

# The political economy of World Bank trust funds

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**Abstract:** Over the last decade, donors of foreign aid quadrupled their annual contributions to trust funds at the World Bank. This earmarking of contributions to donors' preferred recipient countries and issues has raised concerns about a "bilateralization" of multilateral aid and begs the question of a distinct role of this new aid channel. We hypothesize that trust funds are used for short-term rather than long-term geo-political goals, to discretely support politically less aligned countries, to influence the recipient's domestic politics, and to reward recipient countries with whom donors share a seat on the International Development Association (IDA)'s Board of Executive Directors. Moreover, regarding the preferred trust fund type, we hypothesize that donors provide these different forms of political aid using single-donor trust funds, which are implemented by the recipient country rather than the Bank. Using new data on World Bank trust fund contributions and disbursements for the years 2002-2012, we are the first to investigate the political economy of the cross-country allocation of these trust funds, accounting for the potential heterogeneous use of trust funds according to donor countries and the trust fund type. We find robust support that more trust fund aid is allocated to seat-sharing developing countries, to former colonies and to politically aligned countries in election years. There is mixed evidence that politically non-aligned temporary members of the United Nations Security Council (UNSC) and recipient countries without a bilateral donor relationship are also more likely to receive trust fund aid.

**Keywords:** foreign aid, World Bank, trust funds, aid allocation, international political economy

**JEL codes:** F55, O19, P45

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## 1. Introduction

Multilateral trust funds at the World Bank and at other international organizations are increasingly popular with donors of foreign aid. These new funding modalities allow donor governments to cooperate with like-minded donors only and target their aid to specific countries and development objectives while using the financial and, by and large, the implementation infrastructure of the multilateral organization which hosts them.<sup>1</sup> Relative to multilateral “core” aid, earmarking is likely to increase donor influence about aid allocation, thereby leading to a “bilateralization” of multilateral aid (e.g., OECD 2011: 4, World Bank CFCG (2013): 5, Kindornay and Besada 2011: 12). What multilateral organizations see as bilateralization, donors consider as “multilateralization” of their bilateral aid. The recent rise of earmarked aid begs the question about the distinctiveness of this new aid channel and differences in the allocation patterns of bilateral, multilateral and trust fund aid.<sup>2</sup> In this paper, we test the claim that trust fund aid is used to foster donors’ political and economic goals. Exploiting a novel and rich dataset on World Bank trust funds, we consider the cross-country allocation determinants of these trust funds using fixed effects regressions. We differentiate between multi-donor, single-donor, and other types of trust funds and focus on single donors, namely the United Kingdom and the United States, and subsets of donors such as the Nordic or ‘altruistic’ donor group.

*Figure 1 approximately here.*

According to the official narrative, trust funds are necessary to fill ‘funding gaps’ with respect to global public goods, “emergencies such as natural disasters, disease outbreaks, and the end of armed conflict, where donors want to coordinate their bilateral aid and where the MDBs [Multilateral Development Banks] do not grant resources to engage on a sufficient scale” (IEG 2011: 5). Academic evaluations of this recent trend are still few. Eichenauer and Knack (2015) analyze the selectivity of trust fund aid with respect to need and quality of policies in recipient countries. They find that trust fund (TF) aid is need and policy selective and more similar to the allocation of International Development Association (IDA) than of bilateral aid. They find no statistical evidence that donors provide systematically more trust fund aid to countries that suffered from a natural disaster or that are recovering from conflicts. We study the characteristics of recipient countries that benefit from this new type of aid and investigate whether trust funds are used to enhance donors’ geopolitical or economic goals. Donor countries might prefer using trust funds rather than bilateral or multilateral aid for a number of reasons. First, bilateral donors claim to use trust funds to complement their bilateral programming when their aid agencies do not have

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<sup>1</sup> Because trust fund contributions are earmarked, they are officially classified by the OECD DAC as bilateral aid, although multilaterals are the implementing agencies.

<sup>2</sup> Over the last decade, trust funds at the World Bank have proliferated. The total number of active trust funds considered in this paper exceeds 1200, excluding the largely independent financial intermediary funds (FIF) and trust funds at the International Financial Corporation (IFC). Donors are heterogeneous in their use of trust funds to deliver their foreign aid. In the 2002-2012 sample period, the largest sovereign contributors to World Bank funds, excluding FIF, were the United Kingdom, the European Commission, the United States, and the Netherlands.

sufficient presence or expertise in countries to implement programs effectively (OECD 2010: 40, 2011: 29). Specifically, donors may prefer funding through (country-specific) trust funds in unstable countries, where a bilateral presence is (politically) costly. Trust funds might also be useful for providing foreign aid to politically unaligned countries. In particular, trust funds might solve time-inconsistency problems in the exchange of political favors, arising from mistrust between the donor and the recipient. An evaluation of World Bank trust funds (IEG 2011:6f) suggests that donors appreciate the World Bank as a trustee because of its capacity, expertise, and strong working relations with governments. The evaluation also reports that a majority of donors interviewed use trust funds to influence the World Bank.

Depending on the precise objectives of the donor, a donor might opt for a single- or a multi-donor trust fund, establish a sector-, region-, or country-specific trust fund, and have the projects executed directly by the recipient countries or provide funding to complement World Bank projects. Our data on contributions to and disbursements by World Bank trust funds allow us to study how trust fund aid is different from bilateral aid. We analyze trust fund contributions and disbursements separately to understand which motives matter at what stage using linear regression models that account for time-invariant effects. Because motives are likely to vary between donors, we disaggregate the data and analyze large donor countries and ‘like-minded’ donor groupings separately. We find robust support that trust fund aid is allocated to developing countries that share a seat with donors on the IDA’s Board of Executive Directors and to former colonies. This is quite similar to results for bilateral aid allocation. We also find evidence that donors use trust funds to extend aid to recipients without a bilateral aid relationship, specifically through multi-donor trust funds (Hypothesis 1). There is strong evidence that more trust fund aid is allocated to countries that are, temporarily, (geo-)politically important (Hypothesis 2), although different motives dominate at the contribution and disbursement stages. ‘Political’ aid is allocated mainly but not exclusively through single-donor recipient-executed trust funds (Hypothesis 3). The remainder of the paper is structured as follows: the next section provides a literature review, section three describes the theoretical considerations and offers three hypotheses, section four presents the data, and section five discusses the methods and, in two subsections, presents the main results for contributions and disbursements. Section six concludes.

## **2. Literature**

Three actors are involved in the recent trust fund trend: donor countries, the World Bank, and recipient countries. Donor governments may use trust funds to target their foreign aid to priority countries and development issues, while, and in contrast to bilateral aid, delegating responsibility for its management and implementation to the multilateral organization. Eichenauer and Hug (2014) propose a model with a multilateral agent governed by multiple principals with heterogeneous preferences to better understand the tradeoffs donors face when choosing bilateral, multilateral or trust fund aid. Assuming a fixed aid budget, their findings suggest that the possibility of trust fund contributions decreases bilateral and multilateral unearmarked ‘core’ aid in most cases but not always. Reinsberg, Michaelowa and Knack (2015) study donors’ choice of

World Bank trust funds using the same data as this paper. They find that donors prefer single-donor trust funds when national interests dominate and resort to multi-donor trust funds for global activities or assistance to fragile states. Evidence collected by the Bank's evaluation unit (IEG 2011) through structured interviews with fifty-five officials of eight donor countries finds that six out of eight donor countries use trust funds to target priority issues or countries. From the perspective of the multilateral organization, trust funds allow expanding its global role and operations, and increase its staff and assets under management (IEG 2011: 9). From a recipient country perspective, trust funds may have several positive implications. First of all, their aid flows might increase as a consequence of earmarked aid if they have good relationships with donor countries engaged in trust funds. Reports suggest that (some) post-conflict and post-disaster countries and territories that are ineligible to borrow from IDA or the International Bank for Reconstruction and Development (IBRD) (e.g., Timor-Leste, Aceh in Indonesia, West Bank and Gaza) also benefited. Moreover, trust funds have encouraged the provision of global public goods (IEG 2011: viii). The IEG (2011: 7) evaluation highlights the importance of trust funds for countries in arrears, or to entities where IDA is legally forbidden to engage and bilateral donors prefer not to engage alone.

Looking at aggregate official aid flows, however, it is still unclear whether and in what sectors or countries trust fund aid substitutes for or complements multilateral or bilateral aid, or if it is additional to traditional aid. Using data on donors organized in the OECD's Development Assistance Committee (DAC), Reinsberg et al. (2014) find some evidence that earmarked or multi-bi aid is additional to multilateral aid, although their identification strategy potentially suffers from reverse causality and simultaneity. For the World Bank, Reinsberg (2014) provides descriptive evidence for differences in regional and country focus between IBRD/IDA trust funds and IDA allocation, using the same dataset as we do. Also for the World Bank but based on data only through 2009, Huq (2010) finds that the sector allocation of trust funds executed by recipients is complementary to IDA disbursements but not to the IBRD's. He also describes a positive but not very strong correlation between commitments per capita from recipient-executed TFs and the World Bank's Country Policy and Institutional Assessment (CPIA) index. The CPIA index rates recipients' policy performance and institutional capacity. The index is the main determinant of countries' IDA allocations, reflecting the view of IDA donors that resources are more likely to be used productively in high-scoring countries (e.g., Burnside and Dollar 2000, 2004).

Our paper also relates to the literature on aid allocation. Researchers consistently find that recipient country needs, measured by income per capita and population, are important determinants of bilateral and multilateral aid and loan receipts (e.g., Frey and Schneider 1986, Morrison 2013). However, bilateral governments also allocate their aid according to their economic and political interests, while at multilateral organizations powerful coalitions of member states or influential individual members may bias multilateral aid allocation according to their interests (for multilateral aid, e.g., Kuziemko and Werker 2006, Dreher et al. 2009a, b, for bilateral aid, e.g., Alesina and Dollar 2000). The literature finds that multilateral and bilateral donors' aid allocations

have become more selective with respect to the quality of the institutional environment in recipient countries after the end of the cold war (Dollar and Levine 2006, Claessens et al. 2009). We expect donor motives to matter in the allocation of trust fund aid as well, and test whether donors consider the quality of policies in their allocations.

### 3. Theoretical considerations

Concerns have been expressed that the proliferation of trust fund aid leads to an increased “bilateralization” of multilateral aid (e.g., OECD 2011: 5, Mahn 2012: 3, Thalwitz 2013: 3), which we interpret as increased influence of donors’ political and economic motives over multilateral aid allocation. Indeed, five out of eight donors acknowledge using trust funds to influence the World Bank (IEG 2011), most likely with respect to areas including the mainstreaming of themes and cooperation modalities but also with respect to the allocation of aid. Though powerful donors have been shown to influence multilateral organizations in some circumstances (e.g., Kuziemko and Werker 2006), individual donor interests are diffused to some extent in multilateral organizations with heterogeneous interests of principals (Copelovitch 2010, Bresslein and Schmaljohann 2013). Given the accumulating evidence that politically motivated aid is less well prepared and less effective (Kilby and Dreher 2010, Kilby 2011, 2013, Dreher et al. 2014), a bilateralization of multilateral aid might detract from aid effectiveness. This paper aims to establish whether the allocation of trust fund aid is motivated by donor interests according to the following theoretical considerations and leaves a direct test of the effectiveness of trust fund aid to future research.

On a theoretical level, it is not straightforward that geopolitical and commercial interests are better achieved through trust funds rather than bilateral aid, which is fully implemented by the donor. Donor-controlled micromanagement allows favoritism to take place at every stage, from the choice of the project type and location to the timing of disbursement. This suggests that donors will resort to using trust funds under particular circumstances only. First, donor countries might prefer trust funds to bilateral aid for practical and accountability reasons. Trust funds are used to complement bilateral programming when bilateral aid agencies do not have sufficient presence or expertise in countries to implement programs effectively (OECD 2010: 40, 2011: 29) or when a bilateral presence is (politically) costly. For example, donors might want to delegate project implementation to the Bank in fragile countries because it allows diffusing accountability about aid effectiveness. Moreover, donors might be reluctant to send bilateral staff for security reasons or might want to be perceived as a unitary actor to avoid harmful fragmentation in aid activities. For such donor motives, providing more multilateral aid to IDA is no alternative as country-earmarking is not allowed by IDA.

*Hypothesis 1: Donor governments use trust funds to extend “bilateral” aid to countries with which they do not maintain a bilateral relationship.*

Second, donors might seek to extend aid to developing countries, with which no bilateral aid relationship exists, when the relationship is of temporary relevance only so that establishment of a formal relationship is not worthwhile. In other words, trust funds could be useful for advancing short-term political interests rather than for building long-term strategic relationships. Specifically, donors might use trust funds as a practical channel to start or scale up their aid, when the recipients are of particular importance at a specific moment. Aid contributions from bilateral donor countries to trust funds are accounted as disbursed in the domestic aid budget and OECD statistics but can be disbursed months or years later – whenever the recipient and the donor consider it useful. Donor governments might seek the formal (voting) and informal (legitimacy) support from recipient countries for many issues. However, the exchange of benefit and favor are generally hard to measure. We thus follow the recent literature in international political economy, which finds that donors increase funding to recipient countries when those are of temporary exceptional geopolitical importance or when politics in recipient countries are at a cross-roads. For example, temporary members of the UN Security Council are accorded exceptional geopolitical importance, which has been shown to come with aid and other benefits for developing countries (e.g., Kuziemko and Werker 2006, Dreher et al. 2009a, b). Faye and Niehaus (2012) find that the five largest bilateral donors provide significantly more aid to aligned incumbent governments in years executive elections are held, while aid to non-aligned countries is reduced in those years. Kersting and Kilby (2015) find that the World Bank also engages in this global electioneering. Complementing bilateral activities, trust funds might be a more secretive foreign policy tool for global electioneering and vote buying. Trust funds can be particularly useful to solve coordination problems with recipient countries that are not aligned with the donor. Trust funds can serve as a commitment device that helps overcoming the problem of time inconsistency in the exchange of benefit and favor. The donor country contributes to a country-specific trust fund but only agrees to the disbursement conditional on the recipient having performed the favor. Specifically, donor governments might provide aid (through a country-specific trust fund) when they have (geo)political interests in the recipient country but might not wish to openly show this through bilateral aid provision because it would signal official approval of a recipient country government and its activities.<sup>3</sup> “Open” bilateral support might not be desired for reasons of domestic or international politics or because of public opinion in the recipient country. We know from anecdotal evidence that Saudi Arabia made use of the Palestinian Reconstruction and Recovery Trust Fund to support the Palestinian authorities while avoiding open support for the Hamas government in the Gaza strip. We try to capture this donor motive by an interaction between temporary UNSC membership and alignment in the UN General Assembly, and hypothesize that the interaction effect is negative. Dreher et al. (2009a) show that the number of projects is higher in membership years though they do not directly test for a differential effect of Security Council membership for aligned and non-aligned countries. A possible interpretation of this finding is that trust funds are used to buy votes of non-aligned countries while more transparent aid channels are

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<sup>3</sup> Dietrich (2013) and Acht, Mahmoud and Thiele (2015) also argue that donors choose their delivery tactic as a function of recipient country characteristics. Dietrich shows that bilateral donors shift their delivery channels from state-to-state aid towards funding of non-state actors in poorly governed recipient countries.

used to support aligned members. A different interpretation is that less ‘political’ aid is provided to aligned UNSC members through trust funds because they receive more aid from other aid sources (Kuziemko and Werker 2006, Dreher et al. 2009a). They might thus be unable to manage additional inflows according to the Bank’s monitoring requirements. If this explanation is right, we expect flows to go through (single-donor) recipient-executed trust funds. It is also possible that World Bank projects in (aligned) UNSC member countries demand less co-financing than in non-aligned UNSC members. If this explanation applies, we would find that this aggregate effect is driven by multi-donor and Bank-executed trust funds.

*Hypothesis 2: Donor governments use trust funds for short-term (geo)political goals, particularly to provide political aid to politically less aligned countries.*

Regarding the preferred trust fund type for political aid, we first posit that trust funds executed by recipients rather than the Bank are chosen because recipient administrations are in the driver’s seat for requesting disbursements while for Bank-executed funds disbursements are demanded by Bank staff. Second, we expect that trust funds created by a single rather than multiple donors are chosen for political purposes because no coordination of donors about political and developmental goals is necessary.

*Hypothesis 3: Politically motivated trust fund aid is more likely to be extended through single-donor and recipient-executed trust funds.*

In addition to these three trust fund-specific hypotheses, we would expect that donor interest variables influencing bilateral aid allocation also affect the allocation of trust fund aid. We test for long-term economic and political interests using donor country exports, past colonial relationships, and voting alignment in the United Nations General Assembly (e.g., Alesina and Dollar 2000). Moreover, we test for the impact of World Bank politics on trust fund allocation. Specifically, donors sharing a seat with other countries on the Board of Executive Directors (BoED) of the IBRD might provide more aid to the developing countries in their group in exchange for holding the seat more often. Previous work has established that board membership comes with benefits so that recipient countries may require compensation from seat-sharing donors that want to remain at the BoED table for foregone benefits. Kaja and Werker (2010) provide evidence that serving on the Board of the IBRD increases IBRD borrowing while they find no effects of serving on the IDA board on IDA inflows. Vreeland (2011) shows that Switzerland provides more foreign aid to the developing countries with whom it shares a seat on the Bank’s Board of Executive Directors. In regressions at the recipient-donor level, we add a time-invariant dummy to capture this sub-hypothesis.

Given the multitude of motives for using trust funds, we use multivariate statistical analysis that allows assessing the relative importance of these simultaneous motives while keeping unobserved time-invariant characteristics constant. The next section describes the data we use to study the theoretical predictions just presented.

#### 4. Data

Trust funds have proliferated massively over the last decade and disbursements from trust funds exceed 20.6 billion USD over the fiscal years 2002-2012, our sample period.<sup>4</sup> To put this number into perspective: gross disbursements by the International Development Association (IDA), the World Bank's most concessional funding source, amount to 10.9 billion USD in the 2012 fiscal year. Figure 2 shows the significant increase in trust fund disbursements over the last decade and how its volume compares to IDA funds. Most disbursements were made to specific countries while a small share is allocated to a region or used for global goods.

Our dependent variables are trust fund contributions and disbursements to recipient countries from the financial accounting of World Bank trust funds.<sup>5</sup> Ideally, we would like to merge the data on contributions and disbursements to analyze the two stages simultaneously and investigate whether donor interests are diffused. For example, we would like to test whether strategic aid giving decreases with the number of co-donors in a multi-donor trust fund. Unfortunately, it is not possible to merge these data, due to a number of reasons. Given that the contribution and disbursement data both start in the fiscal year 2002 (the earliest date from which systematic accounting data on trust funds is available) and contributions are disbursed with substantial lags according to information from World Bank staff, there is less than full support. During the sample period, a number of trust fund reforms were undertaken, trust funds were closed (i.e. disbursing only) or newly opened (i.e. received contributions only). According to Bank staff, a trust fund is closed after seven years on average. Due to the impossibility of integrating the contribution and the disbursement data in a satisfactory way, we analyze the two datasets in two stages.

*Figure 2 approximately here.*

In the contributions data, all donors are known while information on the recipient country is available for about two-thirds of total flows only (Figure 1). In the disbursement data, recipient countries are almost always indicated but donors are unknown (see Figure 2). The structures of the contribution and the disbursement data are illustrated in Figures 3a and 3b respectively. The figures also indicate that trust funds may differ along three dimensions: the number of contributors, the country-specific, regional or global mandate, and their execution type. We analyze a subset of the universe of World Bank funds, IBRD/IDA trust funds, which are most prevalent. The Bank makes a technical distinction between three types of trust funds. The Bank only provides financial services to Financial Intermediary Funds (FIF).<sup>6</sup> The number of trust funds managed by the International Finance Corporation (World Bank 2013: 6) is relatively minor and has different objectives than IBRD/IDA trust funds (Figure 4). IBRD/IDA trust funds are classified further in recipient-executed trust funds (RETF), which are implemented by a third party but

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<sup>4</sup> The fiscal year at the World Bank runs from July 1 to June 30.

<sup>5</sup> We use the data from Reinsberg, Michaelowa and Knack (2015) as obtained from the Bank's CFGP.

<sup>6</sup> Our dataset does not contain the information on country allocations by FIF, which have their own governance and disbursement systems (see Reinsberg, Michaelowa and Eichenauer 2015).

supervised by the Bank, and Bank-executed trust funds (BETF), which support the Bank's work directly. While RETF are similar to IDA or IBRD in terms of being disbursed to recipient countries, BETF are more similar to Bank administrative expenses, and often but not always finance Bank activities that are not country-specific and thus not relevant for our research question.

*Figure 2 approximately here*

Figure 2 displays the upward sloping trend in contributions to World Bank trust funds. The black line shows the general trend in aggregated trust fund contributions whereas the dashed line depicts the trend in contributions to country-specific trust funds. At the contribution stage of our analysis, we look at country-specific trust funds only because we are interested in the cross-country allocation of their aid. The information about donor types contained in the contribution data is displayed in Figure 4. DAC countries are by far the most important donor type in terms of volume, accounting for eighty percent of contributions.<sup>7</sup> Non-DAC donor countries, private companies, NGOs and multilateral organizations are relatively minor contributors (see also Eichenauer 2015). While the motives for channeling aid through trust funds might differ between donor types, the aid literature mainly looks at DAC donors, mostly because of data restrictions. To keep this analysis comparable to the existing literature and because the unit of analysis at the contribution stage is the donor-recipient dyad, our contribution stage considers bilateral DAC donors only, i.e., we exclude the European Union, non-DAC donor countries, private donors, and multilateral organizations. Our data structure (see figure 3b) implies however that our disbursement results do not discriminate between the sources of funds and that relationships are based on all contributors.

*Figures 3a and 3b approximately here*

In the following, our variables of interest and control variables are described. As mentioned in Section 3, long-term political and economic interests are captured using common variables in the aid allocation literature. First, we measure geopolitical interests by the alignment of votes between recipient and donors in the United Nations General Assembly (UNGA) using data from Strezhnev and Voeten (2009). Annual measures of voting alignment range from 0 to 1, with higher values implying higher similarity, and are calculated as in Kilby (2012). In the main specifications, we use geopolitical alignment based on all UN votes. Second, we add a dummy for a past colonial relationship between the donor and the recipient country. Third, commercial interests are measured by exports per capita using data from the IMF (2015). Short-term political interests are proxied by a dummy for temporary membership on the UN Security Council (Dreher et al. 2009a,b), a dummy for executive elections (DPI 2015), and their respective interactions with voting

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<sup>7</sup> OECD-Development Assistance Committee (DAC) member states during the full time period were: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, The Netherlands, New Zealand, Norway, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom, and the United States. However, several of these countries only joined in recent year. We treat them as DAC donors in our data because these countries started following DAC rules prior to joining DAC as full members (OECD 2014).

alignment in the UN General Assembly. We add a time-invariant dummy variable for donor-recipient pairs sharing a seat on the Board of Executive Directors (World Bank 2015).

Since Maizels and Nissanke (1984), aid allocation studies tend to include both recipient need and donor interest variables. As need proxies, we use population and GDP per capita (PPP), the more commonly used income variable in aid allocation studies, and will check the robustness of our results using GNI per capita (Atlas method). All three variables are taken from the World Development Indicators. Finally, we include the World Bank’s measure of quality of policies, the Country Policy and Institutional Assessment (CPIA) index, to account for the findings in Eichenauer and Knack (2015) that more trust fund aid flows in developing countries with better policies.<sup>8</sup> Aggregated and partially disaggregated CPIA scores for IDA-eligible countries are publicly available from the World Development Indicators (WDI) since 2005, and range between 1 (low) and 6 (high). For non-IDA countries and prior years, scores are not publicly available, but were obtained with the necessary permissions by one of the authors from internal World Bank databases. CPIA scores are not assigned in some cases after countries fall into arrears with the World Bank and are no longer classified as active borrowers. This is typically the case when the quality of policies and governance are poor, as indicated by their CPIA scores for years when they were active borrowers. In these cases, we replace the missing score with the lowest score received by any other country in this year. The CPIA score ranges between 1 (low) and 6 (high).<sup>9</sup> We control directly for (logged) bilateral aid or construct a dummy for a bilateral aid relationship based on aid data from the OECD/DAC (2014c).

## 5. Estimation method and main results

This section describes our empirical strategy and results. We use linear probability models to test for the factors influencing when a developing country first receives trust fund aid. Because contributions and disbursements fluctuate widely between years, we use a binary dependent variable in some regressions. We also use OLS models with year- and country-fixed effects on the sample of actual trust fund recipients.<sup>10</sup> Our sample includes all recipient countries that the OECD/DAC considered developing countries in a given year. Table A1 lists all countries which are included at least once in the main regression with disbursement data (sample *a*). Countries in bold received trust fund disbursements at least once in the 2002-2012 period and are referred to as

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<sup>8</sup> Given that Morrison (2013) fails to find support for the hypothesis that CPIA scores are influenced by the Bank’s shareholders, we are not concerned that CPIA scores are systematically influenced by politics and interpret them as straightforward indicators of institutional quality.

<sup>9</sup> The CPIA index rates countries against 16 criteria in four clusters: economic management, structural policies, policies for social inclusion and equity, and public sector management and institutions (World Bank 2014b).

<sup>10</sup> In the contribution data, a third of developing countries receive no trust fund aid, which could suggest the use of a left-censored Tobit model. However, results of Tobit models with country-fixed effects and short time-dimension are biased and inconsistent because of the incidental parameters problem (Greene 2004).

sample *b* below. Whenever we focus on sample *b*, we effectively model the second stage of a two-step allocation model that determines the amounts allocated among the selected recipients.

Exploiting the data fully, the contribution stage has the donor-recipient-year as unit of analysis, while the analysis of the disbursement data is estimated at the recipient-year level because no information on donors is available. We show results for both OLS regressions with time-fixed effects because some variables of interest are largely or fully time invariant. We also show results with donor-recipient- and recipient-fixed effects. All specifications include year dummies. Note that the donor-specific variables, UN alignment and exports, differ between the contribution and disbursement regressions because donors are unknown in the disbursement data and the datasets cannot be merged. In the disbursement stage, we therefore calculate the mean alignment of the largest three sovereign trust fund donors, the United Kingdom, the United States and the Netherlands. We exclude the European Commission, the second largest donor, because its preference aggregation process is very complex (Reinsberg, Michaelowa, and Schneider 2014). Similarly, we take total exports of the G3 to account for economic motives. For contributions, we provide separate results for the UK and the US because these are the two largest sovereign contributors.<sup>11</sup>

Tables 1 and 2 display descriptive statistics for the contribution and disbursements samples, respectively. In the disbursement data in Table 2, average GDP per capita is 6,688 USD. The 1.5 USD trust fund aid per capita are a relative minor inflow compared to an average of 53.3 USD bilateral aid per capita.<sup>12</sup> However, trust fund volumes have been increasing over the sample period and are a significant inflow for some recipient countries as indicated by the maximum value of almost 46 USD per capita. With regard to the political and economic variables, the data show that average voting affinity with the largest donors is slightly higher (0.56) than the theoretical median value of this variable that ranges between zero and one. Total exports per capita from the G3 donors (UK, USA, and the Netherlands) to the recipient country vary substantially and we therefore log the variable in the econometric models. Years of UNSC membership represent five percent of observations while elections take place in 14% of observations in the sample. In an average year, ninety percent of recipient countries receive trust fund aid, while ninety-six percent of countries in sample *a* have received trust fund aid at least once in the sample period. We now turn to the analysis of the allocation of country-specific contributions.

### *5.1 The contribution stage*

The contribution data include information on the amounts, the donor, the trust fund type, and the recipient country for all country-specific trust funds. Our research questions about the cross-country allocation of these funds thus limit us to analyze country-specific trust funds, which made

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<sup>11</sup> In the fiscal years 2002-2012, these donors contributed 4.08, 2.47, and 2.04 billion constant USD respectively.

<sup>12</sup> These high per capita figures are driven by island states.

up sixty-five percent of total contributions in the fiscal year 2012 (Figure 1). We first show OLS regressions with fiscal year dummies to examine the time-invariant factors and variables with little variation between years. We then provide results with year- and donor-recipient-fixed effects, or, alternatively, region dummies.<sup>13</sup> The baseline regression model for the allocation specifications in Table 5 then looks as follows:

$$\ln(\text{country-specific contributions})_{dit} = \alpha + \eta'Z_{dit} + \lambda'X_{it} + \alpha_{di} + \sigma_t + \varepsilon_{dit}$$

The dependent variable is the natural log of country-specific trust fund aid (i.e. a subsample of all trust fund aid) with negative and missing values set to zero and one added before taking logs.  $Z_{dit}$  refers to the political economy controls introduced above, some of which vary at the recipient level only or are time-invariant, and  $X_{it}$  includes proxies for recipient need. The interaction between UN alignment and elections or UN Security Council membership can be interpreted as the difference-in-difference between the election or membership effects of more and less politically aligned regimes (Faye and Niehaus 2012). The letter  $\alpha_{di}$  represents donor-recipient-pair fixed effects,  $\sigma_t$  are year dummies and  $\varepsilon_{dit}$  is the robust error term clustered at the donor-recipient level. Regarding the controls  $X_{it}$ , we include the standard variables used in the aid allocation literature. Following common practice in this literature, we take the natural log transformations of GDP per capita, population and all types of aid. Logging these variables reduces the influence of outliers and facilitates the interpretation of coefficients. Note that we use the World Bank's fiscal years as the time dimension for our panel data. However, the WDI data or bilateral aid flows from the OECD/DAC are based on the calendar year. If the fiscal year is defined as the calendar year plus one, contemporaneously included calendar-year-based indicators are by construction lagged by an average of 6 months in the regressions, mitigating endogeneity concerns somewhat.

Table 3 shows results from linear probability models with year-fixed effects in columns 1-4. All columns are based on all DAC donor-recipient pairs (sample *a*). The dependent variable in most columns is a binary variable equaling one in the first year trust fund aid was extended in a bilateral aid relationship, zero before and missing thereafter. Columns 1-4 show that poorer and larger countries receive more aid, in particular former colonies. The likelihood of receiving trust fund aid is 0.3 percentage points greater for recipients without a bilateral relationship with the donor in the four preceding years. Column 3 shows that seat-sharing has a much larger impact, as it increases the likelihood of receiving trust fund aid by 1.4 percentage points. The dependent variable in column 4 is a binary variable for being a recipient of bilateral aid. We find that the variables explain bilateral aid quite well: note the much higher  $R^2$  in column 4 than in column 3. In column 5-9, we add recipient-donor pair fixed effects and test the hypothesis about short-term interests. Politically-aligned recipients are not significantly more likely to be first-time recipients in an election year, regardless of the degree of UNGA voting alignment (column 5). However, the probability of receiving trust fund aid in election years is significantly lower for countries with the

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<sup>13</sup> Hausmans test show fixed effects are preferred to random effects.

minimum possible alignment value of 0 (column 6) and increases with alignment.<sup>14</sup> Temporary UNSC members are more likely to receive trust fund aid for the first time, independent of alignment (column 7).

Table 4 shows OLS results for the contribution data at the donor-recipient level based on all DAC donors and includes year fixed effects. The dependent variable is the logged amount of trust fund aid, which we replace, for comparison, with (logged) bilateral aid in column 6. All columns except column 2 include all DAC donor-recipient pairs (sample *a*), while column 2 includes the much smaller set of dyadic relationships in which trust fund aid was extended at least once in the sample period (sample *b*). Because of the many zero relationships in sample *a*, we mostly focus on sample *b* when we include dyadic fixed effects. Across columns 1-5, we find that more trust fund aid goes to poorer and larger countries, but not to those with higher-quality policies as measured by the CPIA. Across all potential recipient countries, trading partners, former colonies and countries without a bilateral aid relationship are more likely to receive TF aid. Among trust fund recipients, politically aligned countries receive significant more aid, in both economic and statistical terms. Developing countries that share a seat with donor countries receive substantially more trust fund and bilateral aid (Columns 5 and 6). We find a large and highly significant seat-sharing coefficient for the sample of Nordic donors (Table 5, column 1). For the G5 donors, all of which have their own seat on IDA's Executive Board of Directors, colonial heritage and no bilateral relationship are positive and highly significant (column 2). For the US trust fund allocation, we find no systematic relationships (column 3), while UK trust fund aid is allocated to aligned countries and former colonies (column 4).

Table 6 adds donor-recipient dyadic dummies to examine the within country variation in trust fund flows. Columns 1, 3, 4, and 6 show results for trust fund contributions by DAC donors. For comparison, columns 2, 5, 7 and 8 have bilateral aid as their dependent variables. Columns 1, 2 and 3 are based on sample *a*, while the other columns are based on the restricted sample *b* with a much smaller number of zero relationships and thus more appropriate for linear regression analysis. Columns 4 - 7 test hypothesis 2 about short-term political interests. As in the linear probability models, we find that among countries in election years, trust fund aid significantly increases with UNGA voting alignment (column 4). For aggregate bilateral aid, there is no statistical evidence for electioneering although the signs are as expected and the size of the coefficient is similar (column 5). Regarding the second measure of short-term political interests, temporary membership on the UN Security Council, we find that bilateral aid to UNSC members is higher at extremely low alignment values, but decreases significantly with greater voting alignment between recipient and donor (columns 7 and 8 for samples *a* and *b* respectively). However, the respective coefficients are statistically insignificant with signs pointing in the opposite direction for trust fund aid (column 6). We also find that as countries get poorer they receive more trust fund aid but not more bilateral aid. Notice also that TF aid increases with population while bilateral aid decreases.

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<sup>14</sup> Note, however, that the lowest observed value in the data is .10.

For aggregate TF aid, we thus find some support for hypothesis 2 and stronger evidence for hypothesis 1. This analysis of aggregated trust fund aid is however likely to obscure donors' more sophisticated use of different types of trust funds for specific purposes. Specifically, trust funds differ by the number of contributors and the executing agency. Moreover, different donors are likely to use trust fund aid for distinct purposes given that the allocation patterns of their bilateral aid differ (e.g., Berthelemy 2006). We therefore disaggregate the contribution data along several dimensions, which are illustrated by figures 4 and 5. Table 7 shows the results. Our third hypothesis is that trust funds created by a single donor and executed by the recipient rather than the Bank are most likely to be used for political aid. We find significant evidence that electioneering takes place through recipient-executed trust funds (RETF), in particular if financed by one donor (SD-RETF) (columns 1 and 2). The signs of the relevant coefficients are similar for trust fund aid from the US and the UK, but they are insignificant at conventional levels. UNSC membership is associated with lower trust fund aid at very low levels of alignment (column 5). The US provides lower trust fund aid to UNSC members (column 6), particularly for those with higher UNGA alignment although this latter effect is not statistically significant. The United Kingdom provides significantly more trust fund aid to temporary Security Council members at very low values of alignment, and it decreases with increasing alignment. Results for the Nordic or "altruistic" donor group (Denmark, Finland, Netherlands, Norway, and Sweden) and for the largest World Bank donors (G5), namely France, Germany, Japan, the United Kingdom, and the United States are statistically insignificant. While the coefficients for regressions based on the Nordic sample has large coefficients and standard errors, coefficients for G5 donors are small. Further detailed results are available upon request.

## 5.2 The disbursement stage

We now turn to investigating the allocation of trust fund disbursements using the second dataset that contains information on recipient countries for all and not only for country-specific trust funds but lacks information about donors. The baseline regression model for the disbursements in Table 10 then looks as follows:

$$\ln(\text{disbursements})_{it} = \alpha + \eta'Z_{it} + \lambda'X_{it} + \alpha_i + \sigma_t + \varepsilon_{it}$$

While the regression equation is very similar to the contribution model, the unit of analysis is the recipient-year level because we have no information about donors. The error terms  $\varepsilon_{it}$  are robust clustered at the recipient level and we include time-fixed effects  $\sigma_t$  and recipient-fixed effects  $\alpha_i$  in Table 10. The three largest bilateral donors, referred to as G3, are the United Kingdom, the United States, and the Netherlands. We aggregate the political and economic variables by constructing the average G3 alignment, total G3 exports, and a G3 colony dummy for each recipient country. Other aid is all bilateral development aid received by a recipient country minus the trust fund aid received.

Table 8 shows results for linear probability models with year dummies. The dependent variable is, alternatively, a binary variable indicating the first year of trust fund receipt, a dummy

for being a trust fund recipient in a given year and an indicator for being a recipient of bilateral aid. All columns except column 1 include recipient-fixed effects. There is no evidence that, at the aggregate level, donors systematically use trust fund aid to target ‘aid orphans’ that do not have an aid relationship with any DAC donors. In columns 2 - 7, we explore the importance of UN Security Council membership for trust fund aid and thus control for time-invariant recipient characteristics. We find that recipient countries that are more politically aligned with the G3 donor countries are more likely to establish a trust fund relationship with donors. For politically aligned UNSC members both the establishment of a trust fund relationship and actual flows in years of membership is less likely than for less aligned temporary Security Council members. This holds in particular for recipient-executed TFs (RETF), while evidence for single-donor trust funds (SDTF) is weaker (column 5). Coefficients for the country-specific trust funds are as hypothesized but insignificant. This provides solid support for Hypothesis 2 but weaker support for hypothesis 3 about the type of trust funds used by donors. There is no evidence that more bilateral aid is allocated to UNSC members, independent of political alignment.

Table 9 shows OLS regressions with (logged) TF aid in most columns and (logged) bilateral aid in column 3. There is strong evidence that trust fund aid is allocated to recipient countries that vote in line with the G3 trust fund donors. The relationship is particularly strong for country-specific trust funds (column 4). Country-specific trust funds also allocate substantially more aid to former colonies of the United Kingdom, the United States and the Netherlands. Table 10 adds country dummies. We find that recipient countries with higher-quality policies and more need receive more trust fund aid. While for the aggregate data, we do not find that trust fund aid complements bilateral aid allocation, donors seem to use MDTFs to do so. Similarly, electioneering is undertaken, as hypothesized, through single-donor recipient executed (SD-RE) trust funds (column 7). The signs of the respective coefficients are smaller and insignificant for the aggregate data but point in the same direction. There is strong statistical evidence that the UNSC aid bonus decreases with alignment (column 9). We find the same signs and similarly large when we disaggregate for different trust fund types but obtain statistical evidence only for multi-donor trust funds (column 11). Column 10 shows that for bilateral aid, the signs switch although they are insignificant at conventional levels of statistical significance. This could suggest that ‘political’ aid to aligned recipient countries is extended through bilateral aid while non-aligned recipient countries receive aid through trust funds. Overall, the disbursement data provides substantial evidence that trust fund aid leads to a “bilateralization” of multilateral aid. We find strong support for hypothesis 2, some evidence for hypothesis 3 and relatively weak support for hypothesis 1.

## 6. Conclusion

This paper is the first to analyze the cross-country allocation of trust funds, a new aid channel that can be described as a hybrid between bilateral and multilateral aid. We find that trust funds are used for bilateral economic and political economic goals, possibly complementing bilateral aid in some respects. On a theoretical level, it is not straightforward that geopolitical and commercial interests are better achieved through trust funds rather than through bilateral aid, which is fully

implemented by the donor. This suggests that donors will resort to using trust funds under particular circumstances only. We develop three hypotheses about circumstances in which donors may prefer trust funds over bilateral aid. First, donor governments might use trust funds to extend “bilateral” aid to countries with which they do not maintain a bilateral relationship. Second, donor governments may use trust funds for short-term (geo-)political goals such as buying votes for temporary members of the UN Security Council or influencing the elections in recipient countries. In particular, trust fund aid might be used to extend political aid to politically less aligned countries. For example, donor governments might want to buy votes in a secretive manner and not signal support of the recipient countries’ politics through establishing a bilateral aid relationship. Third, politically motivated trust fund aid is more likely to be extended through trust fund types over which donor control is higher, namely single-donor and recipient-executed trust funds.

We advance the literature by testing for a differential effect of Security Council membership for aligned and non-aligned countries. A negative effect for the interaction could suggest that trust funds are used to buy votes of non-aligned countries while more transparent aid channels are used to support aligned members. Moreover, we include a battery of political and economic interest variables proposed in the literature to test these hypotheses about the role of trust fund aid in the aid architecture. These include elections, UN Security Council membership, a shared seat on the World Bank’s Board of Executive Directors, voting alignment in the UN General Assembly, donor exports, and former colonial relationships.

Using data on trust fund contributions, we find evidence for hypothesis 1 that donors use trust funds to extend aid to recipients without a bilateral aid relationship, specifically through multi-donor trust funds. Generally, trust fund aid is quite similar to bilateral aid with respect to the effect of political variables.<sup>15</sup> Seat-sharing recipient countries and former colonies receive more aid from both sources. There is strong evidence that more trust fund aid is provided to countries of temporary geopolitical importance conditional on their alignment with donor countries (Hypothesis 2). This ‘political’ aid is extended mostly but not exclusively through single-donor recipient-executed trust funds (Hypothesis 3). In particular, we find that more country-specific contributions are made to aligned countries in election years. The evidence for the argument that donors use trust funds to discretely support politically less aligned UNSC members differs depending on whether we use contribution or disbursement data, which require different empirical strategies. We find at the evidence at the disbursement level that more trust fund aid is disbursed to less aligned temporary UNSC members. Moreover, the United Kingdom seems to contribute more to politically less aligned recipient countries, when these hold a temporary seat on the UN Security Council membership.

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<sup>15</sup> In terms of the effects of need and policy variables, trust fund aid is more similar to multilateral than to bilateral aid.

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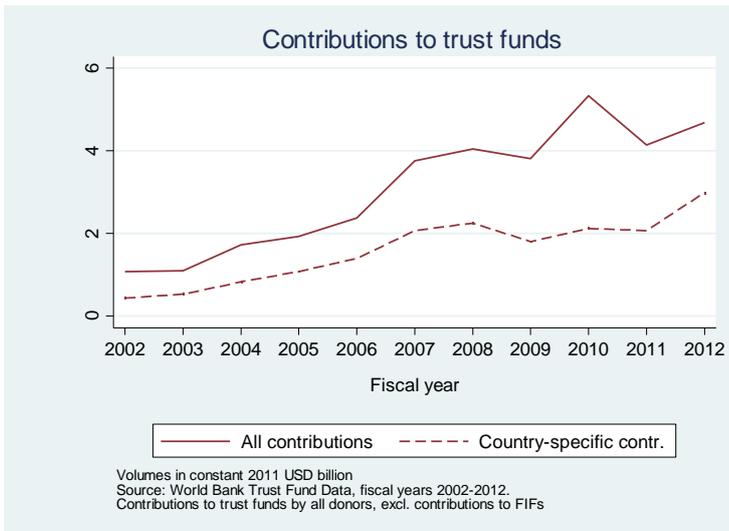
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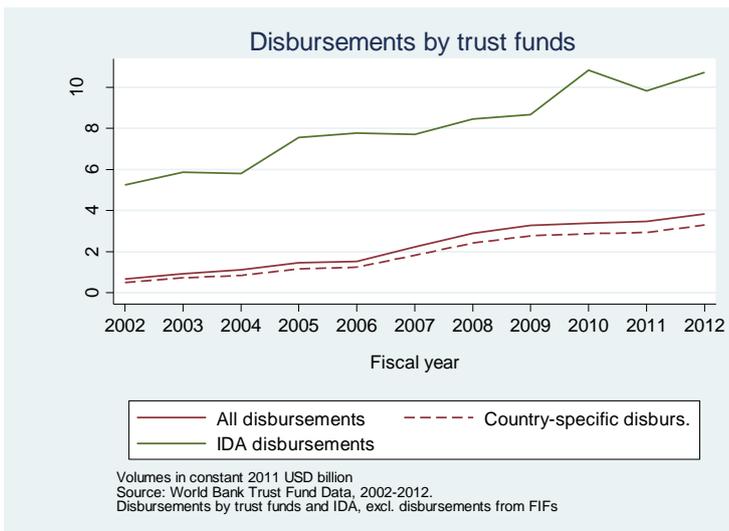
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**Figure 1: Contributions to all and country-specific trust funds**

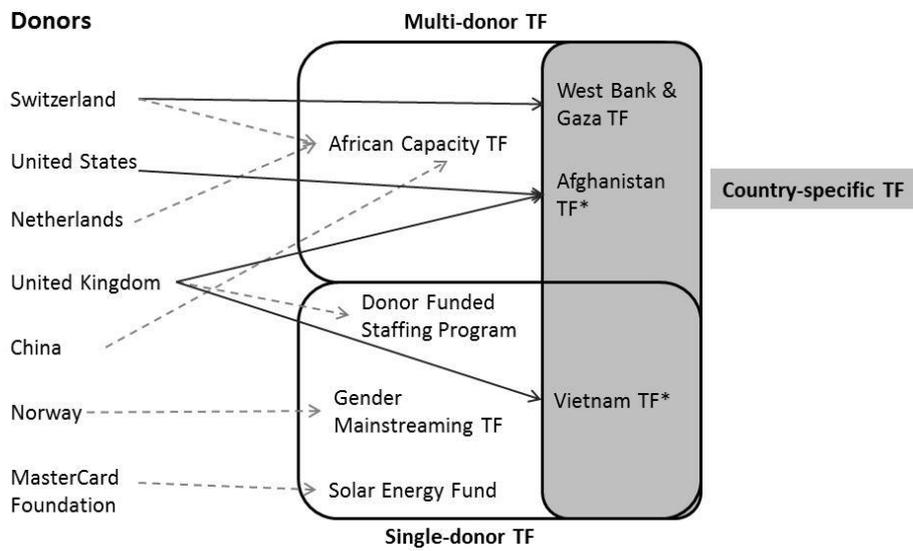


**Figure 2: Disbursements by IDA, all trust funds and country-specific trust funds**



**Figure 3a**

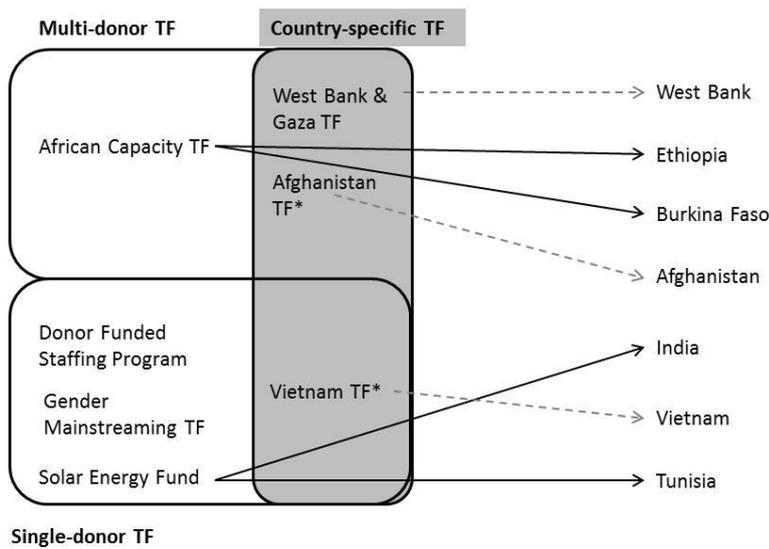
**Contribution Data**



**Figure 3a:** Illustration of contribution data by trust funds (TF) types. \* mark recipient-executed trust funds (RETf).  
Note: Choice of donors and their allocation choices are fictive.

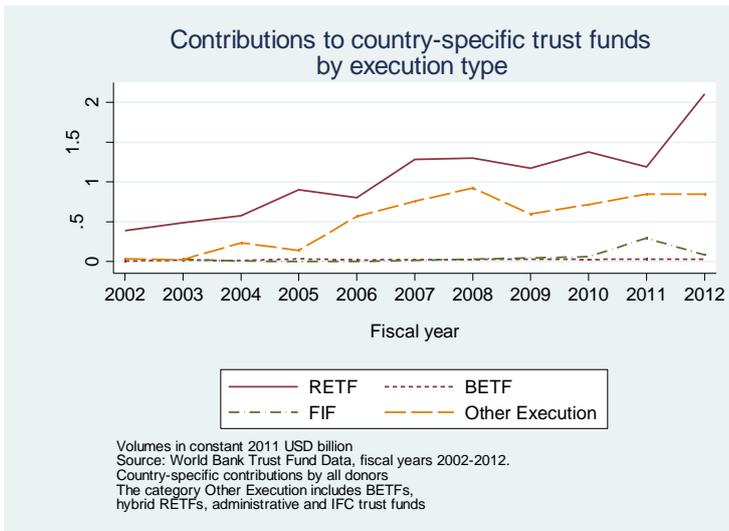
**Figure 3b**

**Disbursement data**

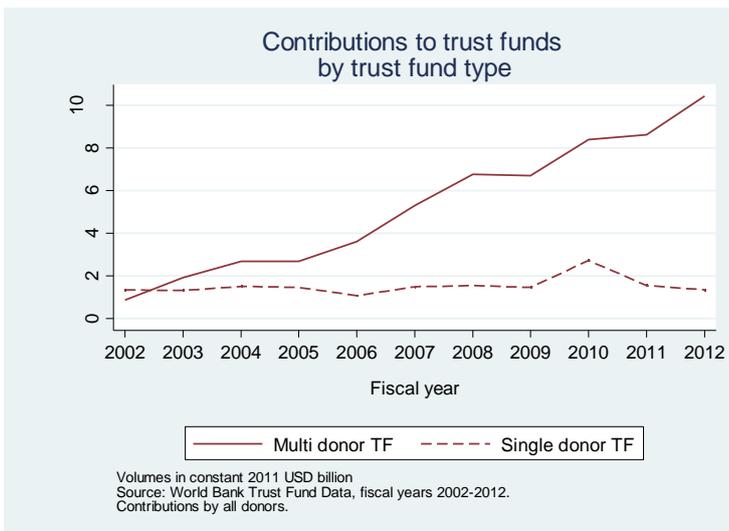


**Figure 3b:** Illustration of disbursement data for various trust funds (TF) types. \* mark recipient-executed trust funds (RETf).  
Note: Choice of recipients and allocation choices of trust funds are fictive. The Donor Funded Staffing Program and Gender Mainstreaming trust funds are not allocated to specific countries but support Bank programs.

**Figure 4**



**Figure 5**



**Table 1:** Descriptive statistics for country-specific contributions at the donor-recipient level

	Sample mean	Standard deviation	Minimum	Maximum
<i>Performance variables</i>				
Trust fund aid per capita	0.02	0.27	0.00	15.20
GNI per capita, USD	6,485	5,300	580	36,788
Population in millions	45	165	0.01	1351
Quality of policies (CPIA)	3.47	0.55	1.40	4.91
<i>Other Aid variable</i>				
Bilateral aid per capita, USD	24.62	118.27	0.00	4280.16
<i>Political economy variables</i>				
Voting affinity in UNGA	0.69	0.13	0.10	1.00
Exports per capita, USD	24.62	118.27	0.00	4280.16
Colony	0.03	0.18	0.00	1.00
UNSC membership	0.06	0.23	0.00	1.00
Elections	0.14	0.35	0.00	1.00
<i>Trust fund recipients</i>				
TF recipient in a given year	0.035	0.183	0	1
TF recipient in any year	0.118	0.323	0	1
<i>Observations</i>	25338			

Note: Amounts in constant 2011 USD.

**Table 2:** Descriptive statistics for disbursements

	Sample mean	Standard deviation	Minimum	Maximum
<i>Dependent variable</i>				
Trust fund disbursements p.C.	1.51	3.82	0.00	45.85
<i>Need variables</i>				
GDP per capita, USD	6688	5630	520	36788
Population in millions	44	160	0.01	1344
<i>World Bank classifications</i>				
Quality of policies (CPIA)	3.5	0.6	1.4	4.9
<i>Other aid variable</i>				
Bilateral aid per capita, USD*	53.3	113.7	0.0	2489.7
<i>Political economy variables</i>				
G3 voting affinity in UNGA	0.56	0.15	0.21	0.92
G3 exports per capita, USD	212.68	448.10	1.32	4817.60
UNSC membership	0.05	0.22	0.00	1.00
Elections	0.14	0.35	0.00	1.00
<i>Trust fund recipient</i>				
TF recipient in a given year	0.90	0.30	0.00	1.00
TF recipient in any year	0.96	0.19	0.00	1.00

Notes: Amounts in constant 2011 USD

\* All aid a recipient country receives in a given year from bilateral sources other than World Bank trust funds.

**Table 3:** Linear probability models with year-fixed effects, country-specific contributions

	1	2	3	4	5	6	7	8	9
GDP p.c. (ln)	-0.004*** [0.001]	-0.004*** [0.001]	-0.004*** [0.001]	-0.112*** [0.007]	0.007 [0.005]	-0.047*** [0.013]	0.006 [0.005]	0.006 [0.005]	-0.042*** [0.013]
Population (ln)	0.002*** [0.000]	0.001*** [0.000]	0.002*** [0.000]	0.024*** [0.004]	0.069*** [0.009]	0.026 [0.022]	0.068*** [0.009]	0.068*** [0.009]	0.025 [0.022]
Quality of policies	-0.004*** [0.001]	-0.004*** [0.001]	-0.004*** [0.001]	0.002 [0.010]	0 [0.004]	0.013* [0.007]	-0.001 [0.003]	-0.001 [0.003]	0.012* [0.007]
UNGA-Alignment	0.003 [0.005]	0.003 [0.005]	0.002 [0.005]	-0.033 [0.041]	-0.016 [0.010]	-0.009 [0.026]	-0.015 [0.010]	-0.015 [0.010]	0 [.]
Exports (ln)	0.001*** [0.000]	0.001*** [0.000]	0.001*** [0.000]	0.045*** [0.003]	0.001*** [0.000]	0.003** [0.001]	0.001*** [0.000]	0.001*** [0.000]	0.002** [0.001]
Colonial heritage	0.011** [0.005]	0.011** [0.005]	0.010* [0.005]	0.065*** [0.020]	- -	- -	- -	- -	- -
No bilateral recipient	- -	0.003*** [0.001]	- -	- -	- -	- -	- -	- -	- -
Shared seat BoED	- -	- -	0.014** [0.007]	0.090** [0.040]	- -	- -	- -	- -	- -
Election	- -	- -	- -	- -	-0.009 [0.008]	-0.026** [0.012]	- -	- -	- -
Election*UNGA alignment	- -	- -	- -	- -	0.011 [0.011]	0.038** [0.017]	- -	- -	- -
UNSC	- -	- -	- -	- -	- -	- -	0.005* [0.003]	0.007 [0.015]	-0.01 [0.028]
UNSC*UNGA alignment	- -	- -	- -	- -	- -	- -	- -	-0.003 [0.019]	0.019 [0.038]
Dependent variable	1st TF	1st TF	1st TF	Bil. Dummy	1st TF	TF dummy	1st TF	1st TF	TF dummy
Sample	a	a	a	a	a	a	a	a	a
Year FE	X	X	X	X	X	X	X	X	X
Donor-recipient FE					X	X	X	X	X
R-squared	0.006	0.006	0.007	0.161	0.003	0.018	0.003	0.003	0.018

# Observations	26428	26428	26428	28806	25083	27378	26036	26036	28327
# Donor-recipient pairs	2665	2665	2665	2758	2500	2587	2603	2603	2689
TF type / donor	DAC								

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\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

**Table 4:** OLS with year-fixed effects, all DAC donors, country-specific contributions

	1	2	3	4	5	6
GDP p.c. (ln)	-0.231*** [0.041]	-0.435* [0.256]	-0.221*** [0.041]	-0.149*** [0.039]	-0.222*** [0.040]	-2.215*** [0.104]
Population (ln)	0.107*** [0.025]	0.279* [0.146]	0.105*** [0.025]	0.094*** [0.025]	0.128*** [0.025]	0.379*** [0.061]
Quality of policies	-0.025 [0.052]	0.303 [0.267]	-0.024 [0.052]	-0.029 [0.051]	-0.021 [0.052]	0.125 [0.162]
UNGA-Alignment	0.227 [0.302]	3.936** [1.600]	0.23 [0.301]	0.319 [0.300]	0.058 [0.278]	-2.669*** [0.682]
Exports (ln)	0.068*** [0.013]	0.193 [0.119]	0.063*** [0.014]	0.034** [0.013]	0.056*** [0.012]	0.909*** [0.042]
Colonial heritage	0.909** [0.357]	1.519 [0.931]	0.906** [0.358]	0.821** [0.360]	0.848** [0.365]	2.307*** [0.345]
No bilateral recipient	-	-	0.128** [0.053]	-	-	-
Bilateral aid (ln)	-	-	-	0.037*** [0.005]	-	-
Shared seat BoED	-	-	-	-	1.455*** [0.472]	1.668** [0.670]
Dependent variable	TF aid	TF aid	TF aid	TF aid	TF aid	Bilateral
Sample	a	b	a	a	a	a
Year FE	X	X	X	X	X	X
Donor-recipient FE						
R-Squared overall	0.03	0.07	0.03	0.036	0.036	0.267
# Observations	28806	3433	28806	28806	28806	28806
# Donor-recipient pairs	2758	2758	2758	2758	2758	2758
TF type / donor	DAC	DAC	DAC	DAC	DAC	DAC

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

**Table 5:** OLS with year-fixed effects, different trust types and donors, country-specific contributions

	1	2	3	4
GDP p.c. (ln)	-0.604*** [0.122]	0.102 [0.108]	-0.277 [0.259]	-0.405 [0.453]
Population (ln)	0.120** [0.060]	0.430*** [0.100]	-0.006 [0.078]	1.239*** [0.305]
Quality of policies	-0.094 [0.156]	0.062 [0.109]	-0.594 [0.438]	-0.348 [0.528]
UNGA-Alignment	1.908 [1.643]	-0.3 [0.320]	0.182 [1.035]	8.761* [5.197]
Exports (ln)	0.173*** [0.048]	-0.221*** [0.068]	0.188 [0.132]	-0.293 [0.277]
Colonial heritage	14.475*** [0.250]	1.533*** [0.426]	0.25 [0.357]	1.591** [0.694]
No bilateral recipient	-	0.406*** [0.124]	-0.064 [0.292]	0.202 [0.723]
Bilateral aid (ln)	-	-	-	-
Shared seat BoED	8.155*** [1.663]	-	-	-
Dependent variable	TF aid	TF aid	TF aid	TF aid
Sample	a	a	a	a
Year FE	X	X	X	X
Donor-recipient FE				
R-Squared overall	0.135	0.065	0.046	0.184
# Observations	6267	6382	1459	1460
# Donor-recipient pairs	599	601	126	125
TF type / donor	Nordic	G5	USA	UK

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

**Table 6:** OLS with donor-recipient- and year-fixed effects, DAC donors, country-specific contributions

	1	2	3	4	5	6	7	8
GDP p.c. (ln)	-0.547** [0.250]	0.058 [0.500]	-3.425* [1.959]	-0.562** [0.260]	0.097 [0.879]	-3.053 [2.093]	0.075 [0.503]	0.924 [0.867]
Population (ln)	0.939 [0.628]	-2.822** [1.408]	9.851** [4.398]	0.936 [0.670]	-3.329 [2.999]	10.547** [4.455]	-2.872** [1.412]	-2.367 [3.166]
Quality of policies	0.099 [0.099]	-0.417* [0.233]	0.825 [0.880]	0.103 [0.107]	-1.154** [0.572]	0.887 [0.879]	-0.401* [0.233]	-1.221** [0.570]
UNGA-Alignment	0.295 [0.413]	2.801*** [0.721]	2.527 [3.137]	0.347 [0.442]	1.437 [2.225]	2.909 [3.281]	2.802*** [0.729]	1.009 [1.895]
Exports (ln)	0.031* [0.018]	0.012 [0.044]	0.465 [0.294]	0.033 [0.020]	0.037 [0.125]	0.426 [0.309]	0.01 [0.044]	-0.007 [0.127]
Election	-	-	-	-0.369** [0.178]	-0.397 [0.782]	-	-	-
Election*UNGA alignment	-	-	-	0.508** [0.248]	0.326 [1.108]	-	-	-
UNSC	-	-	-	-	-	-0.784 [2.342]	0.838* [0.491]	1.649* [0.867]
UNSC*UNGA alignment	-	-	-	-	-	1.485 [3.544]	-1.226* [0.717]	-2.680* [1.368]
Dependent variable	TF aid	Bilateral	TF aid	TF aid	Bilateral	TF aid	Bilateral	Bilateral
Sample	a	a	b	b	b	b	a	b
Year FE	X	X	X	X	X	X	X	X
Donor-recipient FE	X	X	X	X	X	X	X	X
Adj. R-Squared	0.434	0.702	0.28	0.437	0.564	0.275	0.702	0.544
# Observations	28806	28553	3433	27378	3320	3330	28327	3330
# Donor-recipient pairs	2758	2735	323	2587	309	311	2689	311
TF type/donor	DAC	DAC	DAC	DAC	DAC	DAC	DAC	DAC

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

**Table 7:** OLS with donor-recipient- and year-fixed effects, different trust types and donors, country-specific contributions

	1	2	3	4	5	6	7	8	9
GDP p.c. (ln)	-0.135 [0.132]	-0.011 [0.160]	-1.718 [1.076]	-3.879* [2.165]	-0.882 [0.619]	0 [.]	1.848 [1.865]	-5.004 [3.384]	-1.582 [1.836]
Population (ln)	1.131** [0.486]	1.447*** [0.531]	-2.218 [2.510]	20.215*** [5.710]	3.808** [1.683]	-2.725 [3.610]	-12.329** [5.519]	32.024*** [7.368]	-9.103 [6.143]
Quality of policies	0.118* [0.066]	0.07 [0.073]	-0.362 [0.490]	0.567 [0.986]	0.544 [0.356]	-0.432 [0.831]	-0.993 [0.887]	0.97 [1.702]	1.006 [0.915]
UNGA-Alignment	0.379 [0.313]	0.261 [0.324]	0.317 [1.819]	-3.24 [5.476]	1.043 [1.030]	1.454 [3.064]	0.975 [2.409]	-1.806 [10.136]	3.281 [8.781]
Exports (ln)	0.011 [0.011]	0.01 [0.015]	0.107 [0.104]	0.538* [0.317]	-0.06 [0.090]	0.227 [0.169]	1.026*** [0.336]	0.571 [0.560]	0.03 [0.332]
Election	-0.263** [0.114]	-0.302** [0.128]	-0.418 [0.436]	-1.043 [2.625]	- -	- -	- -	- -	- -
Election*UNGA alignment	0.367** [0.169]	0.443** [0.186]	1.232 [1.642]	1.431 [4.177]	- -	- -	- -	- -	- -
UNSC	- -	- -	- -	- -	-1.872** [0.937]	-0.640** [0.312]	1.003 [1.024]	11.068* [5.778]	3.836 [5.771]
UNSC*UNGA alignment	- -	- -	- -	- -	1.96 [1.265]	- -	-5.333 [4.381]	-16.251* [8.879]	-6.467 [9.121]
Dependent variable	TF aid	TF aid	TF aid	TF aid	TF aid	TF aid	Bilateral	TF aid	Bilateral
Sample	b	b	b	b	b	b	a	b	a
Year FE	X	X	X	X	X	X	X	X	X
Donor-recipient FE	X	X	X	X	X	X	X	X	X
Adj. R-Squared	0.41	0.405	0.443	0.547	0.346	0.033	0.684	0.498	0.529
# Observations	27378	27378	1367	1368	3330	793	1435	795	1436
# Donor-recipient pairs	2587	2587	117	117	311	68	124	68	123
TF type/donor	SD-RE	RETF	USA	UK	SD-BE	USA	USA	UK	UK

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

**Table 8:** Linear probability models with year-fixed effects, different trust types, disbursements

	1	2	3	4	5	6	7	8	9	10	11
GDP p.c. (ln)	-5.116** [2.280]	-5.297** [2.313]	-5.141** [2.290]	-7.830*** [2.903]	-5.261** [2.469]	-0.675 [1.429]	0.181 [2.358]	-5.173** [2.363]	-5.296** [2.360]	-0.156 [1.452]	-7.543** [2.985]
Population (ln)	-0.291 [4.711]	-0.373 [4.914]	-0.205 [4.744]	-8.439 [7.512]	-0.109 [4.956]	-8.675 [5.921]	8.738 [7.689]	-0.636 [4.887]	-1.353 [4.921]	-7.913 [5.863]	-8.726 [7.788]
Quality of policies	3.253** [1.360]	3.221** [1.380]	3.264** [1.365]	3.569** [1.506]	2.582** [1.248]	-0.124 [0.728]	2.015 [1.439]	3.262** [1.369]	3.274** [1.368]	-0.308 [0.668]	3.478** [1.521]
G3 UNGA-Alignment	4.146 [4.612]	3.451 [4.923]	4.066 [4.630]	3.145 [9.810]	3.401 [5.124]	5.076 [6.861]	7.95 [8.755]	4.02 [4.698]	4.379 [4.748]	3.361 [6.613]	5.364 [10.341]
G3 exports (ln)	0.233 [0.392]	0.211 [0.404]	0.23 [0.393]	0.794 [0.634]	0.303 [0.437]	0.723** [0.283]	0.426 [0.616]	0.227 [0.395]	0.213 [0.395]	0.683*** [0.258]	0.811 [0.637]
No bilateral aid recipient	-	-	0.349 [0.607]	3.478*** [1.253]	-	-	-	-	-	-	-
Election	-	-	-	-	-1.325 [0.990]	0.155 [1.624]	-4.229* [2.376]	-	-	-	-
Election*UNGA alignment	-	-	-	-	2.537 [1.804]	-0.247 [2.975]	7.800* [4.069]	-	-	-	-
UNSC	-	-	-	-	-	-	-	-0.124 [0.383]	5.800*** [2.085]	-0.994 [3.555]	6.873** [2.664]
UNSC*UNGA alignment	-	-	-	-	-	-	-	-	11.136*** [3.805]	2.686 [6.877]	-12.184** [4.891]
Dependent Variable	TF aid	TF aid	TF aid	TF aid	TF aid	Bilateral	TF aid	TF aid	TF aid	Bilateral	TF aid
Sample	a	b	a	a	a	a	a	b	a	a	a
Year FE	X	X	X	X	X	X	X	X	X	X	X
Country FE	X	X	X	X	X	X	X	X	X	X	X
Adj. R-Squared	0.142	0.145	0.141	0.275	0.128	0.019	0.043	0.141	0.144	0.022	0.269
# Observations	1099	1058	1099	1099	1028	1028	1028	1081	1081	1081	1081
# Countries	126	120	126	126	117	117	117	124	124	124	124
Trust fund type	all	all	all	MDTF	all	all	SD-RE	all	all	bilateral	MDTF

**Table 9:** OLS with year-fixed effects, different trust fund types, disbursements

	1	2	3	4
GDP p.c. (ln)	-0.885* [0.499]	1.251*** [0.344]	1.172*** [0.442]	-0.734 [0.841]
Population (ln)	1.340*** [0.244]	1.049*** [0.208]	0.427* [0.234]	1.948*** [0.390]
Quality of policies	0.922 [0.590]	0.782 [0.569]	-0.287 [0.510]	-0.573 [0.990]
G3 UNGA-Alignment	8.348*** [2.624]	7.934*** [2.082]	-6.052 [7.142]	32.975*** [5.773]
G3 exports (ln)	-0.284 [0.220]	-0.131 [0.205]	-0.076 [0.174]	-0.605 [0.435]
G3 Colony	-0.168 [0.516]	-0.157 [0.445]	0.01 [0.443]	3.621*** [0.998]
Dependent variable	TF aid	TF aid	Bilateral	TF aid
Sample	a	b	a	a
Year FE	X	X	X	X
Country FE				
R-squared	0.344	0.353	0.159	0.251
# Observations	1099	1058	1220	1099
# Countries	126	126	126	126
Trust fund type	all	all	all	CTY-spec.

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

**Table 10:** OLS with recipient- and year-fixed effects, different trust types, disbursements

	1	2	3	4	5	6	7
GDP p.c. (ln)	0.106 [0.082]	-0.339** [0.154]	0.005 [0.225]	-0.339** [0.154]	-0.277* [0.146]	-0.339** [0.154]	-0.008 [0.073]
Population (ln)	0.07 [0.040]	-0.502 [0.305]	0.224 [0.435]	-0.502 [0.305]	-0.261 [0.378]	-0.502 [0.305]	-0.353 [0.273]
Quality of policies	-0.147 [0.097]	0.187** [0.090]	0.053 [0.065]	0.187** [0.090]	0.334*** [0.102]	0.187** [0.090]	-0.03 [0.031]
G3 UNGA-Alignment	-0.261 [1.773]	0.149 [0.313]	0.362 [0.436]	0.149 [0.313]	0.517 [0.387]	0.149 [0.313]	0.052 [0.340]
G3 exports (ln)	-0.059 [0.035]	0.003 [0.029]	-0.016 [0.035]	0.003 [0.029]	-0.024 [0.030]	0.003 [0.029]	0.016 [0.011]
No bilateral recipient	-0.039 [0.097]	-	-	-	-	-	-
UNSC	-	0.304** [0.117]	1.931*** [0.553]	0.275 [0.338]	0.259 [0.188]	0.179 [0.365]	-0.057 [0.081]
UNSC*UNGA alignment	-	-0.603*** [0.224]	-3.918*** [1.022]	-0.594 [0.637]	-0.563* [0.328]	-0.431 [0.688]	0.103 [0.148]
Dependent Variable	1st TF	TF dummy	1st TF	TF dummy	TF dummy	1st TF	Bil. Dummy
Sample	a	a	a	a	a	a	a
Year FE	X	X	X	X	X	X	X
Country FE		X	X	X	X	X	X
Adj. R-Squared	0.026	0.683	0.132	0.683	0.55	0.683	0.012
# Observations	75	1200	436	1200	1200	1200	1200
# Countries	14	124	69	124	124	124	124
Trust fund type	all	all	RETF	RETF	SDTF	CTY spec.	Bilateral

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01