

# Donors' Preferences and Agent Choice: Delegation of European Development Aid<sup>1</sup>

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While delegation to international organizations has received substantial attention in the international relations literature, the issues of institutional choice and delegation levels remain understudied. Existing research examines donor countries' decision to distribute aid bilaterally or turn to a multilateral organization; this article shifts the focus toward a closely related, but often overlooked, decision that donors need to make—that is, they select an agent from a range of international organizations and determine the level of delegation to a given agent. I argue that in their delegation decisions, donors are guided not only by standard calculations of delegation costs and benefits, but also by policies that international development agencies adopt and implement. These policies are shaped by member governments' preferences, and a donor country will delegate more to the organizations whose members have foreign policy preferences more in line with the donor country's own preferences, *ceteris paribus*. The article presents a set of empirical tests that lend support to this argument. Cross-country data on European development aid given during the period 1960–2000 are used in the analyses.

Development aid is an area of international cooperation, which becomes increasingly multilateral. On average, donor governments allocated about a quarter of the total development aid budget through international organizations, such as the World Bank and the United Nations (UN), in the late 1960s and more than 30% in the early 2000s.<sup>2</sup> The increasing reliance on multilateral aid giving can in part be attributed to the perception that multilateral aid is more effective in promoting economic development. This perception rests on the argument that multilateral aid is less “politicized” due to individual donors' limited ability to influence these flows to favor the donors' political, economic, and/or military considerations. Yet, empirical studies report mixed findings on the issue of political biases in multilateral aid allocation.

Existing research fails to identify clear differences in allocation patterns of bilateral and multilateral aid. On the one hand, researchers find that aid allo-

cated through international organizations (IOs) is more independent of donor countries' political and economic interests. Maizels and Nissanke (1984) note that donors' political and economic interests dominate bilateral aid, while recipients' needs are more important for multilateral allocations. Similarly, Burnside and Dollar (2000) show that political factors, such as the recipient's location and its level of arms imports, are more important for the allocation of bilateral than multilateral assistance. On the other hand, there is a sufficiently large body of literature demonstrating that allocation patterns of multilateral and bilateral aid are not significantly different, and IOs are not insulated from the pressure of donors' political and economic interests in aid allocation decisions. Donor governments, for instance, tend to give more assistance to their former colonies (Alesina and Dollar 2000), but Neumayer (2003) shows that this positive relationship between colonial past and aid allocation also holds for multilateral aid. Another characteristic of bilateral aid flows is that they appear to be unaffected by the level of corruption in recipient countries (Alesina and Weder 2002). However, multilateral aid allocation is equally indiscriminating with regard to corruption levels: Svensson (2000) and Neumayer (2003) report non-findings on the relationship between corruption and multilateral aid flows. How do we explain the fact that multilateral aid giving shares some of the political biases of bilateral assistance, but not all of them?

I argue that multilateral aid is less politicized than bilateral assistance (albeit not completely neutral), because international development agencies'

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<sup>2</sup> The increase in the share of multilateral allocations was not linear: multilateral aid reached its highest levels in the late 1970s and late 1990s and experienced moderate declines in the subsequent periods. Note that multilateral aid allocations of new European Union members are not included in these statistics as data for these countries are available for a short period of time, but these data suggest that the new members have some of the highest ratios of multilateral development assistance to total aid, which can be attributed to the development policy requirements associated with the EU enlargement process.

policymaking is linked both to the process of inter-governmental negotiation and to the governments' selection of international organizations, whose member preferences are more in line with the governments' own foreign policy positions, as agents. The interaction of these processes ensures that donor governments' preferences remain an important influence over international agencies' policies; at the same time, collective decision making in IOs focuses aid commitments on shared interests. My approach builds on insights from studies of policy delegation from elected representatives to bureaucratic agents in American politics (Calvert, McCubbins, and Weingast 1989) as well as principal-agent models of international organizations (Nielson and Tierney 2003; Lake 2007). From this perspective, member governments act as principals when they choose to delegate decision-making authority to international organizations in the area of development assistance.

My empirical analyses test a critical mechanism that translates government preferences into policies pursued by IOs. If governments selectively give aid to IOs, whose members share common interests—or, to put it differently, have more homogenous preferences—then the donors create incentives for IOs to pursue the policy that everyone agrees on, thereby transferring shared political biases into multilateral aid giving. At the same time, governments retain the ability to pursue their own foreign policies motivated by their narrow political and economic interests on a bilateral basis. Given that IO membership varies across development agencies and, consequently, IOs are influenced by different combinations of member governments' preferences, my research design does not aggregate multilateral aid giving; instead, empirical tests focus on individual IOs and member preferences within each organization. The results of these tests yield supporting evidence for the hypothesized positive relationship between member governments' preference homogeneity and multilateral aid allocations, suggesting that governments are willing to delegate more when they have similar preferences—and political biases—and pursue non-shared interests outside of multilateral aid agencies.

#### **Delegation Decision: Patterns of Aid Allocation among International Organizations**

At the most general level, donors' aid budgets specify the share of foreign aid to be distributed multilaterally (and bilaterally), and some recent studies have investigated the factors that determine the scale of multilateral allocations (for example, Milner 2006). A much larger set of studies has focused on the bilateral part of aid budgets and examined its distribution among recipient countries (for example, Maizels and Nissanke 1984; Frey and Schneider 1986; Boone 1996; Cashel-Cordo and Craig 1997; Schraeder, Hook, and Taylor 1998; Alesina and Weder 2002). What is absent in the foreign aid literature is a systematic analysis of the second part of aid budgets, that is, allocations to international organizations.

This article turns to the overlooked area of multilateral aid giving with the goal of developing a better understanding of the mechanism that reduces individual donors' biases in aid allocation without eliminating them completely. My approach builds on insights from studies of policy delegation from elected representatives to bureaucratic agents in American politics (Calvert et al. 1989) as well as principal-agent models of international organizations (Pollack 1997; Nielson and Tierney 2003). In the case of development aid, researchers have sought to explain why donor countries (that is, principals) delegate aid provision to international organizations (that is, agents). Aid is a foreign policy tool that donor countries use with the goal of influencing recipients. For instance, aid suspensions may serve as a form of economic pressure intended to make the recipient government more willing to grant concessions on a particular issue (Baldwin 1985). Consequently, donor countries should be reluctant to give up on their ability to control this important foreign policy tool. One explanation of the donors' willingness to delegate to IOs that has been examined in the existing research suggests that delegation of development aid distribution generates significant benefits to donor countries, thereby making multilateral aid giving more attractive than bilateral assistance. The most significant benefits from delegation include gains from agents' specialized expertise, policy coordination, dispute resolution, and enhanced credibility of policy commitments.<sup>3</sup> Milner (2006) offers another perspective on donor countries' choice to delegate the task of managing a portion of aid flows to international organizations. Citizens of donor nations view international organizations as focusing on recipient needs and feel more skeptical about their governments' motivations for providing aid. Government leaders then have to disburse some share of aid multilaterally to convince domestic audiences in altruistic underpinnings of their aid giving and to be able to continue using remaining resources for political purposes (Milner 2006).

The principal-agent framework suggests one more reason for delegation: individual donor governments may hire an IO agent to allocate development aid when the IO's policies are consistent with the donors' preferences; thus, the donors can afford to avoid both the costs associated with aid distribution and with monitoring the agent and enforcing the agent's compliance. In other words, the donors benefit from their ability to allow the IO to implement policies desired by the donors with little supervision and intervention most of the time.

An important question, then, is what determines which policies IOs will adopt and pursue. Previous studies that utilize the principal-agent framework argue that delegation may generate significant

<sup>3</sup> Martin (2006) discusses benefits from specialization through information collection. Milner (1997) provides an account of the coordinating role of agents. Stone (2002) explains how international organizations can alleviate the problem of politicians' time-inconsistent policy preferences.

problems for donor countries because agents have their own interests that are not necessarily aligned with those of the principals and, therefore, may act contrary to the principals' wishes (Kiewiet and McCubbins 1991). Principals have the authority to impose constraints on their agents' behavior; however, full control over agents is generally not possible and would be too costly. As a result, delegation will always generate opportunities for agency slack. Agents may abuse their discretion through funds mismanagement or adoption and implementation of policies that are not consistent with principals' preferences.

While agent discretion is inevitable and even desirable in the delegation relationship, there is no reason to expect that discretion will always be abused. In fact, some existing research suggests that principals are capable of reducing opportunities for agency slack, in particular through agent selection as a way of ensuring that the principals' and their agents' preferences are closely aligned. Martin (2006), for instance, finds that countries tend to delegate more to the International Monetary Fund when preferences of the Fund's staff deviate less from those of the principals. Therefore, if principals can choose, they should always prefer to delegate to agents with policy preferences closer to the principals' ideal points. Yet, the idea of international organizations having distinct policy preferences has been criticized for obscuring significant diversity of preferences among member states and, consequently, missing important aspects of institutional variation and the delegation process. By rejecting the "black box" approach, we can incorporate internal workings of international organizations as part of a more nuanced and complex understanding of international politics. For instance, scholars of the European Commission point out that, while treating the EC as a unitary actor may be a useful simplifying assumption for some analyses, studies of the EC's policies can gain significant analytical leverage by relaxing this assumption (Wonka 2007; Thomson 2008).

In order to develop such a model of the delegation process, I draw on Lake's (2007) approach, which views the relationship between IOs and member nations as that of "pooling sovereignty," or "collective decision-making at the interstate level, or where states are described as having delegated authority over a policy domain to the European Union, the WTO, or some other IO" (Lake 2007:231). This approach to delegation does not depend on the notion that IOs have policy preferences and thus represents a shift of the focus from the traditional principal-agent framework that has informed many analyses of delegation to international delegation. When decision making within IOs is analyzed from the perspective of pooling sovereignty, policies that IOs adopt and implement are no longer viewed as a product of agents' divergent preferences and a potential abuse of agency discretion. As Lake (2007) points out, IO policies are

actually outcomes of principals' collective decision making, and when member countries are dissatisfied with such policies, IOs should not be viewed as responsible for the outcome. The policies are a function of the existing configuration of member preferences, and the set of rules that the members used to choose the policy. The policy may naturally deviate more or less from any given country's ideal point. However, this is not due to a decision by a shirking agent; instead, the outcome reflects intergovernmental negotiations over a given policy, with the final outcome resulting from a given set of preferences under existing decision-making rules within an IO.

Using this formulation of the principal-agent framework, I examine aid allocation through IOs and, more specifically, evaluate the factors that determine the size of commitments to various development organizations, which receive aid for subsequent allocation among recipient countries. While delegation to international organizations in general received substantial attention in the literature, the issue of delegation to individual IO agents remains understudied, even though in the area of development assistance governments can choose from a broad range of organizations with knowledge of area-specific issues and extensive experience in project implementation.<sup>4</sup> Agents range from regional agencies, such as Regional Development Banks (RDBs), to the UN and the World Bank. I argue that donor countries do not focus solely on gains from and costs of delegation when dealing with individual development agencies. Donors also consider policies that these organizations implement in developing countries, and these policies, in turn, depend on the combination of member countries' preferences as well as the organizations' decision-making rules.

### Principals' Preferences

The delegation literature that relies on the traditional principal-agent framework has long recognized the importance of principals' preferences and examined consequences of their divergence from agents' preferences. This research suggests that IOs may abuse the autonomy that they receive from their principals by setting their policies without taking governments' interests into account. While the governments can and do craft contracts with IOs to minimize opportunities for agency slack, formal provisions are usually insufficient to curb the expansion of informal boundaries of IO autonomy (Martin 2006). Previous studies also highlight the potential problem of international organizations'

<sup>4</sup> Several international organizations have broad development mandates and substantial experience in implementing development programs in recipient countries. At the same time, development organizations may have strengths in different issue areas. For instance, the UN may be in the best position to work with recipient countries' non-governmental organizations, while one of the World Bank's strengths is in attracting private sector participation. (Interview with Paal Aavatsmaark, European Commission DG Development and Relations with African, Caribbean and Pacific States; Brussels, July 14, 2008).

acting contrary to the interests of ordinary citizens. For instance, Vaubel (1986) argues that national governments may wish to delegate certain tasks to international agencies if the delegation helps the governments to avoid the responsibility for implementing domestically unpopular policies. This argument is similar to the research that finds that international organizations, such as the IMF, provide political cover for governments facing domestic opposition to their economic reform agenda (for example, Putnam 1988; Haggard and Kaufman 1995; Vreeland 2003).

While it may appear that these studies demonstrate that IOs' policies will usually diverge from member countries' preferences, none of the theoretical mechanisms underpinning these accounts logically leads to this conclusion. On the contrary, these studies suggest that organizations do exactly what national governments want them to do, allowing the governments to claim the credit for successful outcomes or shift the blame for unfavorable or unpopular policies in front of domestic audiences. Lake (2007) argues that concerns about agency shirking are misplaced because organizations' shirking can be mitigated through appropriate monitoring and enforcement mechanisms. However, organizations' policies will inevitably fail to coincide with at least some, if not most, members' ideal points as a result of aggregating member preferences in the process of collective decision making.

The key to the divergence between the organization's policies and individual members' preferences is, then, how heterogeneous the countries' preferences are. While previous research recognizes the role of member preference heterogeneity in the relationship between IOs and member countries, these studies have several shortcomings. One limitation of many delegation studies is their focus on the initial decision to delegate, while in practice, after making the initial choice to delegate, countries continuously revise and adjust their levels of delegation. Therefore, delegation should be viewed as a continuous rather than discrete variable. Another concern is that these studies advance contradictory expectations regarding the direction of the relationship between preference heterogeneity and the extent and/or likelihood of delegation to an international organization. Hawkins, Lake, Nielson, and Tierney (2006) suggest that greater preference heterogeneity should make delegation less likely because countries will find it more difficult to arrive at an agreement before delegating to an IO. Koremenos (2008), on the other hand, contends that delegation should increase with the heterogeneity of the parties. Based on the rational design approach, delegation to international organizations generates greater benefits to participating countries when their foreign policy preferences become less similar. Preference heterogeneity makes multilateral negotiations more difficult because countries have widely divergent views on the policy that should be adopted. The time and effort required for bargaining and making decisions

as well as the risk of the possibility that the negotiations will fail to produce a decision increase as preference heterogeneity increases. These transaction costs can be reduced if countries centralize their decision making by delegating it to an IO. Therefore, countries with more heterogeneous policy preferences should be more likely to delegate to IOs. Koremenos finds some empirical support for her argument: the probability of delegation appears to be positively correlated with higher levels of interest heterogeneity; however, the result is not significant in multivariate analysis (Koremenos 2008).

I argue that donor governments continuously evaluate the existing combination of member preferences and adjust their levels of delegation to IO agents based on the heterogeneity of those preferences. When the preferences are significantly different, any policy position adopted by the IO as a result of member negotiations will inevitably be unsatisfactory for most members. On the other hand, the more homogeneous the member preferences are, the closer IOs' policy will be to most members' positions. Thus, preference heterogeneity should provide donor governments with incentives to delegate less to this IO and possibly distribute more aid through bilateral channels. If, however, member preferences become more similar, the collective decision on the IO's policy should satisfy more countries. Since donors will receive policy outcomes more in line with their preferences, they can benefit from delegating more to such an agent because additional aid will increase the agent's capacity to implement the policies that the donors favor. This correspondence between preference homogeneity and increased delegation ensures that multilateral aid giving is driven by the same motivation that shapes bilateral assistance, that is, donor interests, and consequently produces economic results comparable to those of bilateral funding, albeit mitigated by the focus on shared donor interests.

Based on this argument, I formulate the following testable hypothesis:

**Hypothesis 1:** *More homogeneous foreign policy preferences of an international organization's member countries should lead to increased aid allocations to this organization.*

### Institutional Decision-Making Rules

Once donors have taken into account the existing combination of members' preferences and evaluated the similarity of their positions with those of the other members, the donors also consider the extent of their influence over the organization's policy outcomes. Decision-making rules are particularly important for each country's ability to shape collective decisions within IOs. International organizations, similarly to domestic political institutions, operate under established rules by which policy is made, and which determine how the policy preferences of

different countries are aggregated in the process that leads to the final policy outcome. One of the broadest and most important types of institutional rules defines how preferences will be counted in the decision-making process: does the international organization adopt its decisions by some form of majority, or do some (or all) members hold veto rights? Decision-making rules vary across different international organizations, and existing research shows that these differences have a significant effect on policy outcomes (Rogowski 1999; Hiscox 2008).

The effect of veto rights on policymaking is multidimensional. In particular, decision makers' veto rights enhance credibility of adopted policies, but also generate more instability and incoherence (Rogowski 1999). From the perspective of individual decision makers' influence on the policy process, a more important aspect of veto rights is the status quo bias: veto holders can block any undesired changes to the existing policy (Tsebelis 1995; Koremenos, Lipson, and Snidal 2001). While reform-oriented countries may find that this bias serves as an impediment for collective decision making and leads to inaction, more conservative countries benefit from this aspect of veto rights because no country can be required to comply with the policy that is too distant from its ideal policy point. Thus, veto rights provide protection against collective decisions and increase the relevance of each member's policy position for policymaking, while reducing the impact of member preference heterogeneity.

The argument suggests the following hypothesis:

**Hypothesis 2:** *The homogeneity of foreign policy preferences of an international organization's member countries should have no effect on the size of aid allocations to this organization when the organization's members have veto rights.*

### Multilateral Aid Agencies and Their Policy Making

Since my hypotheses deal with the relationship between preference homogeneity and the extent of delegation to IOs, the analysis must focus on individual IOs in order to capture the effect of changing member preferences on the amount of aid given to a particular IO. There are currently three major multilateral channels of delivering development assistance to recipient governments: the United Nations, the World Bank, and—for European donors only—the European Commission. While much of existing research on multilateral assistance aggregates aid allocated to these (and other) international organizations, I examine aid given to each of these three agencies separately to be able to take into account the distinct sets of member preferences within these organizations and analyze the impact of preference measures on levels of delegation to respective organizations.

The focus on individual IOs also allows me to test the hypothesis regarding the influence of decision-

making rules on donors' willingness to delegate to a given IO. While none of the three IOs included in this study requires that every decision be made by unanimity (that is, gives formal veto rights over every decision to its members), the EU is the only organization that does rely on unanimity in a range of policy areas, especially in politically sensitive areas, such as defense and foreign policy, tax, social policy, as well as treaty revisions.<sup>5</sup> In other areas, decisions are made by qualified majority voting (QMV), which means that there must be the support of at least 255 votes out of 345 (or 73.9%). A majority of EU countries must approve the decision, and any member may ask for confirmation that the votes cast in support of the decision represent at least 62% of the EU's total population.

In addition to formal veto rights in several policy areas, policymaking in the EU is influenced by implicit consensual decision-making norms. EU scholars have traced the influence of these norms across most decisions. For instance, studies of electricity policy and trade negotiations find evidence of a strong veto culture in the EU (Schmidt 1996; Meunier 2000). Golub also finds that despite institutional reforms that expanded the use of QMV, a veto culture has become more powerful than QMV effects on European decision making, which results in slower decision making (Golub 1999:752). If any member nation can veto a proposal, the member with the most extreme preferences effectively determines the common policy. The outcome in this case will reflect the "lowest common denominator" (Garrett and Tsebelis 1996; Meunier 2000).

Another important dimension of EU aid giving is that financial assistance is actually distributed through two distinct channels: the European Development Fund (EDF), replenished by ad hoc contributions from EU members, and the non-EDF channel, funded by the EU budget (Nugent 1994). EDF aid is exclusively instrumental in supporting the economic development of African, Caribbean, and Pacific countries<sup>6</sup>; non-EDF funds assist all other recipient countries and serve for food aid purposes. Even though the EC plays a coordinating and supporting role in development assistance, European states are much more prominent in this area of foreign policy. Thus, Nugent (1994) notes that states sometimes use aid to promote their national political and economic interests. While states may find it more difficult to influence the direction of EU development policy in the case of budget funds, EU members have been successful in preventing the "budgetization" of the EDF (Carbone 2007).<sup>7</sup>

The other two multilateral development agencies included in this analysis rely on majority voting in their policymaking. The UN, more specifically the

<sup>5</sup> The Lisbon Treaty reduces the number of policy areas in which decisions will continue to be adopted by unanimous voting.

<sup>6</sup> These countries (known as the ACP countries) have special relationships with the EU as formalized by the Lome Convention (Nugent 1994).

<sup>7</sup> Budgetization is incorporation of the funding into the EU budget.

UN General Assembly, adopts decisions in important issue areas, such as budgetary questions, by a two-thirds majority of the member countries' representatives present and voting. Decisions on other questions are made by simple majority voting, as specified in the UN Charter. The World Bank, including its agency that disburses grants and interest-free credits to the poorest nations, International Development Association (IDA), uses a more complex voting procedure: weighted voting rules, that is, each member's voting power depends on the size of its contribution to the IO. At the World Bank, important decisions must be accepted by three-fifths of the members controlling 85% of the total voting power before it becomes effective. The most powerful member—the United States—currently controls 16.36% of the vote.<sup>8</sup> The seven largest industrialized countries (G-7) hold a total of 45% of the vote. Similarly, in the IDA, the United States, one of the organization's 168 members, controls 11.24% of the total vote, while 30 donor countries hold 54.35% of the vote.

Scholars disagree on the driving forces behind decision making in multilateral development agencies. Some research suggests that international organizations de-link aid from political and economic interests of individual donor countries and focus on enhancing global welfare (Hook 1995; Schraeder et al. 1998). If international organizations indeed serve as apolitical agents, decisions on aid commitments by donors should also be apolitical and based on some objective criteria, such as the size of the donor's economy. While the UN's regular budget does rely on a clear scale of contribution assessment reflecting a donor country's capacity to pay, the UN's development assistance is funded primarily through supplementary resources, which are funded through voluntary contributions (Kaufmann 1980; Luard 1994). For instance, in 2003, supplementary funding constituted 72.4% of the resources available to the United Nations Development Programme (UNDP), the organization's main development agency (United Nations 2005). Similarly, while donor contributions in IDA's periodic capital replenishments are calculated based on a burden sharing framework, which takes into account a donor's capacity to contribute, donors retain considerable flexibility in their decisions regarding actual contribution levels. Donors may choose to provide "more than their 'fair' shares reflecting specific circumstances and priorities" (World Bank 2007).

The discrepancy between the view that international organizations are apolitical and the empirical record has led some researchers to reject this theoretical approach and argue instead that activities of development agencies, in particular the World Bank, depend on donor preferences and impose a Western development model on recipient countries (Ferguson 1994; Escobar 1995). The perception of

apolitical decision making by IOs may in fact make them attractive for donor countries as aid channels because the donors may be able to pursue their objectives that would be too costly or would encounter recipient resistance if bilateral programs were used (Harrigan, Wang, and El-Said 2006). Studies of the World Bank, for instance, have extensively examined the relationship between this development agency and the United States. This country's support of the World Bank is largely attributed to the IO's commitment to the economic principles and policies that coincide with the US foreign policy agenda of trade liberalization and greater freedom of FDI and portfolio flows (Wade 2002; Paloni and Zanardi 2006).

Existing research points at a similar tendency of European countries to favor some IOs over others for aid allocation. Carbone (2007) suggests that the European Commission is a privileged multilateral aid channel for some EU members, but not for others. France, Germany, and a group of southern member states (Greece, Italy, Spain, and Portugal) favor the European channel more than other multilateral aid agencies. On the other hand, northern member states, such as Denmark, Finland, Sweden, and the Netherlands, prefer to disburse their aid through the UN because the donors view this IO's policies as close to their own approaches to economic development. The UN seeks to integrate recipients in the decision-making process and views social issues as an integral part of development. Finally, the UK appears to have a preference for the Bretton Woods institutions, including the World Bank. This preference was particularly strong during the Cold War and can be attributed to the country's political links to the United States. While this research is suggestive of a potential relationship between donors' policy preferences and the choice of a multilateral aid channel, no systematic evidence has been provided to date to show that such a relationship indeed exists. This article aims to fill the gap.

### **Data and Measurement**

I apply my theoretical argument to European countries' development aid. Collectively, members of the European Union are the world's largest aid donor contributing 57% of total development aid.<sup>9</sup> My focus on EU members is motivated by the fact that only these countries can delegate aid distribution to the European Commission, an important multilateral aid channel. Therefore, in order to keep my results comparable across different IOs, I examine only European governments' aid and its delegation to the European Commission, the United Nations, and the IDA,<sup>10</sup> three leading multilateral

<sup>9</sup> Based on OECD aid data.

<sup>10</sup> IDA is the part of the World Bank Group that focuses on helping the world's poorest countries, that is, countries with GNI per capita below the established threshold. For fiscal year 2010, the threshold is set at \$1135.

<sup>8</sup> World Bank Annual Report 2010. Available at <http://go.worldbank.org/WT5JEWJJA0>.

aid agencies and top recipients of European countries' multilateral allocations.<sup>11</sup> In 2005, average contributions to these development agencies were 18%, 7%, and 4% of total official development assistance (ODA), respectively. To examine factors influencing the delegation of European donors' aid to the IOs, I collected data on EU members' ODA allocated to each IO as a share of their total ODA allocations for the period 1960–2007.<sup>12</sup> The panel is unbalanced because countries joined the European Union—and, consequently, the sample—in different years. Data availability effectively restricts my sample to EU-15 countries,<sup>13</sup> that is, new members that joined on or after the year of 2004 are excluded from the analysis. EU-12 countries<sup>14</sup> are still in the early stages of formulating their development aid policies and establishing aid financing.

Previous literature suggests several explanatory variables that should be included in empirical tests of aid allocation. Note that, since the existing literature does not disaggregate multilateral aid giving by agency, these variables have been used to explain general levels of delegation, but not the extent of delegation to individual organizations. This does not imply that the explanatory variables will have the same type of relationship (either positive or negative) with the dependent variables for each of the three IOs. The factor that decreases a donor's willingness to contribute to one organization may not necessarily make the donor avoid delegation altogether and opt for bilateral aid giving—there may be another organization that is suitable for the donor's needs.

Control variables included in the empirical analyses can be divided into two groups: domestic level and system level.<sup>15</sup> Domestic economic factors shape the ability and willingness of governments to distribute aid. Previous studies of aid allocation find that more affluent countries have sufficient resources to establish large national aid agencies and consequently should rely on bilateral channels more than on multilateral institutions (Milner 2006); however, this argument does not indicate which multilateral institutions should be favored by wealthier donors and which by less affluent donors. To control for the possibility that the level of national wealth reflects the degree of influence that donors may exercise over collective decisions, I include a national income measure in the analysis. If wealthy

donors indeed have a strong preference for bilateral allocation, and disregard opportunities for exercising economic influence over IO policymaking, there should be a negative relationship between wealth and aid allocations to all three IOs. If, on the other hand, donors consider decision-making procedures and find that some IOs provide them with more influence than others, governments with limited resources should choose institutions in which they are more likely to make their voices heard. From this perspective, less affluent donors should prefer to give their multilateral aid to the EC because of its consensual decision-making norms. I measure countries' wealth levels by their per capita GDP, which is expressed in constant 2000 USD (*GDP per capita*).

Another domestic-level factor is the country's population size (*Population*). Smaller EU nations depend on international cooperation to a greater extent than larger countries because they lack the same level of influence at the international level. Since governments of smaller countries can exercise more influence over development aid administered by the EC, as opposed to assistance given through other IOs, which do not have similarly powerful consensual norms, less populous countries should favor the EC as their aid allocation agency and give less through other channels.

Government spending is a domestic-level indicator that captures the country's interest in resource redistribution. Countries in which citizens trust their governments to engage in higher levels of redistribution at the domestic level may also be more willing to accept redistribution of resources internationally. However, when it comes to the choice of a multilateral institution to be trusted with development aid allocation, existing research does not suggest that countries with different levels of government spending will favor different multilateral channels. To control for the potential influence of countries' varying degrees of redistribution tolerance on multilateral aid giving, I use a measure of government spending as a share of GDP (*Government spending*).

At the level of the international system, previous research finds that a country's involvement in international economic interactions has a significant effect on its aid allocations. In particular, studies of foreign aid find that international trade links are a determinant of the country's interest in using aid as an instrument to further its national goals and, by extension, its reluctance to delegate aid giving to multilateral institutions (Milner 2006). The measure that is commonly used to examine this causal mechanism is the sum of exports and imports divided by the country's GDP (*Trade*). Trade-dependent countries should favor bilateral aid allocation and be unwilling to engage in multilateral programs. Therefore, there should be a negative relationship between the level of trade dependence and aid allocations to all three IOs.

Another dimension of international relations that may influence aid giving is the existence of a hegemonic power. There are two different perspectives

<sup>11</sup> There is also a more practical reason for limiting the study to these three organizations: The OECD does not report disaggregated data on aid contributions to other IOs, such as RDBs.

<sup>12</sup> The data source is the Aid Statistics data set by Development Assistance Committee of the OECD; available at <http://www.oecd.org/dac/stats/>.

<sup>13</sup> EU-15 countries are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and United Kingdom.

<sup>14</sup> EU-12 countries are Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia.

<sup>15</sup> The source of data for these variables (*GDP per capita*, *Population*, *Government spending*, *Trade*, and *U.S. economic weight*) is 2009 World Development Indicators.

on the role of the hegemonic power in international relations. The first—the benevolent hegemon perspective—argues that the hegemon will provide the public good and bear the full cost of its provision, while other countries will free-ride on the hegemon's efforts (Olson 1965; Kindleberger 1974; Keohane 1984). The second—the malevolent, or coercive, hegemon perspective—expects the hegemon to use its military and/or economic superiority to structure international relations to its own advantage and force other countries to contribute to public good provision (Gilpin 1975; Krasner 1976). The United States has been a dominant economic and military power during the period analyzed in this study; therefore, this country can be expected to play a role in the allocation of development assistance by European donors. If the United States acts as a benevolent hegemon, other donor governments should be able to pursue their national interests by allocating less aid multilaterally; therefore, all IOs, and especially those, in which the United States exercises more influence (such as the IDA), should receive less aid. If, on the other hand, the United States is a malevolent hegemon, it is expected to coerce other developed countries to contribute to multilateral agencies and punish free-riders, which should lower bilateral allocations. The hegemon should prefer contributions to international organizations, over which it exercises more influence, such as the IDA. I measure the economic status of the United States in the international system by calculating the ratio of the United States' total trade volume to the world's total trade (*U.S. economic weight*).

To test my theoretical argument, I create a measure of similarity between the donors' foreign policy preferences based on data from the Affinity of Nations Index (Gartzke 2006). The Affinity indicator was constructed to capture the similarity of state interests based on United Nations General Assembly votes. This is an appropriate measure of countries' foreign policy preferences in the context of development assistance because aid is a foreign policy tool used for political, military, and/or strategic purposes. According to Morgenthau, "a policy of foreign aid is no different from diplomatic or military policy or propaganda. They are all weapons in the political armory of the nation" (Morgenthau 1962:309), that is, donor countries' political preferences are the main determinant of aid giving. Therefore, countries' preferences regarding aid allocation should be driven primarily by their positions on political issues, such as those routinely discussed and voted on in the UN General Assembly.

The votes in the General Assembly were coded as an s-score for each dyad, or pair of countries.<sup>16</sup> Resulting values of the Affinity index range from -1

(least similar interests) to 1 (most similar interests). Because the Affinity data are dyadic, I take the Affinity value for a given EU-15 country and each remaining IO member and then identify the Affinity value of the dyad with the least similar interests. I repeat this procedure for each of the three IOs included in the analysis—the EU, the UN, and the IDA—to code corresponding preference similarity variables *Affinity with least similar EU member*, *Affinity with least similar UN member*, and *Affinity with least similar IDA member*.

To illustrate the coding procedure, Figure 1 shows foreign policy positions of EU members relative to that of the UK in 2000. Ireland, Portugal, and Sweden have preferences that differ the most from the UK position (Affinity scores are <0.9), while the preferences of France are closely aligned with those of the UK (the Affinity score equals 1). Therefore, the value of *Affinity with least similar EU member* for the UK in the year of 2000 is simply the Affinity score for the UK-Ireland dyad, that is, 0.85. Note that since the UN and the IDA have a more inclusive membership base than the EU, which is essentially a donors' club, and as a result the preference homogeneity measures for the UN and the IDA, unlike the measure for the EU, take into account recipient interests, the mean similarity scores for these two IOs are considerably lower than that for the EU. The average for *Affinity with least similar EU member* is 0.64, while the averages for *Affinity with least similar IDA member* and *Affinity with least similar UN member* equal 0.10 and 0.03, respectively.

In addition, to control for the possibility that it is the size of the organization, rather than member preferences, that influences allocation decisions, in one specification, I include IO size variables (*Number of EU/UN/IDA members*) that represent the number of countries that are members of a given IO in a given year.<sup>17</sup> Some previous studies contend that growing membership increases preference heterogeneity (see Kahler 1995); therefore, as more countries join the organization, the degree of preference heterogeneity in the IO should increase. Of the three IOs analyzed in this study, the EU has the lowest number of members, while the UN, a global all-inclusive organization, has the largest.

Finally, I create variables that capture each donor's relative contribution size, which are included in a third set of specifications. These variables, *Relative size of EU/UN/IDA contribution*, are calculated by dividing each donor's contribution by the total amount delegated to a given IO in a given year.<sup>18</sup> Relative contributions range from extremely small (Luxembourg's share of aid contributions to the UN and the IDA never exceeded 1%) to quite

<sup>16</sup> S-scores are calculated as  $1 - 2*(d)/d_{max}$ , where  $d$  is the sum of metric distances between votes by dyad members in a given year and  $d_{max}$  is the largest possible metric distance for those votes. See Signorino and Ritter (1999) for a discussion of this measure of preference similarity and alternative data sources for its construction.

<sup>17</sup> The number of members is calculated based on the information provided on these organizations' Web sites. For the European Union, see [http://europa.eu/about-eu/countries/index\\_en.htm](http://europa.eu/about-eu/countries/index_en.htm); for the UN, see <http://www.un.org/en/members/>; and for the IDA: <http://go.worldbank.org/63YSK4ERR0>.

<sup>18</sup> The calculations are based on aid data provided by the Aid Statistics data set by Development Assistance Committee of the OECD; available at <http://www.oecd.org/dac/stats/>.

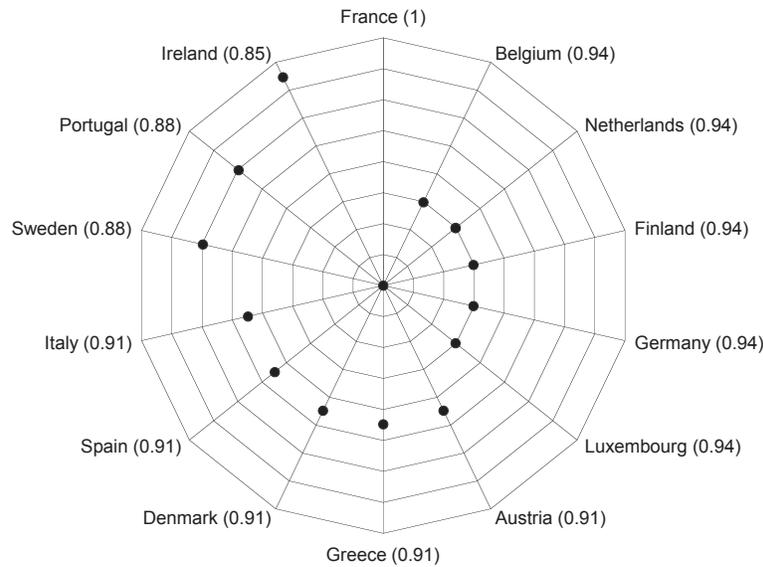


FIG 1. Preference Similarity of the UK and other EU-15 countries (in 2000)

sizeable (in 1966, Germany contributed more than half of the European Commission's total aid). If relative contribution size determines the level of influence a given country can exercise over decision making within the IO, the control over purse strings may eliminate the influence of member preferences. The importance of power distribution within IOs has been previously established in other contexts: Broz and Hawes (2006) suggest that the United States may choose to delegate to the IMF because the US government is the organization's largest stakeholder with an effective veto right over the IMF's important decisions.

The estimation technique that I use is OLS with panel-corrected standard errors because my data set

includes observations for fifteen countries over forty years, that is,  $t$  is relatively large and in most cases  $>n$ . All independent variables are lagged one period, and the analyses include a year counter to account for linear trends over the period. Table 1 presents the summary statistics for all the variables used. I report my findings in Table 2, which includes only preference variables, Table 4, which adds IO size indicators, and Table 5, which adds relative contribution measures.

### Testing the Preference Homogeneity Hypothesis

The estimation results strongly support my hypothesis regarding the effect of preference homogeneity

TABLE 1. Summary Statistics

<i>Variable</i>	<i>Obs</i>	<i>Mean</i>	<i>SD</i>	<i>Min</i>	<i>Max</i>
EU aid/total ODA	375	17.22	10.86	1.31	69.47
International Development Association (IDA) aid/total ODA	443	8.12	6.13	0	42.71
UN aid/total ODA	480	9.44	7.72	0.19	44.01
Bilateral aid/total ODA	499	63.76	15.30	8.12	98.21
Affinity with the least similar EU member	415	0.64	0.18	-0.07	1
Affinity with the least similar IDA member	588	0.10	0.18	-0.52	0.80
Affinity with the least similar UN member	632	0.03	0.19	-0.54	0.80
Number of EU members	720	11.35	5.31	6	27
Number of IDA members	720	127.44	30.77	36	166
Number of UN members	720	155.52	27.68	99	192
Relative size of EU contribution	375	0.11	0.11	0.001	0.51
Relative size of IDA contribution	443	0.05	0.06	0	0.37
Relative size of UN contribution	480	0.04	0.04	0.0001	0.36
Population (log)	705	16.29	1.36	12.66	18.23
GDP per capita	694	16048	7574	2343	54178
Government consumption/GDP	693	18.47	4.56	8.49	29.94
Trade/GDP	693	0.66	0.53	0.09	3.44
U.S. economic weight	690	13.67	1.15	11.86	16.27

TABLE 2. Effects of Preference Similarity (*Affinity with least similar member*) on Multilateral Aid Commitments

<i>Dependent variable:</i>	<i>EU aid</i>	<i>UN aid</i>	<i>IDA aid</i>	<i>Bilateral aid</i>
Affinity with least similar member	-0.26 (2.86)	4.47 (1.64)*	5.39 (1.74)*	
Population	-2.68 (0.50)*	-5.16 (0.38)*	-0.38 (0.36)	5.62 (0.74)*
GDP per capita	-0.0008 (0.0001)*	0.0003 (0.0001)*	-0.00003 (0.0001)	0.0005 (0.0001)*
Government consumption	-1.93 (0.14)*	0.53 (0.08)*	-0.34 (0.12)*	1.07 (0.18)*
Trade	-4.63 (0.90)*	-11.75 (1.00)*	-1.4 (0.94)	11.60 (2.06)*
U.S. economic weight	-4.14 (0.66)*	0.93 (0.33)*	-1.41 (0.36)*	3.33 (0.83)*
Year	1.12 (0.09)*	-0.26 (0.04)*	-0.02 (0.06)	-0.69 (0.10)*
Constant	-2045 (176)*	582 (76)*	78.53 (104)	1251 (183)*
Number of observations	318	426	391	492
$R^2$	0.62	0.59	0.19	0.21
Wald $\chi^2$	433.36	315.37	147.94	146.60
$p > \chi^2$	0.00	0.00	0.00	0.00

(Notes. OLS with panel-corrected standard errors; panel-corrected standard errors in parentheses; two-tailed tests: \* significant at 5%).

in the cases of the UN and the IDA. In all specifications, variables that measure preference similarity among UN and IDA members have the expected positive and statistically significant effect on the share of ODA given to the UN and the IDA, respectively. These findings suggest that donor governments indeed take into account shared policy preferences when they determine the degree of aid delegation to these development organizations. When a donor finds that an organization's members share common interests close to its own foreign policy preferences, the donor increases its financial contribution to benefit from delegation to the international organization. When, on the other hand, members' policy preferences diverge, countries reduce their allocations. The decision of the US Congress to withhold some of the country's contribution to the IDA in 2000 over the issue of aid to Heavily Indebted Poor Countries illustrates my empirical finding. The US demanded that at least 50% of future IDA aid to these countries had to be in the form of grants rather than loans—the position that resulted in a disagreement with European donors (Weaver 2007). Another example is a reduction of Danish contributions to the UNDP. In 1999, the Danish government reduced its aid allocation to the UNDP because this country's candidate for the position of UNDP's head was not selected (Mathiason 2007:233).

While the EU ODA model does not yield a statistically significant coefficient on the preference homogeneity measure, this result is consistent with the theoretical expectation summarized in Hypothesis 2, which states that veto powers may eliminate the impact of preference homogeneity on delegation decisions. This result is in line with existing studies that identify the influence of strong consensual decision-making norms on EU policymaking (Garrett and Tsebelis 1996; Schmidt 1996; Golub 1999; Meunier 2000). In addition, the absence of a significant relationship between preference homogeneity and delegation levels can be linked to the characteristics of European integration: the thresh-

old to entry into the European Union is much higher than other IOs. Therefore, by the time a candidate country is ready for accession, it has brought most of its policies in line with those of the existing EU members. The high level of foreign policy similarity among EU countries is reflected in the summary statistics of the preference homogeneity variable (*Affinity with least similar member*): the average score is 0.64 for the EU (with the lowest value of -0.07), compared to 0.10 for the IDA and 0.03 for the UN. In sum, results reported in all three tables suggest that the influence of consensual decision-making norms is sufficiently powerful to override the effect of modest preference heterogeneity among EU members.

Most control variables achieve statistical significance in the three sets of regression results. Two domestic-level variables, *Population* and *GDP per capita*, have a negative effect on multilateral aid giving. More populous countries give less aid to all three IOs, though the result for IDA aid loses its statistical significance in two specifications. Larger countries clearly prefer bilateral channels, which is consistent with the expectation that such countries have better aid delivery capacities and broader foreign policy agendas; therefore, they allocate more of their aid resources through bilateral programs. Smaller countries, on the other hand, turn to IOs because as a group they can exert more influence in their relations with developing countries. Similarly, more affluent countries, that is, countries with higher levels of GDP per capita, give more aid bilaterally and less aid to individual IOs. The negative results are statistically significant in different specifications of the EC aid model, but show less robustness in the case of IDA aid. There appears to be one exception to the negative relationship between a donor's wealth and its aid allocations to IOs: wealthier donors give more aid to the UN. Another domestic-level regressor that has a varying effect on different IO allocations is *Government spending*. Governments that spend more conservatively tend to favor IOs

with stronger reputations for financial accountability and transparency, such as the EC and IDA.<sup>19</sup> At the same time, such governments give less aid to the UN,<sup>20</sup> as well as less bilateral aid. Another (and related) explanation of these results is based on the tendency of the governments with less conservative domestic spending programs to have more redistributive agendas internationally. While donors that are conservative spenders domestically favor IOs with strict conditionality and greater transparency (two institutional characteristics that are more in line with donor, than recipient, interests, and thus more likely in IOs that do not allow for much influence from aid recipients, such as the EC and IDA), less conservative spenders lean toward IOs that share their generous redistributive approach (and these IOs, such as the UN, usually integrate recipients in decision making). The results for all three IOs are statistically significant and remain robust in different specifications.<sup>21</sup>

Two measures of system-level factors also yield significant results. Consistently with existing research, I find evidence that countries with more trade-dependent economies tend to allocate less aid through multilateral channels and favor bilateral assistance programs. For all three IOs, the level of trade dependence is negatively associated with aid allocations, although the result is not statistically significant in the case of IDA aid. These findings lend support to the argument that trade-dependent donors use bilateral disbursements of development aid as an instrument of trade promotion. The results involving the second system-level variable, *U.S. economic weight*, vary across three IOs. As the economic weight of the United States increases, European donors delegate less to the EC and IDA, while giving more to the UN, as well as bilaterally. The coefficients on this variable are statistically significant and quite robust, losing significance only in the specification with the relative contribution size variables in the UN and IDA models. The negative relationship between US economic power and aid allocated to the IDA is consistent with the benevolent hegemon argument, especially given the increase in bilateral aid associated with the hegemon's greater economic weight.

<sup>19</sup> The EC currently considers developing a system that would allow anyone to track aid allocation from its entry into the IO and to its disbursement to the final recipient. (Interview with Vincenzo Zappino, EuropeAid Cooperation Office, Relations with the Council, the European Parliament and the International Organisations; Brussels, July 15, 2008.)

<sup>20</sup> Interestingly, when the EC allocates some of its aid through other IOs, it also prefers to deal with the World Bank rather than the UN due to transparency concerns. (Interview with Vincenzo Zappino, EuropeAid Cooperation Office, Relations with the Council, the European Parliament and the International Organisations; Brussels, July 15, 2008.)

<sup>21</sup> Note that neither the European Commission, nor IDA, is completely transparent in its aid expenditures. What this finding suggests is that some IOs provide better information regarding their activities than others, even if in absolute terms all multilateral agencies need to improve. For instance, the 2008 DAC report on multilateral aid indicates that data on aid activities reported by multilateral agencies are incomplete and are not sufficiently accurate; however, the level of reporting on IOs' operations in developing countries varies. In particular, the UNDP was singled out for "one of the largest data gaps" (OECD 2008: 29).

At the same time, the negative influence of American economic preponderance on aid allocated to the EC is somewhat puzzling because within this particular organization, European donors cannot free-ride on American development assistance efforts as the United States is not its member. It is possible that regional, rather than global, hegemony affects delegation decisions within the EU. Another puzzling result is that aid allocations to the UN are actually positively affected by US economic weight. Taken together, these results suggest that the effect of hegemony may be more complex and nuanced than previously acknowledged.

In order to test the robustness of my main findings, I further disaggregate aid flows and test whether the aid allocation patterns that I have identified in aggregate aid giving also apply to voluntary contributions. The OECD data set provides information on donors' capital subscriptions and voluntary funding by aid agency. More specifically, I use data on grants given by EU countries to the EC (in the form of EDF and non-EDF contributions), to the development branch of the UN (UNDP), and IDA. Table 3 reports the results from the empirical tests specified the same way as the tests conducted for Table 2, but with grant data instead of aggregate aid data. Overall, the main results on the effect of preference similarity on patterns of aid giving remain robust to the use of the data on voluntary contributions.

Two additional tables report results of empirical tests using aggregate aid data, as in Table 2, but with specifications that include *IO size* (Table 4) and *Relative contribution size* (Table 5). I find that adding *IO size* or *Relative contribution size* does not affect the coefficients on the preference similarity variables. In the case of *IO size*, the variable itself appears to have no effect on contributions to any of the three IOs. This non-finding suggests that, contrary to the conventional view, broader participation may not always have negative consequences for the depth of cooperation. In addition, the results reported in these tables indicate that the reduction in individual members' control over policymaking does not necessarily make countries more vulnerable to adverse effects of IOs' policies. Koremenos et al. (2001) argue that as the number of members increases, the control of any one country or subset of countries decreases. While that is certainly the case for blocking undesirable policies, this effect of expanded membership is even more important for adopting policies. If it becomes harder to mobilize a sufficient number of votes against a policy under majority voting rules, it also becomes harder to gather enough votes to pass a policy. Therefore, there are both positive and negative consequences of broader membership. The results of my analyses reflect this mixed effect of increasing IO size: countries neither increase nor decrease their contributions as organizations expand. Unlike *IO size*, *Relative contribution size* has a statistically significant relationship with the size of aid allocations to the UN and IDA, as Table 5 reports. The results suggest that large contributors

TABLE 3. Effects of Preference Similarity (*Affinity with least similar member*) on Multilateral Aid Grants

<i>Dependent variable:</i>	<i>EU grants</i>			
	<i>Non-EDF</i>	<i>EDF</i>	<i>UNDP grants</i>	<i>IDA grants</i>
Affinity with least similar member	-1.88 (2.34)	1.29 (1.38)	2.72 (0.90)*	7.57 (2.26)*
Population	-2.26 (0.35)*	-0.47 (0.32)	-1.95 (0.22)*	-0.23 (0.24)
GDP per capita	-0.0005 (0.0001)*	-0.0002 (0.00)*	0.00001 (0.00)*	0.0001 (0.0001)
Government consumption	-1.45 (0.11)*	-0.58 (0.11)*	0.24 (0.04)*	-0.34 (0.10)*
Trade	-4.55 (0.86)*	-0.54 (0.79)	-4.45 (0.70)*	-0.07 (1.09)
U.S. economic weight	-1.04 (0.85)	-1.35 (0.39)*	0.92 (0.18)*	1.80 (0.59)*
Year	0.66 (0.13)*	0.19 (0.06)*	-0.29 (0.02)*	-0.50 (0.07)*
Constant	-1207 (246)*	-337 (115)*	585 (46)*	987 (133)*
Number of observations	276	279	383	367
$R^2$	0.63	0.33	0.58	0.34
Wald $\chi^2$	299.64	129	405.7	94.4
$p > \chi^2$	0.00	0.00	0.00	0.00

(Notes. OLS with panel-corrected standard errors; panel-corrected standard errors in parentheses; two-tailed tests: \*significant at 5%).

TABLE 4. Effects of Preference Similarity (*Affinity with least similar member*) on Multilateral Aid Commitments, Controlling for IO Size

<i>Dependent variable:</i>	<i>EU aid</i>	<i>UN aid</i>	<i>IDA aid</i>
Affinity with least similar member	-0.49 (2.83)	4.76 (1.67)*	5.69 (1.80)*
Number of IO members	0.46 (0.56)	-0.04 (0.06)	-0.05 (0.07)
Population	-2.65 (0.50)*	-5.15 (0.37)*	-0.38 (0.36)
GDP per capita	-0.0008 (0.0001)*	0.0003 (0.0001)*	-0.00003 (0.0001)
Government consumption	-1.94 (0.14)*	0.54 (0.08)*	-0.33 (0.12)*
Trade	-4.49 (0.89)*	-11.71 (1.00)*	-1.4 (0.93)
U.S. economic weight	-4.21 (0.66)*	0.91 (0.33)*	-1.34 (0.38)*
Year	1.00 (0.16)*	-0.18 (0.14)	0.08 (0.14)
Constant	-1820 (313)*	436 (258)*	-108 (267)
Number of observations	318	426	391
$R^2$	0.62	0.59	0.19
Wald $\chi^2$	436.56	315.38	151.61
$p > \chi^2$	0.00	0.00	0.00

(Notes. OLS with panel-corrected standard errors; panel-corrected standard errors in parentheses; two-tailed tests: \*significant at 5%).

TABLE 5. Effects of Preference Similarity (*Affinity with least similar member*) on Multilateral Aid Commitments, Controlling for Contribution Size

<i>Dependent variable:</i>	<i>EU aid</i>	<i>UN aid</i>	<i>IDA aid</i>
Affinity with least similar member	0.52 (2.79)	3.23 (1.56)*	3.27 (1.67)*
Relative contribution size	5.56 (7.68)	67.91 (9.11)*	12.81 (7.44)*
Population	-3.19 (0.87)*	-5.84 (0.36)*	-0.84 (0.47)*
GDP per capita	-0.0009 (0.0001)*	0.0001 (0.0001)	-0.0001 (0.00)*
Government consumption	-1.92 (0.15)*	0.28 (0.08)*	-0.22 (0.11)*
Trade	-4.64 (0.91)*	-10.27 (0.91)*	-1.02 (0.92)
U.S. economic weight	-4.17 (0.72)*	0.25 (0.32)	-1.2 (0.36)
Year	1.15 (0.11)*	-0.07 (0.04)	0.01 (0.06)
Constant	-2091 (198)*	239 (82)*	34.32 (114)*
Number of observations	297	404	348
$R^2$	0.65	0.68	0.17
Wald $\chi^2$	552.81	437.83	123.9
$p > \chi^2$	0.00	0.00	0.00

(Notes. OLS with panel-corrected standard errors; panel-corrected standard errors in parentheses; two-tailed tests: \*significant at 5%).

to these organizations are more willing to use these agencies for aid distribution, likely due to the correspondingly greater influence over the IOs' decision making. The coefficient on this variable is not signif-

icant in the EU aid model, which suggests that consensual decision-making norms may be more powerful than the informal influence that large donors seek to exert within the EU.

Drawing on the statistically significant results from Table 2, Table 6 demonstrates their substantive significance by calculating the impact of changes in the preference homogeneity variables (*Affinity with least similar member*) for the UN and IDA, holding all other regressors constant at their means. Greater preference similarity among members of both the UN and IDA produces substantial increases in aid allocations to respective IOs. In the case of the UN, a country whose preferences differ the most from those of other member countries is predicted to allocate 7.2% of its total ODA to the organization, while a country that finds the largest similarities in its policy preferences with those of others can be expected to give 13.2% of its aid through this multilateral channel. The substantive impact of greater preference homogeneity is even more pronounced in the case of IDA aid allocations: when preferences are least similar, approximately 5% of ODA is given to this organization. When, on the other hand, preferences display the highest level of homogeneity, the predicted IDA allocation rises to 12.2%. These results further reinforce the notion that donor governments selectively allocate their aid to the IOs, whose members have common interests and, consequently, whose policies are closer to the donors' ideal policy positions.

### Conclusion

What affects aid delegation, and why do donor countries contribute more aid to some IOs, but not others? My analysis shows that donor governments' decisions to allocate aid to multilateral organizations is influenced by the preferences of the organizations' other members and, in particular, the similarity of those preferences and the individual donor's interests. My empirical analyses find evidence of donor governments' increasing contributions to international organizations when the members' preferences converge. In essence, donors utilize multilateral channels to gain benefits from delegation when little disagreement exists within the community of member countries on the policy that should be pursued, that is, governments' foreign policy prefer-

ences converge. However, as member preferences become more heterogeneous, collective decision making is less likely to produce a policy that would be acceptable to member countries. Consequently, donor governments reduce their use of multilateral channels for aid distribution.

Empirical tests using data on EU aid delegation to the International Development Association and the United Nations lend strong support to my argument. The results are robust in different specifications and suggest that European countries indeed take into account the similarity of member preferences when these donor nations set their levels of development aid contributions to IOs. These findings hold while controlling for a number of other factors and, importantly, do not depend on the size of an international organization or the donor's financial stake in the organization.

While the primary goal of this study is to improve our understanding of factors shaping countries' delegation decisions and, more specifically, agent choice, a broader contribution of this research is its focus on an important but often overlooked issue of IO policymaking. In order to understand the relationship between IOs and their members, we need to investigate what policies IOs adopt and implement and how member countries influence the policy-making process. The focus on IO policymaking is important for explanations of IOs' autonomy and policies, and member countries' behavior in the area of multilateral cooperation.

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TABLE 6. Predicted Aid Allocations to the UN and IDA

<i>Values of affinity variables</i>	<i>Predicted aid allocation</i>
UN aid allocation	
Min = -0.54	7.20
Mean -2 SD = -0.34	8.07
Mean = 0.03	9.88
Mean +2 SD = 0.40	11.38
Max = 0.80	13.18
IDA aid allocation	
Min = -0.52	5.12
Mean -2 SD = -0.26	6.53
Mean = 0.10	8.48
Mean +2 SD = 0.45	10.30
Max = 0.80	12.23

(Notes. All other variables are held constant at means).

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