGO budgets and geo-coded project locations to interrogate how NGOs react to politically fragile regimes. I demonstrate that NGOs respond to political sensitivity by operating in areas that support regime stability.

1 Introduction

After the end of the Contra War in 1990, two seemingly incompatible phenomena occurred. NGO presence in Nicaragua exploded, while civil society dwindled. In 1990, 300 NGOs were established in Nicaragua and by 2005, 2000 NGOs were operating. The growth in NGOs was so notable, that historians refer to this time period as *The NGO-ization of Nicaragua*. Meanwhile, public opinion polls in Nicaragua suggest that civil society did not follow. Between 1991 and 2006, the number of citizens who confirmed involvement in solving community problems steadily declined from 50% to 22% (Chahim and Prakash 2014).¹

In 2018, during the worst protests since the revolution, nine well-known NGOs in Nicaragua made news by ceasing operations, citing increasing political unrest. However, the majority of NGOs in Nicaragua continued operations. What explains the difference between these two groups? I propose that an increase in political sensitivity of the regime manifested differently across different groups. NGOs in politically sensitive areas posed a threat to the regime. These groups had to exit the country unless they accommodated the regime by reducing their work in politically contentious areas. NGOs in areas that were not protesting did not have this dilemma and were able to continue operating normally.

The Nicaraguan case is typical of NGO activity in authoritarian contexts around the world. While high profile cases of NGOs exiting Russia (Christensen and Weinstein 2013) and China (Fu 2018) make headlines, NGO presence on average has remained stable (Duffalla 2010) or even increased (Zeng, Dai, and Javed 2019). How then are NGOs maintaining their operations under authoritarian pressure? We know that many NGOs exist to challenge anti-democratic actions. Even NGOs without explicit mandates to advocate for the disenfranchised strengthen civil society and ease the collective action problem. A similarly firm finding from the authoritarian literature is that regimes often employ sophisticated methods

¹Based on surveys by LAPOP, specifically question CP5 from eight surveys since 1991.

to thwart actors like NGOs that challenge their grip on power. Given these conflictual objectives, one would expect friction between these two actors. Yet, as evidenced above, clashes between NGOs and host governments are limited. To date, there is no empirical work on how NGOs manage authoritarian pressures.

Below, I review the major findings surrounding NGOs and regimes. To date, there is no empirical work on the micro-level foundations of individual NGO behavior. I present a signaling model that accounts for NGO-government relations across all regime types and leverages NGO incentives to continue their operations within a regime. I show that the information asymmetry between regimes and NGOs leads to situations where NGOs are able to persist despite authoritarian demands, as well as situations where NGOs accommodate regimes. I test this implication using a new dataset of NGO activity in Nicaragua consisting of over 13,000 projects over the span of 30 years. In concert with geo-located NGO projects, I use the announcement of a massive infrastructure project, the Nicaragua Canal, as a treatment of increased regime sensitivity in a quasi-experiment. After discussing the results, I close with implications for the role of NGOs in developing states, and I consider new lines of inquiry supported by the model.

2 Outstanding Questions

2.1 Why are regimes and NGOs in conflict?

Authoritarian regimes loathe collective action. Whether brought on by labor unions, human rights defenders, or general grass-roots movements, coordinated popular upsurges are often harbingers of authoritarian collapse (O'Donnell, Schmitter, and Whitehead 1986; Kuran 1991). A hallmark of authoritarian regimes is their willingness to prevent collective action opportunities by suppressing independent media, jailing the opposition, and intim-

idating the public with violence to keep individuals from organizing and contesting power (Levitsky and Way 2002). Some of a regime's most sophisticated manipulation efforts go into preventing these opportunities from arising via social media (King, Pan, and Roberts 2013; Enikolopov, Petrova, and Sonin 2018). Collective action often manifests as a group organizing around a grievance, which is a common pressure for regime breakdown. The collective action costs either manifest themselves directly in opportunities for the masses to create a new political order (Acemoglu and Robinson 2000) or indirectly, in concert with elite power sharing dynamics (Svolik 2009). Collective action opportunities are only enhanced as more information about the failings of a regime is made public (Brunetti and Weder 2003; Hollyer, Vreeland, and Rosendorff 2011). Information about failings may take the form of revelations of human rights abuses on the international stage (Peterson, Murdie, and Asal 2018) or through the highlighting of poor electoral practices (Ferraz and Finan 2010).

Meanwhile, NGOs create new venues for citizens to gather, provide information, and encourage political participation (Boulding and Nuñez 2014). Boulding (2010) states that it is the enhancement of civil society that NGOs induce which produces political outcomes. As more individuals collaborate on a shared goal, the more capable individuals will be to collaborate on initiatives which threaten the state. Further, individuals engaged with NGOs will share grievances with one another. NGO activity leads to an increase in voter participation when elections are viewed as competitive and leads to an increase in protests when political competition is lacking (Brown, Brown, and Desposato 2009). Effects on political participation occur regardless of the political or issue area of an NGO. In the case of explicit human rights NGOs, the threat to a closed regime is even clearer (Murdie and Davis 2012).

The nature of these two actors suggest that NGO-authoritarian preferences are only marginally aligned, if at all. Autocrats who are threatened by collective action should not cooperate with NGOs that promote collective action. However, it is rare to find an au-

thoritarian regime with a strict and absolute aversion to NGOs. From the most closed dictatorships to weakest democracies, NGOs are establishing themselves and persisting at the same rates (Kamstra et al. 2016, Dupuy and Prakash 2018). Under the most harsh authoritarian rule such as China and North Korea, it is true that regimes shun NGOs that encourage civic engagement (Savage 2002, Tang and Zhan 2008). However, in weakly democratic contexts, NGOs of all types exist despite political dynamics where regimes will be sensitive to increased civil society (Brass 2012).

To find an answer that resolves the coexistence between NGOs and regimes, we must first evaluate the current thinking on how regimes might view NGOs. Likewise, examining what NGOs do and the constraints of these organizations is useful in understanding what actions an NGO might take to operate in an authoritarian context.

2.2 Why do authoritarians tolerate NGOs?

The literature on authoritarian regimes looks at the ways in which nominally democratic institutions are employed in *de facto* non-democratic settings (Levitsky and Way 2002, Gandhi and Lust-Okar 2009). Whether in elections (Simpser 2013), parties (Reuter and Gandhi 2011), or legislatures (Malesky, Schuler, and Tran 2012), democratic institutions are neither window-dressing, nor harbingers of eventual democratic reform. Civil society and by extension the NGO sector are no different. Scholars focusing on NGOs reveal the ways in which the existence of NGOs challenges the general tendencies of authoritarians to violate human rights. Meanwhile, authoritarian scholars point to the inefficacy of NGOs in autocratic contexts. The divergence between these two literatures occurs in part due to the sample of NGOs being studied.

The literature on NGOs and human rights unsurprisingly focuses on NGOs with those same goals. The robust literature on NGOs and human rights suggests ways that organizations influence autocracies and democracies alike. International NGOs that may not even

have a domestic presence name and shame regimes for human rights violations (Hafner-Burton 2008). However, these INGOs rely on the presence of domestic HROs to increase their efficacy. Scholars find that domestic NGOs have meaningful effects on regimes by influencing the provision of public goods (Murdie and Hicks 2013), improving human rights (Murdie and Davis 2012), and encouraging democratic institutions (Masi 2015). In this way, NGOs are characterized as existing in spite of the authoritarian contexts in which they find themselves. The literature on NGOs and international human rights simply does not grapple with how they are able to operate in such challenging contexts or why a regime will bear the costs of NGO presence.

One perspective is that NGOs are captured by the state. In an effort to control civil society, authoritarians manufacture or sponsor NGOs that work on the state's behalf through their repressive apparatus (Walker 2016). Government Organized NGOs (GONGOs) may also lobby in international forums to counter the work done by INGOs like calling out human rights abuses (Naím 2007). Despite GONGOs being tools of the most capable autocrats like Russia, China, and North Korea, there is evidence that these groups' preferences do not perfectly align with the state sponsor. In the case of China, environmental GONGOs often overstep their original mandates and appear to increase pressure on the government to strengthen their environmental policies (Wu 2003).

While GONGOs do exist and may be a partial explanation, they do not account for the large quantity of independent NGOs known to operate in autocracies. What both of these assessments of NGOs miss is that organizations vary in kind as well as in whether their regime is resilient or sensitive (addressed below). Some NGOs are committed to the advancement of human rights and democratic values, while others focus on public goods and aid distribution.

2.3 What do NGOs do and how do they vary?

The human rights-NGO literature focuses on groups that act in a specific capacity to mitigate violations of physical integrity rights. However, with few exceptions (Chaudhry 2016), the rest of the work discussing NGOs treats them as a monolith. The diversity in NGOs is tremendous.

Grappling with classification has been an ongoing effort of the literature on NGOs (Vakil 1997, Ebrahim 2003, Brass 2016). Two threads emerge in this discourse: The non-political goals and impacts of NGOs and the political consequences of NGOs. NGOs can have specific, non-ideological goals. Examples of this include vaccinating against a specific disease, encouraging an underdeveloped industry, or perhaps conserving a threatened ecosystem. Other times their goals are exclusively ideological. NGOs can motivate labor groups (Connor 2004), denounce human rights abuses, or explicitly aid citizens in voicing their grievances to the government (Guari 2011). Ideological goals can often be classified as pro-democracy and include activities targeted at strengthening the liberal qualities of democratic institutions like get out the vote efforts and election monitoring (Carothers and Brechenmacher 2014). Most NGOs, however, fall somewhere in the middle on this ideological spectrum (Marchetti 2018). In the case of groups promoting women's rights, education, or youth development, it is not evident *a priori* whether their goals are innocuous or threatening.

Current research on NGOs and authoritarians tells us that NGOs enhance civil society, and that authoritarians try to lower the costs associated with civil society. NGOs present costs to the state through naming and shaming (Murdie and Davis 2012), allowing for more protests (Murdie and Bhasin 2011), and boosting voter turnout (Boulding 2010). Still, authoritarians have an interest in mitigating these costs, while preserving the NGO sector as a conduit for aid (Walker 2016, Chaudhry 2018).

2.4 A Regime's Trade-off

All regimes prefer goods. Authoritarian regimes often rely on goods from foreign support and aid (Alesina and Weder 2002). Tangible goods and services include infrastructure projects or services that support the public interest such as health care or education. In terms of cash flow, the presence of NGOs provide opportunities not only for grants that directly fund government programs, but also operational taxes, economic stimulation, and opportunities for officials to gain through illicit means such as bribes or extortion. On average, the result of this aid appears to be increased regime durability (Ahmed 2012, Fails and Dubuis 2015). Despite, these benefits, NGOs can also act in ways that a regime does not prefer. At the very least, they create venues for people to organize (Boulding 2010). Even though their activities may not target regimes, they create problems by encouraging the formation of new coalitions that contest power either through protest or via elections (Brown, Brown, and Desposato 2012).

Regimes vary in their ability to deal with these costs. This variation takes two forms. One is the leverage that regimes have in rejecting all types of NGO activities. Regimes might have minimal leverage because they need the goods that NGOs provide despite whatever costs are present (Levitsky and Way 2005). Regimes are unable to push back against NGOs when there are acute events such as humanitarian crises, political sanctions, or in prolonged cases of abject poverty. Alternatively, regimes might be self-sufficient and able to survive without the aid from the goods that NGOs provide.

The second form of variation is in NGOs. Based on the literature, it is clear that NGOs vary in their goals and their flexibility. Further, while NGOs present costs to a regime, the level of cost is variable depending on regime type. Some regimes will be very sensitive to NGO activity, while others will be resilient. Finally, regimes attempt to mitigate these costs through monitoring NGOs, albeit imperfectly. Any account of a strategic interaction

between NGOs and regimes must recognize these three components: NGO type varies, a regime's susceptibility to NGO costs varies, and there is an information asymmetry between NGOs and regimes.

3 A Model of NGO Responses

NGOs seeking to locate themselves in authoritarian regimes face a dilemma. The existence of an NGO necessitates the cooperation of a regime. Without the tacit approval of a regime, an NGO faces serious risks by operating outside of the law. Further, their operation within a regime country is conditioned by the expectations that a regime has about what types of activities an NGO will pursue. I highlight two features over which groups vary: their goals and capacity to threaten regimes.

I distinguish between the activities that NGOs spend their budgets on: goods and advocacy. In the most general sense, goods are benefits that an NGO provides that directly advantage the state without leveraging any negative externalities. An extreme example of goods would be an NGO providing direct cash for a state sponsored program, however, this more often takes the form of NGO sponsored activities such as medical services, education, or infrastructure projects. The alternative to goods is advocacy, which represents a high cost to a regime. NGOs participate in advocacy when they call out human rights abuses or organize political groups. Most NGOs are not devoted exclusively to human rights or democracy nor strictly to providing non-political goods.

Similarly, NGOs vary in their commitment to their policy goals depending on their donor base. Large, reputation driven NGOs with few wealthy donors will be beholden to faithfully carrying out their stated goals. Smaller, new NGOs with grass-roots driven small donations will be less beholden to their exact policy directives. Thus, some NGOs will be fiercely independent and uncompromising, while others are more susceptible to capture by the state.

Variation over the kinds of NGOs and their individualized policy goals is part of the explanation for the existence of NGOs in oppressive regimes. Likewise, variation suggests how careful autocrats might indeed curate and capture NGO benefits.

While an autocrat prefers to maximize goods and minimize advocacy, regimes vary in the degree to which they bear the costs of advocacy. The costliness of advocacy varies according to a regime's *resiliency* or *sensitivity*. The more resilient a regime is, the less costs they incur from advocacy work. Regimes are resilient when they have the capacity to ensure that NGOs adhere to their stated goals and when they have the capacity to counteract advocacy work via repression and social control. Conversely, a sensitive regimes lacks the capacity to perform either of these actions. In other words, sensitive regimes face a starker choice when choosing whether or not to accept an NGO. The choice to accept or reject an NGO is complicated by the unobservability of NGO type. Regimes attempt to determine what kinds of NGOs seek to partner with them but monitoring is imperfect.

With two conflicting actors, information asymmetry over type, and the opportunity for a costly signal, all necessary components of a signalling model are present. In this baseline model, the driving force that leads to compelling outcomes is the inability of a regime to perfectly observe the type of NGO, and the inability of an NGO to guarantee a certain provision of aid *ex-ante*. Information asymmetry leads to NGOs claiming an optimal provision of aid different than their true preference and occasionally a regime accepting NGO involvement that they would not under perfect information.

I study an extended variant of a two-player signalling game. The players are a non-governmental, N , and a Regime, R . I model the relationship between the Regime and the NGO as a risk-reward trade off. The NGO simultaneously presents risks as well as rewards to regimes. Because individual NGOs vary over the ratio of risks and rewards they provide, and this information is not perfectly observable to the government, regimes must be willing to tolerate uncertainty about this ratio in order to reap the benefits of NGOs.

NGOs have preferences about the amount of their total budget that they spend on goods and the amount they spend on advocacy (Morales-Belpaire and Serfilippi 2014). A human rights monitoring organization would fall on one end of this scale, with a preference to spend their entire budget on advocacy activities. Meanwhile, an apolitical medical NGO will have a preference to spend their entire budget on goods. Many NGOs fall in between, with a preference to spend some amount on advocacy and some amount on the provision of goods.² Given that regimes prefer that NGOs minimize the amount that they spend on advocacy, NGOs must choose the degree to which they deviate from their internal preferences to satisfy their regime. A group's type corresponds to their preferred level of advocacy. There are two types of organizations: $t \in T := \{L, H\}$, where $t = L$ denotes a *Low* preferred amount of advocacy and $t = H$ denotes a *High* preferred amount of advocacy. Formally, each type has its own preferred level of advocacy, $\hat{a}_t \in [0, 1]$. I assume $\hat{a}_H > \hat{a}_L$. In essence, \hat{a}_t denotes the proportion of resources that type t would like to spend on advocacy. The remaining resources will be spent on providing goods and services. The NGO knows its own type, but the Regime does not. The amount of goods and services s that a group offers always comes at the expense of a amount of advocacy.³

3.1 Timing

The baseline model takes place over four stages.

1. Nature chooses the group type, $t \in \{L, H\}$. The NGO observes their own type perfectly, but the Regime does not.
2. The group *promises* some advocacy level $a(t) \in [0, 1]$. This serves as the signal of how much of its resources it will devote to advocacy.

²For a description of variability in the NGO sector see Desai (1999) for a characterization of groups in India. For a theoretical analysis see Coston (1998) for a discussion of different NGO types and how they intersect.

³That is to say that a group has a total budget $budget = advocacy + goods$.

3. After observing the promise, the Regime updates its beliefs about the NGO's type via Bayes' Rule. Its updated belief that $t = H$ is $\mu(a)$. It then decides whether to Accept or Reject the application, $s_R \in \{\text{Accept}, \text{Reject}\}$. If the application is Rejected, then the game ends.
4. If the application is Accepted, then the NGO chooses a realized advocacy level, $\tilde{a}(t) \in [0, 1]$. Note that this realized advocacy level may deviate from the promised level or from the NGO's preferred level.

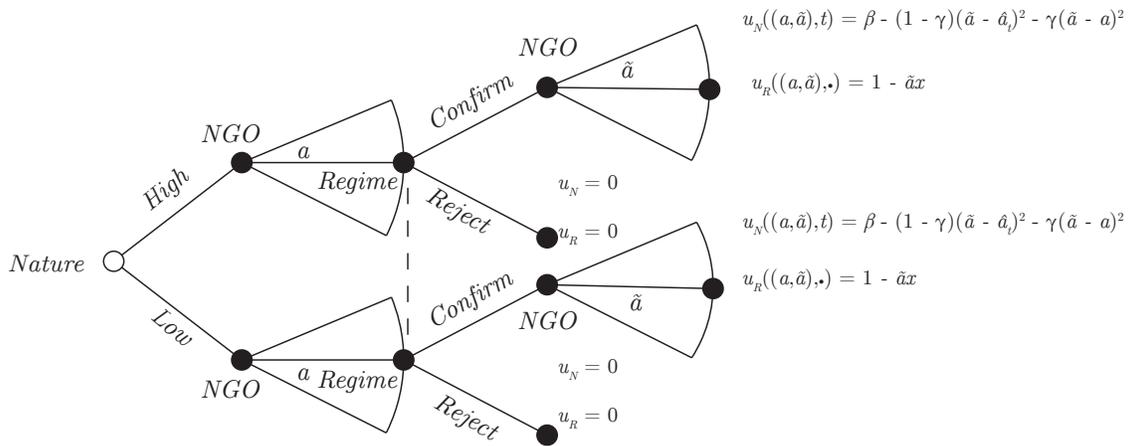


Figure 1: Game Tree

3.2 Equilibria

While there are a multitude of equilibria solutions to consider, I focus on two in this paper. I call them *Honest NGOs and Generous Regimes* and *Under-promising NGO*, or simply the *Honest Equilibrium* and the *Mimicry Equilibrium* for short. These two are relevant because they exist in different spaces of, the parameter x , resiliency. The *Honest Equilibrium* is a separating equilibrium where regimes do not incur NGO costs because they are resilient. As a result, NGO's promises are consistent with their type, hence honest. The *Mimicry Equilibrium* corresponds to a pooling equilibrium where, regardless of group type, all NGOs promise a level of advocacy consistent with that of an honest, low advocacy type. Hence, advocacy NGOs are under-promising and mimicking their low type counterparts. The x parameter here is low enough that regimes are threatened by NGOs sufficiently to only accept groups that promise a low level of advocacy. The *Honest* and the *Mimicry* equilibria correspond to the pre and post canal announcement, respectively.

The Nicaragua Canal announcement will correspond to a shift in the parameter x , the sensitivity or resiliency of a regime to *NGO* advocacy. After the announcement, only some NGOs will find themselves dealing with a regime that has increased in sensitivity. The increased x has implications for the promises that a *NGO* makes to their *Regime*. To preview results, I expect that the increased sensitivity will yield less NGO activity in politically sensitive areas. To derive this prediction, I elaborate on two equilibria: one that exists before the announcement and applies equally to all NGOs, and one that will take hold after the announcement and will only affect NGOs exposed to an increased x . The solution concept here is Perfect Bayesian Equilibria (PBE). The highlighted PBE change in three parameters, however, I only expect the announcement to change regime *resiliency* versus regime *sensitivity*. I expect that an increased sensitivity will shift equilibria from that of *Honest* to *Mimicry*.

3.2.1 Honest NGOs and Generous Regimes

This equilibrium characterizes a world where NGOs' promises to regimes perfectly align with their internal preferences. Regimes accept all NGOs regardless of their commitment to advocacy. NGOs do not profit from any deviation away from their true preference because regimes accept their presence regardless and NGOs can only hurt themselves from this deviation. The most obvious constraint on this equilibrium is that regimes must be sufficiently resilient. They cannot be concerned with the costs that NGOs provide. This equilibrium becomes increasingly supportable as the span between these NGO types decreases. As these NGO types look more and more similar to one another, though the signal is informative, the decision to accept or reject becomes less consequential. Similarly, this equilibria exists as both types of NGO preferences move towards goods over advocacy. Finally, as an NGO becomes more committed to their promises over principles, the more supportable this equilibrium becomes. The signal is more likely to be informative to a regime, and a regime is less concerned because any deviation from their promise is very costly to the group.

3.2.2 Under-promising NGOs

There are a variety of equilibria where NGOs promise an advocacy level below their true preference. Here I characterize a pooling equilibrium where high advocacy NGOs successfully impersonate low types. Meanwhile, low type NGOs accurately represent themselves and receive acceptance. This requires a sufficiently resilient regime. Since the promise that a group makes is uninformative, they need to be willing to sustain the costs associated with accepting some advocacy NGOs. From the NGO side, this equilibrium is aided as the span between these groups decreases. This is because as the span decreases, it is less costly for the high type to impersonate the low type. This is likewise easier to support as both types' preference for advocacy decreases, since this equilibrium includes acceptance by the regime.

Most importantly, this equilibrium is more supportable as NGOs increases in a commitment to their promises. If an NGO is too committed to their principles, deviation at the stage of realizing advocacy becomes profitable and a regime will suffer. Similarly, a commitment to promises means that although uninformative, the signal of low advocacy is not merely cosmetic, but will constrain an NGO in realizing advocacy.

Lemma 2.1

In any equilibrium, the *Regime Accepts* the application if and only if

$$\mu(a) \leq \mu^*(a) = \frac{1 - x[(1 - \gamma)\hat{a}_L + \gamma a(L)]}{x[(1 - \gamma)(\hat{a}_H - \hat{a}_L) + \gamma(a(H) - a(L))]}$$

All else held constant, under-promising by NGOs is more likely when regimes are sensitive. This means that regimes that have a lower capacity to deal with the costs of NGOs will see groups responding to the discriminatory strategy of a regime. One can consider this prediction in the context of between state variation. States that are sensitive are likely to receive lower promises. Likewise, exogenous shocks that increase regime sensitivity should reveal within state changes in equilibria. When a regime receives a shock of sensitivity, NGOs will respond by reducing their promises.

I predict that, all else held constant, a change in the sensitivity of a regime from one that is sufficiently low in sensitivity to a moderate level of sensitivity can shift player strategy from that of a separating equilibrium to a pooling equilibrium. In other words, a shift in x upwards will lead to a regime that was once accepting of multiple types of NGOs and multiple promises of advocacy, to become one that is discriminatory towards NGOs based on their promise of advocacy. Likewise, NGOs that are *High* on advocacy, or have some inclination towards activities that threaten a regime, will attempt to adjust their activity in order to stay in the regime's good graces. In order to examine these predictions one would

need to observe a record of NGO activity and variation in a given regime's sensitivity. In the following section, I outline the case of Nicaragua which presents ideal conditions for this test, and a unique dataset of subnational NGO activity.

4 An Empirical Test: The Nicaraguan Canal

In the ideal test of the propositions above, I need some exogenous variation in regime sensitivity, and some measure of an NGO changing its actions. To accomplish this, I leverage the announcement of the Nicaragua Canal in 2013 and NGO project budgets as a quasi-experiment. President Ortega announced in 2013, the construction of a waterway to exceed the capacity of the Panama Canal. Economists projected the canal would garner billions of dollars in foreign investment and nearly double the state's GDP. The general public did not anticipate the project until its announcement. While, the canal has been proposed periodically since Nicaragua's founding, the Ortega proposal differs in that it is the only proposal which received the commitment of sufficient investors. Beyond appearing plausible to the public from a financial perspective, the Nicaraguan legislature responded to the announcement by implementing new laws that allowed for once illegal (since 1976) land expropriation for the construction of the canal. Over the course of the year between 2013 and 2014, a committee of government representatives and investors published six different permutations for the construction of the canal. The media heavily covered these potential routes, distributing information and maps on the affected areas. These routes are pictured below, with the dark blue route being the final route decided upon in June 2014.

Further, the public expected the project to have a massive human and environmental impact. Construction and dredging was expected not only to displace individuals directly in the canal zone, but also to drastically affect the ability to engage in agriculture in regions with tributaries that feed the canal. Amnesty International estimated that the project would

affect 120,000 families, or approximately half a million people.

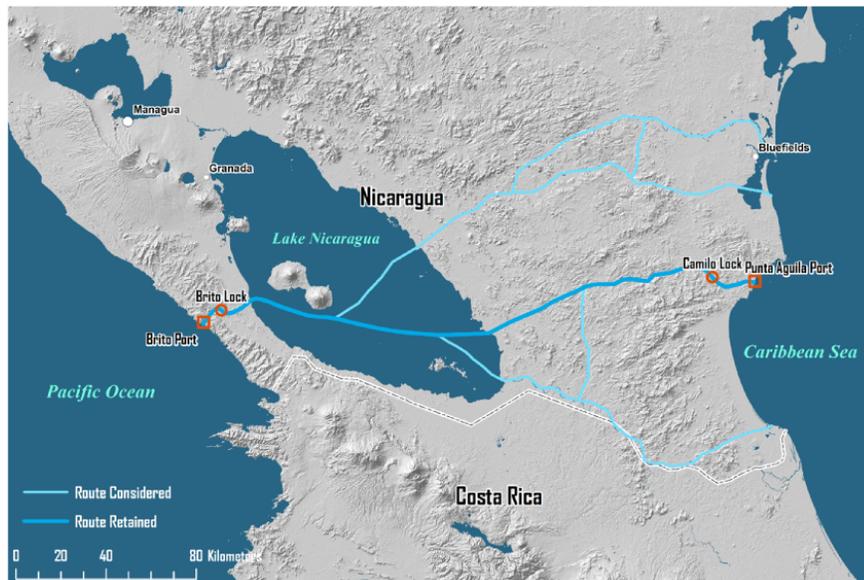


Figure 2: Proposed Canal Routes

4.1 Data

Beyond the canal announcement, Nicaragua is an excellent case to test predictions of the model. First, NGOs provide a substantial amount of goods to a state with relatively low GDP. According to estimates by the foreign ministry, the NGO sector directly invests in Nicaragua at a rate of about 5% of its annual GDP (MINREX 2010). This does not account for groups that are not registered with the foreign ministry, nor economic opportunities that indirectly propagate from NGO activity. Further this NGO network and civil society writ large flourished in the time period after the Nicaraguan Revolution. This corresponds to the surge of NGO involvement in developing contexts globally. Nicaragua is also useful for the purposes of analysis due to its publicly available data on NGO activity.

When it comes to my measure of NGO change in behavior, I have built a new data set of NGOs applying for formal agreements of cooperation with the Nicaraguan government through the Ministry of Foreign Relations (MINREX 2019). From this dataset, I know when

a project begins, when a project ends, and the annual budget. Acquiring a formal agreement with MINREX benefits an NGO in several ways. First, it allows for easier importation of materials required for projects and operations via reduced taxes. Furthermore, NGOs with an agreement can acquire domestic goods for reduced prices. Additionally, the existence of a formal agreement makes it easier for NGO employees to obtain proper visas for entry. Finally, it obligates the government to inform embassies of arrest or other legal problems in the event that NGO employees are foreign.

In exchange for these benefits, NGOs provide documentation of their members, their activities, budgets, and areas of operation. Additionally, they commit to not undermine any policies of the Nicaraguan government in their activities. The core of this trade-off is greater and more stable access by the NGO in exchange for some degree of monitoring and control by the government.

On the ministry's website, MINREX publicly provides the basic registration information of 827 NGOs that have operated in Nicaragua in the past or ones that presently operate. Each NGO has a file on the MINREX website, SYSONG, with registration information entered in a similar format. The information collected includes the NGO name, contact information of relevant NGO actors, their missions, and objectives. Additionally, relevant information for analysis includes, the type of assistance provided, the NGO's objectives, the objective population, and the department(s) where they are located. Beyond NGO specific information, MINREX provides budgets for each NGO project conducted within the country. This amounts to over 13,000 NGO projects between 1989 and 2018. In addition to NGO level information, these projects reports provide specific information about the types of populations and objectives. More detailed geographic level data on the area of the project is available, down to the municipal level. Most importantly, the budgets of each project is available, allowing for the assessment of change in NGO spending over time and across regions.

4.2 Hypotheses

Using the variation in regime sensitivity across time through the canal project and data on NGO activity, I have several operational hypotheses. First, I expect that NGO projects within the canal zone will be reduced as a result of this announcement.

Since the proposed canal zone is the focal point for this political controversy, a regime will be especially sensitive to these projects and NGOs will reduce work in these regions. Although the model is clear that projects receiving the treatment should decrease their activity within the canal zone relative to those that are outside when the announcement occurs, it is unclear regarding the independent effect of the treated group relative to the untreated group. Generally, one would assume that these projects would be cheaper to conduct given the population center of the country being in Managua and the canal zone falling south of the capital. Thus, I state the following:

Hypothesis 1a (Canal Zone Treatment): *NGO project activity inside the canal zone will be lower relative to NGO project budgets outside the canal zone.*

Hypothesis 1b (Time): *After the canal project is announced, NGO project activity will decrease.*

Hypothesis 1c (Canal Zone Treatment*Time): *After the canal project is announced, NGO project activity in the canal zone will decrease.*

Another way of testing the proposition would be to look at how NGOs react to increased sensitivity of the regime *outside* the canal zone. The model predicts that NGOs exposed to sensitivity would not only accommodate by reducing involvement in a politically contentious area, but also that these NGOs should increase the share of their budget spent in a non-contentious area. These hypotheses use a recoding of the *treatment* to include NGO projects that exist outside of the canal zone, but belong to NGOs that also have projects within the

canal zone. The untreated projects are those that exist outside of the canal zone, but belong to NGOs that do not have projects within the canal zone. In other words, I do not expect budgets outside the canal zone to increase when there is no sister project exposed to the canal threat.

Although the model is clear that projects receiving the treatment should increase their budgets outside of the canal zone relative to those that do not, it is unclear on the independent effect of the treated group relative to the untreated group. It is plausible that projects that are *treated* have lower budgets simply because they belong to NGOs that operate in diverse contexts. This is not a guarantee for *untreated* projects which might all correspond to the same place and/or issue area. Thus, I state the following:

Hypothesis 2a (NGO with Canal Project Treatment): *Activity of projects belonging to NGOs with projects in the canal zone will be lower relative to activity of projects belonging to NGOs without canal zone projects.*

Hypothesis 2b (Time): *After the canal project is announced, NGO project activity will decrease.*

Hypothesis 2c (NGO with Canal Project Treatment*Time): *After the canal project is announced, project activity outside the canal zone belonging to NGOs with canal zone projects will increase.*

5 Identification Strategy: DID Design

The model describes a situation where a single NGO is interacting with a regime in order to achieve acceptance. The empirical application of the model deviates in a couple of ways. First, while regime sensitivity, x , in the model is a national level factor. The analysis here necessitates that x vary according to the introduction of the treatment. After

the introduction of the canal project, only a subset of NGOs perceived an increase in regime sensitivity to NGO activity. Resistance to the canal was highly localized to regions that would be directly affected by displacement and environmental impact. Alternatively, areas outside of the canal region were either indifferent to the project or supportive, as this was expected to contribute to economic growth. Thus, only certain NGOs and certain projects received exposure to conditions where the regime was sensitive to their activity.

I test these hypotheses using three measures of NGO activity. I employ budget, project entry, and project exit, in a difference-in-difference design. I also review t-tests using project duration. NGO project budget is the number US dollars spent on a particular project. For this dependent variable, I subset the sample to NGO projects that exist only in a single municipality between the years 2006 and 2017. Approximately one third of NGO projects exist in multiple municipalities. Although this aids in geo-locating different projects, no information is provided on the percentage of the budget spent in each municipality. Since this analysis deals primarily with how NGOs allocate their budgets, it would be difficult to make claims about projects existing across multiple regions. Nonetheless, the sample of projects in one location does not differ significantly from those that exist in multiple locations on relevant covariates. For NGO project exit, I code a binary variable for the project-year that an NGO project ceases to exist. Likewise, I code a binary variable for the project-year where an NGO project first enters the country. With these three dependent variables, I use the entire sample of NGOs in the analyses. NGOs come from 31 different countries, have a mean budget of \$445,000. The modal duration of a project is a single year representing 37% of the data. The average duration is 3.5 years.

I then code a treatment condition. To ascertain which projects will be affected by being in the *Canal Zone*, I code any projects within 25 miles of the proposed zone as having been treated. This effectively captures all municipalities the departments of Rivas, Rio San Juan, Carazo, and Granada, as well as many in Chontales and the RAAS. I control for *Advocacy*

Goals with an additive index of the self-reported NGO types. For every politically motivated objective that an NGO reports, the NGO receives an additional point on the index. The categories I include are “legal assistance”, “governmental and citizen participation”, “policy research”, “human rights”, and “children’s rights.” The mean *Advocacy Goals* for the full set of projects is .47, meaning that on average, one of these categories is selected half the time. The maximum number of *Advocacy Goals* observed in the data is 3. I then interact the treatment with *Time*, a dummy that receives a value of 1 including and after the year 2013 when the project was announced. I also include fixed effects for NGOs to observe within NGO variation with respect to the canal announcement.

For the second set of hypotheses I code an alternative *treatment*. I code every NGO which has a project in the canal zone. To all projects belonging to this subset of NGOs except those that are in the *Canal Zone*, I assign the binary variable *Canal Project*, indicating that this project budget may be influenced by the fact that the NGO it belongs to is dealing with the increased regime sensitivity.

For valid inference from a difference-in-difference design, one must satisfy several assumptions. First, composition of the groups pre and post intervention must be similar. A relevant feature of the model and a relevant covariate are the advocacy goals of the groups. I examine the number of advocacy goals (human rights, labor rights, and legal assistance) that a group engages in. If the kinds of groups that exist before or after the canal intervention are different, this could be a threat to inference. I find that the mean number of advocacy goals listed is not significantly different pre and post intervention for those that existed in the intervention year.⁴ Second, spill-over effects would be a violation of SUTVA. To examine this, I have analyses in the appendix which vary the proximity to the canal project. Third, I have argued that the treatment cannot be defined by the outcome. I find

⁴Mean pre intervention = .403, mean post intervention = .436, $N = 2,929$, $t = -1.229$, $df = 2911$, $p - value = 0.219$

no evidence that NGOs were aware of the canal project prior to its announcement. Finally, identifying parallel trends assures that both treated and untreated projects were on the same trajectory prior to the intervention. There is the steep decline in 2018 due to renewed protests. As a robustness check, the data were truncated and an analysis excluding 2018 was run with substantively similar results. NGO projects that escaped the controversy of the canal in 2013, saw a substantial drop in their budget. One could speculate that the canal shock triggered a new strategy for NGOs that persisted even as the canal announcement faded from memory. Under their current budgeting, they were able to consistently deliver their budgets despite an additional shock to regime sensitivity. Although more volatility exists in the untreated case, the general trend across both groups are similar. It appears that the main instance of the data violating the parallel trends assumption occurs in the year 2011, during Ortega’s re-election year. While the drop for untreated NGOs is certainly larger than the drop for treated NGOs, their percentage change is comparable. Untreated NGOs dropped approximately 43%, while treated NGOs dropped 32%.

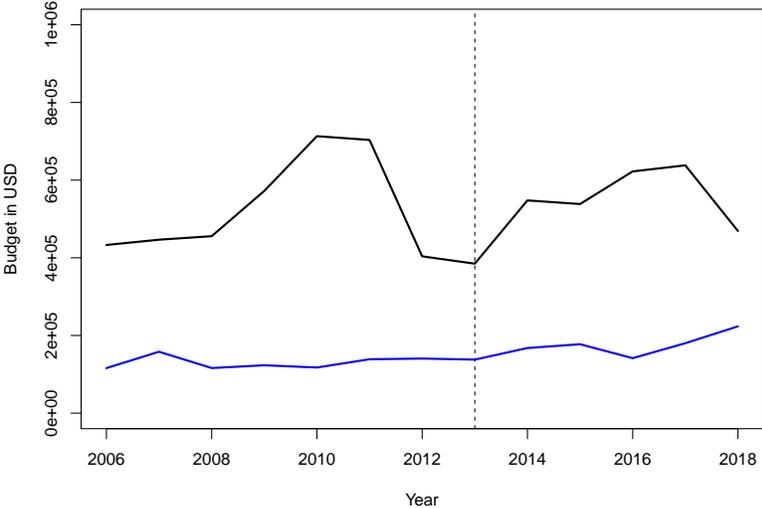


Figure 3: Average annual project budgets from 2006 to 2018. The black line represents project budgets outside of the canal zone, while the blue line represents those within the canal zone. The dotted vertical line is the canal announcement.

6 Results

A simple way to look at the effect of the canal announcement at the national level is to look at all projects that existed during the canal announcement in 2013, and compare the project duration of those that largely took place before the announcement to those that took place after. Of projects that overlapped with the announcement, the average duration was 8.4 years compared to those that occurred largely after, 6.2 years.⁵ Similarly, we can observe the difference in means between those projects within the canal zone and those outside. Projects inside the canal zone lasted 7.1 years on average while those within the canal zone were 9.1 years long.⁶ It appears that on average, canal projects are prone to last longer. Below I introduce controls, the interaction between time and canal zone, and fixed effects for NGOs in a difference in difference design.

Among the first set of hypotheses, I find strong support for **H1b** which suggests that project spending declines after the announcement of the canal project regardless of whether or not a project is in the canal zone. On average, the spending on these canal projects seems to decline by approximately \$310,000 USD after the announcement. I find mixed support for **H1c**, the effect of the canal announcement. The effect of the announcement on the probability of NGO exit is positive and on the cusp of traditional significance. Meanwhile, the canal announcement has a significant effect on reducing the probability that an NGO project will enter the canal zone. A potential reason for these mixed results for projects inside the canal zone is that NGOs have already allocated a set amount of resources to a particular project and time. In other words, as projects in the canal zone begin to present higher risks to the regime, their reaction to this increased sensitivity does not manifest itself in the projects that they are currently carrying out, but rather in their plans to begin new

⁵ $N = 3,274$, $t = 12.23$, $df = 3140$, $p - value < .001$

⁶ $N = 3,274$, $t = 2.152$, $df = 3135$, $p - value = 0.03147$

projects or retire old ones. After all, while NGOs are constrained by regimes, they are likewise constrained by their donors. Perhaps capitulating to a regime by reducing funding would lead a group to pay reputation costs to its donors, while failing to renew a previous project and initiating a new one is more appealing. This explains why the results of the *exit* and *entry* variables are more consistent with expectations. Plans for future projects, especially ones that have yet to be realized, are affected by the canal announcement.

Table 1: Results

	<i>Dependent variable:</i>		
	Budget in 100k USD	Exit	Entry
	(1)	(2)	(3)
Canal Zone	-1.330 (2.888)	-0.742*** (0.223)	0.845*** (0.170)
Time	-3.169** (1.241)	2.107*** (0.095)	-2.327*** (0.114)
Canal Zone:Time	2.600 (4.176)	0.463 (0.290)	0.356 (0.280)
Advocacy Goals	-1.746 (30.911)	0.826 (1.564)	-1.849 (1.566)
Constant	3.419 (28.637)	-2.107 (1.417)	2.327 (1.419)
NGO Fixed Effects	YES	YES	YES
Observations	5,530	5,530	5,996

Note:

*p<0.1; **p<0.05; ***p<0.01

Turning to the second set of hypotheses, I conduct an identical analysis to the one above but with a different treatment. Here I employ my coding of *Canal Project* which indicates projects outside of the canal zone that belong to NGOs with projects within the canal zone.

The canal intervention has an effect on all projects regardless of whether or not an NGO has to consider the problems with maintaining a presence after the canal announcement. The model using NGO budget supports the notion that project activity will increase if the project belongs to an NGO with projects in the canal zone.

Table 2: Results

	<i>Dependent variable:</i>		
	Budget in 100k USD	Exit	Entry
	(1)	(2)	(3)
Canal Project	-3.369 (2.340)	-9.985*** (0.676)	7.116*** (0.601)
Time	-6.928*** (1.997)	2.303*** (0.185)	-3.123*** (0.248)
Canal Project:Time	6.868*** (2.663)	-1.120** (0.494)	1.091*** (0.303)
Advocacy Goals	-3.658 (32.459)	1.032 (1.584)	-2.665* (1.619)
Constant	7.178 (30.101)	-2.303 (1.426)	3.123** (1.436)
NGO Fixed Effects	YES	YES	YES
Observations	5,030	5,030	5,030

Note:

*p<0.1; **p<0.05; ***p<0.01

Taking into account the negative trend in project budgets over time, projects receiving this treatment experience a net gain of approximately \$67,000 USD. Figure 8 shows the differences between the three types of projects: untreated projects by NGOs with no projects in the canal zone, treated projects by NGOs that have projects within the canal zone, and the projects which exist in the canal zone. Projects that belong to NGOs that also maintained

canal projects see a large boost in budgets after the intervention. This contrasts with NGOs which do not receive the treatment from the canal threat since all of their projects fall outside the canal zone.

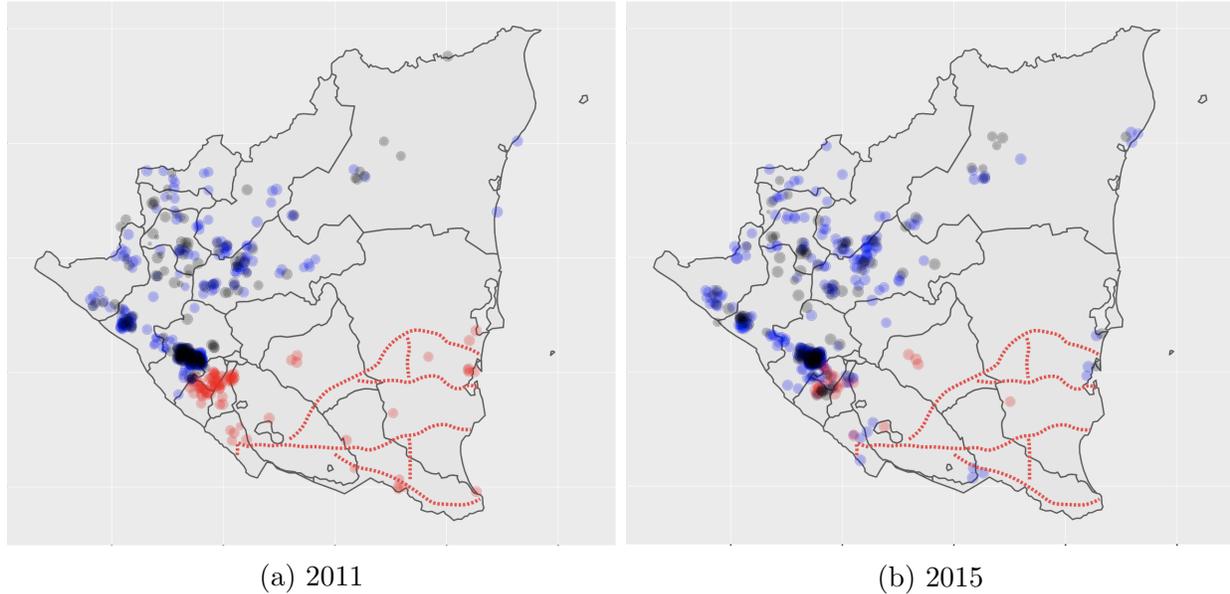


Figure 4: NGO projects in Nicaragua. Red projects are those within the canal zone. Blue projects belong to NGOs with projects in the canal zone. Black projects belong to NGOs without projects in the canal zone. The red dotted line is the proposed canal route.

Looking at the model for exit, it appears that on average, the probability of a project exiting increases. This is consistent with my expectations in **H2b**. Whether or not a project exists in a canal zone or belongs to an NGO that has a project in the canal zone does not have a significant effect on the probability of a project having its final year. The interaction terms for a project’s exit are consistent with expectations. Projects that belong to groups that are exposed to the canal zone risk appear to be less likely to exit, consistent with **H2c**. In other words, projects belonging to NGOs that also have projects in the canal zone are less likely to close in the time period after the canal announcement than projects belonging to NGOs that do not have an opportunity to shift their resources.

Finally, looking at *Entry*, the analysis supports expectations about the effect of the an-

nouncement, as well as the interactions. Projects are less likely to begin in the time period after the canal announcement, consistent with decreasing civil society and NGO activity in this time period. Projects outside the canal zone that belong to NGOs exposed to canal zone risk are more likely to appear in the post-canal announcement time period. The fact that the analysis looking at *entry* yields the results most consistent with expectations lends some credence to the idea that NGOs might not react immediately to the canal announcement. Rather, many groups continue to carry out existing projects for some amount of time. Perhaps this is due to donors demanding NGOs be true to their missions. Another potential explanation is that this money was already allocated. NGO project *entry* grants a more long term view to NGO plans and demonstrates that while they may not be immediately reacting to risks in the canal region, this reaction is still reflected in their long term goals.

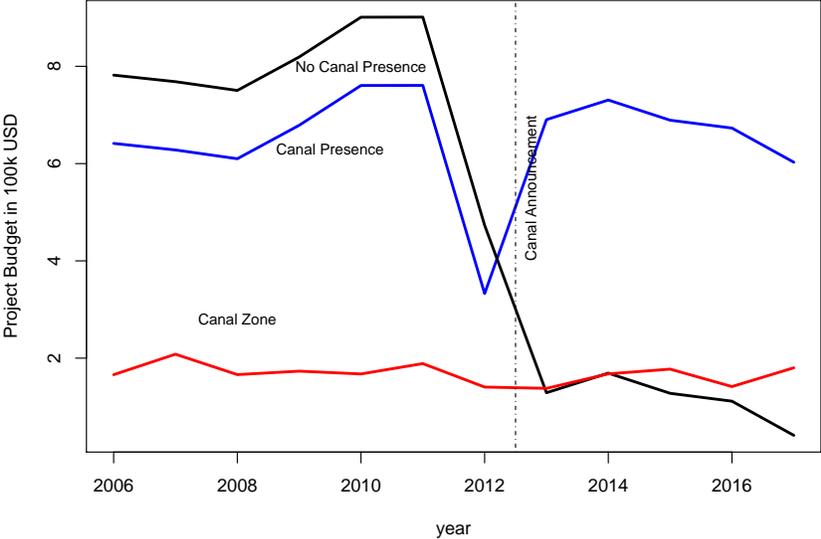


Figure 5: In red are average project budgets from the canal zone and estimated project for the modal project outside of the canal zone. Blue and black demonstrate the size of the effects of canal announcement and canal presence conditional on canal announcement, alongside year fixed effects

A condition of this analysis is the Stable United Treatment Value Assumption (SUTVA).

The most obvious way that this might be violated is by the treatment of the canal zone, contaminating adjacent municipalities. If this were the case, then projects marked as untreated might be receiving a quasi-treatment by existing in neighboring municipalities. To account for this potential violation, alternate coding rules were used to capture a narrower and wider range of municipalities. Results remain similar in direction, but actually decrease in magnitude as a wider band around the canal zone is employed. Further, it could be the case that NGOs receiving the treatment alert other NGOs to the sensitivity issues surrounding the canal zone, informing them to divert budgets to non-canal areas. If this were the case, then the difference in difference test would be a conservative one, underestimating the true effect of the treatment. A more problematic violation of SUTVA would occur if NGOs receiving the treatment are spatially correlated. This would imply that communities of NGOs would reinforce the risk of the canal project on one another, leading to a stronger effect. The share of treated and untreated projects was tested at the department level. It appears that untreated and treated observations exist in similar quantities across non-canal departments largely ranging from 52% to 71% of the sample.

7 Conclusion

Returning to the original question, how do NGOs manage authoritarian pressures? NGOs interact with regimes according to subnational factors. Previous work on NGOs has focused on their activity at the national level. This analysis reveals that a micro-level understanding of NGO interactions is critical to how groups might be effective. Without this understanding, we might overestimate the impact of NGOs located in non-sensitive areas, and underestimate the impact of NGOs elsewhere. Most measures of NGO activity look at group presence at the national level. The case of Nicaragua demonstrates that in authoritarian contexts, subnational dynamics have large consequences for how NGO activity manifests itself. While

NGO activity might be increasing on average, their ability to promote political and civic participation does not correspond. Relatedly, this work calls into question the use of NGO presence as a proxy for civil society. Not only will autocrats try to dampen the effects of civil society, groups themselves will behave differently depending on the political context of the regime at large and in the locality that they operate.

This analysis also elaborates on the concept regime sensitivity and its ability to vary sub-nationally. When regime sensitivity increases, NGOs affected by this sensitivity will maintain operations in areas that do not threaten regime stability. However, when regimes are resilient, NGOs are able to marginally threaten a regime via the enhancement of civil society. I find that while NGO activity may be on the rise, we should not expect that their effects on civil society and democracy rise as well. Based on the actions of the Ortega administration regarding the canal, as well as in more recent years, it is clear now more than ever that democracy is under attack. Although some NGOs have left Nicaragua as a result of increased pressure, the dynamics that motivate NGOs to leave, also bear on groups that remain within the country.

Another implication is that NGOs will not always promote democratization. Regimes with middling sensitivity that lack strong democratic institutions are the same ones that NGOs may bolster by adjusting their funding. This cuts across recent findings in the field, which suggest that NGOs will encourage political participation. Additionally, the model has implications for the incentives of NGOs. Much debate surrounds the motives of NGOs. Some characterize them as abject do-gooders seeking to uplift the most vulnerable across the globe. Others pessimistically say that they are a funnel for wasted aid dollars that only serve as a hollow signal of a commitment to civil society. This model provides a framework for when NGOs belong to either camp and when they tend to fall somewhere in the middle. Beyond this paper, the data presented allows for a myriad of other tests regarding how NGOs of different sizes, types, and flexibility respond to political shocks differentially.

While, this research tests the internal validity of the model, global trends point to this type of NGO-regime interaction in a number of different contexts. In this domain, several open questions remain. Do all NGOs increase regime durability? How do international NGOs select across a number of potential hosts? How does the same NGO manifest differently across multiple hosts? The cases of Hungary, Russia, and China have the NGO sector and proponents of democracy alike on the lookout for civil society crackdowns. This analysis suggests that while dramatic policy shifts and NGO flight certainly affect the role of civil society across the globe, these instances only represent a portion of a much larger phenomenon. Even relatively small moves towards autocratic consolidation may have substantive effects in terms of the distribution of aid and the openness of civil society.

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8 Appendix

8.1 Time Fixed Effects

Table 3: Results

	<i>Dependent variable:</i>	
	Budget in 100k USD	
	(1)	(2)
Canal Zone	-1.143 (1.364)	
Canal Project		-1.436 (1.324)
Time	-2.539 (32.622)	-5.921 (32.606)
Advocacy Goals		
Canal Zone:Time	3.087 (2.422)	
Canal Project:Time		7.006*** (1.738)
Constant	2.088 (45.874)	5.587 (45.843)
NGO Fixed Effects	YES	YES
Year Fixed Effects	YES	YES
Observations	8,853	8,853
R ²	0.659	0.659
Adjusted R ²	0.640	0.641

Note: *p<0.1; **p<0.05; ***p<0.01

8.2 Expansive Canal Zone Coding (Boaco)

Table 4: Results

	<i>Dependent variable:</i>		
	Budget in 100k USD	Exit	Entry
	(1)	(2)	(3)
Canal Zone	-1.800 (2.389)	-0.123 (0.210)	-0.017 (0.152)
Time	-4.347*** (1.279)	2.299*** (0.095)	-2.402*** (0.109)
Canal Zone:Time	3.923 (3.259)	0.264 (0.244)	-0.283 (0.293)
Advocacy Goals	-2.637 (31.753)		
Constant	4.597 (29.406)	-2.299 (1.417)	2.402 (1.418)
NGO Fixed Effects	YES	YES	YES
Observations	5,996	5,996	5,996

Note:

*p<0.1; **p<0.05; ***p<0.01

Table 5: Results

	<i>Dependent variable:</i>		
	Budget in 100k USD	Exit	Entry
	(1)	(2)	(3)
Canal Project	-2.497 (1.829)	0.112 (0.098)	1.831 (0.066)
Time	-6.051*** (1.513)	0.209* (0.117)	-1.233*** (0.079)
Canal Project:Time	5.999** (2.426)	-0.571*** (0.103)	0.319*** (0.110)
Advocacy Goals	-3.346 (31.753)		
Constant	6.301 (29.406)	-1.181 (1.416)	1.233 (1.416)
NGO Fixed Effects	YES	YES	YES
Observations	5,996	5,996	5,996

Note:

*p<0.1; **p<0.05; ***p<0.01

8.3 Including 1989-2002, 2018

Table 6: Results

	<i>Dependent variable:</i>		
	Budget in 100k USD (1)	Exit (2)	Entry (3)
Canal Project	-1.670 (2.888)	-0.690*** (0.223)	0.702*** (0.162)
Time	-4.038*** (1.231)	2.297*** (0.093)	-2.493*** (0.112)
Advocacy Goals			
Canal Project:Time	3.433 (4.216)	0.377 (0.286)	0.513* (0.275)
Constant	4.288 (29.406)	-2.297 (1.417)	2.493* (1.419)
NGO Fixed Effects	YES	YES	YES
Observations	5,9960	5,996	5,996

Note:

*p<0.1; **p<0.05; ***p<0.01

Table 7

	<i>Dependent variable:</i>		
	Budget in 100k USD	Exit	Entry
	(1)	(2)	(3)
Canal Zone	-4.993** (2.348)	-10.508*** (0.685)	7.234*** (0.603)
Time	-9.207*** (1.997)	2.462*** (0.181)	-3.205*** (0.247)
Advocacy Goals			
Canal Zone:Time	9.212*** (2.654)	-0.092 (0.421)	0.937*** (0.299)
Constant	9.457 (30.824)	-2.462* (1.426)	3.205** (1.436)
Observations	5,476	5,476	5,476
<i>Note:</i>	*p<0.1; **p<0.05; ***p<0.01		

9 Formal Appendix

Utilities for players when regimes *reject*.

$$u_N(\cdot, \text{Reject}, L) = 0,$$

$$u_N(\cdot, \text{Reject}, H) = 0,$$

$$u_R(\cdot, \text{Reject}, \cdot) = 0.$$

If the Regime Accepts the application, then she receives utility

$$u_R((a, \tilde{a}), \text{Accept}, \cdot) = 1 - \tilde{a}x,$$

If the Regime Accepts the application, the NGO receives utility

$$u_N((a, \tilde{a}), \text{Accept}, t) = \beta - (1 - \gamma) \underbrace{(\tilde{a} - \hat{a}_t)^2}_{\substack{\text{deviation} \\ \text{from} \\ \text{principles}}} - \gamma \underbrace{(\tilde{a} - a)^2}_{\substack{\text{deviation} \\ \text{from} \\ \text{promise}}},$$

where $\beta > 0$ is the benefit of being accepted and $\gamma \in [0, 1]$ represents how much the NGO weighs promise-keeping against principle-keeping. If $\gamma \approx 1$, then the NGO cares only about keeping its promises. Alternatively, if $\gamma \approx 0$, then the NGO cares only about abiding by its principles.

In seeking the game's Perfect Bayesian Equilibria, I rely on this result:

9.1 Realized Advocacy

Returning to the model, I begin at the end by showing the amount of realized advocacy that an NGO will execute. Since this is the last move of the game, this can be derived regardless of NGO type and game history.

While NGOs vary over their internal preferences for distribution of goods and advocacy, regimes vary over their ability to constrain NGOs and their ability to sustain NGO advocacy costs. For example, a natural resource rich regime will only marginally benefit from NGO goods and have little incentive to accept a regime that spends any money on advocacy. NGOs operating in these contexts will be cautious about the extent that they deviate from regime preferences. Conversely, an NGO engaging with a poor regime will be able to spend

relatively more on advocacy while still being worth the risk to a regime. Further, some regimes are better at weathering political instability. For example, a regime may have low exposure to the externalities of NGOs due to their ability to repress opposition. In this case, an NGO enacting greater advocacy will be relatively less threatening to a regime. A Regime has complete control over choosing whether to accept or reject the NGO's involvement. A Regime varies over one dimension which is the degree to which they are affected by costs of advocacy, x . The x parameter includes aspects of the institutional structure in which the leader operates which may over or under expose her to political costs of advocacy. The parameter $x \in [0, 1]$ represents the Regime's sensitivity to advocacy. Note that, if $x = 0$, then the Regime is indifferent over all possible advocacy levels. As $x \uparrow 1$, however, the Regime becomes increasingly sensitive to advocacy. Note that the Regime's utility does not depend on the type, nor on the promise; only the realized level of advocacy.

Regimes choose whether or not to grant an NGO access based on their belief regarding the distribution of goods and advocacy that an NGO will provide. Information about how an NGO will spend their budget is imperfect. NGOs request permission to operate within a regime country based on a proposal of their mission, which will vary in truthfulness. By accepting an NGO, a regime gains the benefit of whatever goods an NGO chooses to realize, but risks an NGO deviating from their mission and spending an unacceptable amount on advocacy. Alternatively, expulsion or denial of an NGO means that the regime will not benefit from any goods that an NGO might provide. Utilities are functions of the the NGO's realized advocacy and the Regime's decision. If the Regime Rejects the application, then the game ends with utilities set to zero.

I maintain that when engaging in signaling to potential regimes, NGOs concern themselves with the commitment to their internal preferences for advocacy and their commitment to their promised level of advocacy during their first move of the game. I parameterize this commitment as γ . One can imagine an extreme case where an NGO has no regard for their

internal preferences and will promise a low level of advocacy in order to gain a residency with a regime or the opposite end where an NGO is so committed to their internal preferences for advocacy that they faithfully carry out their activities with little regard for the consequences that a regime might impose.

In other words, NGOs seek to maximize their alignment with both internal NGO preferences and Regime preferences. They must provide goods that correspond to their mission. For example, Doctors without Borders has the stated goal of providing medical aid. Simply satisfying their regimes by filing registration paper work and paying dues to regime country is insufficient. Doctors without Borders must also distribute medical aid to a local population. Intrinsic to the NGO's operation is fulfilling their mission. NGO employees as well as their donors have the preference to provide medical care. As an organization deviates from their stated goal, they incur greater costs. Membership in these organizations and donations are predicated on the fact that they are engaging in public goods provision. As an NGO's activities stray from their original purpose, an organization will lose membership to other similar organizations and/or donors will lose confidence and stop paying for projects. When an NGO has the preference for a provision of goods that includes reducing collective action costs, this creates conflict with the regime. I employ two lemmata from the model. First, the last move of the game is predetermined since the regime does not react after NGOs allocate their goods. Second, the government only accepts NGOs if their belief is sufficiently low. This condition is easier to satisfy as x increases.

Lemma 1.1

In any equilibrium, $\tilde{a}(t) = \gamma a(t) + (1 - \gamma)\hat{a}_t$.

The utility of the NGO is concave, so the first-order condition is necessary and sufficient:

$$-(1 - \gamma)(\tilde{a}(t) - \hat{a}_t) - \gamma(\tilde{a}(t) - a(t)) = 0.$$

Rearranging, we have

$$\tilde{a}(t) = \gamma a(t) + (1 - \gamma)\hat{a}_t.$$

9.2 When Regimes Accept

Given that the last move by the NGO is known via Lemma 1.1 and the utility of a government rejecting an NGO is always 0, I can determine the general conditions for a government accepting an NGO. Consider two promises:

$$a(L) = a_L,$$

$$a(H) = a_H,$$

$$a_H > a_L.$$

Following Lemma 1.1, the realized advocacy follows:

$$\tilde{a}_L^* = (1 - \gamma)a_L + \gamma\hat{a}_L,$$

$$\tilde{a}_H^* = (1 - \gamma)a_H + \gamma\hat{a}_H$$

These two values for realized advocacy can be substituted in the expected utility of a

regime accepting,

$$U_R(A) = \mu(1 - \tilde{a}_H^*x) + (1 - \mu)(1 - \tilde{a}_L^*x),$$

A regime will always accept a promise from a group if the above equation is greater than the utility of rejecting. Stated another way, regimes accept promises if and only if $U_R(\text{Accept}) \geq 0$.

Lemma 2.1

In any equilibrium, the *Regime Accepts* the application if and only if

$$\mu(a) \leq \mu^*(a) = \frac{1 - x[(1 - \gamma)\hat{a}_L + \gamma a(L)]}{x[(1 - \gamma)(\hat{a}_H - \hat{a}_L) + \gamma(a(H) - a(L))]}$$

Note that the cutpoint for the belief of the regime is dependent on the span of the ideal points, $\hat{a}_H - \hat{a}_L$ and the span of the promises, $(a(H) - a(L))$. As these spans increase, so does the denominator, making μ^* smaller. Consider that a greater span of ideal points between the two types of NGOs makes the decision to accept or reject increasingly weighty for a regime. Conversely, as the difference between a high advocacy and a low advocacy regime becomes trivial, a pure acceptance strategy becomes more palatable.

9.3 Honest NGO Equilibria

An instance of separating equilibria is characterized by the *Honest NGOs and Generous Regimes scenario*. One feature of these equilibria is that they rely on a sufficiently high belief

that the NGO will prefer low advocacy. Through an application of Bayes rule, we know that the prior regarding the distribution of these two types reduces to the belief.

The truthful revelation of an NGO's type is characterized by full separation: each type chooses a different signal, which allows the receiver to draw perfect inferences about the type based on the signal. In this section, I consider the truthful revelation where NGOs perfectly reveal their ideal point. In other words, both types will have $a(t) = \hat{a}_t$. By Lemma 1.1, the realized level of advocacy will be equal to the preferred level $\tilde{a}(t) = \hat{a}_t$ for both t , .

The Regime's decision proceeds as follows. She Accepts an application if

$$(1 - \mu) [1 - \hat{a}_L x] + \mu [1 - \hat{a}_H x] \geq 0,$$

which rearranges to

$$\mu \leq \mu^* := \frac{1 - \hat{a}_L x}{x (\hat{a}_H - \hat{a}_L)}.$$

Since μ is a probability, the Regime Rejects any offer if

$$\mu^* < 0 \iff 1 - \hat{a}_L x < 0 \iff x > \frac{1}{\hat{a}_L}.$$

Likewise, the Regime Accepts any offer if

$$\mu^* \geq 1 \iff 1 - \hat{a}_L x \geq x (\hat{a}_H - \hat{a}_L) \iff x \leq \frac{1}{\hat{a}_H}.$$

9.3.1 Definition of Honest NGOs and Generous Regimes

This equilibrium exists when the action of the *NGO* $a(t) = \hat{a}_t$ and the action of the *Regime* is always *Accept*.

The Regime will accept any offer if

$$\mu^* \geq 1 \iff 1 - \hat{a}_L x \geq x (\hat{a}_H - \hat{a}_L) \iff x \leq \frac{1}{\hat{a}_H}.$$

and if Lemma 2.1 is satisfied.

In addition to the span, this becomes increasingly easy to satisfy as an organization cares more about their promises. As this γ increases a belief by the government that the promise corresponds to type likewise increases.

Consider the utility of the two NGO types under these conditions. Acceptance is already a forgone conclusion and NGOs are giving honest promises. The *NGO* has the option of deviate from their promise, but this does not profit them. This deviation hurts their commitment to their promise and in likewise hurts their principles since their realized advocacy corresponds perfectly to their promise. in The only exception to this are the corner cases where an *NGO* has no commitment to principles and exclusively cares about promises.

9.4 Possible Promises

In addition to the requirement for the x parameter to be sufficiently low such that a regime is not too sensitive, there is a condition that groups meet which rule out the possibility of pooling equilibria. By definition, separation does not occur when groups make identical promises. Thus, any mimicry equilibria cannot exist when the range of a group's promise does not overlap with the range of that group's promise if it were the opposite type.

Consider that a group has a lower and upper bounds on what it is capable of promising. The commitment to promises or principles captured by γ is a straight-forward way to conceptualize this space. As γ trends towards the middle, a perfect balance between promises and principles, this space will be smaller since they will be similarly constrained by their ideological goals as well as their commitment to their promises. This finding is important

to highlight. It is not purely NGOs with high commitments to human rights and democracy at all costs that engage in a strategy of mimicry, but rather they will prefer rejection. Likewise, NGOs that can easily compromise on their ideology and yield to their regimes are unconcerned with simulating another type. Similarly, the larger the benefit β increases this space, allowing groups a great deal of leeway.

In addition to the parameter space being larger,⁷ This becomes more easy as the two types' ideal points move closer together. Just as a wider space will make mimicry easier, mimicry will become easier when a group needs to apply less effort to perfectly impersonate the opposite type.

In order for a separating equilibrium to exist, a low type cannot prefer to deviate to some lower a_L and get rejected.

Recall the group's utility and that in order to prefer acceptance, they must receive a utility greater than 0.⁸

$$\beta \geq (1 - \gamma) (\tilde{a} - \hat{a}_H)^2 - \gamma (\tilde{a} - a_H)^2.$$

Now by rearrangement, I can establish an acceptable range for the low type's promise to support a separating equilibria.

$$\iff \beta - \gamma(1 - \gamma)(\hat{a}_L - a_L)^2 \geq 0.$$

⁷This space will increase symmetrically but only the degree to which the lower bound for the high type decreases carries weight for this application.

⁸The realized advocacy here is a straightforward substitution of a group's type into **Lemma 1.1**. These identical realized advocacies cancel out in the next step.

$$\iff a_L \in \left[\hat{a}_L - \sqrt{\frac{\beta}{\gamma(1-\gamma)}}, \hat{a}_L + \sqrt{\frac{\beta}{\gamma(1-\gamma)}} \right].$$

Likewise, the high type cannot want to promise a_L , and receive an acceptance from the regime. In order to derive this, consider the conditions of some promise a_L such that the costs incurred by acceptance are greater than any benefit that a group could possibly receive. Note that in this case, the realized advocacy being considered is one where the high type maintains its ideal point, but promises, a_L .

$$\beta \leq (1-\gamma) \left(((1-\gamma)a_L + \gamma\hat{a}_H) - \hat{a}_H \right)^2 - \gamma \left(((1-\gamma)a_L + \gamma\hat{a}_H) - a_H \right)^2.$$

Following the same derivation as above we can find the range that of a_L that will not support a separating equilibrium, since a high type will prefer to deviate to be accepted.

$$a_L \notin \left[\hat{a}_H - \sqrt{\frac{\beta}{\gamma(1-\gamma)}}, \hat{a}_H + \sqrt{\frac{\beta}{\gamma(1-\gamma)}} \right].$$

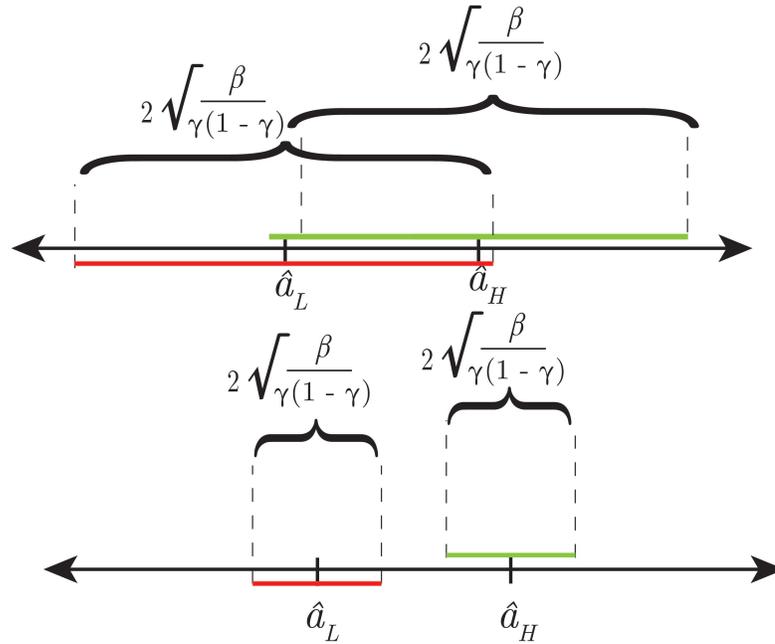


Figure 6: NGO Promise

These plausible ranges for promises not only provide guidelines for where a separating equilibrium will be supported, but also where certain pooling equilibria can exist. As soon as the promises of these two types overlap, it becomes more plausible that groups will circumvent the monitoring mechanism of the regime, but also that high advocacy groups will compromise their positions.

9.5 Reduced Advocacy Equilibria

In the *Mimicry Equilibria*, we observe NGOs lowering the amount of advocacy. Stylistically one can think of this as the high type NGO mimicking a low-type NGO. In this equilibria, mimicry is sufficient for acceptance. The degree to which a group must stick to their promise is enough for a regime to allow them, despite the fact that they may be receiving a true high type NGO. Just as I have established a sufficient value of μ such that

regimes always pursue a strategy of acceptance, I can find the parameter space under which reduced advocacy is supported. Reduced advocacy requires that a group is able to deviate from their ideal point so much that they make a promise within the parameter space that their opposing type occupies. Here, I will only address the substantively interesting and intuitive case, where a high advocacy group is able to to make a promise consistent with the parameter space of a low advocacy group.

9.5.1 Definition of Under-promising NGOs

This equilibrium exists when the action of the *NGO* $a(t) = \hat{a}_L$ and $Regime(a_H) = Reject$ and $Regime(a_L) = Accept$.

Here a high type group promises identically to that of a low advocacy group. The government always accepts these low offers. Once again, this occurs because the realized advocacy is known, and the low promise, even from a high advocacy NGO is constraining enough to mitigate the costs that diminish a government's utility.

Observing *mimicry* requires some similar features from the honest equilibrium. First, regimes must be sufficiently insulated from the costs via the x parameter, but not so insulated that they disregard discriminating between NGOs. Likewise, the span of the NGO types come in to play. Following the same logic as before, the span must be sufficiently small such that this decision is not consequential, but this span likewise cannot be too small, otherwise there is no incentive for a high advocacy NGO to reduce there promise. Taking these two equilibria into account reveals several predictions.

Prediction 1: *All else equal, the mimicry equilibrium is easier to support as β increases .*

Prediction 2: *All else equal, the mimicry equilibrium is easier to support as γ approaches .5.*

Prediction 3: *All else equal, the mimicry equilibrium is easier to support as $\hat{a}_H - \hat{a}_L$ decreases.*

Prediction 4: *All else equal, the honest equilibrium is easier to support as x decreases.*

Prediction 5: *All else equal, the mimicry equilibrium is easier to support as x increases, until it reaches $\frac{1}{\hat{a}_L}$.*

An equilibrium where regimes *accept* all offers and NGOs always promise and realize their ideal point falls under the broad category of separation equilibria. Under broad separation the promises are defined as follows: $a(L) = a_L$ and $a(H) = a_H$ where $a_H > a_L$.

Per **Lemma 1.1**, the last move of the game is easy to calculate, since this does not require considering regime beliefs and does not depend on game history.

In any equilibrium, $\tilde{a}(t) = \gamma a(t) + (1 - \gamma)\hat{a}_t$.

Thus,

$$\tilde{a}_L^* = \gamma a_L + (1 - \gamma)\hat{a}_L$$

. and,

$$\tilde{a}_H^* = \gamma a_H + (1 - \gamma)\hat{a}_H$$

.

The Regime accepts offers when their utility is strictly greater than rejecting. In other words, accepting an NGO, even with some positive probability that it is a high type, must be greater than 0. Here the utility of the Regime is complicated only by the belief it has about whether or not the NGO will realize the high advocacy or low advocacy promise.

$$U_R(A) = \mu(1 - \tilde{a}_H^*x) + (1 - \mu)(1 - \tilde{a}_L^*x),$$

Substituting these maximum, there is a more specific expected utility of the Regime below.

$$U_R(A) = \mu(1 - (\gamma a_H + (1 - \gamma)\hat{a}_H)x) + (1 - \mu)(1 - (a_L + (1 - \gamma)\hat{a}_L)x),$$

Setting this greater than or equal to 0, rearranging, and solving for μ reveals the conditions for a government always accepting a group.

$$\mu(a) \leq \mu^*(a) = \frac{1 - x[(1 - \gamma)\hat{a}_L + \gamma a(L)]}{x[(1 - \gamma)(\hat{a}_H - \hat{a}_L) + \gamma(a(H) - a(L))]}$$

For this equilibria to exist, NGOs must also not wish to deviate from their original promises. Consider some deviation from their promise $a(L) = a_L^*$ and $a(H) = a_H^*$ where $a_H^* > a_L^*$. Further, $a_L^* < a_L$ and $a_L < a_H^* < a_H$. Restrictions on deviation here capture any type deviation that is marginally lower than the NGO's preferred promise.

To show no profitable deviation, a definition of the off path belief of the Regime is necessary. I employ an a belief of the government where $\mu(a \leq a_L) = 0$. In other words, the Regime is completely confident that she is dealing with a low type NGO when the promise is at or below the ideal point for the low type NGO. Likewise, $\mu(a > a_L) = 1$, or any promise even marginally higher than the low ideal point will trigger the belief that the NGO is playing with the high type group.

It is intuitive that only a marginal deviation will not profit either group. Consider the low type groups. There is no deviation lower, marginal or otherwise, which will change the belief of the Regime. Thus, the government accepts in both scenarios provided conditions

for general acceptance are met.

$$\begin{aligned} & \beta - (1 - \gamma)((\gamma a_L^* + (1 - \gamma)\widehat{a}_L) - \widehat{a}_L)^2 - \gamma((\gamma a_L^* + (1 - \gamma)\widehat{a}_L) - a_L^*)^2 < \\ & \beta - (1 - \gamma)((\gamma a_L + (1 - \gamma)\widehat{a}_L) - \widehat{a}_L)^2 - \gamma((\gamma a_L + (1 - \gamma)\widehat{a}_L) - a_L)^2 \end{aligned}$$

It is simple to see that the equations are identical, save the deviation from the promise which is by definition lower. Thus, low type NGO will not deviate under these conditions. No profitable deviation can occur due to the Regime already accepting and any deviation lower strictly hurts the internal preference component of an NGO. The same logic applies to low types deviating higher as well as high types deviating to any other spot, including equivalent to the low type preference. Given that there is no updating on behalf of the Regime, no consideration is given to alternative type choices.

Similarly, one must establish that deviations from under-promising NGOs are unprofitable. The equilibria is defined by $a(t) = a_L$. Likewise, this equilibria exists under conditions where the *sensitivity* of the Regime is in a range where she wishes to discriminate between the two types of groups. Under the off path belief structure defined above, deviations should strictly hurt the chances that an NGO will be accepted. Thus, deviations will only occur if the conditions for overlapping possible promises are not met. In other words, when the necessary deviation of a promise for the high type NGO $a_H^* < a_H$ is too great for them and they prefer to be rejected.

$$\beta - (1 - \gamma)((\gamma a_H + (1 - \gamma)\widehat{a}_H) - \widehat{a}_H)^2 - \gamma((\gamma a_H + (1 - \gamma)\widehat{a}_H) - a_H)^2 < 0$$

Again, lower deviations do not affect the strategy of the Regime. Thus, lower deviations for the low type NGO only serve to hurt the utility function in the parameter of their internal preferences.