

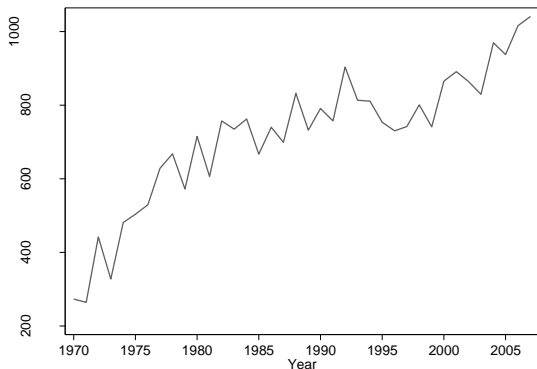
**EENIE, MEENIE, MINEY, MOE?
INSTITUTIONAL PORTFOLIOS AND DELEGATION TO
MULTILATERAL AID INSTITUTIONS**

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DELEGATION TO MULTILATERAL AID INSTITUTIONS



(measured in billions of constant (2007) U.S. dollars)

THE DELEGATION PUZZLE

Delegation ...

- increases the overall value of development aid
 - ▶ MAI efficiency (Collier et al. 2001)
 - ▶ Burden-sharing (Milner/Tingley (various) 2010)
- decreases the control over aid allocation
 - ▶ Agent slippage (Nielson/Tierney 2003; Hawkins et al. 2006)
 - ▶ Distributional conflicts (Copelovitch 2010; Schneider/Tobin 2010)

⇒ Efficiency gains valuable only if MAI policies similar to government's allocation preferences

⇒ Why do states delegate?

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ARGUMENT

- Need to take into account institutional portfolio
- Ability to delegate different amounts to various MAI with overlapping goals
- Institutional portfolio allows donors to delegate in order to maximize
 - ▶ Efficiency
 - ▶ Preference similarity

⇒ Donor choice mitigates costs of delegation

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- *Policy similarity*: How well the MAI's allocation of aid reflects the donor's allocation preferences (needs or strategy based)?
 - ▶ Formal influence
 - ▶ Bureaucratic politics
- *MAI efficiency*: Relative ability of MAI to multiply resources using similar inputs

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EMPIRICAL IMPLICATIONS

- 1 Donors delegate a greater share of their foreign aid to MAIs that maximize policy similarity
- 2 Donors delegate a greater share of their foreign aid to MAIs that maximize efficiency
- 3 The greater policy similarity, the more important is efficiency for donor delegation choices

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RESEARCH DESIGN

- Panel data on 23 OECD donors and 18 MAIs, 1970-2007
- Dependent Variable
 - ▶ MAI aid receipts (logged)
 - ▶ MAI aid receipts (% of total delegation)
- Explanatory Variables:
 - ▶ Policy Similarity: Similarity of BL and ML aid
 - ▶ Efficiency: DEA analysis
- Bunch of Control Variables
- FGLS (PCSEs, AR1)
- Time dummies and linear time trend

MEASURING THE MAIN IVS

Policy Similarity:

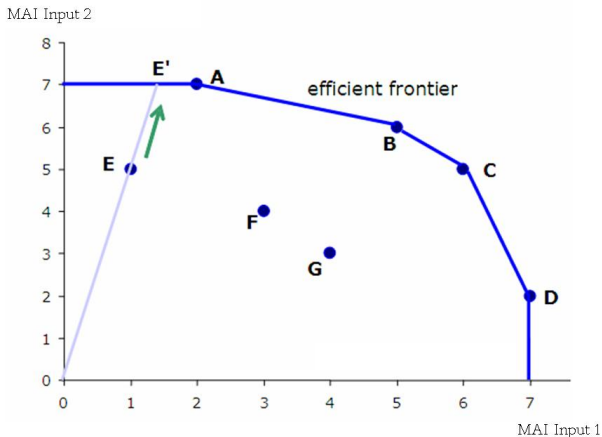
$$\text{Donor Allocation}_{i,j,t} = \frac{\text{Bilateral Aid}_{i,j,t}}{\text{Bilateral Aid}_{i,t}}$$

$$\text{MAI Allocation}_{i,j,t} = \frac{\text{MAI Aid}_{k,j,t}}{\text{MAI Aid}_{k,t}}$$

$$\text{Policy Similarity}_{i,k,t} = \sum_{j=1}^N \frac{|\text{Donor Allocation}_{i,j,t} - \text{MAI Allocation}_{k,j,t}|}{N_j}$$

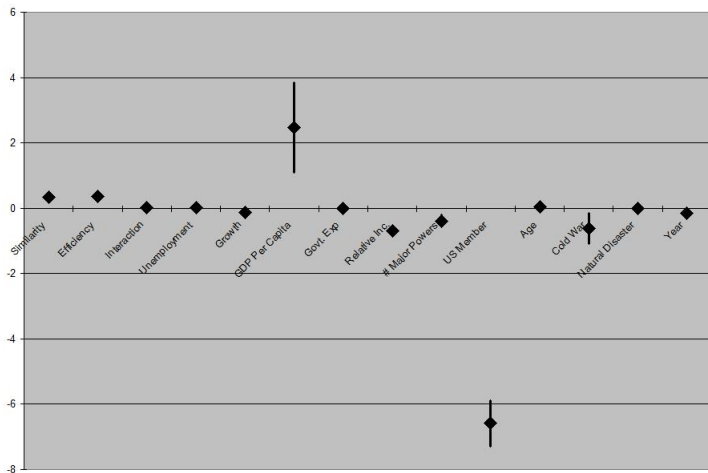
MEASURING THE MAIN IVs

Efficiency:

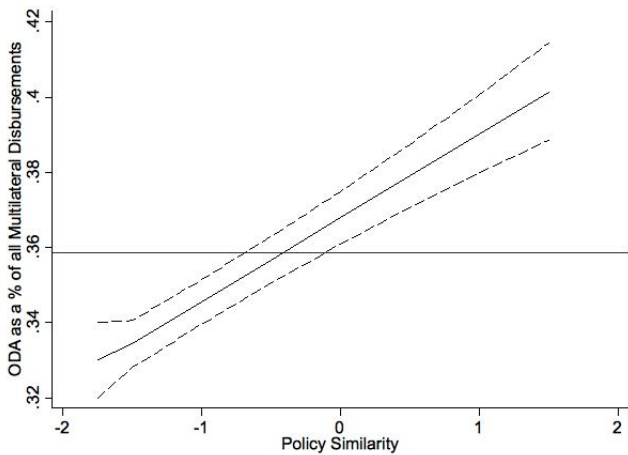


⇒ Compare relative efficiency of MAI using efficiency frontier

EMPIRICAL FINDINGS



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CONCLUSIONS

- Donors decide strategically between various MAIs
- Institutional portfolio and the puzzle of delegation
- Important implications for design of international institutions
- To do:
 - ▶ Collect better data on delegation commitment
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