Multilateral Aid, Multiple Principals, and Agency Autonomy*

Katherine V. Bryant
PhD Candidate
Department of Political Science
Texas A&M University
kbryant@tamu.edu

September 3, 2015

Abstract

This paper provides a first step in examining how a key organizational characteristic–autonomy–affects the ability of multilateral aid agencies to provide effective development assistance. While previous work has consistently demonstrated how differences in bilateral aid agencies impact their allocation and effectiveness, none have yet systematically examined how diversity within multilateral aid agencies can have similarly disparate impacts. As multilateral aid constitutes over a third of international development assistance, it is essential that research investigate organizational differences within these agencies as well. I take the first step here in two ways. First, I discuss the theoretical implications of how varying levels of agency autonomy resulting from multiple principals can impact multilateral aid effectiveness. Second, I present an original dataset documenting agency autonomy using voting rules and funding patterns. The results demonstrate that the widespread variation that exists among multilateral aid agencies, and also have strong implications for future studies regarding multilateral aid.

*Paper to be presented September 3rd at the 2015 Annual Meeting of the American Political Science Association in San Francisco, CA.

Introduction

Since the beginning of the foreign aid era, no question has been more studied than that of aid effectiveness. After more than half a century of research by aid scholars and practitioners, one of the most supported findings in this area is that donor characteristics and motivations are key factors affecting their aid allocation patterns and ultimate effectiveness. These studies have demonstrated that the political and economic motivations of donor states have a strong influence in determining who gets aid, how much, and in what form (e.g. Schraeder, Hook and Taylor (1998); Alesina and Dollar (2000); Tierney et al. (2011)). The problem with this is that the provision of aid to allies or trading partners can be ineffective, as it is not usually used in a manner conducive to development (Bobba and Powell, 2007). One potential solution to this problem is for states to provide aid through multilateral aid agencies, which have been found to be motivated more by issues of recipient need and good institutions rather than political factors (Burnside and Dollar, 2000; Alesina and Weder, 2002; Dollar and Levin, 2006). However, studies of aid effectiveness have not reached consistent conclusions regarding the impact of multilateral aid. While studies by Headey (2008) and Minoiu and Reddy (2010) find a positive relationship between multilateral aid and growth, Ram (2004) and Rajan and Subramanian (2008) reach the opposite conclusion. Thus, the puzzle is that while aid allocation studies expect a positive relationship between multilateral aid and effectiveness, this has largely not been substantiated in the literature. My argument here is that the source of this discrepancy lies in the organizational characteristics of multilateral aid agencies. While past work has consistently documented how variations within bilateral aid agencies impact their effectiveness, none have yet examined if variations within multilateral aid agencies have similarly disparate impacts.

I address this puzzle of multilateral aid effectiveness by focusing on a single organizational characteristic: agency autonomy. In a broad sense, autonomy can be defined as the ability of an organization to act independently. Autonomy is an interesting organizational characteristic because it effects organizational performance indirectly rather than directly. Autonomy does not determine the goals that the organization has, nor does it determine the budget or human capital of an organization. However, the ability of the organization to effectively pursue its goals and utilize its endowments in a positive manner is highly dependent on organizational autonomy. The issue of bureaucratic "red-tape" and its consequences have been the focus on many studies of governmental organizational performance (Wilson, 1989). Brewer and Selden (2000), for instance, describe how excessive managerial levels inhibit organization effectiveness. Rainey and Steinbauer (1999) highlight this further, stating that, "Autonomy to manage its mission and tasks tends to enhance an agency's performance..." (p. 16). For foreign aid agencies, this relationship is best approached using the principal-agent model, in which the principal (donor) delegates authority to an agent (aid agency). The problem for aid agencies is that while they are created to address development, at the same time, donor governments can obtain short term domestic gains by using foreign aid funds to further their own geopolitical interests. Therefore, a time-inconsistency issue arises, much the same as that faced by national governments in setting monetary policy (Kydland and Prescott, 1977; Barro and Gordon, 1983*a*). On the one hand, donor governments have mandated aid agencies to promote development. On the other, they also have an incentive to use foreign aid to advance their own domestic interests. Therefore it is important for evaluations of multilateral aid effectiveness to incorporate a measure of agency autonomy in their analyses, as it is a key factor that can determine the ability of the agency to pursue their own interests rather than those of their principals, which may be counterproductive to development.

In this paper, I take the first step in addressing this puzzle by creating an original dataset measuring multilateral agency autonomy. Specifically, my dataset examines how agency voting procedures and funding patterns affect the autonomy of forty multilateral aid agencies through the presence of multiple principals. When agencies are responsible to a higher number of principals, their autonomy is expected to increase, as they are less dependent on each of their principals for both approval and funding. However, when an agency is responsible to a smaller group of principals, its autonomy should diminish.

The remainder of this paper proceeds as follows. I first describe the insights principal-agent models can provide for the issue of agency autonomy. As the impact of autonomy is also highly dependent on the amount of preference divergence between the principal and the agent, in the next section, I document the preferences of donor governments and multilateral aid agencies, and describe resulting agency policies. Third, I describe in more detail how resulting agency policies are affected by the presence of multiple principals. I then measure this using agency voting procedures and funding patterns. I discuss each of these factors individually before combining them into a composite index of agency autonomy. I conclude by discussing the implications of this new information for future studies of multilateral aid effectiveness.

Principal-Agent Models and Agency Autonomy

Autonomy is a multifaceted concept that is a key factor in studies of principal-agent theory. As noted above, in a principal-agent model, the principal delegates authority to an agent with the expectation that the agent will pursue the principal's interests. However, as the agent also has their own preferences, the principal must find ways to entice the agent to act in such a way that maximizes their utility (Ross, 1973; Mitnick, 1973). The agent, meanwhile, faces a decision of pursuing their own self-interests versus those of their principal. It is at this point that agent autonomy becomes a crucial factor. Offering a broad definition in their study of delegation to international organizations, Hawkins et al. (2006) define autonomy as, "the range of potential independent action available to an agent after the principal has established mechanisms of control" (p. 8). There are two key components of this definition that it is important to highlight. The first is that autonomy determines the agent's "range of potential independent action." If the agent has sufficient levels of autonomy, they are able to pursue their own interests above those of their principal. Principals, on the other hand, want to delegate to an agent that shares their preferences in order to maximize their own utility. When the preferences of the principal and agent diverge, delegation can be costly, as the agent may not pursue policies that are preferred by the principal. As discussed by Jensen and Meckling (1976), the magnitude of these costs depends upon the divergence between the principal's and the agent's preferences, as well as the effort that the principal exerts in order to control agent behavior. However, the ability of a principal to delegate to an agent that perfectly reflects their preferences can only be achieved under conditions of complete information. In reality, this is unlikely to occur, as agents can engage in "hidden action", or can disguise their actions through "hidden information" (Arrow, 1985). Thus, due to asymmetric information, the principal can rarely be certain that the agent fully shares its preferences.

Because principals can never be certain that they are delegating to an agent that truly shares their preferences, they can attempt to mitigate the potential losses of delegation by limiting agent autonomy. This leads to the second key component of the definition provided by Hawkins et al. (2003), which is that autonomy is dependent upon the principal's "established mechanisms of control." As detailed in studies of congressional delegation, principals often restrict the actions of their agents because of concerns of adverse selection and moral hazard, whereby the agent pursues policies that diminish the potential gains of the principal (Pollack, 2003). Carpenter (2001) succinctly describes this problem, known as agency slack, as when, "bureaucrats take actions consistent with their own wishes, actions to which politicians and organized interests defer even though they would prefer that other actions (or no action at all) be taken" (p. 4). Agency slack can manifest itself in two ways: shirking and slippage (McCubbins and Page, 1987). Shirking occurs when agents engage in limited efforts on behalf of the principal. Slippage occurs when agents shift their preferences away from those of the principal (McCubbins and Page, 1987). Both can diminish the utility of the principal while increasing the utility of the agent. Thus, while principals are eager to benefit from delegation, they are simultaneously wary of agents slacking, as it is costly for them.

Autonomy is therefore important because it determines the ability of the agency to pursue their own preferences rather than those of their donors. Thus, I offer a more specific definition of autonomy in the context of foreign aid agencies as: *the ability of the agency to pursue independent aid policies and achieve its mission and purpose.*[1] When autonomy increases, agencies have greater independence from their donor governments, and consequently a greater ability to pursue their own interests. Donor governments, on the other hand, may resist such attempts by aid agencies to increase their levels of autonomy, especially when they do not share the preferences of the agency, as delegating to agents with divergent preferences can lead to problems of moral hazard and adverse selection (Jensen and Meckling, 1976). Therefore, the autonomy of the agency is of critical concern for both the donor and the agency alike.

[1] In addition to Hawkins et al. (2003), I draw on two other sources for my definition of agency autonomy. The first is from Lancaster (1999), who defines autonomy in the context of foreign aid agencies as, "the ability of an organization to make policy decisions to achieve its mission and purposes" (p. 78). The second is from Haftel and Thompson (2006), who propose a similar concept of independence in their study of international organizations, stating that, "...independence for an IO is the ability to operate in a manner that is insulated from the influence of other political actors–especially states" (p. 256). In my definition I capture both the emphasis on independence from Haftel and Thompson (2006) as well as the pursuit of agency mission as emphasized by Lancaster (1999).

Preferences and Agency Policies

Multilateral agencies are, at their core, created by and ultimately held accountable to donor governments. As a result, the agency's decisions as to where, when, and how to distribute their aid, and thus ultimately their effectiveness, are dependent on their autonomy from donor governments. While previous studies have examined when donor governments will contribute to multilateral aid agencies (McLean, 2012; Schneider and Tobin, 2013), as well as donor attempts to control agency behavior (Nielson and Tierney, 2003; Buntaine, 2014; Vreeland, 2007), my contribution here is to highlight how autonomy is also a key factor that can influence agency behavior and ultimate effectiveness. Essentially, the ability of the multilateral agency to pursue independent aid policies is influenced by their relationship with their principals. In particular, the preferences of both the multilateral agency and the donor governments determines how each actor ideally wants the agency to spend its funds. Once the donor government has delegated to a multilateral agency, autonomy determines the agency's ability pursue their own preferences. To examine the impact of autonomy, we must therefore first account for the preferences of both actors regarding the use of multilateral foreign aid. In this section, I examine how the preferences of donor governments and aid agencies interact along with autonomy to influence multilateral aid policies.

Donor Preferences

What are the preferences of donor governments regarding multilateral aid spending? Examining past behavior suggests that an apparent contradiction exists between donor preferences. On the one hand, donor governments consistently use their bilateral aid as a foreign policy tool to help promote their domestic geopolitical and commercial interests (Alesina and Dollar, 2000; Bueno de Mesquita and Smith, 2007, 2009; Tierney et al., 2011;

Radelet, 2006; Younas, 2008; Lundsgaarde, Breunig and Prakash, 2010). At the same time, however, donor governments create multilateral aid agencies with the stated purposes of addressing critical development concerns. How are we to reconcile these seemingly contradictory behaviors? There are three potential answers to this question. The first is that the donor government genuinely prefers that aid be used to address development concerns. However, knowing that domestic political constraints, such as special interest groups, will resist this, the donor government chooses to allocate aid to an agency which is known to have development as their primary goal, thereby locking in their preference for developmental aid programs. The problem is essentially that the government has a time-inconsistent problem, in that they may currently prefer to distribute aid to promote development, but they are unable to commit to these preferences over a longer time horizon.[2] International organizations are often utilized in this way, allowing states to commit themselves to policies that may not be in their future interests (Fearon, 1997). For example, Elkins, Guzman and Simmons (2006) describe the usefulness of international organizations in tying states hands for dispute resolution mechanisms in international investment treaties. Bernhard, Broz and Clark (2002) make an analogous argument in the context of exchange rates, as do Simmons and Danner (2010) for the creation of the ICC. Milner (2006) applies credible commitment theory to multilateral aid agencies, and describes how they provide a way for governments to signal that they are pursuing developmentally oriented aid policies.

The second possibility is that states are not genuinely committed to multilateral aid agencies only pursuing developmentally oriented goals. In this case, delegation can be seen as a form of "cheap talk." In addition to the documented geopolitical motivations inherent in bilateral aid, this domestic self-interest also seems suffuse the principal-agent relationship in multilateral aid agencies. For example, some argue that the creation of the AsDB in

[2]Similar time inconsistency issues have been discussed widely in the context of domestic monetary policy (Kydland and Prescott, 1977; Barro and Gordon, 1983*a*,*b*; Rogoff, 1985).

1966 was motivated by a Japanese interest in its less developed neighbors as potential trading partners and sources of raw materials (Hicks et al., 2010), while the U.S. hoped to use the AsDB to support its military in Vietnam (Kappagoda, 1995). Agencies such as the International Monetary Fund (IMF) are replete with anecdotes of donors pressuring and manipulating agencies to adhere to their interests rather than established agency goals and policies. Vreeland (2007) even argues that in order for the IMF to truly advance development, its Executive Board needs to be insulated from political pressures. He states that, "If the governance of the IMF is freed from pursuing foreign policy objectives, the institution might be able to function more closely to its mandate" (Vreeland, 2007, p. 136). Similarly, Stone (2008) describes how the U.S. can use its preponderance of power within the IMF to "capture" the organization and manipulate conditionality programs to suit its strategic interests during times of crisis in politically important recipient countries, which undermines the long-term goals of the organization. In a study of three multilateral development banks, Humphrey (2014) details how the composition of the agency in terms of borrowers and non-borrowers strongly influences the interest rates that are attached to these loans. Humphrey (2014) finds that the IDB, which is balanced between borrowers and non-borrowers, and the Andean Development Corporation (CAF), which is controlled by borrowers, offer cheaper loans compared to the World Bank, which is controlled by non-borrowers. Despite being the largest development bank of the three, the World Bank sets higher interest rates in order to boost their income and protect the interests of their donor states. Thus, even though the World Bank has the potential to offer more developmentally oriented loans than the other two development banks because it is wealthier, it chooses not to do so because of the constraints imposed on it by its principals.

A third possibility is that donor governments prefer multilateral aid agencies serve both functions. In this case, donors use multilateral agencies in order to satisfy their dual desires of promoting development goals, as well as their own geopolitical interests. This blended view of donor preference for multilateral aid spending reflects the motivations of the founding of the modern foreign aid regime. While Lumsdaine (1993) argues that a sense of "humanitarian internationalism" was the main driving force behind the Marshall Plan and subsequent aid programs, whereby developed countries had a responsibility to assist those that were struggling with poverty, others have argued that U.S. hegemony, the growing threat of communism, and an acknowledgement of the potential domestic economic benefits foreign aid would provide were also key motivations (Wood, 1986).[3] From this viewpoint, donor governments are not necessarily development adverse, nor are they entirely altruistic in their motivations. Rather, their purposes are more complex in that they are supportive of development for the sake of alleviating poverty, but also recognize the political and commercial benefits that development can provide, such as securing military allies and gaining access to new trade partners.

Having examined past studies of bilateral aid allocation, as well as attempts by donor governments to influence multilateral aid policies in favor of their own domestic interests, I argue that it is unlikely donor governments prefer that multilateral aid agencies solely address development concerns. Instead, their preference is more likely that these agencies pursue domestic interests in addition to addressing poverty. While poverty concerns may have been a driving force for the creation of many multilateral agencies, as argued by Lumsdaine (1993), a substantial amount of evidence suggests that donor governments have not maintained these altruistic motivations. It is now common for donor governments to use foreign aid to support their own geopolitical and commercial interests, and given the many well-documented attempts of donor governments to use multilateral aid in a similar

[3] Lumsdaine (1993) disagrees with this, and continues to argue that each of these factors were insufficient in explaining the foundation of the modern foreign aid regime. For more details on his arguments, see Lumsdaine (1993, pp. 51-62).

manner, I conclude that their preference is that multilateral aid be used in a similarly donor-oriented manner. This is not to say that donor governments never want multilateral aid agencies to take action relating to poverty, as in many cases they undoubtedly do. However, it is unlikely that donor motives are able to remain altruistic for an extended period of time.

Multilateral Preferences

What then are the preferences of multilateral agencies? While the above discussion indicates that donor governments have selfish, or at best, mixed motives regarding multilateral aid spending, we must also ask if multilateral aid agencies have variable preferences as well. Numerous studies have indicated that the primary goal and motivation of multilateral aid agencies is to promote development, reflected in the fact that these agencies generally provide aid to poorer recipients and those with good political institutions (Alfred Maizels, 1984; Burnside and Dollar, 2000; Dollar and Levin, 2006; Alesina and Weder, 2002). This evidence suggests that a majority of the time, multilateral aid agencies act as *faithful agencies*, and adhere to their mandates of addressing development concerns.

It is entirely possible however, for multilateral aid agencies to behave as *unfaithful agencies*, acting in selfish ways that do not promote development. This argument has long been made by public choice scholars, who argue that public officials act according to their own self interests, rather than those of the public (Buchanan and Tullock, 1962; Downs, 1967; William A. Niskanen, 1971). Elaborating on public choice theory, Lowi (1979) as well as Epstein and O'Halloran (1999), describe how bureaucrats are not necessarily irreproachable in that they only act to maximize public goods. Instead, they can be highly opportunistic and, "may be motivated as much by the desire to pursue their own policy goals, inflate their budgets, and increase their scope of control as by their desire to follow congressional intent" (p. 8). It is therefore plausible that multilateral aid agencies are behaving in a similarly unfaithful manner, by focusing on increasing their budget, staff, and influence, rather than pursuing developmentally oriented goals. Öhler and Nunnenkamp (2014), for example, have sharply criticized multilateral aid agencies for being irresponsive to issues of recipient need. William Easterly is also particularly vocal in his criticism of multilateral aid agencies (and all aid agencies in general), equating them to "cartels" that have "run amok" (Easterly, 2002).

The question then becomes: are multilateral agencies generally faithful or unfaithful agencies? While acknowledging the problems that may accompany multilateral aid agencies as described by Easterly (2002), I argue that these agencies are more likely to be faithful rather than unfaithful agents. According to agency charters, multilateral aid appears to strongly prefer that aid be spent on development. Although this type of evidence does not necessarily imply that agencies are behaving according to their stated goals, it has been substantiated by multiple empirical studies of multilateral aid allocation. Furthermore, these statements also become highly important if we consider that they are the metric against which agency behavior is being evaluated, both internally by the agencies themselves, as well as externally by donor governments and third parties. If we view multilateral aid agencies as independent actors, as advocated by Barnett and Finnemore (1999, 2004), we should clearly expect them to act in a manner that justifies their presence and demonstrates the utility of their organization. Multilateral activities are therefore tailored to achieve the goals set out in their mission statements. The annual reports of multilateral aid agencies make clear references to their contributions. For example, the latest annual report from the World Food Programme states that it provided food assistance to 80.9 million people across 75 countries, reduced or stabilized undernutrition for 7.2 million children under age 5, and goes on to highlight other agency achievements. If multilateral aid agencies act contrary to their missions, they are not only acting against their own interests, but they run the risk of losing donor funding, and being openly criticized by their donors as well as by third parties. For example, in 2011 the United Kingdom ceased funding several multilateral organizations, citing problems of poor transparency and low "value for money" (Provost, 2013). In another example, the World Bank faced a huge backlash from environmental NGOs against several of its aid projects, which were seen as environmentally unsound (Hicks et al., 2010). Given the strong stated preferences of multilateral aid agencies to promote development, as well as the serious repercussions they potentially face if they deviate from their mandates, I conclude that multilateral agencies prefer that they spend their aid in a manner that addresses development concerns.

Resulting Aid Policies

The above two sections have established that a discrepancy exists between the preferences of donor governments and multilateral aid agencies regarding the manner in which multilateral aid funds should be used. While donor governments may at times be motivated to address development concerns, they are also prone to trying to use multilateral aid funds to secure geopolitical and commercial interests. Multilateral agencies, on the other hand, are strongly oriented towards development. The result is that a tension exists between the donor governments and the agencies. This is problematic because it sends a mixed message to the agency as to what types of policies it should pursue. This is true even if the donor government wants to use multilateral aid for dual purposes, since the stated mandates of the agencies do not include references to the domestic political goals of their donors. Essentially, there exists no *internal* incentive for the agency to pursue policies that do not directly contribute to their mission. As a result, the expectations of the donor government and the actions of the multilateral agency will be incongruent. However, while most of the literature on aligning principal-agent preferences focuses on issues of agency slippage, whereby the agent is diverging from its mandates and the stated preferences of its principals (McCubbins and Page, 1987), the exact opposite is happening here. In this case, it is the principal, not the agent, who is *ex post* deviating from the initial contract, a concept I refer to as *principal slippage*. Although donor governments establish aid agencies with the express purpose of addressing development concerns, their actual preferences, whether altered over time by changing political environments, or having been contrary to agency goals in the first place, do not reflect those that they embedded in the agencies. By informally altering the agent's mandate in this way, it is the donor government who has created drift.[4] Gutner (2005) voices this concern in his study of environmental aid, asking, "Yet what if the problem comes from the delegation side, in the sense that the principals are delegating tasks that do not easily conform to the institution's mission and internal incentive systems...?" (pp. 20-21). A similar issue of *principal slippage* underlies the relationship between governments and central banks. Although the bank is initially created to help stabilize monetary policy, in times of economic downturn, the government would prefer that the bank pursue policies that directly counter its original mandate (Rogoff, 1985). The trade-off is essentially one of short, versus long term gains, much the same as that faced by donor governments in setting aid policy.

Given this disjuncture between the preferences of donor governments and multilateral agencies, the actions that a multilateral agency should take become unclear, as they face competing directives from their principals. On the one hand, they can choose to disregard the principal's altered preferences and adhere their original mandate. On the other, they can adapt to the principal's revised preferences and alter their spending patterns accordingly. It is at this point that agency autonomy becomes critical. When autonomy is low, it

[4] Note here that I am not addressing instances of re-contracting (which happen quite rarely), but instead instances of informal contract revision.

is easier for donor governments to pressure multilateral aid agencies to alter their behavior. As a result, they are more likely to succumb to these pressures and ultimately alter their spending to reflect the geopolitical concerns of their donors. This is a suboptimal outcome for both parties. For the agency, their credibility as a development organization is undermined. For the donor governments, although they are able to realize the short term gains of promoting their geopolitical interests, they are also sacrificing the long term gains that reducing poverty can provide. Numerous studies have linked a lack of economic development with an increased likelihood of conflict, terrorism, and autocracy (Collier, 2003; Piazza, 2011; Barro, 1999). Therefore, while states may be achieving short term gains, they are potentially sacrificing their own long term security.

If, however, autonomy levels are high, multilateral aid agencies will be able to resist *principal slippage*, and can continue to spend their aid in a manner that enhances development. Multilateral aid agencies can offer positive benefits to donor governments as well, and provide a potential solution to their time-inconsistent preferences, so long as they have sufficient autonomy required to do so. In this case, agency autonomy is beneficial for donor governments, as it allows them to pursue their initial long term goals of development, goals that they otherwise would have sacrificed for the sake of domestic interests. A similar result is expected with regard to independent central banks. Cukierman, Webb and Neyapti (1992) in particular note that, "...central bank independence and an explicit mandate to pursue price stability are generally regarded as important institutional devices for ensuring price stability" (p. 354). In this way, the autonomy of the bank is directly contributing to the government's welfare, just not in the way that the government would prefer given their short time horizon. Moreover, it is also arguable that the bank's actions are actually providing a greater benefit to the government than they would have received had they realized their preference of raising inflation rates.

For both multilateral aid agencies and central banks then, the principal is altering their incentive structure, and thereby attempting to undermine the purpose of the agency. Only when the bank or agency is autonomous is it able to resist these attempts and implement its preferred policies, policies that are ultimately more optimal than those which their principals would have them pursue. This argument becomes particularly important when we consider the fact that many studies have documented instances of *quid pro quo* behavior in multilateral aid agencies, especially with regard to the ability of strong states to manipulate aid agencies into pursing political objectives. Stone (2004, 2008) and Vreeland (2007), for instance, describe how the U.S. is able to manipulate IMF policies. This may seem to suggest that multilateral aid policies can simply be overhauled by a single powerful donor, making them little better than bilateral aid agencies. However, this conclusion is unwarranted for two main reasons. The first is that agency autonomy can mitigate this potentiality. That is, when multilateral agencies have a sufficient degree of independence from donor governments, such instances are much less likely to occur. Second, even when autonomy levels are low, it will be more difficult and time consuming for a donor government to pressure and influence a multilateral aid agency in comparison to their ability to direct their bilateral aid flows. In attempting to alter multilateral aid policies, donor governments must convince the agency's managers, and deal with additional input and pressure stemming from other donor governments. Thus, while multilateral aid agencies may at times be "captured," the ability of a single donor to utilize an agency to secure their own political goals will be much less pronounced compared to bilateral aid, due simply to the costs of attempting to influence agency behavior.

To conclude, I expect that multilateral aid agencies will generally behave as faithful agents, acting to maximize the effectiveness of their development policies. Donor governments, on the other hand, are expected to exhibit *principal slippage*, whereby they establish multilateral aid agencies to address development concerns but subsequently alter their expectations and pressure aid agencies to use their funds in a manner that furthers their domestic geopolitical and strategic self interests. The implications for such a relationship within the principal-agent framework are quite profound. If autonomy levels are low, governments are more likely to capture the multilateral aid agency, essentially rendering it as a bilateral aid agency in disguise. However, when autonomy is high, the aid agency should have the ability to resist such attempts to alter their aid policies, resulting in more effective development policies. Multilateral aid agencies therefore offer a potential solution to the problem of national governments utilizing aid for geopolitical purposes, but only so long as they are able to independently pursue developmentally oriented goals.

Multiple Principals and Agency Control

The argument that autonomy is critical for aid effectiveness begs the question of when agencies can act autonomously and where this autonomy comes from. I argue that agent autonomy in this case stems from the presence of multiple principals. When an agent is responsible to multiple principals, it is more difficult for each principal to effectively influence agency behavior, as these actors must coordinate their actions in order to sanction undesirable agent behavior. As the group of principals grows larger, so do problems of collective action. McCubbins, Noll and Weingast (1989) succinctly describe this problem in that as long as one of the principals benefits from agency shirking, they have an incentive to block attempts to sanction the agency. Furthermore, the agent can also observe situations in which the principals have conflicting preferences and exploit them in order to avoid sanctions (Pollack, 1997). As described in studies of congressional delegation, when bureaucracies are responsible to multiple principals, they are able to pursue independent action by balancing the diverse preferences of their principals against each other and maneuvering among them (Bryner, 1987; Dahl and Lindblom, 1953; Wilson, 1989). Therefore when the principals do not share the same preferences, it is easier for the agent to engage in autonomous behavior, as it is more difficult for their principals to effectively coordinate their actions and impose sanctions. A similar logic can be applied to multilateral aid agencies. When an agency is responsible to a greater number of donor governments, the amount of influence each has over agency behavior will diminish. Additionally, when the preferences of the donor governments diverge, the more difficult it will be for them to coordinate their actions and attempt to sanction agency behavior. As a result, the agency is expected to have greater levels of autonomy when it is responsible to a greater number of donor governments.

It is worthwhile to note that there are other potential sources of autonomy as well. Hammond and Knot (1996) in particular describe how principal indifference and asymmetric information can also result in heightened levels of autonomy. In terms of donor indifference, this is unlikely simply due to the fact that we observe efforts by donor governments to alter agency behavior and to match their preferences to various agencies (Nielson and Tierney, 2003; Buntaine, 2014; Vreeland, 2007). Both of these behaviors are unlikely to occur by indifferent principals. In terms of asymmetric information, Arrow (1985) describes how agencies can engage in "hidden action" or can disguise their actions through "hidden information" (Arrow, 1985). In order to avoid this, principals can monitor their agents and attempt to avoid issues of asymmetric information through police patrol and fire alarm mechanisms (Epstein and O'Halloran, 1999). Multilateral agencies are replete with such mechanisms. Nielson and Tierney (2003), for example, describe how donor governments were able to enact environmental reform at the World Bank through methods such as screening and selection, oversight, checks and balances, as well as creating new contracts. While similar police patrol mechanisms may be difficult and costly for donor governments to pursue, there are many useful third parties which donors can rely on to help them evaluate the actions of multilateral aid agencies. For example, the World Bank Inspection Panel investigates claims of World Bank policies being disregarded during policy implementation, and the International Finance Corporation (IFC) offers civil society groups the opportunity to file complaints when one of their projects has a negative environmental or social consequence. A study by Buntaine (2014) also describes how states can work with civil society groups to monitor and sanction the World Bank in order to constrain undesirable behavior. The rise of third party NGOs that work with and monitor multilateral aid agencies, as well as the increasing emphasis on transparency and accountability among aid donors, therefore makes the argument that asymmetric information leads to increased levels of agency autonomy less persuasive, as it is has become more difficult for agencies to hide their actions from donor governments.

In this section I focus on two mechanisms through which agency autonomy is affected by the presence of multiple principals: (1) agency voting procedures and (2) agency funding.[5] Voting procedures are established through *ex ante* decisions of donor governments, which can restrict the amount of discretion an agency has (Epstein and O'Halloran, 1999), and provide principals with greater control over the agency (Kiewiet and McCubbins, 1991). In this way, agency autonomy can be restricted at the very beginning due to *ex ante* decisions related to institutional design. For instance, the voting power of each donor government, as well as the size of the majority needed to pass agency policies, are formally

[5]These three factors include both formal and informal sources of autonomy. As has been recognized in the central bank independence literature, actual bank policies are influenced not only by the law, but also by informal factors. Cukierman, Webb and Neyapti (1992) specifically describe how the bank's policies are dependent on legal authority as well as informal arrangements between the bank and the government. For multilateral aid agencies, it is not uncommon for much of the debate and negotiation of policies to be concluded long before they are formally voted on. In this way, focusing solely on formal sources of autonomy may be misleading. In consideration of this, I include informal sources of autonomy as well in the form of agency funding. Although beyond the scope of this study, future work should examine other informal sources of agency autonomy, such as staffing procedures and Presidential turnover.

determined organizational factors through which donors can restrain agency autonomy. Agency funding, on the other hand, is a form of *ex post* autonomy. This can vary over time depending on the amount of funding the agency receives, as well as the number of sources it receives funding from. As the agency is dependent upon donor governments for funding, cutting funds is a key way in which they can sanction agency behavior (Pollack, 2003).[6] This type of sanctioning is likely to be particularly effective when the agency is highly dependent on a small group of donor governments. Therefore, although voting procedures and funding patterns affect agency autonomy in different ways, they are both mechanisms through which donor governments can attempt to limit agency autonomy. I discuss each of these in more detail below.

Voting Procedures

The first source of autonomy that can enhance multilateral aid agency effectiveness are the voting procedures of the agency. Voting procedures are critical facets of aid policies, as they collectively serve as a system of formal checks and balances for donor governments against agency behavior, and provide them with an opportunity to influence agency policies. When donors disagree with proposed policies, voting procedures determine their ability to reject them.[7] This argument becomes clearer when viewed in the context of the veto player literature. As articulated by Tsebelis (2002), a veto player is an individual or collective actor whose agreement is necessary in order to change the status quo. The addition of

[6] Other potential sanctions include dismissing personnel, overruling the agency, refusing to comply with agency decisions, or dissolving the agency (Pollack, 2003, p. 45).

[7] The danger of an agency being captured by selfishly motivated donor states is not the only issue that may arise due to voting rules. Recipient countries can also coordinate their actions to try and influence the policies that the agency pursues. Christensen, Homer and Nielson (2011) argue that the increasing power of less developed countries on the Executive Boards of these agencies may allow them to implement policies that lack the constraints or selectivity the agency might otherwise want to pursue in the quest for better development results.

each veto player shrinks the range of available win sets that are able to overcome the status quo. As a result, when the number of veto players increases, the more difficult it is to alter the status quo. Tsebelis (2002) therefore argues that more veto players will result in greater bureaucratic independence, and consequently greater policy stability. This has been empirically demonstrated by Moser (1999) and Keefer and Stasavage (2003), who show that when more veto players present, political interference in central banks is less likely.

As mentioned above, voting procedures are *ex ante* sources of autonomy that are laid out in the founding documents of multilateral agencies, along with other rules that the agencies must adhere to, including mission, purpose, hierarchy, structure, decision-making procedures, and oversight processes.[8] Voting procedures are a key characteristic for multilateral aid agencies because they must have their aid projects approved by a supervisory entity. Generally, this approval comes from a Board of Directors or Executive Board, who are themselves acting on behalf of a higher entity.[9] For example, in the Asian Development Bank, the Board of Governors is the highest organizational body, but only meets once a year. In order to supervise the daily functioning of the Bank, authority is delegated to a Board of Directors, which has the authority to, "...supervise ADB's financial statements, approve its administrative budget, and review and approve all policy documents and all

[8]These documents are similar to those used to create domestic bureaucratic agencies. Public administration scholars Christiansen (1999) and Verhoest et al. (2004) describe how these types of agreements impact agency policies through the amount of "managerial autonomy" and "policy autonomy" that the agency possesses. Managerial autonomy encompasses, "financial management (e.g. shifting budgets between line items or over years), human resources management (e.g. the selection of employees) or the management of other production factors like logistics, organization and housing" (Verhoest et al., 2004, p. 105), while policy autonomy refers to, "the (sub)processes and procedures it has to conduct to produce the externally prescribed goods or services; the policy instruments to use to implement the externally set policy and the quantity and quality of the goods or services to be produced; and the target groups and societal objectives and outcomes to be reached by the policy" (Verhoest et al., 2004, p.105).

[9]Throughout the remainder of this study I refer to such entities generally as Boards of Directors or Boards, but acknowledge that within each official aid agency their actual title may differ slightly.

loan, equity, and technical assistance operations."[10] These Boards have a strong role within the agency, and can use their power to guide and even alter agency policies (Bøäs and McNeill, 2003). When discussing agency voting procedures, I am therefore referring to the rules that govern the agency's Board of Directors, or equivalent body.

Generally, I expect that the presence of more donor governments will increase the agency's autonomy. To clarify this argument, consider the process of passing an aid policy as a strategic game between the agency and their Board of Directors. The multilateral agency makes the first move and proposes an aid policy reflecting its preferences of promoting development. The Board of Directors must then approve the aid policy or coordinate their actions to reject it. When there are a large number of Board members, it is more difficult for them to agree as to the types of policies that the agency should pursue. Each member has their own domestic interests, and reaching an agreement as to how the multilateral aid agency should distribute their aid will thus be difficult to achieve when more members are involved (McCubbins, Noll and Weingast, 1989; Nielson and Tierney, 2003). As a result, because the Board members are unable to coordinate their preferences, the agency's proposed policy is passed. Lyne, Nielson and Tierney (2003) describe this quite succinctly in the context of international organizations more generally, stating that, "...conflict among the principals allows the agents to pursue their independent preferences much more than if they had been accountable to a single principals or multiple principals that had similar preferences" (p. 50). Applying the same logic here, when the agency is accountable to a greater number of Board members, the more difficult it is for them to coordinate their action and restrict the actions of the multilateral agency.

In addition to the number of Board Members that govern an aid agency, there are two other components of agency voting procedures that need to be considered. The first is

[10] Source: Asian Development Bank.

whether the Board of Directors must approve an aid policy by a majority or a supermajority vote. This varies quite substantially within aid agencies. For example, the Arab Fund is governed by majority rule, while GAVI requires a two-thirds majority vote in order to approve their aid policies. For convenience, I categorize all aid agencies which require more than a simple majority as being "supermajorities." I expect that agencies will have more autonomy when fewer votes are needed to pass an aid policy. That is, I expect agencies with majority voting systems to have more autonomy than agencies with supermajority systems. When agencies require a supermajority, it is easier for the policy to be blocked, as it takes fewer Board members voting against the policy for it to fail. For example in a majority vote system, more than half of all Board members would have to vote against the proposed policy. On the other hand, in an agency requiring a three-fourths majority, only little more than a quarter of the Board members would have to coordinate in order to successfully block the aid policy.

The second component is how voting power is distributed. There are typically two forms of voting power distributions within multilateral aid agencies: one-member-one-vote systems and proportional systems. In the one-member-one-vote systems, each member of the Board of Directors is allotted a single vote. UNICEF, for example, has an Executive Board of 36 members that are elected from the UN's Economic and Social Council. Within the Executive Board, each member is able to cast a single vote. Alternatively, in a proportional system, voting power is distributed in a manner roughly equivalent to the amount of funding that the donor government provides or the number of capital subscriptions that they hold. In the IDB, for instance, "Each member country shall have 135 votes plus one vote for each share of ordinary capital stock of the Bank held by that country..."[11] Other agencies have similar, though not identical proportional voting systems. The AfDB, for

[11] Source: Inter-American Development Bank.

instance, allots its members 625 votes in addition to one vote for each share of capital the member holds. For agencies with one-member-one-vote systems, the presence of more Board members should enhance the agency's autonomy, as there are more preferences that must be balanced within the agency. For proportional voting systems however, the implications of more Board members are not quite as straightforward. When voting power is based on funding patterns, then the ability of a single donor government to influence agency policies may either be enhanced or diminished. If the donor government provides a substantial portion of the agency's funding, then the agency will have a greater influence on voting procedures, whereas the donor may have a small or negligible influence on the agency if they only provide a small portion of the agency's funding. Generally, I expect that agencies with proportional voting systems will have less autonomy compared to agencies with one-member-one-vote systems. Proportional systems allow Board members the possibility of increasing their voting power, and therefore their influence over multilateral agencies. One-member-one-vote systems, on the other hand, maintain a limited range of influence for each Board member. Thus, there is a greater likelihood that Board members can use their vote share to influence agency policies in a proportional voting system.

Measurement

In order to examine levels of agency autonomy, I create an original dataset focusing on the voting structures of forty multilateral aid agencies. The sample of agencies are those included in the OECD's Official Development Assistance (ODA) dataset. In order to measure the voting procedures of multilateral aid agencies, I create three variables based on the rules that govern the agency's Board of Directors using the agency's founding document as a guideline. If this information is not included in this document, I use information available on the agency's website. The first variable I create is *Board Members*, a count of the members on an agency's Board of Directors or equivalent body. More Board members are expected to result in greater agency autonomy. Table 1 lists each agency and the number of Board members it has.[12] Generally, agencies with smaller Boards are regional development banks, whereas agencies with larger Boards include the World Bank and UN agencies. The agency with the largest Board is the Office of the UN High Commissioner for Refugees (UNHCR), which is governed by the UN's Economic and Social Council (UNESCO). This implies that autonomy levels within World Bank and UN agencies should generally be higher compared to those of regional development banks.

The next variable capture how many votes are needed in order to pass day-to-day aid policies. Of the forty aid agencies that I examine, approximately half of them require a simple majority to pass their aid policies. These agencies include a number of development banks, as well as most of the UN agencies. Fifteen agencies, however, require more than a simple majority. The Caribbean Development Bank, for instance, requires a two-thirds majority, the UNECE requires a three-fourths majority, while the Nordic Development Fund, UNICEF, and the UN Peacebuiliding Fund (UNPBF) require a consensus. Table 2 lists these agencies that require more than a simple majority and states the number of votes required for them to pass an aid program. To code this component of agency voting procedures, I create two different variables on the majority rules of the agency. The first, *Majority Rule, Dummy*, is a dummy variable which is coded as one for all agencies in which a majority is required, and zero for all agencies that require a more than a simple majority, which I refer to as "supermajority." The second, *Majority Rule, Categorical*, is a categorical variable that entails a more detailed coding of agency voting requirements.

[12] I list the number of Board members that an agency has currently. In several cases, however, the number of Board members on an agency has changed. For instance, the IBRD, IDA, IDA Special Funds, IFC, and MIGA all originally had 12 Board members, but this number has subsequently increased to 25. Interestingly these agencies generally all share the exact same Board members, although each Board operates individually. Unfortunately, this type of information is not often available. Therefore I use the current number of Board members whenever possible.

Table 1: Multilateral Aid Agency Board Members

Agency	*Board Members*
African Development Bank	20
African Development Fund	14
Arab Bank for Economic Development in Africa	11
Arab Fund (Arab Fund for Economic and Social Development)	8
Asian Development Bank	10
Asian Development Bank Special Funds	10
Caribbean Development Bank	18
Central American Bank for Economic Integration	9
EU Institutions	–
European Bank for Reconstruction and Development	23
European Commission	–
European Development Fund	–
European Investment Bank	29
Global Alliance for Vaccines and Immunizations	10
Global Environment Facility	32
Global Fund	15
IDB Special Fund	14
Inter-American Development Bank	14
International Fund for Agricultural Development	18
International Bank for Reconstruction and Development	25
International Development Association	25
International Development Association - Multilateral Debt Relief Initiative	25
International Finance Corporation	25
International Monetary Fund (Concessional Trust Funds)	20
Islamic Development Bank	10
Joint United Nations Programme on HIV/AIDS	22
Multilateral Investment Guarantee Agency	25
Nordic Development Fund	8
OPEC Fund for International Development	–
Office of the United Nations High Commissioner for Refugees	54
Organization for Security and Cooperation in Europe	14
United Nations Democratic Republic of Congo Pooled Fund	–
United Nations Development Program	36
United Nations Economic Commission for Europe	–
United Nations International Children's Emergency Fund	36
United Nations Peacebuilding Fund	31
United Nations Population Fund	36
United Nations Relief and Words Agency for Palestine Refugees in the Near East	27
World Food Programme	36
World Health Organization	34

Notes: I only include Board Members who represent states. For example, GAVI has 18 Board Members, but only 10 of them are states.

Agencies which require a simple majority vote are coded as three, while agencies which require sixty-percent or two-thirds majority are coded as two, agencies which require a three-fourths majority are coded as one, and agencies which require a consensus are coded as zero. For each of these two variables, higher values indicate higher levels of autonomy.

Table 2: Multilateral Aid Agencies Requiring a Supermajority

Agency	*Majority Required*
Global Environment Facility	Sixty percent
African Development Bank	Two-thirds
Asian Development Bank	Two-thirds
Asian Development Bank Special Funds	Two-thirds
Caribbean Development Bank	Two-thirds
Global Alliance for Vaccines and Immunizations	Two-thirds
OPEC Fund for International Development	Two-thirds
Organization for Security and Cooperation in Europe	Two-thirds
African Development Fund	Three-fourths
IDB Special Fund	Three-fourths
Inter-American Development Bank	Three-fourths
United Nations Economic Commission for Europe	Three-fourths
Nordic Development Fund	Consensus
United Nations International Children's Emergency Fund	Consensus
United Nations Peacebuilding Fund	Consensus

The fourth variable is whether the agency has a one-member-one-vote system or a proportional voting system. This variable, *Vote System* is a categorical variable, coded as two for agencies with a one-member-one-vote system, one for agencies with both a one-member-one-vote system and a proportional system, and zero for agencies with a proportional voting system. Once again, the variable is coded so that higher values indicate greater agency autonomy. Most agencies with one-member-one-vote systems are UN agencies, or other issue specific aid agencies, such as the GAVI or the Global Fund, whereas most agencies with proportional systems are development banks or other financial funds. The GEF is distinct in this area in that its encompasses both types of voting systems.

Table 3 classifies each of the agencies in my sample according to the variables *Vote System* and *Majority Rule, Dummy.* The first column lists those agencies that have a one-member-one-vote system, and the second column lists agencies which have a proportional voting system. The first row are agencies that have a majority voting system while the second row includes agencies with a supermajority voting system. The table shows that slightly more than half of the agencies in my dataset are proportional voting systems, compared to fifteen agencies with one-member-one-vote systems. Majority voting systems are also slightly more prevalent, with twenty agencies compared to fifteen which require a supermajority. Clearly, there is significant variation within multilateral aid agencies when classified according to their voting procedures.

Agency Funding

The second source of autonomy I examine is agency funding. While voting structures capture the official role that donors have in approving agency policies, agency funding also plays an important role. Since the agency must continue to receive funds from donor governments in order to maintain their aid operations, the threat of a donor government reducing or eliminating funding to the agency can have an important impact on the agency's policies, regardless of the voting procedures of the agency. In exchange for funding, donor governments can attempt to extract policy concessions from multilateral agencies such as revising their operating procedures, using domestic firms from donor governments to implement aid projects, distributing more aid to recipients who are strategically or economically important to the donor government, or removing conditionality constraints of aid projects in order to placate friendly recipient governments. Essentially, donor governments can use

Table 3: Summary of Agency Voting Procedures

One-Member-One-Vote	**Proportional Voting**
Majority	*Majority*
UNAIDS	AFESD
UNDP	BADEA
UNFPA	CABEI
UNHCR	EBRD
UNRWA	EIB
WFP	IBRD
WHO	IDA
	IDA-MDRI
	IFAD
	IFC
	IMF (Concessional Trust Funds)
	Isl. Dev Bank
	MIGA
Supermajority	*Supermajority*
GAVI	AfDB
GEF*	AfDF
Nordic Dev. Fund	AsDB Special Fund
OFID	Asian Dev. Bank
OSCE	CarDB
UNECE	GEF*
UNICEF	IDB
UNPBF	IDB Sp. Funds

*In the GEF, votes are based on membership and funding.
Notes: The Global Fund is a one-member-one-vote system but is missing data on vote majorities needed. Information is fully missing for the EC, EDF, EU Institutions, and UN Fund for Congo.

financial contributions in order to secure their own interests rather than promoting those of the multilateral agency.

The influence of budgets has been highlighted previously by scholars of public administration as well international relations. Christiansen (1999); Verhoest et al. (2004), for example, describe how financial autonomy influences the ability of the principals to constrain the behavior of bureaucratic agencies. Financial autonomy is defined as the extent to which the agency is dependent on the government for funding, or if it is able to generate its own revenue. Within the European Commission, Pollack (2003) discusses how one of the key ways governments can sanction the organization is through budget cuts. As the agency needs funds in order to operate, monetary sanctions are one of the most severe and effective ways to entice the agency to adopt policies preferred by the donor. A prime example is the influence of the U.S. in World Bank environmental reform as described by Hicks et al. (2010). The authors specifically state that, "As the largest shareholder, the US government learned very quickly that the most effective way to influence the Bank's behavior is to threaten the flow of its money" (p. 194). When the World Bank did not acquiesce to U.S. demands regarding access to GEF project documents, $30 million of funding was redirected to USAID (Hicks et al., 2010). Martens (2005) also describes how donor funding can influence agency behavior, stating that, "most agencies take care not to approve a budget that runs counter to the interests of the major donors" (p. 659).

Agency funding can be either a formal or informal source of autonomy, depending upon the agency's voting procedures. For agencies with a proportional voting system, funding patterns are a formal means of agency control, as voting power is distributed based on funds provided to the agency. For agencies with one-member-one-vote systems, donors can also informally influence agency policies through their monetary contributions.

The ability of a donor government to use their funds as a way to influence agency policies also depends on the number of other donor governments the agency receives funding from, as well as the size of these contributions. Unlike a domestic bureaucracy, multilateral aid agencies do not depend on a single source for their funding. Rather, they can potentially receive contributions from dozens of donor governments. As a result, the funding of a single donor government becomes less important as the number of other donor governments increase. If an agency receives contributions from fifty donor governments, it is less likely to alter its policies if a single one threatens to reduce or stop their funding, as the agency will still be supported by forty-nine others. On the other hand, if the agency is only funded by a handful of donor governments, a loss of any one of those will have a much more substantial impact. An increased number of donor governments funding the agency also increases the likelihood that the donor governments will disagree about the types of policies that they want the agency to pursue, allowing the agency greater levels of autonomy.

In addition to the number of donors that an agency receives funding from, it is also important to consider the distribution of this funding across donor governments. If a multilateral agency receives a majority of its funding from a single or small group of donor governments, there is a greater possibility that the agency will have lower autonomy. When agency funding is concentrated, the agency is more likely to alter their policies to fall in line with those donor governments providing the majority of their funding. When agency funding is more equally dispersed among donors, the agency is less beholden to each government, and can pursue autonomous aid policies. Consider, for example, an agency that receives 90% of its funding from a single donor government, while another ten donor governments provide 1% each. The agency will clearly value the large donor the most, giving it a strong degree of influence over agency policies. This is true regardless of the agency's formal voting procedure. Alternatively, a single donor government is unable to have this degree of influence when agency funding is more equally dispersed. Thus, it is not only the number of donor governments that we must consider, but also the amount of funding that each of them provides relative to the others.

This argument regarding funding concentration is also helpful because it accounts for the potential presence of a dominant donor government. For example, in 2014 the U.S. had a 16.75% vote share in the IMF.[13] Although most IMF policies only require a simple majority to be passed, in some instances they require an 85% supermajority to pass a resolution, effectively providing the U.S. with veto power over IMF policies. The consequences of this have been described by Stone (2004) and Stone (2008), who shows how the preponderance of U.S. power within the IMF allows it to remove conditionality constraints for recipients that it considers to be strategically important. The U.S. also acts as a dominant donor government in the Inter-American Development Bank, as it holds approximately 30% of the agency's vote share, and a three-fourths majority is required to approve agency policies.[14] In this way, the U.S. actually has veto power over the agency. When donors have a substantial amount of voting power within an aid agency, then the autonomy of the agency suffers. In order to gain approval of their aid programs, agencies with a veto player will have to ensure the policy is acceptable to their dominant member.

A potential counterargument to this is that having a single, dominant donor government may actually enhance agency effectiveness. Rather than enhancing an agency's ability to pursue independent policies, more members voicing their opinion could actually constrain their activities. For instance, in the context of economic reform, Haggard and Kaufman (1995) argue that the greater amount of fractionalization there is within the party system, the less likely it is that economic reform will take place. However, this argument has been challenged by several recent works. Gehlback and Malesky (2010) in particular present a

[13] Source: International Monetary Fund.
[14] Source: Inter-American Development Bank.

formal model and empirical evidence on how more veto players can enable economic reform by weakening the power of special interest groups. Other research on market reform in Latin America by Murillo and Martinez-Gallardo (2007), and on policy adjustments by Tommasi, Scartascini and Stein (2010), also find beneficial effects on having more veto players. In the context of foreign aid, the consequences of having multiple member preferences within an agency is demonstrated by Schneider and Tobin (2013), who find that the more donors a multilateral agency has, the greater autonomy they have in their aid distribution decisions. Because the members are focused on solving collective action problems, they are unable to effectively control the actions of the agency itself. Thus, the agency benefits by being able to pursue policies based on its own criteria, rather than those of its members.

Measurement

In order to capture budgetary forms of control, I use OECD data on donor contributions to multilateral aid agencies from 1968-2013. The unit of analysis is agency-year and all aid values are commitments measured in constant 2012 USD million. While the dataset does not include funding information for all forty aid agencies included in my sample, it does provide information for twenty-five of these agencies.[15] These are listed in Table 4.

To examine my arguments, I create two variables related to agency funding. The first, *Number of Donors*, is a count of the number of DAC donor governments contributing to each agency.[16] Figure 1 shows the average number of donor governments that provide aid to each multilateral aid agency. Most of the UN agencies, with the exception of the UN Fund for Congo, receive contributions from at least seventeen donor governments,

[15] Unfortunately the sample size here is much smaller than the universe of all multilateral aid agencies. Future work should endeavor to document in greater detail the sources of all multilateral agency funding.

[16] The OECD data has significantly limited data on funds received from non-DAC donors. However, as DAC members are generally the largest aid donors, and those who we would most expect to try and pressure multilateral agencies to alter their aid policies, I do not believe excluding non-DAC donors posses a problem for my argument here.

Table 4: Multilateral Agencies with Funding Information

Af. D B
African Dev. Fund
AsDB Special Funds
Asian Dev. Bank
CABEI
Caribbean Dev. Bank
EC
EDF
EIB
IBRD
IDA
IDA-MDRI
IDB
IDB Special Oper. Fund
IFAD
IFC
IMF
MIGA
UN Fund For Congo
UNDP
UNFPA
UNHCR
UNICEF
UNRWA
WFP

whereas several development banks receive funding from only a few. On average, however, a multilateral agency receives funding from approximately twelve donor governments each year.

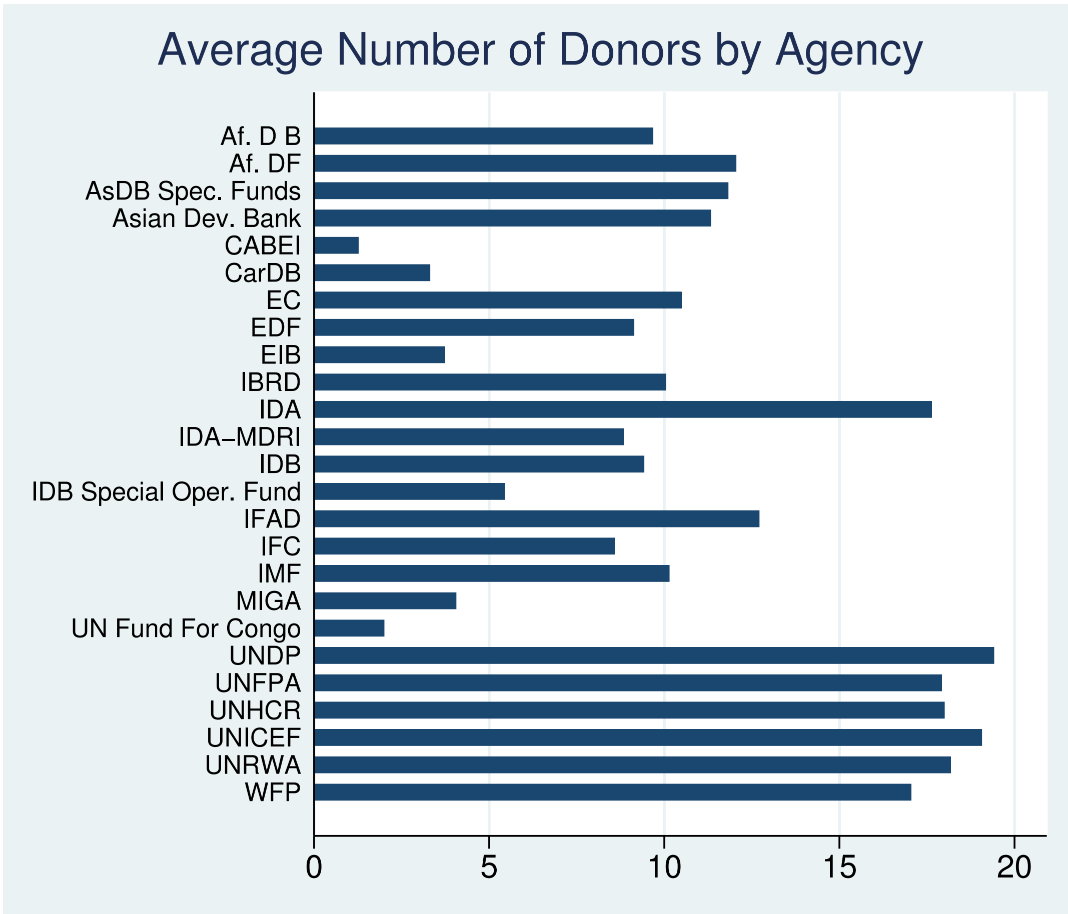

Figure 1: Average Number of Donors by Agency

The second variable I create captures the concentration of agency funding. In order to create this variable, I use the Herfindahl Index which, as discussed in the previous chapter on specialization, is commonly used in economics to calculate market share. The variable is calculated as follows:

$$Funding\ Concentration_{it} = \sum_{d=1}^{n} a_{dt}^2$$

where i represents each multilateral aid agency and t represents each year. The amount that each donor government, d, provides to the agency as a proportion of the agency's total budget in year t is denoted as a_{dt}. The variable *Funding Concentration* can be interpreted as the probability that two randomly selected aid dollars being given to an agency are from the same donor government. Higher values indicate that the agency's funding is concentrated among fewer donor governments, while lower values indicate that the agency's funding is more equally distributed. Figure 2 shows that on average, multilateral aid agencies have relatively well dispersed aid funding. *Funding Concentration* generally varies between 0.2 and 0.4. Figure 3 shows the average level of *Funding Concentration* for each agency. As can be expected from their high number of donor governments funding them, UN agencies have low levels *Funding Concentration.* Meanwhile, the Central American Bank for Economic Integration (CABEI) has the highest average level of *Funding Concentration.*

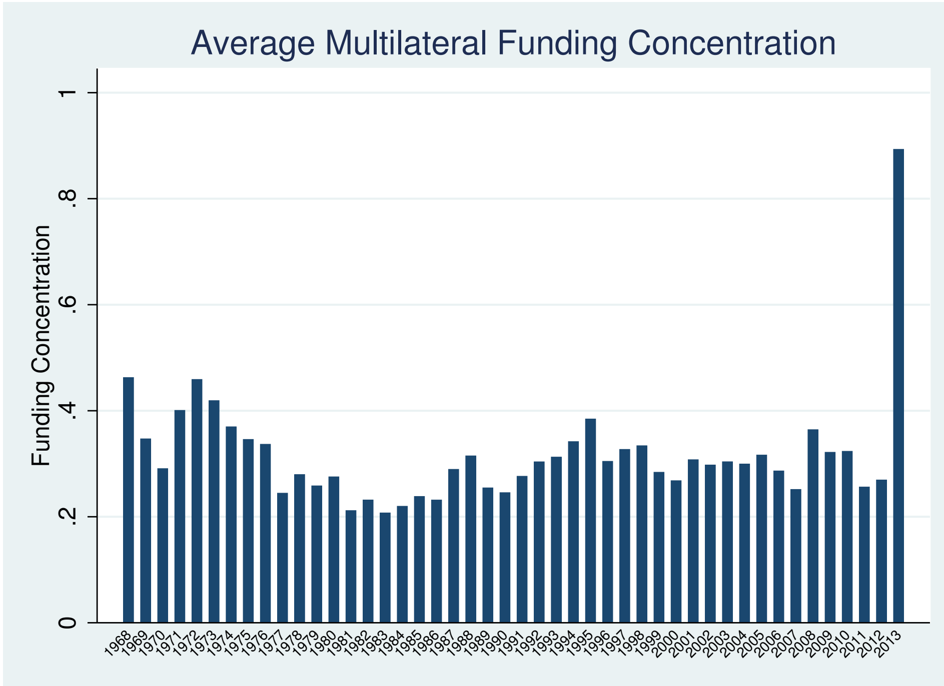

Figure 2: Average Yearly Funding Concentration

Table 5: Summary Statistics of Agency Funding Variables

Variable	*Mean*	*Median*	*Variance*	*Min*	*Max*	*N*
Number of Donors	11.91	12	41.25	1	26	920
Funding Concentration	0.31	0.21	0.06	0.08	1.0	920

Table 5 presents summary statistics for the two variables described above. The data clearly indicate that there is substantial variation within multilateral aid agencies with regards to their funding patterns. While some agencies receive relatively well distributed funding from a large number of donor governments, others receive much more concentrated funding from a smaller number of donor governments. From my argument above, the implications of this are that the agencies with more donors and aid which is relatively less

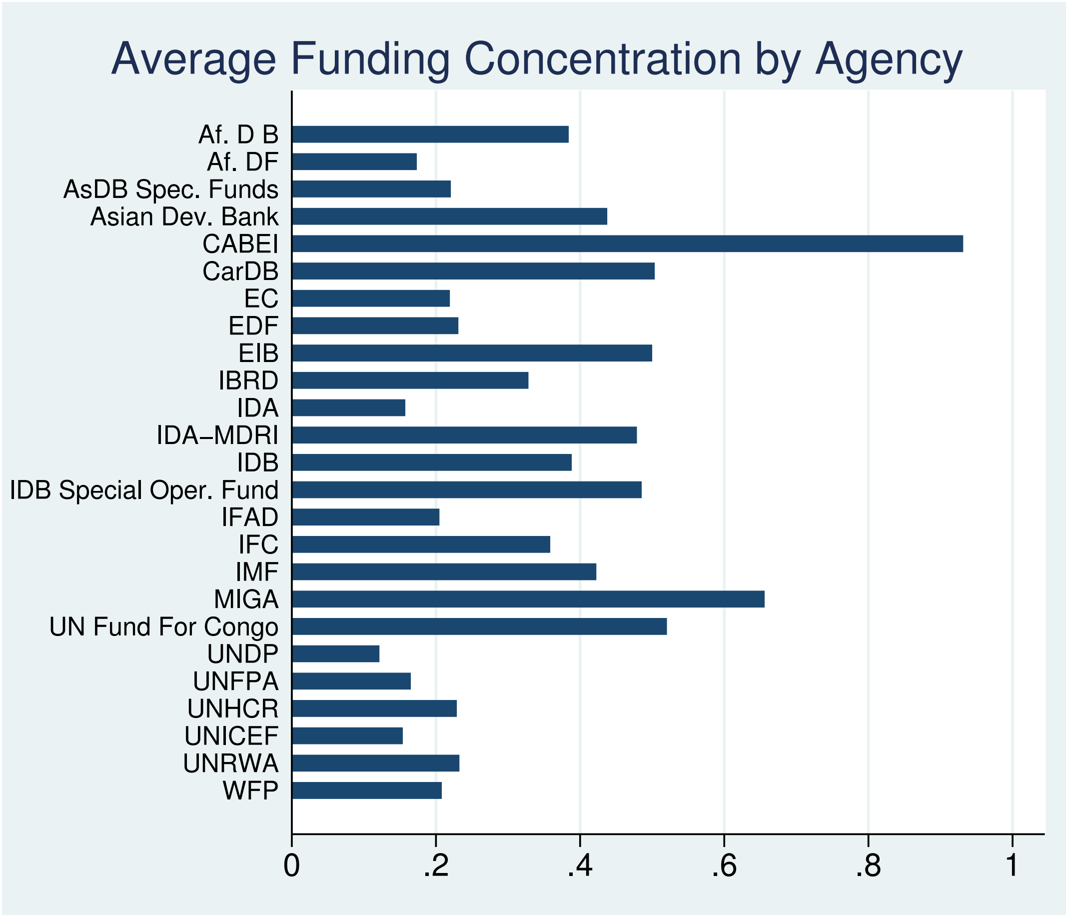

Figure 3: Average Funding Concentration by Agency

concentrated will have substantially more autonomy, and should be able to deliver better results on development policies.

Comparing Agency Autonomy

Having collecting information regarding both agency voting procedures and agency funding, in this section I combine these variables in order to rank and compare the expected autonomy levels of multilateral aid agencies. I begin by creating a subindex based solely on the voting procedures of each agency. Unlike agency funding patterns, these characteristics are constant over time. In order to create this index, I calculate the percentile rank of the variables *Board Members*, *Majority Rule, Categorical*, and *Vote System*, where higher percentile ranks indicate higher levels of autonomy. I then average these three variables to create a subindex of the agency's overall level of voting procedure autonomy.[17] The results are presented in Table 6. According to the rankings, the most autonomous agency is the Food and Agriculture Organization of the UN. In fact, with the exception of the European Investment Bank, the top ten most autonomous agencies based on voting procedures are all UN affiliated agencies. Meanwhile, the regional development banks and funds are ranked as the least autonomous agencies, with the Inter-American Development Bank scoring the lowest.

I next create a subindex for multilateral aid agencies based on their funding patterns using the two agency funding variables created above, *Number of Donors* and *Funding Concentration*. In order to rank agencies according to their funding patterns, I transform the variable *Funding Concentration* so that higher values indicate greater levels of autonomy. The resulting variable, *Funding Distribution* is therefore simply calculated as 1 − *Funding Concentration*. This can be interpreted as the probability that two randomly selected aid dollars will have originated from different donor governments. Next, because these two variables change over time, I first obtain the average of both variables. I then calculate the agency's percentile rank for each of these variables, and average the percentile ranks in order to determine the agency's final ranking on funding patterns.[18] The results are presented in Table 7. Once again, many of the UN agencies are ranked highest, with the

[17] This method of using percentile rankings is also used by Easterly and Pfutze (2008) and Easterly and Williamson (2011) in their ranking of aid agency practices.

[18] As a robustness check, I also used an alternative method by calculating agency percentile ranks for each year and averaging across those values. The results are highly correlated to those presented here ($r = 0.988$).

Table 6: Subindex for Agency Voting Procedures

Agency	*Rank*	*Board Number Percentile*	*Majority Percentile*	*Vote System Percentile*	*Overall Percentile Rank*
FAO	1	97%	-	79%	88%
UNHCR	2	100%	73%	79%	84%
UNFPA	3	90%	73%	79%	81%
WFP	3	90%	73%	79%	81%
UNDP	3	90%	73%	79%	81%
WHO	6	83%	73%	79%	78%
ILO	7	72%	-	79%	76%
UNRWA	8	69%	73%	79%	74%
UNAIDS	9	50%	73%	79%	67%
EIB	10	75%	73%	28%	58%
UNICEF	11	90%	6%	79%	58%
Global Fund	12	36%	-	79%	58%
GEF	13	81%	33%	55%	56%
OFID	14	-	33%	79%	56%
UNPBF	15	78%	6%	79%	54%
IDA-MDRI	16	61%	73%	28%	54%
MIGA	16	61%	73%	28%	54%
IFC	16	61%	73%	28%	54%
IDA	16	61%	73%	28%	54%
IBRD	16	61%	73%	28%	54%
EBRD	21	53%	73%	28%	51%
IMF	22	46%	73%	28%	49%
UNECE	23	-	16%	79%	47%
OSCE	24	29%	33%	79%	47%
IFAD	25	40%	73%	28%	47%
GAVI	26	15%	33%	79%	42%
BADEA	27	22%	73%	28%	41%
Isl.Dev Bank	28	15%	73%	28%	39%
CABEI	29	8%	73%	28%	36%
Af. D B	30	46%	33%	28%	35%
AFESD	31	4%	73%	28%	35%
Caribbean Dev. Bank	32	40%	33%	28%	34%
Nordic Dev. Fund	33	4%	6%	79%	30%
AsDB Special Funds	34	15%	33%	28%	25%
Asian Dev. Bank	34	15%	33%	28%	25%
African Dev. Fund	36	29%	16%	28%	24%
IDB	36	29%	16%	28%	24%
IDB Special Oper. Fund	36	29%	16%	28%	24%

UNDP, UNICEF, and UNFPA claiming the top three spots. Unlike the subindex on voting procedures, however, regional development banks are not all ranked at the bottom. The African Development Fund, for example, ranks sixth in terms of agency funding autonomy. On the other hand, CABEI is ranked the lowest, indicating that it relies heavily on few donors for its funding.

Table 7: Subindex for Agency Funding Patterns

Agency	*Rank*	*Number of Donors Percentile*	*Funding Distribution Percentile*	*Overall Percentile Rank*
UNDP	1	100%	100%	100%
UNICEF	2	96%	96%	96%
UNFPA	3	88%	92%	90%
IDA	4	80%	88%	84%
UNRWA	5	92%	64%	78%
UNHCR	6	84%	68%	76%
WFP	6	76%	76%	76%
IFAD	6	72%	80%	76%
African Dev. Fund	6	68%	84%	76%
EC	10	56%	72%	64%
AsDB Special Funds	11	64%	60%	62%
IBRD	12	44%	52%	48%
IDA-MDRI	13	48%	44%	46%
Asian Dev. Bank	14	60%	28%	44%
EDF	14	32%	56%	44%
IMF	16	52%	32%	42%
Af. D B	17	40%	40%	40%
IFC	18	28%	48%	38%
IDB	19	36%	36%	36%
IDB Special Oper. Fund	20	24%	24%	24%
EIB	21	16%	20%	18%
Caribbean Dev. Bank	22	12%	16%	14%
MIGA	22	20%	8%	14%
UN Fund For Congo	24	8%	12%	10%
CABEI	25	4%	4%	4%

Last, I combine the subindices on agency voting procedures and funding patterns to create a composite index of agency autonomy. To create the final rankings on agency autonomy, I averaged the percentile ranks of voting patterns and agency funding patterns and ranked the agencies accordingly. The results are presented in Table 8. The agency ranks presented in the second column only rank those agencies for which I have complete data, while I include rankings for agencies with incomplete data in the final column.[19]

Examining the agencies with complete data, the most autonomous agency according to my index is the UNDP. Other UN agencies also score quite high, occupying the next five highest positions. The World Bank agencies (IBRD, IDA, IFC, MIGA) are scattered throughout the rankings, with the IDA being ranked 7th, while MIGA is ranked 18th. Regional development banks and funds are generally expected to have lower levels of autonomy, as most of them are in the lower half of the index rankings. This observation holds even if we examine rankings including agencies with missing data. The rankings based on missing data also confirm that UN agencies are generally expected to be more autonomous than World Bank agencies, regional development banks or funds, and issue specific agencies. Interestingly, issue specific agencies are either ranked in the middle, such as the Global Fund, or more towards the bottom, such as GAVI. The implications of these results are quite clear: UN agencies are expected to be more autonomous compared to other agencies, including regional development banks and issue specific organizations. The source of UN agency autonomy is mainly derived from the fact that they have relatively large Boards of Directors and receive their funding from a large group of donor governments.

While I reserve testing this argument for future research, it is worthwhile to quickly examine whether or not my variables are indeed capturing the political or non-political

[19] In effect, the final ranking assigns weights of 0.167 to each of the voting procedure variables and weights of 0.25 to each of the funding variables. As a robustness check, I also calculated each agency's rank allowing the variables to have equal weight (0.20). The results are essentially the same ($r = 0.986$).

Table 8: Composite Index of Agency Autonomy

Agency	*Rank*	*Overall Percentile*	*Vote Percentile*	*Funding Percentile*	*Alternative Rank*
UNDP	1	90%	81%	100%	1
UNFPA	2	85%	81%	90%	3
UNHCR	3	80%	84%	76%	4
WFP	4	78%	81%	76%	6
UNICEF	5	77%	58%	96%	7
UNRWA	6	76%	74%	78%	8
IDA	7	69%	54%	84%	10
IFAD	8	61%	47%	76%	13
IBRD	9	51%	54%	48%	19
African Dev. Fund	10	50%	24%	76%	20
IDA-MDRI	11	50%	54%	46%	21
IFC	12	46%	54%	38%	24
IMF	13	45%	49%	42%	25
AsDB Special Funds	14	44%	25%	62%	27
EIB	15	38%	58%	18%	31
Af. D B	16	38%	35%	40%	32
Asian Dev. Bank	17	35%	25%	44%	34
MIGA	18	34%	54%	14%	35
IDB	19	30%	24%	36%	36
IDB Special Oper. Fund	20	24%	24%	24%	38
Caribbean Dev. Bank	21	24%	34%	14%	39
CABEI	22	20%	36%	4%	40
FAO	-	-	88%	-	2
WHO	-	-	78%	-	5
ILO	-	-	76%	-	9
UNAIDS	-	-	67%	-	11
EC	-	-	-	64%	12
Global Fund	-	-	58%	-	14
GEF	-	-	56%	-	15
OFID	-	-	56%	-	16
UNPBF	-	-	54%	-	17
EBRD	-	-	51%	-	18
UNECE	-	-	47%	-	22
OSCE	-	-	47%	-	23
EDF	-	-	-	44%	26
GAVI	-	-	42%	-	28
BADEA	-	-	41%	-	29
Isl.Dev Bank	-	-	39%	-	30
AFESD	-	-	35%	-	33
Nordic Dev. Fund	-	-	30%	-	37
UN Fund For Congo	-	-	-	10%	41

nature of multilateral aid agencies. In order to do this, I compare my expectations to a study by Rowe (1978), who examines how donor political factors can influence multilateral aid policies. His findings indicate that the IDA, UNDP, and other UN agencies are distinct from bilateral aid, while the IBRD and IBD are not. Drawing on my results, Table 9 demonstrates how the findings of Rowe (1978) can be explaining within my framework. For two of these examples (IDB and UNDP), my expectations regarding agency autonomy are confirmed by Rowe's findings. The UNDP is expected to be autonomous, as it has a large Board of Directors, uses a one-member-one-vote representation system, and is governed by majority rule, all of which are factors that I predict will contribute to agency autonomy. The IDB, on the other hand, has a smaller Board of Directors, uses a supermajority voting rule, and representation is determined by monetary contributions. For the IBRD and IDA, these are difficult cases to diagnose due to the fact that the agencies both have a relatively large Board and use majority voting rules, both of which would indicate that they should be autonomous. However, the agencies also both have a proportional representation system, which would detract from agency autonomy. This mixed expectation is likewise reflected by Rowe's findings. However, if we examine agency funding patterns, this ambiguity disappears. Again drawing from data in Chapter 5, the IDA is consistently ranked higher in terms of its financial autonomy compared to the IBRD. Thus, both of my theorized components of autonomy can be used to explain past discrepancies regarding multilateral aid effectiveness.

Table 9: Explaining Variations in Multilateral Aid Effectiveness

Agency	*Board Members*	*Majority or Supermajority*	*Members or Proportional*	*Funding Ranking*	*Rowe (1978) Conclusions*
IDB	14	Supermajority	Proportional	19th	Political
IBRD	25	Majority	Proportional	12th	Political
IDA	25	Majority	Proportional	4th	Non-Political
UNDP	36	Majority	Members	1st	Non-Political

Conclusion

In this paper, I have argued that previous studies of foreign aid effectiveness have neglected to examine how organizational characteristics within multilateral aid agencies can lead to contradictory results regarding ultimate levels of multilateral effectiveness. While these differences have been well documented in the context of bilateral aid agencies, none have yet systematically examined internal variations within multilateral agencies. I take the first step at addressing this void here by providing an original dataset capturing a key factor impacting multilateral aid effectiveness: agency autonomy. Using both agency voting procedures and funding patterns, I am able to demonstrate that the autonomy of multilateral aid agencies can be strongly affected by the number of principals to which the agency is responsible to.

This new data has strong implications for future studies of the effectiveness of multilateral aid. Although past research has not reached a consensus as to the impact of multilateral aid, my theory indicates that evaluating multilateral aid effectiveness is not necessarily as straightforward as one might expect. While these agencies do indeed generally prefer to target aid to poorer countries, and those with better institutional environments, the ability of these agencies to foster positive results is highly dependent on their autonomy from donor governments, who may potentially corrupt them with geopolitical domestic motivations.

Thus, future research should examine more closely not only the effect of multilateral agency autonomy on levels of aid effectiveness, but the effect of other organizational characteristics as well.

References

Alesina, Alberto and Beatrice Weder. 2002. "Do Corrupt Governments Receive Less Foreign Aid?" *American Economic Review* 92(4):1126–1137.

Alesina, Alberto and David Dollar. 2000. "Who Gives Foreign Aid to Whom and Why?" *Journal of Economic Growth* 5:33–63.

Alfred Maizels, Machiko K. Nissanke. 1984. "Motivations for Aid to Developing Countries." *World Development* 12(9):879–900.

Arrow, Kenneth. 1985. The Economics of Agency. In *Principals and Agents: The Structure of Business*, ed. John W. Pratt and Richard J. Zeckhauser. Harvard Business School Press.

Barnett, Michael and Martha Finnemore. 1999. "The Politics, Power, and Pathologies of International Organizations." *International Organization* 54(4):699–732.

Barnett, Michael and Martha Finnemore. 2004. *Rules for the World: International Organizations and Global Politics*. Cornell University Press.

Barro, Robert. 1999. "Determinants of Democracy." *Journal of Policy Economy* 107(6):S158–83.

Barro, Robert and David Gordon. 1983*a*. "A Positive Theory of Monetary Policy in a Natural Rate Model." *Journal of Political Economy* 91:589–610.

Barro, Robert and David Gordon. 1983*b*. "Rules, Discretion and Reputation in a Model of Monetary Policy." *Journal of Monetary Economics* 12:101–120.

Bernhard, William, Lawrence Broz and William Roberts Clark. 2002. "The Political Economy of Monetary Institutions." *International Organization* 56(4):693–723.

Bøäs, Morten and Desmond McNeill. 2003. *Multilateral Institutions: A Critical Introduction.* Pluto Press.

Bobba, Metteo and Andrew Powell. 2007. Aid and Growth: Politics Matter. Working paper 601 Inter-American Development Bank.

Brewer, Gene and Sally Selden. 2000. "Why Elephants Gallop: Assessing and Predicting Organizational Performance in Federal Agencies." *Journal of Public Administration Research and Theory* 10(4):685–711.

Bryner, Gary C. 1987. *Bureaucratic Discretion: Law and Policy in Federal Regulatory Agencies.* New York: Pergamon Press.

Buchanan, James M. and Gordon Tullock. 1962. *The Calculus of Consent: Logical Foundations of Constitutional Democracy.* University of Michigan Press.

Bueno de Mesquita, Bruce and Alastair Smith. 2007. "Foreign Aid and Policy Concessions." *Journal of Conflict Resolution* 51(2):251–284.

Bueno de Mesquita, Bruce and Alastair Smith. 2009. "A Political Economy of Aid." *International Organization* 63(309-340).

Buntaine, Mark T. 2014. "Accountability in Global Governance: Civil Society Claims for Environmental Performance the the World Bank." *International Studies Quarterly* .

Burnside, Craig and David Dollar. 2000. "Aid, Policies, and Growth." *American Economic Review* 90(4):847–868.

Carpenter, Daniel P. 2001. *The Forging of Bureaucratic Autonomy.* Princeton University Press.

Christensen, Zachary, Dustin Homer and Daniel L. Nielson. 2011. "Dodging Adverse Selection: How Donor Type and Governance Condition Aid's Effects on School Enrollment." *World Development* 39(11):2044 – 2053.

Christiansen, J. 1999. Bureaucratic Autonomy as a Political Asset. In *ECPR Joint Workshop*.

Collier, Paul, ed. 2003. *Breaking the Conflict Trap: Civil War and Development Policy.* A World Bank policy research report World Bank and Oxford University Press.

Cukierman, Alex, Stphen Webb and Bilin Neyapti. 1992. "Measuring the Independence of Central Banks and Its Effects on Policy Outcomes." *World Bank Economic Review* 6(353-98).

Dahl, Robert A. and Charles E. Lindblom. 1953. *Politics, Economics, and Welfare.* New York: Harper and Row.

Dollar, David and Victoria Levin. 2006. "The Increasing Selectivity of Foreign Aid, 1984-2003." *World Development* 34(12):2034–2046.

Downs, Anthony. 1967. *Inside Bureaucracy.* Boston: Little, Brown.

Easterly, William. 2002. "The Cartel of Good Intentions: The Problem of Bureaucracy in Foreign Aid." *Policy Reform* 5(4):223–250.

Easterly, William and Claudia R. Williamson. 2011. "Rhetoric versus Reality: The Best and Worst of Aid Agency Practices." *World Development* 39(11):1930 – 1949.

Easterly, William and Tobias Pfutze. 2008. "Where Does the Money Go? Best and Worst Practices of Foreign Aid." *Journal of Economic Perspectives* 22(2):29–52.

Elkins, Zachary, Andrew Guzman and Beth Simmons. 2006. "Competing for Capital: The Diffusion of Bilateral Investment Treaties, 1960-2000." *International Organization* 60(4):811–846.

Epstein, David and Sharyn O'Halloran. 1999. *Delegation Powers: A Transaction Cost Politics Appraoch to Policy Making under Separate Powers*. Cambridge University Press.

Fearon, James D. 1997. "Signaling Foreign Policy Interests: Tying Hands Versus Sinking Costs." *Journal of Conflict Resolution* 41(1):68–90.

Gehlback, Scott and Edmund Malesky. 2010. "The Contribution of Veto Players to Economic Reform." *Journal of Politics* 72(4):957–975.

Gutner, Tamar. 2005. "Explaining the Gaps between Mandate and Performance: Agency Theory and World Bank Environmental Reform." *Global Environmental Politics* 5(2):10–36.

Haftel, YZ and A Thompson. 2006. "The Independence of International Organizations - Concept and Applications." *Journal of Conflict Resolution* 50(2):253–275.

Haggard, Stephan and Robert Kaufman. 1995. *The Political Economy of Democratic Transitions*. Princeton University Press.

Hammond, Thomas H. and Jack H. Knot. 1996. "Who Controls the Bureaucracy?: Presidential Power, Congressional Dominance, Legal Constraints, and Bureaucratic Autonomy in a Model of Multi-Institutional Policy Making." *Journal of Law, Economics, Organization* 12(1):119–166.

Hawkins, Darren G., David A. Lake, Daniel L. Nielson and Michael J. Tierney. 2003. Delegation Under Anarchy: States, International Organizations, and Principal-Agent Theory. In *Delegation and Agency in International Organizations*, ed. Darren G. Hawkins, David A. Lake, Daniel L. Nielson and Michael J. Tierney. Cambridge University Press pp. 1–38.

Hawkins, Darren G., David Lake, Daniel L. Nielson and Michael J. Tierney. 2006. *Delegation and Agency in International Organization*. Cambridge University Press.

Headey, Derek. 2008. "Geopolitics and the Effect of Foreign Aid on Economic Growth: 1970–2001." *Journal of International Development* 20(2):161–180.

Hicks, Robert L., Bradley C. Parks, J. TImmons Roberts and Michael J. Tierney. 2010. *Greening Aid: Understanding the Environmental Impact of Develoment Assitance*. Oxford University Press.

Humphrey, Chris. 2014. "The Politics of Loan Pricing in Multilateral Development Banks." *Review of International Political Economy* 21(3):611–639.

Jensen, Michael C. and William H. Meckling. 1976. "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure." *Journal of Financial Economics* 3:305–360.

Kappagoda, Nihal. 1995. *The Asian Development Bank*. Boulder, CO: Lynne Rienner Publishers.

Keefer, P and D Stasavage. 2003. "The limits of delegation: Veto players, Central Bank independence, and the credibility of monetary policy." *American Political Science Review* 97(3):407–423.

Kiewiet, Roderick D. and Matthew D. McCubbins. 1991. *The Logic of Delegation: Congressional Parties and the Appropriations Process*. University of Chicago Press.

Kydland, Finn E. and Edward C. Prescott. 1977. "Rules Rather than Discretion: The Inconsistency of Optimal Plans." *Journal of Political Economy* 85(3):473–492.

Lancaster, Carol. 1999. *Aid to Africa*. University of Chicago Press.

Lowi, Theodore. 1979. *The End of Liberalism: The Second Republic of the United States*. W.W. Norton.

Lumsdaine, David. 1993. *Moral Vision in International Politics*. Princeton University Press.

Lundsgaarde, Erik, Christian Breunig and Aseem Prakash. 2010. "Instrumental Philanthropy: Trade and the Allocation of foreign aid." *Canadian Journal of Political Science* 43(3):733–761.

Lyne, Mona M., Daniel L. Nielson and Michael J. Tierney. 2003. Who Delegates? Alternative Models of Principals in Development Aid. In *Delegation and Agency in International Organizations*, ed. Darren G. Hawkins, David A. Lake, Daniel L. Nielson and Michael J. Tierney. Cambridge University Press pp. 41–76.

Martens, Bertin. 2005. "Why Do Aid Agencies Exist?" *Development Policy Review* 23(6):643–663.

McCubbins, Mathew D., Roger G. Noll and Barry R. Weingast. 1989. "Structure and Process, Politics and Policy: Administrative Arrangements and the Political Control of Agencies." *Virginia Law Review* 75:431–482.

McCubbins, Mathew D. and Talbot Page. 1987. A Theory of Congressional Delegation. In *Congress: Structure and Policy*, ed. Mathew D. McCubbins. Cambridge University Press pp. 409–425.

McLean, Elena. 2012. "Donors' Preferences and Agent Choice: Delegation of European Development Aid." *International Studies Quarterly* 56(2):381–395.

Milner, Helen. 2006. Why Multilateralism? Foreign Aid and Domestic Principal-Agent Problems. In *Delegation and Agency in International Organization*, ed. Darren G. Hawkins, David Lake, Daniel L. Nielson and Michael J. Tierney. Cambridge University Press.

Minoiu, Camelia and Sanjay G. Reddy. 2010. "Development Aid and Economic Growth: A Positive Long-Run Relation." *The Quarterly Review of Economics and Finance* 50(1):27 – 39. Special Section: Foreign Aid.

Mitnick, Barry M. 1973. Fiduciary Rationality and Public Policy: The Theory of Agency and Some Consequences. In *Annual Meeting of the American Political Science Association*. New Orleans, LA: .

Moser, Peter. 1999. "Checks and Balances, and the Supply of Central Bank Independence." *European Economic Review* 43:1569–93.

Murillo, Maria Victoria and Cecilia Martinez-Gallardo. 2007. "Political Competition and Policy Adoption: Market Reforms in Latin America and Public Utilities." *American Journal of Political Science* 51(1):120–139.

Nielson, Daniel L. and Michael J. Tierney. 2003. "Delegation to International Organizations: Agency Theory and World Bank Environmental Reform." *International Organization* 57(2):241–276.

Öhler, Hannes and Peter Nunnenkamp. 2014. "Needs Based Targeting or Favoritism? The Regional Allocation of Multilateral Aid within Recipient Countries." *Kyklos* 67(3):420–446.

Piazza, James A. 2011. "Poverty, Minority Economic Discrimination, and Domestic Terrorism." *Journal of Peace Research* 48(3):339–353.

Pollack, Mark A. 1997. "Delegation, Agency, and Agenda-setting in the European Community." *International Organization* 51(1):99–134.

Pollack, Mark A. 2003. *The Engines of European Integration: Delegation, Agency, and Agenda Setting in the European Union.* Oxford University Press.

Provost, Claire. 2013. "'Steady Progress' at UN Agencies Criticised in 2011 Multilateral Aid Review." *The Guardian* .

Radelet, Steven. 2006. A Primer on Foreign Aid. Technical report Center for Global Development.

Rainey, Hal and Paula Steinbauer. 1999. "Galloping Elephants: Developing Elements of a Theory of Effective Government Organizations." *Journal of Public Administration Research and Theory* 9(1):1–32.

Rajan, Raghuram and Arvind Subramanian. 2008. "Aid and Growth: What Does the Cross-Country Evidence Really Show?" *The Review of Economics and Statistics* 904(643-665).

Ram, Rati. 2004. "Recipient Country's 'Policies' and the Effect of Foreign Aid on Economic Growth in Developing Countries: Additional Evidence." *Journal of International Development* 16:201–211.

Rogoff, Kenneth. 1985. "The Optimal Degree of Commitment to an Intermediate Monetary Target." *Quarterly Journal of Economics* 100(1169-1990).

Ross, Stephen A. 1973. "The Economic Theory of Agency; The Principal's Problem." *American Economic Review* 63(2):134–139.

Rowe, Edward Thomas. 1978. "National Attributes Associated with Multilateral and US Bilateral Aid to Latin America: 1960-1971." *International Organization* 32(2):463–475.

Schneider, Christina and Jennifer Tobin. 2013. "Interest Coalitions and Multilateral Aid Allocation in the European Union." *International Studies Quarterly* 57:103–114.

Schraeder, Peter, Steven Hook and Bruce Taylor. 1998. "Clarifying the Foreign Aid Puzzle: A Comparison of American, Japanese, French, and Swedish Aid Flows." *World Politics* 50(2):294–323.

Simmons, Beth and Allison Danner. 2010. "Credible Commitments and the International Criminal Court." *International Organization* 64(2):225–256.

Stone, Randall. 2004. "The Political Economy of IMF Lending in Africa." *American Political Science Review* 98(4):577–591.

Stone, Randall. 2008. "The Scope of IMF Conditionality." *International Organization* 62:589–620.

Tierney, Michael J., Daniel L. Nielson, Darren G. Hawkins, J. Timmons Roberts, Michael G. Findley, Ryan M. Powers, Bradley Parks, Sven E. Wilson and Robert L. Hicks. 2011. "More Dollars than Sense: Refining Our Knowledge of Development Finance Using AidData." *World Development* 39(11):1891 – 1906.

Tommasi, Mariano, Carlos Scartascini and Ernesto Stein. 2010. Veto Players and Policy Trade-offs: An Intertermporal Approach to the Study of the Effects of Political Institutions on Policy. Technical report Universidad de San Andres.

Tsebelis, George. 2002. *Veto Players: How Political Institutions Work*. Princeton University Press.

Verhoest, Koen, B. Guy Peters, Geert Bouckaert and Bram Verschuere. 2004. "The Study of Organizational Autonomy: A Conceptual Review." *Public Administration and Development* 24:101–118.

Vreeland, James. 2007. *The International Monetary Fund: Politics of Conditional Lending*. Routledge.

William A. Niskanen, Jr. 1971. *Bureaucracy and Representative Government*. Aldine-Atherton, Inc.

Wilson, James Q. 1989. *Bureaucracy: What Government Agencies Do and Why They Do It*. Basic Books.

Wood, Robert Everett. 1986. *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy*. University of California Press.

Younas, Javed. 2008. "Motivation for Bilateral Aid Allocation: Altruism or Trade Benefits." *European Journal of Political Economy* 24:661–674.