



# The Politics of Double-Delegation in the European Union

Katharina Michaelowa  
Bernhard Reinsberg  
Christina Schneider

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# THE POLITICS OF DOUBLE-DELEGATION IN THE EUROPEAN UNION

Katharina Michaelowa

*University of Zurich*

*Center for Comparative and International Studies (CIS)*

Bernhard Reinsberg

*University of Zurich*

*Center for Comparative and International Studies (CIS)*

*University of Cambridge*

Christina Schneider

*University of California, San Diego*

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## *Abstract*

The European Union (EU) often channels the contributions of its member countries through other international development organizations (IDOs) to implement its development programs and activities. Why do EU member countries who delegate their foreign aid to these EU institutions allow the Commission to further delegate the use of these resources to such IDOs? We argue that governments face a trade-off between visibility and effectiveness. Pooling foreign aid resources in the EU increases the visibility of the EU as a foreign policy actor. Yet, while the increase in resources makes the EU a more powerful actor in developing countries, it oftentimes does not have the capacity to use these resources effectively. Delegating aid to IDOs helps the EU to solve this capacity problem, but it also reduces the benefits regarding visibility. Double delegation also limits the control that member states can exert over EU development policies. Consequently, double delegation is more likely when the EU's capacity as an aid donor is low and when no strategic interests of EU members are at stake. We also show that the Commission tries to mitigate the loss of control by earmarking the delegated aid projects more tightly. Our empirical analysis is based on our own coding of project-level information in the OECD's Creditor Reporting System, document analysis, and interviews at the EU, the World Bank, and bilateral donors. The results generally support our theoretical expectations.

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With an aid volume of over 16 billion USD in 2014—corresponding to about 25% of the combined bilateral development assistance of its member states—the EU institutions have developed into the single largest multilateral donor; since 2010, they have been surpassing even the World Bank (Schneider and Tobin 2016). A large part of this assistance is not managed by the European Commission (EC), but delegated further to trust funds at other international development organizations (IDOs). By doing so, the EC follows a trend recently observed for many bilateral donors (Reinsberg et al. 2015; Graham 2015). Over the last two decades, bilateral donors have increasingly relied on voluntary contributions to IDOs that are earmarked to support specific development priorities. From the perspective of the bilateral donor, this so-called ‘multi-bi aid’ combines the flexibility of bilateral aid with the advantages of donor coordination within a multilateral setting, and with the possibility of benefitting from the capacity of large specialized development agencies (OECD 2011). Earmarking allows donor governments to make their multi-bi contributions more visible than core multilateral aid, and to link them to perceived national interests, e.g., regarding trade, investment, and migration. At the same time, these contributions are widely considered as standard multilateral aid, which wins the sympathies of those who value the multilaterals precisely because they are usually less driven by domestic interest and more focused on efficient development outcomes (Reinsberg, Michaelowa, and Eichenauer 2015: 530).

This direct electoral connection does not exist for the EU. Within the EU, members have already pooled and coordinated their aid. Why should the EU further delegate to other IDOs? The phenomenon is even more puzzling when considering that double delegation is relatively costly. Direct costs arise because IDOs charge significant fees for their services (Michaelowa, Reinsberg and Schneider 2016), and indirect costs occur because the visibility of the original donor is reduced. Why do EU member states delegate such a substantial part of their development assistance to the EU if the latter just delegates it further, and often to IDOs to which individual member states also delegate some of their bilateral aid directly?

In this paper, we analyze the conditions under which double delegation occurs. We argue that this phenomenon can be explained by a trade-off between visibility and effectiveness. EU member states want to increase the EU’s role and importance as a foreign policy actor and a visible champion of international development. However, the Commission’s capacity to manage development aid is severely constrained (OECD 2012: 20; Michaelowa, Reinsberg and Schneider 2016). Other more specialized IDOs, such as the World Bank, are much more experienced and maintain well-resourced country offices in virtually all developing countries. Channeling aid through IDOs can hence be much more effective, especially in those areas in which the EU’s capacity gaps are greatest. Yet—especially in areas in which they have strategic interests—EU members may be worried about losing control over foreign aid policies. We expect less double delegation when the strategic interests of EU member states are high. Along similar lines, once there is double-delegation, we expect tighter geographic or sector-specific earmarking in areas of strategic interest. EU members with particularly salient preferences can induce the Commission to ensure that these preferences are considered through earmarking. More generally, members can ensure that the EC uses earmarking to retain some control over the double-delegated contributions by a tighter monitoring of aid activities.

To test our theory, we combine the results of both qualitative and quantitative analyses. The quantitative analysis is based on specific coding of project-level information on development assistance to obtain the channels through which the EU allocates its aid, and the degree of earmarking for the period from 1990 to 2012 (Eichenauer and Reinsberg 2017). The qualitative

analysis is based on interviews with about 40 respondents at all levels of the double-delegation chain. We interviewed EC staff, staff at the World Bank—the IDO towards which the EC most frequently delegates its aid—and staff from selected EU member countries. In line with our expectations, we find that double delegation primarily occurs when development projects are directed toward recipient countries where the EC lacks capacity. Strategic interests among EU member states prevent the EC from delegating to IDOs. Once there is double delegation, we find that the EC more strictly earmarks aid to IDOs in contexts in which member states are generally more reluctant to agree to double delegation in the first place. The findings imply that earmarking serves as a mechanism to mitigate the loss of control. Finally, earmarking is more prevalent when member state preferences are heterogeneous.

The findings provide some first insights into the increasing practice of double delegation, suggesting an explanation of why international organizations further delegate activities to other organizations, and how this relates to the strategic interaction between EU member states on the one hand, and their agents at the EC and the secondary IDO level on the other hand. Our work contributes to the broader literature, which applies principal-agent theory to international organizations (Pollack 1997; Nielson and Tierney 2003; Hawkins et al. 2006). We demonstrate how the European Commission navigates the conflicting goals of donor visibility and development effectiveness, especially when it faces capacity constraints. Simultaneously, our analysis offers a new way of thinking about the phenomenon of multi-bi aid. Multi-bi aid has so far been primarily examined from the perspective of bilateral donors with a focus on electoral incentives on the one hand (Eichenauer and Hug 2016), and potential benefits from donor cooperation on the other hand (Reinsberg et al. 2017). Neither of this is directly relevant for IDOs, such as the EU, where the trade-off between capacity and visibility emerges as the driving mechanism. While our analysis focuses on double delegation in the EU, they speak to similar patterns of double delegation in other international organizations as well. A prominent example in global public health is the Global Fund, a quasi-multilateral organization that delegates most of its funding earmarked for three communicable diseases through the World Health Organization (WHO) (Sridhar and Woods 2013). Similarly, the GEF relies on several other multilateral agencies—notably the UNDP, UNEP, and the World Bank—for the development and implementation of its environmental programs (Bayer et al. 2014; Graham and Thompson 2015).<sup>1</sup>

#### DOUBLE DELEGATION AND MULTI-BI AID IN THE EUROPEAN UNION

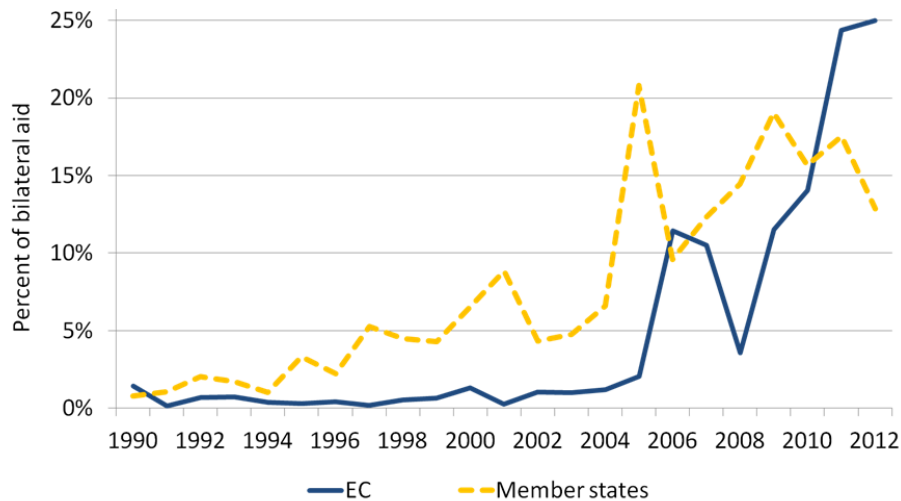
This section provides some further background on the broader phenomenon of double delegation and multi-bi financing with a focus on the EU. Double delegation is a phenomenon that can be observed in various fields of international policy. It occurs whenever member states delegate tasks to international organizations that in turn delegate parts of these to other international organizations and implementing agencies.

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<sup>1</sup> It should be noted that, as far as the role of the organization initially in charge is merely one of initiating, convening, coordinating, and assisting the work of other multilateral organizations, this is considered as orchestration rather than delegation (Abbott et al. 2015, 2016). However, much of the above-mentioned collaborations between international organizations go well beyond orchestration as they are based on regular formal contracts entrusting the implementing agencies with those tasks that the primary organization cannot fulfill itself and providing all financial means to fulfill these tasks.

Double delegation in development finance mainly occurs through the European Union, where it corresponds to so-called “multi-bi aid” (Michaelowa et al. 2016).<sup>2</sup> EU member states provide resources to the EU to finance the EU’s development policies, and the EU delegates the development and implementation of aid programs to a multilateral donor. Over time, the EU has developed into a larger donor than even the World Bank. As a bilateral donor, it ranks third after the United States and Germany. EU members provide about 17% of their foreign aid resources through one of the three EU channels relevant for development aid: the common EU budget, the European Development Fund (EDF), and the European Investment Bank (EIB). Further delegation from the EU to other IDOs has increased dramatically over the last few years. Until the mid-2000s, the EU’s multi-bi aid accounted for less than 2% of its entire aid budget (Figure 1). The growth of EU multi-bi aid started later than in EU member states, but then increased even faster. In 2012, the EU delegated almost a quarter of its aid to IDOs, while the EU member states individually channeled only 13% of bilateral development assistance through multilateral agencies.

*Figure 1: The Development of Multi-bi Aid*



*Notes:* Reproduced from Michaelowa, Reinsberg, and Schneider (2016)  
*Data source:* Eichenauer and Reinsberg (2017)

Between 2002 and 2012, the EU delegated about 50% of its multi-bi aid to various UN organizations, about 20% to regional development organizations, and the remaining 30% to multilateral development banks, notably the World Bank. The latter was the single most important IDO for the EU’s multi-bi aid. The EU and the World Bank have a long-standing partnership, governed by a Framework Agreement concluded in 2001. Over time, the EU has become the second largest donor to IBRD/IDA trust funds, after the United Kingdom and ahead of the United States (World Bank 2013a: 8). It contributed not only to multi-donor trust funds, but also established large single-donor trust funds (with no other partners involved), notably the USD78 billion EC-ACP Natural Disaster Risk Reduction Program (World Bank 2012: 10).

<sup>2</sup> When the EU delegates foreign aid resources to other IDOs, one should speak of “multi-multi” aid. To avoid a plethora of terms and to keep the discussion parsimonious we keep using the accepted “multi-bi” aid terminology.

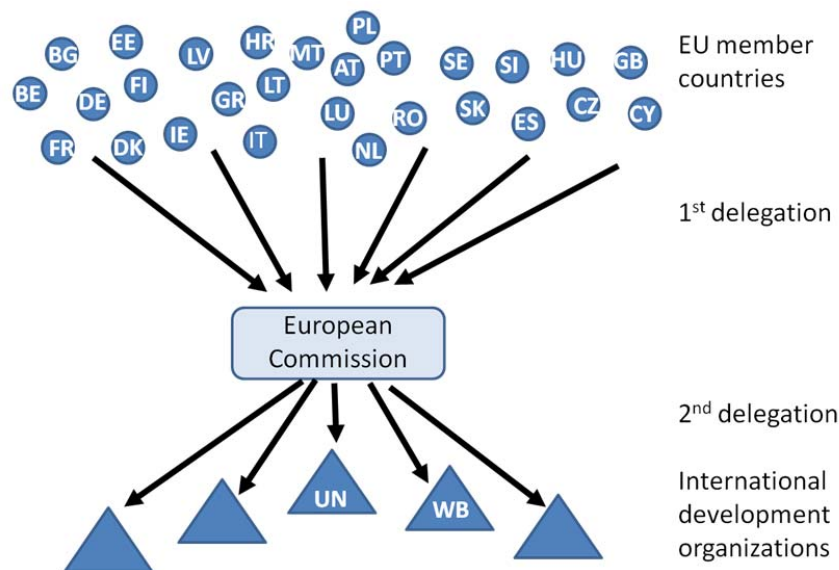
In principle, the Commission could delegate the resources without imposing any constraints, i.e., giving full freedom to the IDO receiving the funding. But this hardly ever happens. For virtually all projects, the Commission prescribes at least a broader regional focus, and oftentimes even specifies the specific recipient country (geographic earmarking). Similarly, the Commission frequently pre-defines the sector in which the money must be spent (sector earmarking). By conditioning the delegated resources to the use in specific localities and sectors, the Commission can ensure that specific preferences of EU member states must be respected.

#### THE POLITICS OF DOUBLE DELEGATION IN THE EUROPEAN UNION

To develop our theoretical argument, we focus on the preferences of the three types of actors involved in the double delegation chain (see Figure 2): (1) the EU member countries who delegate their aid to the EU, (2) the EC who serves as the managing and implementing agency of foreign aid resources that are provided by the EU member states, and (3) other IDOs to whom the EC may delegate its aid resources (under the condition that this is approved by the member states).

For simplicity, we assume that IDOs are always ready to accept the EC's multi-bi aid. The additional funding expands the IDO's budget through both the aid resources transferred and the additional fees for trust fund management. The additional funding should easily compensate the IDO's own cost incurred related to the services they provide. However, the IDO may have its own funding priorities that are not necessarily in line with the priorities of the Commission and EU member states. What exactly these priorities are differs between IDOs and is not relevant for our discussion here. What is important to retain is that preferences need not be fully aligned so that the loss of control over EU funding delegated to other IDOs comes along with some cost that add to the direct cost for the IDO's administration of the related trust fund. Similarly, there is an indirect cost due to a loss of some of the visibility for the EU, so that the benefits of delegating to the Commission in the first place are somewhat reduced.

*Figure 2: Double Delegation of EU Aid*



Indeed, for EU member states, the main advantage of delegating aid is that the pooling of resources contributes to the development of a single strong European agency with high international visibility. Through their participation in EU development programs, EU member countries have become more much important and powerful partners of recipient countries in international development. The position as a “champion of the developing world” has not only brought the EU respect as a supporter of economic development around the globe, but also provided a number of strategic advantages in other areas, most notably trade. For example, many countries (most of them receiving large amounts of the EU’s foreign aid) stood by the EU when it challenged the US-favored “scientific principle” that guides the rules of the World Trade Organization (WTO) on the restrictions on food imports (Pollack and Shaffer 2009; Schneider and Urpelainen 2013). By now, most of the developing world has ratified the Cartagena Protocol that propagates the EU-favored “precautionary principle,” which de facto allows the EU to restrict the import of genetically modified organisms (GMO) from the US and other GMO-producing countries. The drawback of the delegation to EU institutions is that the EC is a multi-purpose agency that manages all the EU’s policies. The EU budget is generally very small (note, however, that the EDF funds are outside of the EU budget), and less than five percent of the EU budget is spent on the entire body of administrative staff. It should not come as a surprise then that in development assistance, the EC has not yet developed the level of professional expertise and experience of other IDOs. Consequently, its interventions may be less efficient (Mrak and Tilev 2008; Knezevic 2011; OECD 2012).

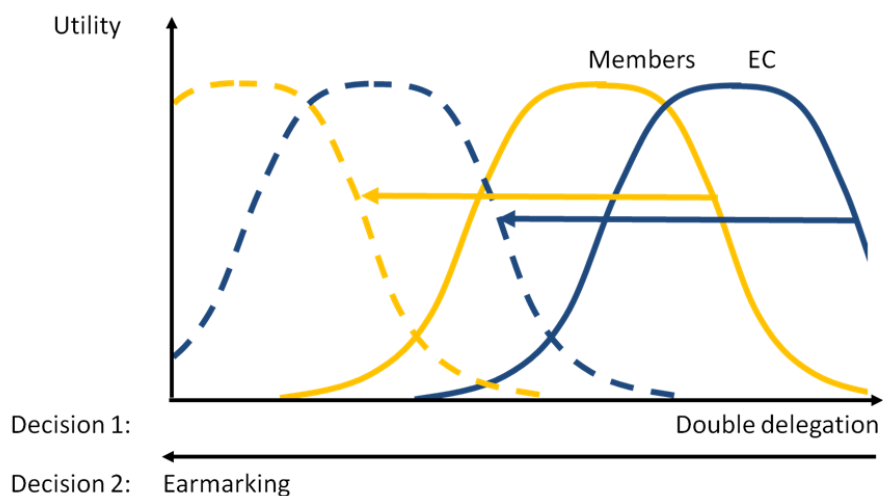
To improve the effectiveness of EU development assistance while at the same time retaining the visibility of the EU in international development finance, it may be optimal to have the EC channel parts of its development finance to other IDOs. While double delegation reduces the visibility and influence of the EU gained through its emergence as a large donor, this reduction in visibility is smaller than if the funds had been channeled to the IDOs directly from the individual EU member states. At the same time, the longer chain of delegation reduces the influence EU member states can exert over the concrete allocation of funds, thereby potentially limiting their incentives to agree to double delegation. The costs imposed by a loss of influence are greater the more the IDO’s allocation departs from the ideal aid preferences of the member states. EU members should be particularly concerned about this loss in areas of strategic relevance, and in areas where the visibility of the EU is particularly important to them. For example, the cost from a loss of control should be particularly great when EU members’ geopolitical and/or commercial interests are at stake, especially when the IDO allocates the aid resources for (non-strategic) economic development or if the strategic interests of the IDO members conflict with the strategic interests of the EU members.

From the perspective of the Commission, the funds channeled from EU members to the EU are a welcome contribution to the EU’s overall budget, ensuring its stability at a high level or even its further growth (Vaubel 1996, 2006; Frey 1997; Pollack 1997). Furthermore, the EC benefits from the expansion of its own role as a powerful international aid agency. Obviously, the Commission is equally aware of its capacity constraints and sees potential efficiency gains from further delegation to other IDOs. When it comes to the decision on further delegation to other IDOs, the trade-off for the Commission hence looks like the one for individual member countries: While further delegation may increase efficiency – especially in areas in which the EC’s own capacity is particularly limited – it reduces the benefits related to the visibility of the EU as a powerful international actor. In terms of geographic or sectoral aid allocation, there is

also no reason to believe that there should be a relevant divergence of interest between the Commission and EU member states. In contrast to other IDOs such as the World Bank, the Commission as a primarily administrative body has never developed its own distinct development ideology, and its substantive orientation is clearly derived from the one of its members. And even if the Commission prefers to provide aid differently (e.g., it might have stronger preferences to provide aid to support economic development), the decision to delegate aid resources to other IDOs has to be approved by the EU member states unanimously, which grants them greater control over the EC's decisions. We therefore expect the preferences of the EU member states and the EC to be well aligned at least relative to the preferences of the IDO to which they may further delegate.

Figure 3 graphically illustrates the situation for the case in which the utility function of the Commission is slightly more to the right than the utility function of EU members (i.e. the Commission is more likely to prefer delegating to IDOs). To simplify the illustration, members are depicted by a single curve for one representative member country (below we discuss the implications if member states' preferences are heterogeneous). For each of the two actors, we show the utility as a function of further delegation to another IDO (solid yellow and blue lines), whereby movements to the right imply greater delegation. We assume that the trade-off between efficiency-reducing capacity constraints and visibility/control leads to very low utility for both very low and very high double delegation, and to a bliss point with maximum utility somewhere in between. Earmarking is an option that can mitigate the loss of influence, by imposing more constraints on the IDO. We illustrate this by graphing the utility of both actors as a function of more earmarking (dashed yellow and blue lines), whereby movements to the left imply stricter earmarking. Rather than to reduce delegation to IDOs, the Commission can also earmark the delegated funds which ensures EU member states that the resources are spent on development projects that are in line with their interests. But earmarking is not costless because it requires the investment of time and effort spent to define the relevant geographical or sectoral conditions, as well as the relevant knowledge and experience to ensure that the funds are spent efficiently. Therefore, in areas in which the Commission's capacity constraints are particularly prevalent, one should expect less rather than more earmarking.

Figure 3: Optimization by the EC and EU member states





Based on the depiction in Figure 3, we can now assess in some more detail the factors that contribute to the two decisions on double delegation and earmarking. We argue that capacity constraints, the relevance of visibility, and the need for control can explain how much the EC is willing and able to double delegate, and how tightly it will earmark its contributions to IDOs. The factors should either move both the EC's and the EU members' utility function to the right on both decisions (more double delegation, less earmarking), or move them jointly to the left on both decisions (less double delegation, more earmarking). While capacity constraints should increase incentives to double delegate and to minimize earmarking, the relevance of visibility and the importance of control should reduce the incentives to double delegate while maximizing the tightness of earmarking.

Regarding capacity, we consider that not all aid projects are equally demanding for the EC. For instance, it has a long-standing experience in cooperation with some world regions, notably the African, Caribbean and Pacific Group of States (ACP) with whom the EC has been collaborating since the very beginning of its development program in 1957, and to a lesser extent the countries included in the European Neighbourhood Policy (ENP) developed in 2004. Moreover, common language with the partner country or a general increase in EC staff may reduce the Commission's capacity constraint. Finally, capacity can be conceived in a relative way, by comparing the EC's capacity to the one of other IDOs to which it could further delegate its funds. Many donors expect substantial gains driven by economies of scale in large donor organizations like the World Bank and by the expertise of their staff (Hicks et al. 2008; Milner and Tingley 2010). The consideration of a greater pool of experienced staff should be important, particularly when the EC itself has relatively little capacity and expertise. To make full use of the IDO's superior expertise and to reap the full efficiency gains from double delegation, one should also expect the EU to allow the IDO full control over the aid resources by avoiding any earmarking or reducing it to a minimum. When the EC's own capacity is relatively high, the opposite should be the case. Based on the above arguments, we can formulate our first set of hypotheses:

*Hypothesis 1a:* Double delegation is less likely for projects in recipient countries where the EC has relatively more capacity and expertise, all else equal.

*Hypothesis 1b:* Earmarking is more likely for projects in recipient countries where the EC has relatively more capacity and expertise, all else equal.

In addition, we argue that the fear of a loss in influence over aid allocation decisions matters for decisions over double-delegation. Some projects are of strategic relevance to EU member states, either commercially (e.g., because of a strong trade relationship) or politically (i.e., because they are at the core of what identifies the EU as a donor organization). The relationship with the ACP and ENP countries are particularly relevant in this respect. Their special relationship owes to their strategic importance to the EU member states. This may also explain why the EC has greater capacity in this area. In addition, foreign aid that is directed toward recipient countries with strong economic ties to EU member states should be less likely to be double delegated. In contrast, the EC should be more likely to delegate foreign aid to IDOs, especially for capacity

concerns, if strategic interests of EU member states are not at stake. The corresponding logic holds for the likelihood of earmarking. This leads to our second set of hypotheses:

*Hypothesis 2a:* Double delegation is less likely for projects in recipient countries where strategic interests are involved.

*Hypothesis 2b:* Earmarking is more likely for projects in recipient countries where strategic interests are involved.

We simplified the discussion above by assuming a single representative member country. In reality, the interests of member countries often differ and the extent to which this is the case may itself influence double delegation and earmarking. Since all member countries have to agree on the Commission's delegation of resources to another IDO, strong heterogeneity in member preferences should lead to less double delegation or to double delegation linked with strong earmarking, which may be an option to convince the most reluctant member that its preferences will be ensured, and control can be maintained over the IDO's allocation decisions. This argument is in line with previous literature that finds that bilateral donors tend not to delegate aid in the first place when their preferences are very heterogeneous (Schneider and Tobin 2013). This leads to our last set of hypotheses:

*Hypothesis 3a:* Double delegation is less likely for projects in recipient countries related to which EU members have heterogeneous preferences.

*Hypothesis 3b:* Earmarking is more likely for projects in recipient countries related to which EU members have heterogeneous preferences.

## DATA AND METHODS

We test the implications of our theory using two complementary sources of evidence. We conduct regression analysis to assess the EU's patterns of double delegation and earmarking of multi-bi aid activities. Moreover, we illustrate the causal mechanism with qualitative evidence from the multi-bi partnership between the EC and the World Bank. Our quantitative data cover the EC's aid activities for the 1990-2012 period. All general aid-related data are based either on the Creditor Reporting System (CRS) of the Organization for Economic Cooperation and Development (OECD) or the OECD data on aggregate flows (OECD 2013a, b). For activities delegated to IDOs, we use the multi-bi aid dataset by Eichenauer and Reinsberg (2017), which complements the existing OECD data on aid channeled through multilaterals by coding qualitative information on transition channels for additional years and by including information on earmarking along several dimensions. Specific additional data for the EC and the World Bank are drawn from our own coding based on the organizations' webpages, EU budget reports, and the World Bank's (2013c) Trust fund databases. All general recipient country information is taken from the World Bank's (2014) World Development Indicators and Eurostat (2015). For a detailed description of all variables and sources, see Appendix Table A1. The data are originally at the project level, but our unit of analysis is at the recipient country-year level, which allows us

to directly assess the impact of different recipient country characteristics on the EC's delegation patterns. We follow Eichenauer and Reinsberg (2017) and exclude all aid flows dedicated to debt relief and humanitarian aid, which are distinct from aid activities for substantive development purposes. We also drop all aid activities that are not allocable to individual recipient countries.

Our qualitative analysis draws on evidence from both interviews and official documents. Overall, we conducted more than 40 interviews with EC officials, World Bank staff, and individual bilateral donors. Our interviews at the Commission covered different respondents at the Directorates-General for International Co-operation and Development (DEVCO / EuropeAid) as well as the European External Action Service (EEAS). Our interviews at the World Bank purposively sampled on those individuals with experience on the EC and from different sectoral departments (see Appendix Table A2 for a list of interviews). For our documentary analysis, the most relevant document is the 'Financial Regulation', which governs the relationship between the EC and IDOs. Based on this regulation, which was last updated by the member states and the European Parliament in March 2013, the EC concludes framework agreements with the IDOs with which it intends to cooperate. These framework agreements require the IDOs to have minimum standards on accounting, internal control, audit, and procurement. Furthermore, the Financial Regulation obliges the EC to maintain some prerogatives of control and verification (EC 2014). The specific partnership between the EC and the World Bank is formalized in the Trust Fund and Co-Financing Framework Agreement concluded in the early 2000s and periodically updated. It applies to all EC entities and to all trust funds of the EC with the World Bank (see EC 2013; World Bank 2013b).

#### *Variables*

The selection of variables for our models closely follows the discussion in the theory above. In a first step, we analyze the determinants of double delegation. The dependent variable of the double delegation regressions is measured as the percentage of EU aid to a recipient that is channeled through an IDO each year. In a second step, we analyze the extent to which the EU's multi-bi aid is earmarked. The dependent variable of the earmarking regressions is the percentage of all double delegated EU aid that is earmarked either geographically to specific countries, or by sector. We consider both dimensions separately. While our theory does not suggest any specific differences, it is evident that with a mean of 94% geographic earmarking is much more frequent than sector earmarking with a mean of 20% (see Appendix, Table A1). These differences could imply some different dynamics and it may thus be interesting to compare the two specifications.

To test Hypothesis 1, we include several factors related to capacity. We use indicator variables for recipients in the two regions in which the EC arguably has the greatest experience, i.e. ACP and the ENP countries, and for recipients for which one of the national languages corresponds to the language of at least one EU member country. We further use a count of EC staff (logged), although unfortunately, we do not have the information directly related to the recipient countries and local delegations of EC staff, but only for the EC. To capture the relative perspective, we also include information on the major IDO that may represent an alternative, namely the World Bank. We do not have information on the number of local staff, but we know whether there is a World Bank office in the respective country (WB office), and we know the volume of aid for which it is responsible (WB amount).

To test Hypothesis 2, we include variables related to strategic interests, but also variables that, in contrast, suggest a purely developmental motivation of aid. To capture economic interest,

we use the export share of the three influential EU members Germany, France and United Kingdom (EU-3) in percent of all their exports to developing countries. To measure developmental needs, we include three variables related to poverty and vulnerability: life expectancy (logged), GDP per capita (logged) and an indicator variable for fragile states. In addition, the above introduced regional variables (ACP and ENP countries) can be interpreted as indicators of geopolitical interest (note that most ACP countries are former colonies). The EC should be less likely to double delegate aid to recipients in the ACP/ENP regions and to those that trade more with the EU; it should be more likely to double delegate aid to poor and vulnerable recipients.

To test Hypothesis 3, we include measures of interest heterogeneity in the EU. Matching our decision to individually observe geographical and sectoral earmarking, we define EU member heterogeneity along the same two dimensions. Assuming that members' own bilateral aid allocation corresponds to their individual preferences over multilateral aid allocation (Schneider and Tobin 2013, 2016), we use the different shares of bilateral aid they allocate to any given recipient in any given year to compute a coefficient of variation that captures member heterogeneity. For the heterogeneity of sectoral preferences, we further distinguish between sector shares within each recipient (see Appendix 1 for a formal exposition). Both measures are based on the EU-15 subset of members because new members have not been official aid donors until recently, and even in most recent years, they have contributed relatively little bilateral aid so that their inclusion may be misleading.

We include further control variables, namely EC aid growth to put the EC staff numbers into perspective, a dummy for the period after the Paris Declaration in 2005 that arguably gave a push to multi-bi aid due to its objective to enhance donor cooperation, and a linear time trend to capture any more general dynamics over time. We use almost all variables in both the delegation equations and the earmarking equations, with the sole exception of the Post-Paris Declaration dummy, which is relevant only for the decision on double delegation, but not for the decision on earmarking, once the decision for double delegation is taken.

### *Model Specification*

For our quantitative analysis, we need to take into account that the equations, which estimate the effect on double delegation, and the equations, which estimate the effect on earmarking, are not independent from each other. When there is no double delegation, there is no earmarking. A standard Heckman selection model is not appropriate because double delegation is not measured as a zero-one decision, but rather as the percentage of EU's multi-bi aid given to a specific recipient in each year. Reducing this variable to an indicator variable of no double delegation versus some double delegation would lead both to a loss of information and to an arbitrary decision about the cut-off to use. We therefore resort to a more flexible version of a Conditional Mixed Process (CMP) model that allows us to jointly estimate the two regressions in an extended Seemingly Unrelated Regression (SUR) framework (Roodman 2009). In addition, we cluster standard errors at the recipient level.

The use of recipient fixed effects would in principle be compatible with this framework, but leads to some difficulties in our context because many of our variables of interest are time-invariant country characteristics that are collinear with recipient-fixed effects and hence would drop out in fixed-effects estimation. To preempt concerns about the potential bias due to omitted time-invariant variables, we tested for the presence of unobserved heterogeneity using the Mundlak approach. We added the cross-section means of all variables to our model and



conducted an F-test on their joint significance. This approach works as a diagnostic device of unobserved heterogeneity because a linear combination of these variable means approximates the fixed effects (Mundlak 1978; Chamberlain 1979; Wooldridge 2002). As the F-test was not significant in either the double delegation model or the earmarking model, fixed effects do not seem necessary in our analysis.

## EMPIRICAL ANALYSIS

Tables 1 and 2 present the results of the CMP estimation, whereby Table 1 focuses on the double delegation model, and Table 2 on the earmarking model. In both tables, the first two columns refer to geographic earmarking and/or member heterogeneity while the remaining two refer to sector earmarking and/or heterogeneity. Within each set of regressions, the second column provides some more refined specification of the capacity related variables (see below). We structure the discussion around the three hypotheses discussed above.

### *Capacity and Experience*

As expected, double delegation is significantly less frequent in the regions in which the EC itself already has a long-term experience in collaboration. According to the size of the coefficient estimates, the probability of projects in ACP countries to be funded through the channel of other IDOs is about 0.8 to 1.6 percentage points lower than for other countries. This effect is non-negligible given that for much of the period under consideration, the share of projects with double delegation was below 5% overall. Common language—arguably facilitating the work for EC staff—shows an even greater effect in reducing the probability of double delegation by up to two percentage points. In contrast, the coefficients for ENP countries (while comparable in size to those of ACP countries) never become significant, probably because the EC has focused on this region only relatively recently. The variable that accounts for EC staff does not become significant either. This may be because the only information we could collect is related to the EC’s total staff, which does not capture the regional variety in capacity available in the different country offices. When looking at World Bank capacity in comparison, the simple existence of a World Bank office does not seem to play a role, possibly because the Bank is present in almost all recipient countries so that there is little variation on this variable. However, considering the amount of resources it handles, the expected effect becomes visible (Table 1, columns 2 and 4). The Commission is less likely to double delegate when the World Bank office is small, and vice versa.

Overall, while the variables we include as indicators of EC capacity are not always significant, all coefficients point in the expected direction. Greater experience and capacity more generally tend to reduce the probability of double delegation. Our qualitative results are largely in line with the outcome of our quantitative analysis. Many interviewees at all three levels of the double delegation chain (member countries, Commission, and IDO) mentioned capacity constraints as one of the key reasons for the Commission to delegate aid further. In our interviews, World Bank officials stated that the EU valued the Bank for its “broad network of contacts on the ground needed for rapid implementation.” This and other related statements imply that the EU delegates its foreign aid resources to IDOs mainly to take advantage of their expertise and related efficiency gains. The EC’s capacity constraints are primarily related to its rapid increases in foreign aid resources that have gone unmatched with proportional increases in

Table 1: Double Delegation model

	(1)	(2)	(3)	(4)
ACP country	-0.833*	-1.404***	-1.052**	-1.556***
	(0.495)	(0.541)	(0.510)	(0.526)
ENP country	-0.957	-1.317	-0.953	-1.300
	(0.755)	(0.816)	(0.749)	(0.808)
Common language	-1.851**	-2.010**	-1.737**	-1.892**
	(0.748)	(0.787)	(0.715)	(0.759)
Log(EC staff)	-1.930	-5.814	-2.170	-6.311
	(3.301)	(4.378)	(3.392)	(4.479)
WB office	-1.327	-2.417***	-1.401	-2.275***
	(1.278)	(0.732)	(1.403)	(0.603)
Log(WB amount)		-1.208***		-1.187***
		(0.253)		(0.245)
WB office x Log(WB amount)		1.161***		1.176***
		(0.241)		(0.239)
Export share by EU-3	-0.139*	-0.140*	-0.117*	-0.124*
	(0.075)	(0.076)	(0.070)	(0.071)
Log(Life expectancy)	-2.754**	-4.718***	-3.011**	-4.909***
	(1.320)	(1.694)	(1.294)	(1.770)
Log(GDP per capita)	0.127	0.302	0.048	0.241
	(0.256)	(0.345)	(0.235)	(0.321)
Fragile state	0.243	0.320	0.206	0.309
	(0.577)	(0.623)	(0.580)	(0.632)
Geographic heterogeneity	-0.064	0.057		
	(0.364)	(0.541)		
Sector heterogeneity			0.304	0.465
			(0.330)	(0.391)
EC aid growth	0.267	-0.803	0.270	-0.925
	(1.426)	(1.449)	(1.437)	(1.469)
Post-Paris Declaration	1.310**	1.729**	1.391***	1.820**
	(0.524)	(0.709)	(0.531)	(0.735)
Linear trend	0.356***	0.409***	0.368***	0.420***
	(0.100)	(0.125)	(0.095)	(0.115)
Observations	1542	1190	1533	1188
Recipient countries	125	121	125	121
R-squared	0.13	0.13	0.13	0.15

Table 2: Earmarking Model

	(1)	(2)	(3)	(4)
	Geographic earmarking		Sector earmarking	
ACP country	-4.385** (2.062)	-3.248 (2.340)	-6.482 (5.325)	-7.877 (5.227)
ENP country	-0.520 (2.151)	-1.248 (1.285)	2.137 (3.737)	2.698 (3.927)
Common language	3.190** (1.464)	1.386 (1.174)	10.653*** (4.125)	10.185** (4.082)
Log(EC staff)	74.559*** (15.351)	58.857*** (14.914)	-9.502 (37.138)	-11.441 (38.270)
WB office	-4.614* (2.629)	1.115 (1.894)	12.325** (5.019)	13.346*** (4.964)
Log(WB amount)		-0.185 (0.239)		-0.731 (0.659)
Export share by EU-3	0.397*** (0.144)	0.294** (0.136)	0.322 (0.277)	0.377 (0.274)
Log(Life expectancy)	15.670 (10.524)	8.609 (10.654)	27.578* (15.099)	16.164 (16.586)
Log(GDP per capita)	-2.329** (0.935)	-0.412 (0.850)	-5.421*** (1.618)	-4.237** (1.725)
Fragile state	2.203* (1.262)	0.755 (1.208)	-1.687 (3.268)	-0.351 (3.421)
Geographic heterogeneity	3.967*** (1.209)	3.209** (1.376)		
Sector heterogeneity			9.130** (3.677)	5.575 (3.397)
EC aid growth	16.963*** (4.874)	13.101*** (4.200)	46.964*** (16.401)	46.905*** (17.792)
Linear trend	-1.200*** (0.271)	-0.991*** (0.231)	-1.476** (0.583)	-1.448** (0.632)
Number of observations	655	562	655	562
Recipient countries	125	121	125	121
R-squared	0.06	0.06	0.07	0.05

capacity. While our respondents at EC headquarters in Brussels focus on staff numbers when they speak about capacity, other sources see the capacity deficits primarily in a lack of experience in the field of development cooperation (see also Michaelowa, Reinsberg and Schneider 2016). One EC official directly stated that the EC gained additional benefit due to the comfort of delegating aid further and “‘getting things done’ without a lot of own human resources.” According to a regional expert at the World Bank, the EC may lack capacities for processing its aid even in its own neighborhood. This could explain why even the ENP variable does not become significant in our statistical analysis; only with ACP countries, significantly more experience seems to have accumulated over time. When EC capacity is lacking, according to the same regional expert, the Bank “is an efficient partner to accelerate aid absorption on the ground, given its in-house knowledge and its dense network of contractors.” The EC sometimes “asks the World Bank for specific inputs that the EC itself would not be able to deliver in a timely manner.” For example, the EC asked the World Bank for a feasibility study on an energy market project in the Caspian region.

If a project is then delegated anyway, do the same factors increase the probability that the Commission gets involved in the details of aid allocation through specific earmarking? Our quantitative results support this interpretation, but the results are less clear than for double delegation itself: Common language increases the probability of earmarking and greater EC staff numbers do, too, albeit only in terms of geographic conditions, not in terms of sectoral conditions. For geographic earmarking, the coefficients are very large, suggesting a 59-75 percentage point higher probability of earmarking. The results for local World Bank capacity are ambiguous and again in line with our expectations only for geographic earmarking. Results for ACP countries are mostly insignificant, just as those for ENP countries, and with coefficients that suggest a negative rather than a positive relationship with earmarking (if any). As opposed to our expectations, despite its knowledge and experience with these countries, once the Commission delegated to IDOs, it does not tend to earmark projects specifically for individual countries within the ACP or ENP region, nor does it have a higher tendency for sector earmarking in these regions.

Our qualitative research suggests that the failure to earmark may be explained by the fact that the EC does not have much appetite to tightly earmark its contributions. Yet earmarking was never mentioned as overly resource intensive for the Commission. While World Bank officials report that working with the EU in the context of trust fund arrangements is at times extremely work-intensive, this seems to be related primarily to legal provisions and oversight clauses the Commission regularly requests. Our interviews suggest that for EC staff this appears to be of less concern, possibly because their legal and administrative capacity (as opposed to their developmental experience and capacity) is rather high (OECD 2012). The limited support for the link between capacity and earmarking is in line with our quantitative results: It appears that the effect of capacity primarily works via the decision on double delegation, and not so much via earmarking. Overall, the findings hence provide only partial support for Hypothesis 1. The role of capacity with respect to earmarking (Hypothesis 1b) is more difficult to establish than the role of capacity for double delegation (Hypothesis 1a), where the evidence is much clearer.

#### *Strategic Interest*

Apart from the regional variables discussed above, which can also be interpreted in terms of strategic interest, we find some evidence for the role of strategic interest through trade- and poverty-related variables. As expected, recipients that are important destinations of EU exports



tend to receive funding directly from the EC rather than via other IDOs, and if at all aid is double-delegated there is a much higher probability for this aid to be geographically earmarked. More specifically, if a recipient imports twice as much from the three major EU members Germany, France and the United Kingdom than some other recipient, the former has a 10 to 14 percentage points higher chance to receive aid funding directly from the EC (Table 1), and—if there is double delegation nevertheless—a 30 to 40 percentage points higher probability that this funding is earmarked geographically to this specific recipient country (Table 2).

With respect to those variables that reflect aid allocation for developmental rather than strategic purposes we find the opposite effect, as expected. However, our two indicators life expectancy and GDP per capita are obviously highly correlated. Not surprisingly, only one of them is usually significant in our models.<sup>3</sup> In the double delegation model, this is life expectancy, and in the earmarking model, this is GDP per capita. When life expectancy doubles, there is a three- to five-percentage point reduction in double delegation, and when GDP per capita doubles, there is a two- to five-percentage point reduction in the probability of earmarking. The results support our expectation that the EC is more likely to reap the benefits of double delegation if aid resources are allocated based on the recipients' developmental needs rather than on EU members' strategic interests. The additional indicator variable for fragile states is mostly insignificant, which is interesting because it tends to be an important driver of multi-bi aid by bilateral donors (Reinsberg et al. 2017).

Overall, these results indicate the importance of strategic interests in the decision to double delegate and also to earmark delegated aid. This finds further support in our qualitative research. In the words of a Bank official, “the EC has its thematic priorities,” which “respond to salient member state interests.” Another World Bank staff member said that given that the EC now manages a significant multilateral budget, “it is unavoidable that those pressures [from influential donor countries] are scaled up at the European level.” Similar views were mentioned by EC officials. One official stated that “[...] large member states influence implementation on important issues” and thereby “reinforce their own bilateral agenda at the EU level.” It seems to happen rather frequently that the EU requires tighter control than all other donors contributing to World Bank trust funds. To accommodate these special requirements of the EU, the World Bank specifically introduced the instrument of “notional agreements”, which implicitly allows earmarking related to sub-sectors otherwise prohibited by World Bank rules (World Bank 2013b: 6). Overall, the above results generally support Hypothesis 2a and b.

#### *Heterogeneous preferences*

As argued above, in case of heterogeneous preferences of EU members, the most skeptical EU member must be ensured that its interests will not be violated through a loss of control induced by double delegation. As a consequence, we expect generally less double delegation, and if any, it should be accompanied by tighter earmarking than in the case of homogenous preferences. We find no evidence for an effect on delegation (Table 1, columns 1-4). However, we find a highly significant positive effect of heterogeneous member preferences on earmarking (Table 2).

These results do not provide any support for Hypothesis 3a, but for Hypothesis 3b. Apparently, reluctant member countries accept double delegation if the earmarking ensures that their specific interests are taken into account. Our qualitative research supports this view. One EC official said that “the EC will anticipate potential problems in the relevant committee and not

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<sup>3</sup> We also conducted regressions with either one of these indicators, which did not change the results.

propose projects that do not find common support,” implying that the EC must propose an allocation that respects all member states’ salient interests, so that greater heterogeneity of interests would predict a higher level of earmarking. Only in those cases, in which exceptionally, earmarking is not accepted by the IDO, the preferences of individual member states sometimes prevent double delegation altogether. For example, a Bank official mentioned that in the Sustainable Energy Partnership, the EC could not contribute to hydropower plants because there were reservations against this type of energy from some of the EU member countries that prevented the EC from supporting the program with unearmarked funds. However, even in such cases the problem can usually be circumvented by generating a parallel single donor trust fund with more narrowly defined objectives for the EC alone. Hence eventually, double delegation can take place anyway.

#### *Robustness tests*

To analyze whether the above results depend on the joint estimation of the double delegation and the earmarking model within the CMP framework, we present separate estimations of these models using random-effects estimations in the Appendix (Tables A3 and A4). Results are very similar and confirm the role of EC capacity on the one hand, and strategic considerations on the other. The estimations also show the lack of any effect of heterogeneous EU member preferences on double delegation, and the contrasting strong effect on earmarking.

We also explore the effect of member heterogeneity further, by including interaction terms with other variables, namely with the regional dummies for ACP and ENP countries, common language, and the EU-3 export share (Appendix, Tables A5 and A6). We do so in the CMP (columns 1 and 3) and in the separate models (columns 2 and 4). However, the corresponding interaction terms hardly ever turn out to be significant. Hence we conclude that there is no systematic influence of member heterogeneity on the other main effects described above.

In sum, the results suggest that double delegation is indeed driven by a certain trade-off between efficiency gains of delegation, notably when the EC’s capacity is low, and the interest to control aid allocation, especially when strategic interests are at stake. There seems to be no major issue of agency slippage between the Commission and the EU member countries as its principals, but in case of heterogeneous member preferences, individual members with particularly salient preferences seem to negotiate a deal with the Commission that ensures that in case of double delegation, their special interests are protected through earmarking.

#### CONCLUSION

This paper offers a theory of the politics of double delegation in the European Union. The EU has emerged as the most important multilateral donor of development finance over the last decade. While EU development finance has contributed to the visibility and importance of the EU as a foreign policy actor, the Commission frequently faces capacity constraints. To balance the incentives to maximize visibility and the need to allocate foreign aid effectively, the Commission double delegates foreign aid to other IDOs whenever its capacity constraints are high and EU member states’ need to control the allocation of foreign aid are low. Our qualitative and quantitative analyses provide support for this argument. We find that capacity constraints play an important role in the decision to double delegate. We also find that EU members’ strategic interest put constraints on this delegation to other IDOs. When such interests are strong, either double delegation does not take place at all, or control is maintained through tighter

earmarking. When EU member preferences are heterogeneous, the level of control to be maintained depends on the most skeptical member state. This is reflected in an even higher level of earmarking.

The empirical findings shed some light on the puzzle of why the EU as an international development organization itself delegates to other IDOs. They indicate that even though the EU as a multilateral donor outspends the World Bank, it is still dependent on other more established development organizations as vehicles to maximize the effectiveness of its aid. The benefits from double delegation are particularly felt for foreign aid resources that support projects in the poorest regions of the world. With these findings, the paper contributes to a better understanding of theories of delegation in international relations. We believe that they are relevant beyond the EU since double delegation is a much broader phenomenon. Our findings could thus be used to extend the EU-specific theory to a more general theory of double delegation in international cooperation.

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## **APPENDIX**

Table A1: Variable description and sources

Table A2: List of interviews

Table A3: Double delegation model, random effects

Table A4: Earmarking model, random effects

Table A5: Double delegation model, additional interactions

Table A6: Earmarking model, additional interactions

**Table A1: Variable description and sources**

Variable	obs	mean	sd	min	max	Variable description	Source
<i>Dependent variables</i>							
Double delegation (%)	3032	1.66	5.35	0.00	100.00	Percentage of EC aid activities delegated to IDOs (so-called multi-bi aid) in a given country in a given year	Eichenauer and Reinsberg (2017)
Sector earmarking (%)	756	18.68	30.72	0.00	100.00	Percentage of multi-bi aid activities by the EC that are strictly earmarked at the project level (rather than being only thematically earmarked or not earmarked)	Eichenauer and Reinsberg (2017)
Geographic earmarking (%)	756	93.81	20.43	0.00	100.00	Percentage of multi-bi aid activities by the EC that are strictly earmarked at the country level (rather than being only regionally earmarked)	Eichenauer and Reinsberg (2017)
<i>Capacity variables</i>							
ACP country	3032	0.55	0.50	0.00	1.00	Binary indicator variable for aid activity being implemented in ACP countries (CRS)	OECD (2013b)
ENP country	3032	0.08	0.28	0.00	1.00	Binary indicator variable for aid activity being implemented in ENP countries (CRS)	OECD (2013b)
Common language	2844	0.74	0.44	0.00	1.00	Binary indicator variable for common language with any EU country (CEPII data)	Mayer and Zignago (2006)
Log(EC staff)	3032	9.73	0.13	9.42	9.90	Annual count of operational staff in the European Commission (including both headquarters and country offices)	Own coding based on EU budget reports
WB office	3032	0.88	0.32	0.00	1.00	Binary indicator for presence of World Bank country office	Own coding based on webpage search
Log (WB amount)	1899	3.90	2.05	0.00	9.00	Total project amount made available from IBRD/IDA sources for the recipient country (World Bank project database). Specifically, $\ln(1+\text{WB amount})$ was used in order to avoid missing values.	World Bank (2013c)



<i>(Non-)strategic variables</i>							
Export share by EU-3 (%)	2789	0.65	1.86	0.00	27.64	Lag of export by EU-3 (Germany, France and United Kingdom) to a recipient country in percent of total exports to all recipients	Eurostat (2015)
Log(Life expectancy)	2690	4.13	0.16	3.30	4.39	Life expectancy at birth of recipient country (total population) [SP.DYN.LE00.IN]	World Bank (2014)
Log(GDP per capita)	2645	7.20	1.14	4.24	10.02	GDP per capita (constant 2005 US\$) [NY.GDP.PCAP.KD]	World Bank (2014)
Fragile state	2744	0.28	0.45	0.00	1.00	Binary indicator for country being in the lowest quintile of the annual distribution of 'quality of governance' measured by the ICRG index (or the World Bank Governance Indicator on Control of Corruption in case of the ICRG index did not cover a given country)	Own computation based on World Bank (2014)
<i>Heterogeneity variables</i>							
Geographic heterogeneity	3027	1.10	1.00	0.00	3.87	Coefficient of variation of bilateral donor preferences of the EU-15 states based on the geographic allocation of their bilateral aid (available data limited to EU-15, see CRS). For computational details, see below.	OECD (2013b)
Sector heterogeneity	2915	2.86	0.67	1.19	3.87	Coefficient of variation of bilateral donor preferences of the EU-15 states based on the sectoral allocation of their bilateral aid (available data limited to EU-15, see CRS). For computational details, see below.	OECD (2013b)
<i>Control variables</i>							
EC aid growth	3032	0.06	0.10	-0.15	0.31	Rate of aid growth of the European Commission (DAC1)	OECD (2013a)
Post-Paris Declaration	3032	0.35	0.48	0.00	1.00	Dichotomous indicator variable for years after 2005	
Linear trend	3032	2002.04	6.29	1990.00	2012.00	Sample year, capturing a linear time trend	

### Formal Exposition of the Heterogeneity Variables:

Let  $p_{mit}$  be a dummy indicating whether EU member  $m$  ( $m=1, \dots, 15$ ) allocates bilateral aid to recipient  $i$  in year  $t$ . Our measure of geographic heterogeneity between EU member countries ( $H_{it}^{geo}$ ) is then given by:

$$H_{it}^{geo} = \frac{\sqrt{\frac{1}{15} \sum_{m=1}^{15} \left( p_{mit} - \frac{1}{15} \sum_{m=1}^{15} p_{mit} \right)^2}}{\frac{1}{15} \sum_{m=1}^{15} p_{mit}} \quad (1)$$

Similarly, we can use the information whether EU member  $m$  allocates bilateral aid to sector  $s$  ( $s=1, \dots, S$ ) in recipient  $i$  in year  $t$  ( $p_{msit}$ ) to obtain the coefficient of variation for each sector. Since our unit of analysis is the recipient-year and does not vary by sector, we compute the average of these sectoral coefficients of variation within each recipient. The resulting measure for sector heterogeneity between EU member countries ( $H_{it}^{sector}$ ) is then given by:

$$H_{it}^{sector} = \frac{1}{S} \sum_{s=1}^S \frac{\sqrt{\frac{1}{15} \sum_{m=1}^{15} \left( p_{msit} - \frac{1}{15} \sum_{m=1}^{15} p_{msit} \right)^2}}{\frac{1}{15} \sum_{m=1}^{15} p_{msit}} \quad (2)$$

**Table A2: List of interviews (anonymized)**

	Date	Institution	Role
1	19/07/2013	World Bank	Trust Fund Coordinator
2	24/07/2013	World Bank	Trust Fund Coordinator
3	25/07/2013	World Bank	Trust Fund Coordinator
4	26/07/2013	World Bank	Trust Fund Manager
5	30/07/2013	World Bank	Donor relations
6	31/07/2013	World Bank	Donor relations
7	02/08/2013	World Bank	Trust Fund Manager
8	06/08/2013	World Bank	Trust Fund Manager
9	08/08/2013	World Bank	Donor relations
10	08/08/2013	World Bank	Director
11	09/08/2013	World Bank	Director
12	12/08/2013	World Bank	Donor relations
13	13/08/2013	World Bank	Trust Fund Coordinator
14	14/08/2013	World Bank	Trust Fund Manager
15	23/08/2013	World Bank	Trust Fund Coordinator
16	23/08/2013	World Bank	Trust Fund Manager
17	26/08/2013	World Bank	Advisor
18	27/08/2013	World Bank	Trust Fund Coordinator
19	04/11/2014	European Union	Director
20	04/11/2014	European Union	Deputy Head
21	04/11/2014	European Union	Deputy Head
22	04/11/2014	European Union	Head of Unit
23	04/11/2014	European Union	Deputy Head
24	04/11/2014	European Union	Deputy Head
25	04/11/2014	European Union	Assistant
26	04/11/2014	European Union	Head of Unit
27	04/11/2014	European Union	Advisor to the Director-General
28	04/11/2014	European Union	Assistant
29	05/11/2014	European Union	Director
30	05/11/2014	European Union	Director
31	05/11/2014	European Union	Head of Unit
32	05/11/2014	European Union	Assistant
33	05/11/2014	European Union	Director
34	05/11/2014	European Union	Director
35	11/11/2014	European Union	Head of Unit
36	08/12/2014	European Union	Director
37	03/11/2015	European Union	Director

38	11/06/2013	Member state	Deputy Director General
39	05/11/2014	Member state	Head of Unit
39	05/11/2014	Member state	Director

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**Table A3: Double delegation model, random effects**

	(1)	(2)	(3)	(4)
ACP country	-0.706 (0.543)	-1.167* (0.631)	-1.015* (0.609)	-1.428** (0.585)
ENP country	-1.010 (0.823)	-1.526 (0.955)	-0.991 (0.816)	-1.498 (0.947)
Common language	-2.019** (0.818)	-2.335** (1.008)	-1.880** (0.781)	-2.176** (0.963)
Log(EC staff)	-2.444 (3.444)	-6.366 (4.565)	-2.234 (3.467)	-6.338 (4.540)
WB office	-1.171 (1.254)	-2.044*** (0.689)	-1.301 (1.439)	-1.904*** (0.597)
Log(WB amount)		-1.107*** (0.222)		-1.087*** (0.228)
WB office x Log(WB amount)		1.107*** (0.235)		1.106*** (0.229)
Export share by EU-3	-0.159** (0.080)	-0.178* (0.097)	-0.134* (0.076)	-0.156* (0.091)
Log(Life expectancy)	-2.258 (1.602)	-3.674* (1.977)	-2.671 (1.675)	-3.971** (1.960)
Log(GDP per capita)	0.128 (0.278)	0.275 (0.369)	0.029 (0.258)	0.187 (0.348)
Fragile state	0.097 (0.428)	0.268 (0.532)	0.075 (0.428)	0.262 (0.535)
Geographic heterogeneity	-0.146 (0.343)	0.067 (0.487)		
Sector heterogeneity			0.324 (0.368)	0.532 (0.454)
EC aid growth	0.292 (1.448)	-1.024 (1.554)	0.319 (1.450)	-1.066 (1.547)
Post-Paris Declaration	1.350** (0.531)	1.725** (0.691)	1.350** (0.532)	1.749** (0.693)
Linear trend	0.344*** (0.096)	0.384*** (0.118)	0.362*** (0.092)	0.397*** (0.107)
Number of observations	1542	1190	1533	1188
Overall R-squared	0.13	0.14	0.13	0.15

**Table A4: Earmarking model, random effects**

	(1)	(2)	(3)	(4)
	Geographic earmarking		Sector earmarking	
ACP country	-3.228 (2.058)	-2.146 (2.223)	-6.968 (5.471)	-8.305 (5.445)
ENP country	-0.418 (2.481)	-1.448 (1.734)	2.099 (3.851)	2.789 (3.961)
Common language	4.445** (1.826)	2.558* (1.346)	10.710** (4.206)	10.435** (4.237)
Log(EC staff)	67.790*** (13.994)	54.219*** (12.705)	-4.622 (37.330)	-7.932 (38.423)
WB office	-2.822 (2.683)	2.049 (1.991)	12.333** (5.170)	13.106** (5.098)
Log(WB amount)		-0.197 (0.260)		-0.676 (0.674)
WB office x Log(WB amount)		---		---
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Export share by EU-3	0.501** (0.199)	0.444** (0.219)	0.330 (0.278)	0.395 (0.281)
Log(Life expectancy)	32.264** (13.939)	23.112 (14.091)	25.738 (16.011)	15.094 (17.729)
Log(GDP per capita)	-3.314** (1.351)	-1.245 (1.351)	-5.469*** (1.630)	-4.225** (1.744)
Fragile state	4.341** (1.810)	3.267* (1.866)	-1.516 (3.288)	0.263 (3.509)
Geographic heterogeneity	4.788*** (1.584)	3.521** (1.767)		
Sector heterogeneity			8.692** (3.523)	5.620* (3.260)
EC aid growth	15.329*** (4.961)	11.867*** (4.117)	47.136*** (16.444)	46.673*** (17.797)
Linear trend	-1.164*** (0.250)	-1.018*** (0.233)	-1.449** (0.587)	-1.418** (0.642)
Number of observations	655	562	655	562
Overall R-squared	0.07	0.05	0.06	0.05



**Table A5: Double delegation model, additional interactions**

	(1)	(2)	(3)	(4)
ACP country	-0.829 (0.953)	0.086 (0.989)	-0.922 (2.023)	1.435 (2.020)
ACP country x heterogeneity	-0.417 (1.415)	-1.874 (1.411)	-0.017 (0.854)	-1.045 (0.882)
ENP country	-1.797 (1.799)	-2.069 (1.829)	2.015 (4.095)	0.931 (4.429)
ENP country x heterogeneity	1.562 (2.862)	1.851 (2.731)	-1.202 (1.773)	-0.785 (1.785)
Common language	-3.182** (1.463)	-4.396*** (1.589)	0.032 (3.152)	-3.782 (2.899)
Common language x heterogeneity	2.526 (2.279)	4.461** (2.262)	-0.760 (1.441)	0.831 (1.295)
WB office	-1.451 (1.372)	-1.354 (1.325)	-1.320 (1.399)	-1.318 (1.405)
Export share by EU-3	-0.186** (0.090)	-0.246** (0.115)	0.383 (0.369)	-0.188 (0.389)
Export share by EU-3 x heterogeneity	0.110 (0.288)	0.329 (0.270)	-0.256 (0.200)	0.030 (0.219)
Log(Life expectancy)	-3.458*** (1.246)	-3.041* (1.671)	-2.842** (1.196)	-2.664* (1.507)
Log(GDP per capita)	0.133 (0.267)	0.098 (0.284)	0.090 (0.239)	0.018 (0.266)
Fragile state	0.223 (0.602)	-0.003 (0.431)	0.234 (0.593)	0.034 (0.437)
Geographic heterogeneity	-1.995 (3.050)	-2.604 (2.796)		
Sector heterogeneity			1.024 (1.444)	0.431 (1.238)
EC aid growth	0.482 (1.260)	0.537 (1.274)	0.578 (1.268)	0.597 (1.287)
Post-Paris Declaration	1.156** (0.487)	1.140** (0.499)	1.178** (0.487)	1.142** (0.503)
Linear trend	0.348*** (0.100)	0.348*** (0.096)	0.349*** (0.085)	0.352*** (0.081)
Number of observations	1542	1542	1533	1533
Recipient countries	125	125	125	125
R-squared	0.13	0.13	0.14	0.14

**Table A6: Earmarking model, additional interactions**

	(1)	(2)	(3)	(4)
	Geographic earmarking		Sector earmarking	
ACP country	-3.209 (2.726)	2.221 (9.209)	-17.532 (20.362)	-16.597 (20.983)
ACP country x heterogeneity	-4.067 (4.076)	-2.204 (3.835)	4.174 (9.736)	3.315 (9.971)
ENP country	2.007 (3.491)	11.386 (7.084)	2.733 (22.200)	-0.476 (23.731)
ENP country x heterogeneity	-7.016 (9.821)	-4.834 (3.522)	0.181 (8.878)	1.397 (9.506)
Common language	0.359 (2.191)	-0.759 (6.828)	-12.557 (20.773)	-15.676 (21.625)
Common language x heterogeneity	7.288 (4.664)	2.254 (3.090)	9.707 (9.789)	11.104 (10.179)
WB office	-6.050** (2.720)	-3.007 (2.642)	11.709** (5.225)	11.303** (5.434)
Export share by EU-3	0.300** (0.118)	2.392 (2.465)	1.095 (1.585)	1.013 (1.708)
Export share by EU-3 x heterogeneity	1.323** (0.591)	-1.029 (1.328)	-0.560 (0.871)	-0.505 (0.930)
Log(Life expectancy)	15.892 (10.920)	35.978** (14.991)	21.346 (15.517)	19.262 (16.702)
Log(GDP per capita)	-2.475** (0.976)	-3.196** (1.390)	-4.923*** (1.581)	-5.046*** (1.597)
Fragile state	2.586* (1.393)	4.985** (2.079)	-0.887 (3.314)	-0.818 (3.315)
Geographic heterogeneity	1.663 (1.849)	4.475* (2.436)		
Sector heterogeneity			-1.714 (5.101)	-2.323 (5.011)
EC aid growth	1.169 (4.268)	1.155 (4.391)	48.447*** (14.067)	47.723*** (14.327)
Linear trend	-0.188 (0.226)	-0.360* (0.192)	-1.601*** (0.564)	-1.515*** (0.568)
Number of observations	655	655	655	655
Recipient countries	125	117	125	117
R-squared	0.05	0.05	0.07	0.07