The Effect of Regulatory Burden on the Effectiveness of Intergovernmental Collaborations: The Case of Subnational Partnerships for Managing International Cooperation

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DOI: [10.22478/ufpb.2525-5584.2021v6n3.61124]

Recebido em: 11/10/2021
Aprovado em: 22/11/2021

Abstract: With the goal of improving effectiveness and efficiency, worldwide cross-sector collaboration has become a central governance arrangement. Given this trend, research has focused on illustrating examples of collaborations over time and/or identifying collaboration's drivers and effects. Yet, as cross-sector collaborations are more prevalent, governments have changed the rules for civil society organizations to become part of cross-sector collaboration across policy domains. While some regulations can be seen as a precondition to start a collaboration, over-regulated contexts can become a burden for participating organizations, thus hindering collaboration sustainability. However, little knowledge exists as to how regulatory changes influence performance effects of cross-sector collaboration. To fill this gap, this research focuses on all the 2007-2018 Ecuadorian subnational partnerships that manage international cooperation to test whether adoption of further regulations or regulatory burden targeting civil society organizations compromises the amount of international aid subnational governments secure. We also expect that the economic diversity in a jurisdiction amplifies the performance effects of regulatory burden. Findings suggest that regulatory burden negatively influenced governance capacity to obtain international aid, particularly in jurisdictions with high economic diversity.

Keywords: Regulatory burden; intergovernmental collaboration; international aid, governmental performance.

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1. Introduction

With the goal of improving effectiveness and efficiency, worldwide cross-sector collaboration has become a central governance arrangement. Subnational governments now partner among themselves and/or with non-governmental organizations (NGOs) to boost governmental performance. That is the case of provinces, municipalities, and rural parishes that partner with the goal of applying for and securing international aid from international cooperation. In response, some governmental regulation has sought to stimulate cross-sector collaborations to address complex issues in the public sector (Bryson, Crosby, & Stone, 2006; Bull, 2015; Emerson & Nabatchi, 2015a; Freeman, 1997). As cross-sector collaboration continues gaining supporters and followers, governments have enacted additional rules to regulate civil society organizations (e.g., international and national NGOs) that partner with subnational governments. Indeed, as experience with cross-sectoral collaboration mounts, and the number of NGOs increases, some governments have adopted further regulations targeting civil society organizations (CSO) during the life cycle of a cross-sector collaboration. With these additional regulations, governments may want to either control, facilitate, structure, or obstruct CSO's entrance, operations, and activities (Becker, 2013, Appe 2015). In fact, while some regulations can be seen as a precondition for a CSO to start operating, over-regulated contexts can become a burden for participating organizations, thus hindering collaboration sustainability. Surprisingly, little knowledge exists as to how regulatory changes during CSO's life cycle affect collaborations that pursue international aid. This gap leads us to explore whether overregulating CSOs that donate foreign aid influences the sum of international aid a jurisdiction secures.

This study defines regulation as "the intentional intervention in the activities of a target population" (Koop & Lodge, 2017, p.104). Regulatory burden happens when the cost for complying with a regulation to perform an activity is higher than benefits the activity brings to the target population (Helm, 2006; Keyworth, 2006). While government regulation could require international donors to formally initiate a collaborative agreement to participate in the implementation of a public program, the success of governmental regulation depends on preventing regulatory burden. For example, international donors are called (a) to collaborate only in projects that respond to the priorities established by aid-recipient countries and (b) to follow aid-recipient countries' regulatory framework (OECD, 2005).

We argue that regulatory burden influences the administrative costs of organizations participating in a collaborative agreement, thus compromising the expected results. The following rationale justifies our main proposition. Collaboration implies costs in time, resources, learning, coordination, communication, and commitment. Therefore, complying with additional regulations entails more administrative costs, in which the costs may exceed the benefits of collaborating. To test the effects of regulatory burden on the dynamics of collaborative governance over time, this study relies on Emerson, Nabatchi, and Balogh (2012)'s framework to test the effectiveness of subnational government partnerships to acquire international aid. In sum, we employ a comprehensive conceptualization of collaboration to test whether the effectiveness of subnational partnerships for securing international aid varies as a result of intensifying government regulations against CSOs.

Because collaboration happens in the context of diverse partners (Emerson & Nabatchi, 2015a), over-regulated policy domains may have distinct effects on collaborating partners. For instance, a province's degree of economic diversity in terms of the number of industrial sectors over time (see Siegel, Johnson, & Alwang, 1995) may moderate the effects that regulatory burden may have on the international aid a subnational government partnership may secure. When a jurisdiction's gross domestic product depends on several economic activities, chances are that this jurisdiction's population possesses diverse interests in comparison to jurisdictions with economies that depend only on a couple of industries. Economic diversity may increase the cost of coordination, cooperation, and collaboration (Gulati, Wohlgezogen, & Zhelyazkov, 2012; White, 2005; White & Siu-Yun Lui, 2005). Consequently, we also suggest that a jurisdiction's economic diversity (e.g., mining, agriculture, tourism) amplifies the performance effects of regulatory burden because regulations targeting CSOs will impact a broader set of international-aid donors.

We test the two propositions in the context of Ecuadorian subnational governments between 2007-2018. Ecuador offers an excellent context to test our propositions because in 2011, the national government handed over to subnational governments the responsibility to manage international cooperation. Before 2011, the central government acquired and managed international cooperation. Moreover, in June

2013, but implemented in January 2015, the Presidential Decree No.16 imposed new requirements on CSOs operating in Ecuador. These new requirements increased minimum assets to operate, demanded both a new application process to obtain legal status, and reporting information to the national government. Using data from all Ecuadorian provinces, this study tested: 1) whether the effectiveness of subnational government partnerships for obtaining international aid changed after adopting further regulations targeting CSOs (e.g., international and national NGOs), and 2) whether a jurisdiction's economic diversity moderates the effect that regulatory burden has on subnational government partnerships' effectiveness in securing international aid.

Results confirm that collaboration between subnational governments has been an effective strategy to apply for and secure international aid after 2011 when subnational governments became accountable for managing international cooperation. However, findings also suggest that regulatory burden negatively influenced subnational governmental capacity to obtain international aid, particularly in provinces with high economic diversity. That is, economic diversity amplified the negative effect that regulatory burden had on subnational partnerships' effectiveness to secure international aid.

This study aims to make three contributions to research on subnational governance by focusing on intergovernmental relations. First, previous studies of intergovernmental relations have mainly focused on frameworks that highlight politicians' motivations (Alesina et al., 1992; Rogoff & Sibert, 1988), ideological inclinations (Buchanan & Wagner, 1977; Hibbs Jr, 1977), parties' bargaining power (Roubini & Sachs, 1989a, b) and/or intergovernmental transfers (Buchanan 1950, Oates 1972, Musgrave and Musgrave 1984, Bahl 2012). While these explanations focus on politicians' and parties' motives, less attention has been given to how central government regulations affect subnational governments' abilities to secure international aid. We apply insights from compliance theory (Etienne 2011 and Lindenberg & Steg, 2007) to examine how regulations influence subnational governments' collaboration that targets obtaining international aid. It advances that (1) regulations increase the costs of collaboration, negatively affecting the expected outcomes, and that (2) the performance effects of regulations are conditioned by a jurisdiction's degree of economic diversity.

Second, empirical studies of subnational governance are often conducted either at the municipal (e.g., Suzuki and Avellaneda 2018, Avellaneda and Gomes 2017) or provincial/state level (Avellaneda et al. 2019). But this study focuses on the collaborative behavior between provinces, municipalities, and rural parishes; and tests the effects of three layers of collaboration (province with province, province with municipalities, and province with municipalities and rural parishes) on their governance capacity to secure international aid. Understanding the performance effects of intergovernmental collaboration has practical and theoretical implications. So, to explain subnational government performance in terms of securing international aid, in addition to the effect of central regulations, the influence of provincial, municipal and rural parish collaboration should be accounted for.

Third, while abundant literature exists addressing intergovernmental collaboration (Agranoff and McGuire 2003, Feiock et al 2012, Gulati and Gargiulo 1999, Gulati et al 2012, O'Leary and Vij 2012, Lee and Lee 2020), understanding intergovernmental collaboration in developing and non-consolidated democracies needs further empirical studies. Using all Ecuadorian subnational collaborative arrangements involving provinces, municipalities, and rural parishes, we examine the international aid securing effects of regulations, subnational collaboration, and economic diversity, in the context of a developing economy with a non-consolidated democracy. Therefore, our longitudinal analyses help advance the explanation of governance capacity of subnational governments via intergovernmental collaboration, regulations, and economic diversity.

The remainder of this paper is structured as follows. In the next section, we briefly review the research area of government regulation and collaborative governance. Next, we provide a short review of literature on international aid policy and regulatory burden. Then, compliance theory is discussed to derive the two hypotheses tested in this study. This is followed by the study's case selection, methodology and statistical results. Then, we discuss the implications of our study for research on governance choices, list the study's limitations, and conclude.

2. Government Regulation on Collaborative Governance

Collaboration implies a governance process to coordinate interactions between partners. Collaborative governance consists of "processes and structures of public policy decision-making and management that engage people constructively across the boundaries of public agencies (…) in order to carry out a public purpose that could not otherwise be accomplished." (Emerson et al., 2012, p.2).

Major components that can influence the performance of collaborative governance have been described in the literature (see Bryson, Crosby, & Stone, 2015 for a revision). Specifically, Emerson et al. (2012) include regulations as part of the context of a collaboration. Regulations are part of policies or legal frameworks that can drive organizations to collaborate or hinder opportunities for collaborating (Emerson & Nabatchi, 2015a). For example, regulations determine whether a collaboration is mandated or non-mandated for implementing a public program.

Collaborative governance is conditional on the antecedents of the collaboration (Bryson et al 2006). Mandated collaborations have to comply with formal planning structures to meet government regulations, while in non-mandated collaborations planning is emergent. For instance, a case for mandated collaboration is the Drug-Free Communities Support Program. The Office of National Drug Control Policy (ONDCP) in the White House provides grants to community coalitions to prevent and reduce youth substance use that is based on the Drug-Free Communities Act of 1997. To become a grant recipient, community coalitions are composed of 12 local organizations that coordinate actions to comply with particular conditions, such as deliver a plan with measurable objectives and incorporate information systems to report back to the government agency (ONDCP, 2019).

Some favor or oppose legislation for formalizing collaborative structures to implement public policy (see Bingham, 2010; Coggins, 1999). However, discussions about whether organizations comply with regulations preconditioning their participation in collaborative governance are less frequent in the literature. In fact, the literature about regulatory compliance presents evidence about firms’ reactions with respect to government regulations to improve food safety, workplace safety, and to reduce air pollution, financial risk, among others (Henson & Heasman, 1998; Heyes, 2000; Leverty, 2012; Vickers, James, Smallbone, & Baldock, 2005). But studies analyzing regulatory compliance to join a collaboration in the public sector are uncommon.

Since government regulation without compliance is an oxymoron, scholars have proposed several theories to explain regulatory compliance (see Appari, Johnson, & Anthony, 2009; Etienne, 2010, 2011 for a review). These theories rely on different factors, such as institutional components (e.g., coercive power and isomorphic behavior) and rearrangement of preferences (e.g., normative, gain, and hedonic goals) to explain regulatory compliance (DiMaggio & Powell, 1983; Lindenberg & Steg, 2007). Moreover, research in economic performance refocuses the discussion of regulatory compliance to regulatory burden to highlight that a regulation is only justified when the compliance costs are lower than costs of market failure the regulation is trying to get around (Helm, 2006; Keyworth, 2006).

Meanwhile, to understand the dynamics of collaborative governance over time, researchers compiled several international cases of collaborative governance. The main contribution was to show how outputs and outcomes evolved as the components of collaboration changed over time. However, regulatory changes in the legal and policy frameworks of a collaboration were overlooked in previous studies (see Ulibarri et al., 2019). Thus, the need exists to understand whether regulatory compliance/burden influences the dynamics of a collaboration over time. This is important because the sustainability of collaborative processes is key to achieve long-term policy goals (Emerson & Nabatchi, 2015b).

Building on previous findings, this paper investigates whether regulations against CSOs operating in the international-aid policy domain influences collaborative capacity in securing foreign aid. Specifically, using Etienne (2011)'s goal framework approach to regulatory compliance, this study contributes to the literature in public administration and regulation by testing effects of regulations targeting CSOs and their willingness to establish cross-sector collaborations with subnational government partnerships to donate foreign aid.

3. International aid policy and regulatory burden

The policy and legal framework of international aid becomes ideal for studying whether government regulations alter the effectiveness of collaborative governance over time. The international-aid system has changed over the last decades due to criticisms about its effectiveness in contributing to the development of aid-recipient countries. The international community agreed to coordinate and align international-aid resources based on aid-recipient countries' national priorities (OECD, 2005). The new vision about the role of international aid is reflected in the change of scope of the Sustainable Development Goals (SDG), in comparison to Millennium Development Goals (MDG). SDGs envision global partnerships for sustainable development as collaborations, making use of international aid resources following aid-recipient countries' planning strategies to achieve priorities in line with SDGs. This differs from MDG in which global partnerships ignored the leadership role of aid-recipient countries to manage international aid resources (MDG, 2000; SDG, 2016).

CSOs have been key partners for economic development in the international aid system (Frantz, 1987; Ghaus-Pasha, 2004). NGOs are part of the overall body of CSOs (see Mercer, 2002) and NGOs' lack of effectiveness to tackle long-term structural change to increase development and reduce poverty has been widely recognized (Banks & Hulme, 2012; Banks, Hulme, & Edwards, 2015; Murray & Overton, 2011). In fact, literature calls for stopping to assume the global international- aid system never interferes with the sovereignty of aid-recipient countries (Tvedt, 1998, 2002). To avoid intrusion in domestic matters, governments started placing significant regulations on CSOs (e.g., NGOs) (Bloodgood, Tremblay-Boire, & Prakash, 2014; Dupuy, Ron, & Prakash, 2016).

Across countries, different sets of regulations target NGOs. The degree and nature of regulations may be determined by political leaders' perceptions of whether NGOs players represent a threat to their political survival by changing the political order. This view falls in line with empirical findings associating government overregulation with low-level trust contexts (see Charron, Harring, & Lapuente, 2021 for a reference). In this sense, regulatory burden against NGOs involves: 1) requirements to obtain legal status for operating in a country, 2) government discretion to approve their legal status, and 3) complexity of the overall regulation (Bloodgood, Tremblay-Boire, & Prakash, 2014; Dupuy, Ron, & Prakash, 2016).

In regards to regulations, Mitchell and Schmitz (2014) coined the term "principled instrumentalism" (p.489) to describe how foreign NGOs pursue their missions subject to regulatory constraints and looking for political opportunities in aid-recipient countries. Likewise, Heiss and Kelley (2017) describe how regulatory pressures against foreign NGOs have increased over time, and Bratton (1989) shows how authoritarian governments in aid-recipient countries reduce the opportunities of NGOs to carry their missions through cooptation. In sum, the degree and scope of regulations targeting NGOs vary considerably across countries. Nevertheless, understanding the drivers of this variation is outside of this study's scope.

4. Compliance theory and the expected effects of regulatory burden

In a critique of compliance theories, Etienne (2011) proposed to borrow from Lindenberg's Goal Framing Theory (see Lindenberg & Steg, 2007 for more details) to integrate previous insights of compliance theory into a consistent framework. Etienne's main contribution is to highlight the distinct motivations to comply with a regulation. In doing so, to explain the odds of complying with a regulation, Etienne applies a three-goal framework: hedonic, normative, and gain. Relying on Etienne's compliance framework, this study assumes that CSOs (i.e., foreign NGOs) decide 1) to comply with regulations of international aid-recipient countries, or 2) to refocus their efforts toward countries with less regulations.

CSOs' motivations to comply with regulations and be allowed to be part of cross-sector collaborations may be financial incentives, intrinsic satisfaction, and/or normative concerns. In fact, literature presents examples of (a) non-profit organizations prioritizing a revenue-seeking behavior to diversify revenue strategies (Froelich, 1999), (b) non-profit organizational personnel mainly motivated by mission accomplishment (De Cooman, De Gieter, Pepermans, & Jegers, 2011), and (c) CSOs as advocates and promotors of societal norms and values (Finnemore & Sikkink, 1998).

Nonetheless, chances exist that certain regulations in aid-recipient countries discourage CSOs to operate in a country. Specifically, one way to understand regulatory compliance is to focus on how regulations influence organizations' goal prioritization (Etienne 2011). In this sense, regulatory burden may increase compliance costs (Leverty, 2012). As a result, organizations motivated by financial incentives (e.g., Froelich, 1999) may see their administrative costs increase, thus reducing their need or willingness to comply.

Moreover, evidence also shows that organizations comply with regulations due to fear of retaliation from regulatory agencies (Birnbaum, 1985). If so, organizations motivated by hedonic incentives (e.g., De Cooman et al., 2011) may see that regulations diminished their satisfaction, thus decreasing their odds of compliance. Nonetheless, organizations also comply when they believe in the normative importance of regulation (Burby, May, & Paterson, 1998; Finnemore & Sikkink, 1998). However, uncertainty about the merits of the regulation may discourage compliance. Consequently, this study's first hypothesis states the following:

Hypothesis 1: Aid-recipient countries' regulations targeting civil society organizations within the international aid policy domain should decrease the level of international aid secured through collaborative arrangements.

The diversity in the context of a collaboration also can add extra pressure to CSOs that are already subject to regulatory burden. Greater complexity in the context of the participating organizations is expected to (a) affect organizational motivations to comply with regulations (Etienne, 2010, 2011), (b) require more outward management to coordinate with more heterogeneous actors (O'Toole, Meier, & Nicholson-Crotty, 2005; O’Toole & Meier, 2014), and (c) have broader effect as more policy areas may be impacted.

For instance, managing collaborations in contexts with high economic diversity may be costly because this economic diversity may increase the costs of cooperation, coordination, and collaboration to accomplish collaborative arrangements’ goals (Gulati et al., 2012; White, 2005; White & Siu-Yun Lui, 2005). Consequently, context complexity is expected to discourage CSOs’ regulation compliance because operating in complex environments becomes more costly.

Hypothesis 2: Jurisdictional economic diversity negatively moderates the effect of regulations on securing international aid through cross-sector collaboration.

5. Regulatory policy targeting civil society organizations such NGOs in Ecuador

Ecuador is a particular well-suited case for studying how changes in the policy and legal frameworks affect outcomes of a collaborative arrangement over time. Ecuador is a democratic, decentralized, and unitary government. Its political administration includes 24 provinces (states), 221 cantons (counties), 412 urban parishes and 816 rural parishes (INEC, 2012). The decentralization process formally began with the implementation of the 19th Ecuadorian Constitution in 1998. In doing so, every subnational government was eligible to start its decentralization process by presenting a “decentralization plan” to the National Council of State Modernization (CRE, 1998).

However, some argue the 1997–1998 decentralization process was a failure because the central government submitted transfers to subnational governments without specifying their responsibilities (Paladines, 2005). As a result, local politicians promoted only the responsibilities that benefited their political careers. For this reason, this practice was called “a la carta” (Falconí & Bedón, 2012, p. 7). To fix that, the 2008 Constitution mandated standard responsibilities to all subnational governments (CRE, 2008; Falconí & Bedón, 2012).

Under the new system, the national government must transfer to subnational governments 21% of its permanent revenues and 10% of its non-permanent revenues. Sixty-seven percent of those resources are directly transferred to the municipalities, 27% to provinces, and 6% to rural parishes (COOTAD, 2010). Due to large dependencies on national transfers, subnational governments are encouraged to secure extra revenues through their own means. Obtaining foreign aid through international cooperation and NGOs becomes a potential funding source.

Ecuador has increased government regulation against CSOs in the last decade. The regulations increased for two reasons: 1) a vision toward aligning international aid with national priorities (OECD, 2005), as well as 2) a way to monitor and control CSOs' influence on Ecuadorian society. The second reason became determinant because CSOs had a key role during social mobilizations that overthrew three Ecuadorian presidents between 1997 and 2005 (see Appe, 2013; Bräutigam & Segarra, 2007 for details).

Table 01: International aid policy regulations between 2007 and 2017

Action	Details	Source
The Ecuadorian national government implemented international aid policy according to the guidelines of the Paris Declaration on Aid Effectiveness	The Ecuadorian government creates a national system for international cooperation aligned with the development priorities of the country. Representatives from subnational governments became part of the board of directors to administer international aid funds.	Presidential Decree No.699 (October 2007)
Ecuador enacted a new constitution	Subnational governments included the management of international cooperation among their constitutional responsibilities. Future legislation will define the mechanism for subnational governments to fulfill with this new responsibility.	Ecuadorian Constitution, articles 263, 264, and 267 (October 2008)
The Ecuadorian national government established regulations to foreign NGOs	Foreign NGOs must sign an agreement with the national government to operate in Ecuador. Foreign NGOs cannot engage in activities that are not approved by the national government.	Presidential Decree No.812 (July 2011)
The Ecuadorian national government devolved the responsibility to manage international cooperation to subnational governments	The Ecuadorian national government determined that subnational governments have the responsibility to bring non-reimbursable international cooperation to their communities without receiving new	Resolution 009-CNC (September 2011)

	resources from the national budget for the fulfillment of this responsibility.	
The Ecuadorian national government established regulations to civil society organizations	Civil society organizations need to comply with new requirements to receive its legal status. Foreign NGOs have among the requirements to receive legal status the fulfillment of Executive decree 812. The deadline to update the legal status is December 2014.	Presidential Decree No. 16 (June 2013)
The Ecuadorian national government abolished Presidential Decree No. 16	The Ecuadorian national government simplified the regulatory burden against civil society organizations.	Presidential Decree No. 193 (October 2017)

Table 1 summarizes the main laws and presidential decrees that regulate CSOs between 2007-2017. The Ecuadorian national government sought to sign agreements with foreign NGOs to increase accountability, transparency, and planning by fostering collaboration between governmental entities and CSOs (Appe, 2013). However, particularly the Presidential Decree No.16 imposed new requirements on civil society operating in Ecuador. These new requirements include minimum assets, apply or reapply to obtain legal status, and reporting information to the national government. The main regulatory burden registered in the literature is the perception of CSOs about the wide range of discretion the Ecuadorian national government had to renew the legal status of an organization. As a result, many CSOs ceased to operate in Ecuador or refocused their priorities to address unforeseen barriers the Presidential Decree No.16 imposed (Appe, 2018).

The academic debate about the effects of regulation against CSOs is not new in Ecuador. For instance, Appe (2015) described the protests that rural Ecuadorian women indigenous movements carried to demonstrate their dissatisfaction with the new regulations imposed on CSOs. The protests centered on the Ecuadorian government mandate for CSOs to have a minimum of $400 in assets to legally operate. The women indigenous movements considered this measure discriminatory and infeasible for the organizations with scare resources with which they typically associate. Additionally, Dupuy et al. (2016) included Ecuador in the list of countries in which the president has the power to cease CSOs for political reasons. This arbitrary factor generated uncertainty in the context in which CSOs operate in Ecuador.

It is important to highlight the Ecuadorian national government had a conflictive relationship with some CSOs during the presidential regime between 2007-2017 (see Becker, 2013). In fact, the regime 1) threatened or shut down ecological CSOs (e.g., Acción Ecológica, Fundación Pachamama) if they continued protesting against the presence of extractive industries in protected areas, such as national parks (see Lalander & Merimaa, 2018 for details), and 2) registered actions against free expression organizations (e.g., Fundamedios) due to their critical reports of freedom of the press in Ecuador (see House, 2017 for details). However, it is less evident whether the new set of regulations targeting CSOs had an effect on subnational partnerships' effectiveness to secure international aid. For this reason, this study undertakes this analysis.

6. Data

The unit of analysis of this study is the province-year. The analysis examined the level of international aid funds in the Ecuadorian provinces between 2007 and 2018 because of (a) data availability starts in this timeframe, (b) the devolution of the responsibility to manage international aid funds from the national to the subnational governments started at the end of 2011, and (c) the effect of the regulatory burden against CSOs can be assessed after 2014.

Data for this study come from several Ecuadorian public organizations at the national level. The Ministry of Foreign Relationships and Human Mobility (MREMH for its acronym in Spanish) maintained a database that includes the amount of foreign aid reported by donors since 2007. The data is publicly available, but province level data between 2007 and 2018 was made available after an official request.

Moreover, this study includes information of all subnational government partnerships created to manage international cooperation between 2011 and 2018 at the province level. The Territorial Organization section in the Ecuadorian Constitution allows subnational governments to form "mancomunidades" (e.g., inter-governmental cooperation) for managing their responsibilities (CRE, 2008, Art. 243). For example, a province can join another province and/or other municipalities to apply and secure foreign aid. Ecuadorian legislation requires subnational governments to officially register a partnership specifying the purpose of the collaborative endeavor (COOTAD, Art. 286-

287). The National Council of Competencies (CNC for its acronym in Spanish) established an administrative register for every subnational government partnership created to fulfill their competencies (responsibilities) since 2011. The CNC is responsible for evaluating the fulfillment of the inter-governmental partnerships, and it keeps administrative records including membership and purpose(s) of each partnership (COOTAD, Art. 287). The CNC provided a list of all the subnational government agreements, along with their memberships and purposes, registered between 2011 and 2018 after an official request (CNC, 2019).

Information to capture subnational economic diversity comes from the National Accounts (BCE, 2019). Other provincial characteristics come from the Ministry of Economy and Finance (MEF for its acronym in Spanish) and the National Institute of Statistics and Census (INEC for its acronym in Spanish). The resulting database is a balanced panel covering 262 province-year observations. Descriptive statistics for the variables used in this research are detailed in Table 2.

Table 02: Summary Statistics

	Mean	Std. Dev.	Min	Max
Dependent variable				
International aid (US$ thousand)	4.76	23.08	0	203.11
Independent variables				
Regulation to civil society organizations (yes=1)	0.33	0.47	0	1
One-level partnership (yes=1)	0.25	0.43	0	1
Two-level partnership (yes=1)	0.08	0.28	0	1
Three-level partnership (yes=1)	0.09	0.29	0	1
Economic diversity	0.84	0.19	0.08	0.94
Control variables				
International cooperation devolution policy (yes=1)	0.58	0.49	0	1
Central government international aid (U.S. $ thousand)	1746.48	2192.04	0.00	16915.36
Donor suppliers index	0.00	1.00	-1.79	3.05

Fiscal dependence (%)	69.31	13.95	19.34	99.36
Poverty (%)	41.51	13.99	10.50	76.10
Gross domestic product (U.S. $ million)	3343.05	5612.33	141.67	26406.87
Population (thousand)	650.02	894.00	23.46	4267.89

7. Dependent Variable

The MREMH database provides international aid funds that donors declared having transferred to subnational government partnerships at the province level. This is the measure of organizational performance (e.g., provincial performance) in this study, and it refers to non-reimbursable international cooperation in U.S. dollars that a provincial government obtained through subnational government partnerships.

8. Independent Variables

The set of regulations targeting CSOs was implemented after the introduction of the Presidential Decree No.16 in June 2013. This study includes a dichotomous variable, regulatory burden, to capture overregulation. The overregulation variable is equal to one (1) between 2015 and 2018 and zero (0) otherwise. This is because the deadline to comply with the requirements to renew or obtain legal status for CSOs (e.g., foreign NGOs) ended in December 2014. As a result, CSOs that failed to comply with Presidential Decree No.16 were no longer allowed to operate in Ecuador starting in January 2015.

The CNC database identifies which provinces have a partnership with other subnational governments (e.g., provinces and/or municipalities and/or rural parishes) to manage international cooperation. Since the Ecuadorian subnational governments officially became responsible for managing international cooperation in October 2011, partnerships with the mission to obtain international cooperation appear registered since 2011. This study disaggregates the subnational partnerships into three types: 1) one-level partnerships represent collaborations between provinces, 2) two-level partnerships represent collaborations between provinces and municipalities, and 3) three-level partnerships represent collaborations between provinces, municipalities, and rural parishes.

Using data for the Ecuadorian national accounts at the province level, a Blau index represents the level of economic diversity for each province. Following the International Standard Industrial Classification of All Economic Activities (ISIC), the BCE represents

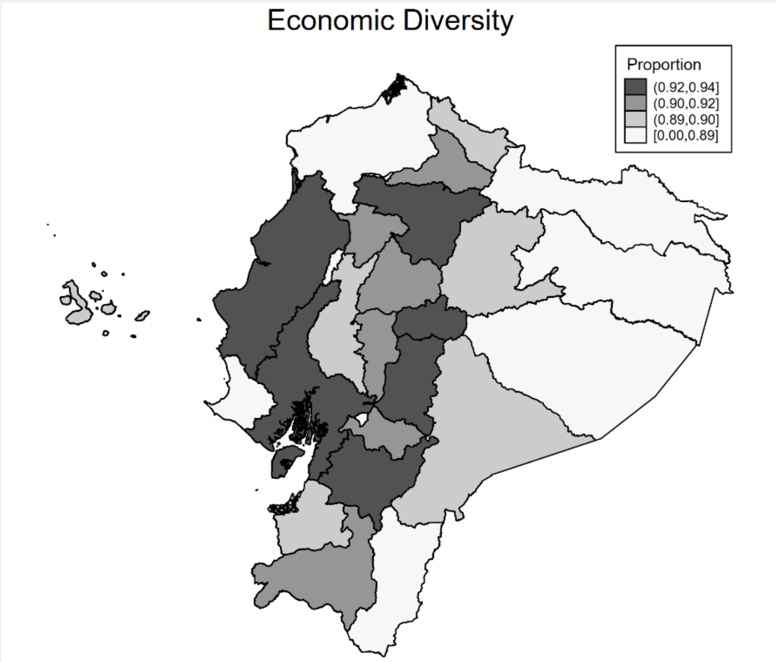
47 industries to calculate the gross domestic product at the province level. This study operationalizes economic diversity with the following formula:

$$EconomicDiversity=1-\sum_{i=1}^{47} \rho_i^2$$

Where ρ_i is the proportion of each industry in the gross domestic product of each province. A high value of economic diversity means the economy of a given province depends on a higher number of industries. As a result, the level of economic diversity is higher in comparison to the scenario in which the economy of a province depends only on a few industries.

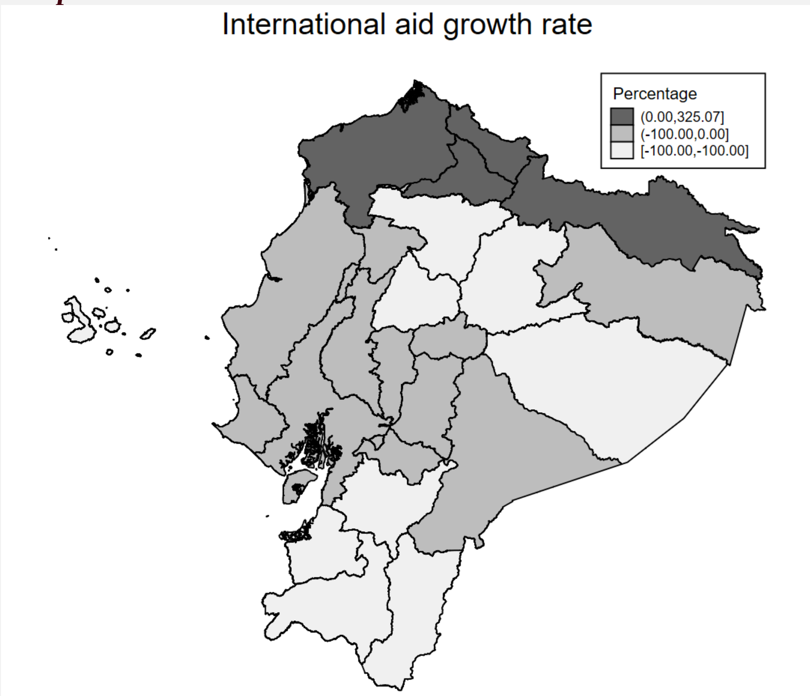
Figure 1 shows the level of economic diversity across all 24 Ecuadorian provinces. Interestingly, it appears to be a relationship between the level of economic diversity and the international aid growth rate at the province level in Figure 2. Those provinces with a high level of economic diversity showed no increase in international aid after CSOs had to comply with new regulations to maintain legal status.

Figure 01: Average economic diversity across the 24 Ecuadorian provinces between 2007 and 2018.Control Variables



Note: This figure was created using STATA-16 *spmap* function.

Figure 02: Growth rate between average international aid for the period 2007-2014 and the period 2015-2018.



Note: This figure was created using STATA-16 *spmap* function.

The Resolution 009-CNC in September 2011 officially devolved from national to subnational governments the responsibility to manage (e.g., applying, securing, administrating, and implementing) international cooperation. For that reason, this study included a dichotomous variable equal to one (1) from 2012 until 2018; and zero (0) prior to 2012 to control for the implementation of the devolution policy.

Other controls included provincial characteristics expected to affect the provincial capacity to secure international aid funds. First, some provinces may have more supply of donors interested in supplying international aid in their jurisdictions. For that reason, this study added an index score generated from a factor analysis of 1) the number of countries, and 2) the number of organizations channeling international aid funds to a given province. Third, the level of financial support from the central government varies across time and between provinces. For that reason, the analysis included national transferences as a proportion of total revenues (i.e., fiscal dependence) for each province, as well as the amount of international aid the central government redirected to the provinces. Although subnational governments are in charge of managing international aid, the central government still may share with the provinces additional international aid channeled through central agencies. Finally, the analysis included the poverty level, the size of the economy, and the population at the province level.

9. Methods

All models used two-way fixed effects regression to analyze within-province changes and include over-time trends that can affect cross-sectional time-series. The equation below derived the main findings for this study:

$$Y_{pt} = \beta_0 + \beta_1 Decree16_{pt} + \beta_2 Collaboration_{pt} + \beta_3 Diversity_{pt} + \beta_4 (Collaboration_{mt} \, X \, Diversity_{pt}) + X'_{pt} + u_p + v_t + \varepsilon_{pt}$$

where, Y_{pt} represents the international aid funds in province p at time t, $Decree16_{pt}$ represents the overregulation to CSOs, $Collaboration_{pt}$ represents the partnerships adopted in province p at time t, $Diversity_{pt}$ represents economic diversity in province p at time t, and its interaction with $Collaboration_{pt}$ examines the moderator effect on organizational performance, X'_{mt} is a vector of time variant control variables, u_p are province fixed-effects, and v_t are year fixed-effects. Standard errors are clustered at the province level and all control variables are lagged one period, except devolution policy.

10. Findings

The results of model 1 for the period between 2007 and 2014 are presented in column 1 of Table 3. Results in column 1 of Table 3 show the effect of both subnational partnerships and economic diversity on organizational performance before CSOs had to comply with the regulations established by the Presidential Decree No.16 of 2013. Only one-level subnational partnerships (i.e., collaborations between provinces) are statistically significant and positively associated with the level of international aid, even in provincial contexts with high economic diversity. Additionally, while three-level subnational partnerships (collaboration between provinces, municipalities, and rural parishes) are associated with an increment of international aid, the interaction with economic diversity is not statistically significant.

The results of model 2 in column 2 of Table 3 capture the effect of regulatory burden (Decree No.16 of June 2013) on organizational performance. The results in column 2 of Table 3 suggest regulations targeting CSOs had a negative effect on both 1) the level of international aid, and 2) the effectiveness of subnational partnerships to obtain international aid. That is, between 2012-2014 subnational partnerships were more effective in obtaining international aid. This means that provinces secured more international aid prior (a) they were handed over the responsibility to manage international aid and (b) before the regulations of Decree No.16 of June 2013 were implemented.

Before analyzing the results for the moderator effect of economic diversity on the relationship between collaboration and performance, it is worth noting that fiscal dependency was the only control variable that was statistically significant in Table 3. Provinces with higher dependence on central government transferences to generate revenues received less international aid funds. In fact, one percentage point increase in fiscal dependency was associated with a 1% reduction of international aid funds.

The results of column 2 in Table 3 include the interaction effect between different types of subnational partnerships and the centered value of economic diversification to reduce the multicollinearity level in this model specification. In fact, the variance inflation factor (VIF) after including the interaction terms does not signal multicollinearity. The highest VIF score among the interacted variables is 6.43. Given only three-level partnerships had a statistically significant relation with the level of international aid funds, the interaction term between three-level partnerships and the centered value of economic diversification provides the result to analyze the second hypothesis of this study. Findings suggest the effectiveness of collaboration on securing international aid decreases as the level of provincial economic diversity increases.

Table 03: The effects of regulatory policy, collaboration, and economic diversity on international aid between 2007-2014 (M1) and 2007-2018 (M2).

	M1: International aid 2007-2014 (lg)	M2: International aid 2007-2018 (lg)
Regulatory policy (since 2014)		-1.1026^{*}
		(0.3970)
One-level partnership (yes=1)	0.5999^{*}	0.5166^{+}
	(0.2514)	(0.2571)
Two-level partnership (yes=1)	0.4494	0.3052
	(0.3166)	(0.3610)
Three-level partnership (yes=1)	2.1167^{***}	0.6595^{+}

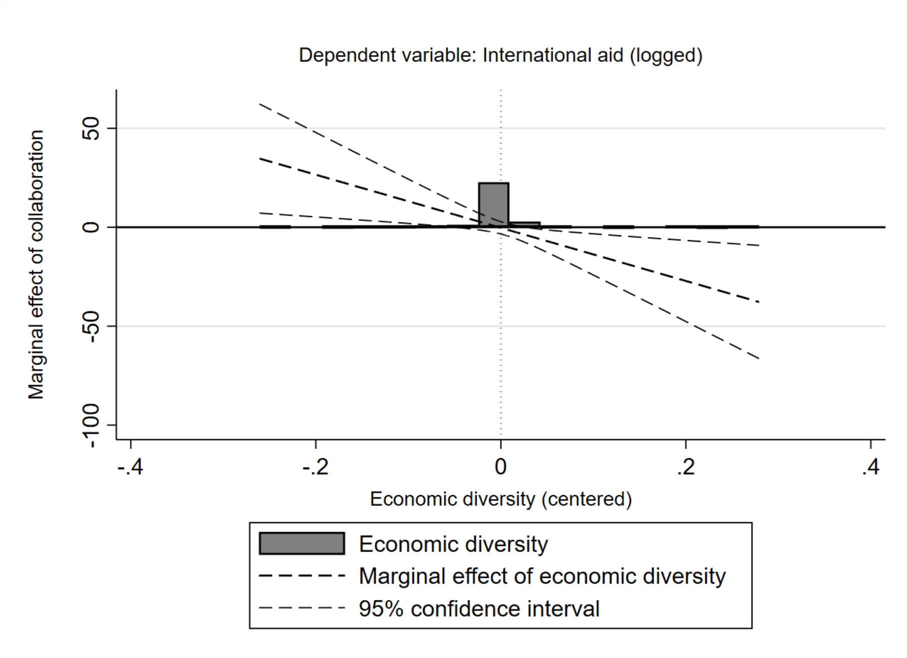
	(0.1625)	(0.3291)
Economic diversity (ED)	2.6396*	-0.3020
	(1.2245)	(1.5906)
One-level X ED	8.5005**	-0.0820
	(2.8233)	(1.3431)
Two-level X ED	-4.3253	5.3029**
	(4.1186)	(1.6040)
Three-level X ED	-41.7021	-134.2536*
	(69.0976)	(52.7621)
International cooperation devolution policy	1.1600+	0.7572
	(0.5944)	(0.4861)
Central government international aid (logged)	-0.0166	-0.0321
	(0.0913)	(0.0581)
Donor suppliers index	-0.1622	0.4923
	(0.3133)	(0.3333)
Fiscal dependency (%)	-0.0125*	-0.0102+
	(0.0052)	(0.0057)
Poverty (%)	-0.0094	-0.0105
	(0.0093)	(0.0073)
Gross domestic product (logged)	-1.0576	-0.3408
	(0.6625)	(0.4285)
Population (thousand)	0.0001	-0.0013
	(0.0018)	(0.0010)
Constant	8.8350+	4.8557
	(4.5621)	(3.2981)
Province fixed-effects	Yes	Yes

Year fixed-effects	Yes	Yes
Observations	166	262
Province	24	24
R^2: within	0.3213	0.2544

Cluster standard errors in parentheses: + p < 0.10, * p < 0.05, ** p < 0.01, *** p < 0.001
Note: All control variables are lagged one period.

The moderating effect of economic diversity varies and this relationship is easier to interpret graphically. Figure 3 shows the marginal effect of partnerships between the three-level of subnational governments on the amount of international aid, as the level of economic diversity changes. The vertical line in Figure 3 represents the mean value of the cantered variable of economic diversity. While the direct effect of collaboration between subnational governments has a positive effect on the level of international aid, provinces with economic diversity above the average neutralize the positive effect of collaboration, venturing into a negative marginal effect.

Figure 03: Marginal effect of collaboration on international aid as economic diversity changes between 2007 and 2018.Conclusions



The results of the present study suggest changes in the policy and legal frameworks during the life cycle of partnerships influences the expected outcomes of collaboration. Regulatory burden discouraged CSOs from complying with further regulations. As a result, the effectiveness of subnational partnerships to capture international aid resources for their communities was limited.

Additionally, this study shows how the negative effects of regulatory burden amplified in provinces with high economic diversity. This is because diversity increases the complexity in the context of an organization, and organizations need to spend more resources to coordinate with their external environment. Also, economic diversity involves more areas potentially qualifiable to apply for international cooperation, increasing the chances of a larger number of CSOs to become overregulated.

Our results imply that regulatory burden can hinder the outcomes expected from collaborative governance. Moreover, the economic context of a jurisdiction seems to exacerbate the negative effects of regulations. This study presents evidence that government regulations condition how an organization can exploit diversity in its external environment to their benefit. Diversity has the potential for innovation; however, regulations jeopardized the potential benefits of diversity.

This study does not go without limitations. First, the analysis relies on international aid funds as a performance measure. Future studies should evaluate the regulatory effects on other dimensions of collaborative governance such as aid-recipient jurisdictions' economic development, etc. Moreover, when possible, future studies should capture the sectoral diversity of all the partners of a collaborative arrangement. While this study used economic diversity to indirectly represent the level of sectoral diversity in a collaboration, it encourages further analysis and concept operationalizations to better understand the effects of diversity on collaborative governance.

The main findings are a starting point and contribution toward understanding the effect of regulations on the performance of collaborative governance. This is important since collaboration can lead to benefits when it takes place in contexts with legal frameworks that encourage rather than discourage collaborators. Our findings call for effective policy interventions that permit the attainment of collaborative goals.

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