



Michaelowa, K., Reinsberg, B. and Schneider, C. J. (2018) The politics of double delegation in the European Union. *International Studies Quarterly*, 62(4), pp. 821-833. (doi: [10.1093/isq/sqy034](https://doi.org/10.1093/isq/sqy034))

The material cannot be used for any other purpose without further permission of the publisher and is for private use only.

There may be differences between this version and the published version. You are advised to consult the publisher's version if you wish to cite from it.

<http://eprints.gla.ac.uk/172712/>

Deposited on 05 November 2018

Enlighten – Research publications by members of the University of
Glasgow

<http://eprints.gla.ac.uk>

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 Cambridge

Christina Schneider

University of California, San Diego

Abstract

Many international organizations channel financial contributions of their member countries through other international organizations to implement their programs and activities. In this context, the second step of the delegation chain is often costly and—at least seemingly—an easily avoidable duplication of a previous one. We examine the puzzling phenomenon of double delegation in the context of European aid. We argue that governments engage in double delegation in order to strengthen the role of the EU as a multilateral donor agency. This leads to an increase in the flow of resources that, at times, exceeds what the Commission can effectively handle alone. Delegating aid to other organizations helps the Commission solve this capacity problem, but it also reduces its control over how the resources are spent. Consequently, the Commission must exercise judgment about which projects it delegates to other international organizations. Our quantitative and qualitative evidence shows that double delegation is more likely where the Commission's capacity as an aid donor is low and where EU members have no strategic interests at stake. We also show that the Commission tries to mitigate the loss of control by earmarking the delegated aid projects more tightly, notably when member preferences are heterogeneous. The results provide a new way of thinking about international delegation and bureaucratic politics in international organizations. Delegation problems may occur even if the interests between the principal and the agent align. Our approach highlights why this happens, and how actors try to minimize the costs of this understudied type of agency slippage.

We thank Maurizio Carbone, Achim Kemmerling, Mareike Kleine, Svea Koch, Soumyajit Mazumder, two anonymous reviewers, the ISQ editorial team, and the participants of the CIS Brownbag Methods Seminar in Zurich for their helpful comments and suggestions. The Swiss Network for International Studies (SNIS) provided funding for our research on the politics of multi-bi aid. In addition, we thank our interview partners at the European Commission and the World Bank, as well as donor government representatives from France and Germany for their time and their effort to help us understand this complex phenomenon.

International organizations often channel the contributions of their member countries through other multilaterals to implement their programs and activities. This phenomenon can be observed for a number of United Nations (UN) organizations that delegate their funds to their sister organizations within the UN system or other external organizations. Similarly, the Global Fund—a quasi-multilateral organization specialized on global health—delegates most of its funding to the World Health Organization (Sridhar and Woods 2013, 326-27). The Global Environment Facility (GEF) collaborates with the World Bank, the United Nations Development Program (UNDP), the United Nations Environment Program (UNEP) and 15 additional agencies to develop and implement its projects (Global Environment Facility 2017; Bayer, Marcoux, and Urpelainen 2014, 414-15; Graham and Thompson 2015, 117-19). And the European Union (EU) delegates much of its development assistance to trust funds at various other international development organizations (IDOs) (Michaelowa, Reinsberg, and Schneider 2017, 515-17).

In all these cases, member states delegate a task to an international organization that then further delegates this task to yet another international organization. The phenomenon of double delegation presents a puzzle. Members of most of the above-mentioned organizations could simply delegate directly to the second organization without going through the former. The phenomenon of double delegation differs from other forms of previously-studied complex delegation, such as multiple delegation along a chain of increasingly specialized agencies (as, for example, in Martens, Mummert, Murrell, and Seabright 2003, Ch. 5), simultaneous delegation by states to multilateral and to subnational agencies; that is, ‘dual delegation’ (Eberlein and Newman 2008; Newman 2010), or simultaneous delegation to many multilateral organizations (Hodson 2011; Hodson 2015; Henning 2017). Double delegation oftentimes takes place within such a wider system of complex delegation. Yet, it adds a seemingly redundant additional step in the delegation chain.¹

¹ Some authors analyze the collaboration between similar multilateral organizations from the perspective of orchestration. This perspective is useful as long as the role of the organization initially in charge is merely one of initiating, convening, coordinating, and assisting the work of other multilateral organizations (Abbott, Genschel, Snidal, and Zangl 2015; Abbott, Green, and Keohane 2016). However, much of the above-mentioned collaborations between international organizations go well beyond orchestration. They are based on regular formal contracts where one agency entrusts another with the tasks that it cannot (or does not wish to) fulfill itself, while providing all financial means necessary. Furthermore, orchestration requires that several actors follow the

Why do states choose to make this seemingly unnecessary detour, especially because the additional layer of delegation does not come free of cost? In the case of EU aid, direct costs arise because IDOs charge significant fees for their services (Michaelowa et al. 2017, 517). Indirect costs occur because the longer chain of delegation lowers governments' control over the ultimate allocation of resources. These costs, in turn, imply fewer resources for the actual development efforts. In addition, the allocation of these resources may not even fully correspond to what EU member states consider efficient in terms of their objectives. Finally, the members' objective to increase the visibility of the EU as an important foreign policy actor may be compromised when the implementing agency combines all funding resources within one single trust fund, making the EU contribution one among many.

Even though one cannot easily generalize the findings about double delegation in the EU, the EU's importance as a donor in the developing world makes it intrinsically important to understand the causes of its double delegation. With an aid volume of over \$16 billion 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 surpassed even the World Bank (Schneider and Tobin 2013, 104).

Moreover, the basic mechanism of double delegation in the EU compares well to double delegation in other IOs. The EU constitutes an important case and provides an ideal starting point for analyzing the phenomenon. Just as for many other organizations, EU members provide resources mostly on a voluntary basis through the European Development Fund (EDF). As the main implementing agency of EU aid, the European Commission (EC) can decide to further delegate these resources to the different IDOs, typically in form of trust funds. Overall, the Commission delegates about a quarter of its development finance to trust funds at IDOs including the World Bank, UNDP, UNICEF, and a number of regional organizations (own calculation based on data by Eichenauer and Reinsberg 2017). By doing so, the EC follows in the steps of many bilateral donors that increasingly channel their aid through these IDO trust funds (Graham 2015; Reinsberg, Michaelowa, and Eichenauer 2015); a phenomenon dubbed “multi-bi aid” (OECD 2011, 18).

same tune. The second step of double delegation, however, usually presents itself as a one-to-one relationship and the need for further cooperation is insufficient to explain the phenomenon.

Why do EU member states delegate such a substantial part of their development assistance to the EU if the latter just delegates it further, often to IDOs to which individual member states also delegate aid resources directly, at lower cost? We explain the extent of double delegation with the existence of trade-offs between pressures to delegate more aid resources to the EU development agencies, the EU's capacity to effectively allocate the increasing financial resources, and the ability of EU member states to control how those resources get spent. The increasing delegating of government funds to European aid agencies boosted the importance of the EU as an actor in economic development. It also dealt with some of the coordination problems amongst European donors.

The capacity of the EU as a foreign aid donor has not kept pace with these developments. Rather than limiting delegation to the EU, member states now allow the Commission to delegate some resources horizontally to other IDOs. With this double delegation, the EU can retain its standing in international development despite its own capacity constraints. At the same time, double delegation to other IDOs limits EU members' control over the allocation of their foreign aid resources (which reduces their incentives to delegate to the EU in the first place). The Commission tries to solve this problem by (a) focusing double delegation on projects where its capacity in development finance is most severely limited, and (b) by increasing its control over the double-delegated aid through specific earmarking of resources where it pertains to the strategic interests of its member states.

We analyze the empirical implications of our argument primarily through a quantitative approach, but one heavily informed by intensive interview-based qualitative research. The quantitative analysis uses specific coding of project-level information on development assistance to obtain the EU's aid channels and the degree of earmarking from 2000 to 2012. The qualitative analysis takes information from interviews with about 40 respondents at all levels of the double delegation chain. We interviewed Commission staff, staff at the World Bank—the most important recipient of the EU's double delegation efforts—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 Commission lacks capacity. Strategic interests among EU member states prevent the Commission from delegating to IDOs. The Commission earmarks aid to IDOs more strictly when member states are more

reluctant to agree to double delegation in the first place and when member state preferences are heterogeneous.

Our argument and findings matter to a broader body of work, which applies principal-agent theory to international organizations (Nielson and Tierney 2003; Pollack 1997; 2003; Johnson 2013; 2014a; 2014b; Schneider and Slantchev 2013), and specifically to the literature of delegation within the EU (Coen and Thatcher 2008; Eberlein and Newman 2008; Newman 2010). The traditional delegation literature relies on capacity gains as one important motive for delegation. Double delegation occurs when pressures to delegate mount even if the immediate agent does not have superior expertise. We demonstrate how the Commission navigates the conflicting goals of its own rapid growth as a major donor and development effectiveness, especially when it faces capacity constraints.

Our findings also provide new insights to the standard theory of bureaucratic behavior, which is based on the three key motives—agency reputation, budget maximization, and career advancement (Arel-Bundock, Atkinson, and Potter 2015, 548; Golden 2000; Vaubel 2006). In cases of double delegation, the preferences between the principal and the agent align well because the international recognition and relevance of the first agent (the Commission) is an immediate goal of the principal (the EU member states). Yet, agency slippage may occur when the Commission delegates to IDOs. Precautionary steps, including earmarking, may become relevant. Furthermore, the heterogeneity of member state interests does not necessarily lead to greater freedom for the IDO agency because member states will then expect the Commission to use stronger earmarks.

Finally, our analysis offers a new way of thinking about the phenomenon of multi-bi aid, which scholars have only examined from the perspective of bilateral donors. The focus there is on either electoral incentives (Eichenauer and Hug 2018), or the potential benefits from donor cooperation (Reinsberg, Michaelowa, and Knack 2017).² These arguments are not directly relevant for delegation by IDOs (electoral incentives matter indirectly at best and IDOs such as the EU already assume a coordinating function at the first stage of the delegation process). Yet, by further delegating its aid to trust funds at other IDOs, the EU resembles many bilateral donors.

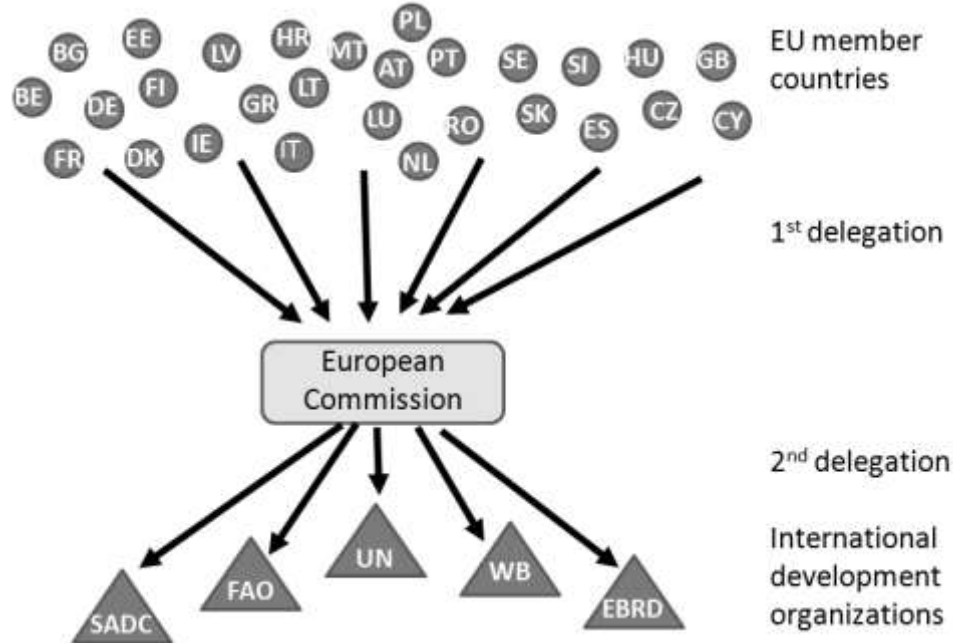
² An exception is Michaelowa et al. (2017).

DOUBLE DELEGATION AND MULTI-BI AID IN THE EUROPEAN UNION

Double delegation is an integral part of international cooperation. It occurs whenever member states delegate tasks to international organizations that in turn delegate parts of these tasks to other international organizations. Double delegation implies that the delegation in the second step is horizontal without an increasing specialization of tasks along the chain of delegation. EU member states delegate resources to the EU in order to finance the EU's development policies through one of three channels (the common EU budget, the EDF, and the European Investment Bank). The EU then delegates some of the development and implementation of aid programs to another multilateral donor.

Figure 1 illustrates the concept of double delegation. In the first stage, the EU member states contribute financial resources to the EU development institutions. These contributions—particularly to the EDF—are largely voluntary; not all EU members contribute. Some contributions—particularly, to the Commission's EuropeAid agency—are determined by the EU members' financial contributions to the general EU budget. EU members delegate about 17% of their bilateral foreign aid resources to the EU development programs. With these efforts, the EU and its member states are now the world's leading donor, providing over 50% of all development aid (OECD 2013a). Just taking into account the multilateral portion of the EU's development finance, in 2017 it had been the largest multilateral donor in the world for over seven years (outranking both the World Bank and the United Nations). Developing countries around the world increasingly rely on the EU's foreign aid resources.

Figure 1: Double Delegation in the European Union

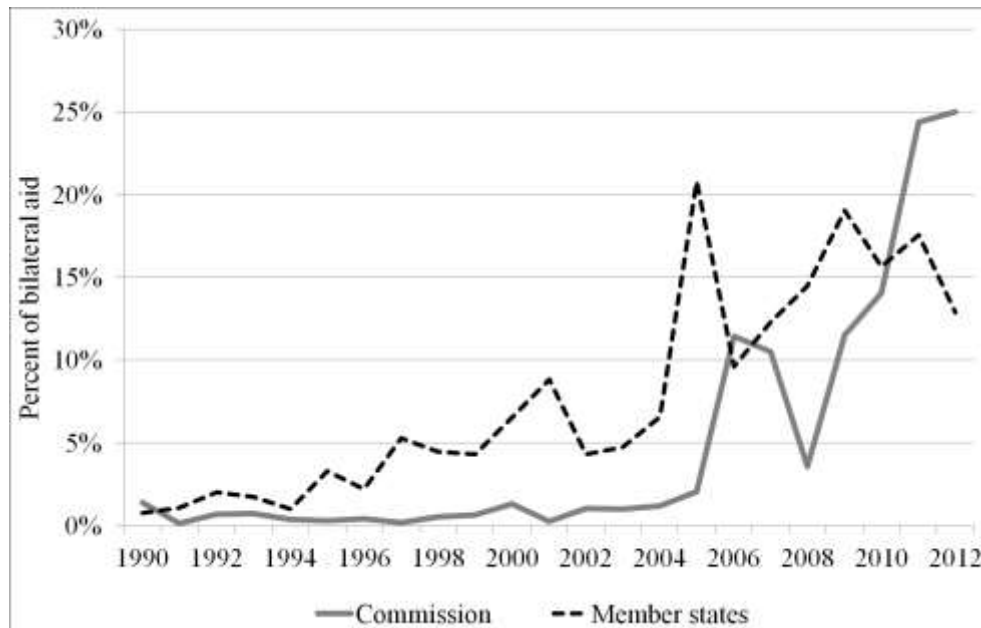


Note: IDOs represented in the graph are only a selection of the most relevant organizations for the Commission’s delegation. SADC=Southern African Development Community, FAO=Food and Agricultural Organization, UN=United Nations, WB=World Bank, EBRD=European Bank for Reconstruction and Development.

The Commission serves as the main implementing agency of EU development finance. It decides whether to distribute its resources directly (through its own country offices) or indirectly (through more specialized agencies such as NGOs or local government agencies). The Commission also decides how much of these funds to delegate horizontally to other IDOs in form of trust funds. This type of delegation presents the second stage in our double-delegation chain. The IDOs serve as implementing agents that allocate the foreign aid resources either directly or indirectly through more specialized agencies in the recipient countries.

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 2). The growth of multi-bi aid started later than in EU member states, but increased at even faster rates. In 2012, the EU delegated almost 25% of its aid to other IDOs, while the EU member states individually channeled only 13% of bilateral development assistance through multilateral agencies.

Figure 2: The Development of Multi-bi Aid in the EU



Source: Eichenauer and Reinsberg (2017); Michaelowa et al. (2017, 520).

The Commission delegates to various different development organizations. Between 2002 and 2012, the EU delegated about 50% of its multi-bi aid to UN organizations, 20% to regional development organizations, and the remaining 30% to multilateral development banks, notably the World Bank and the European Bank for Reconstruction and Development. The World Bank 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 of 2001. Over time, the EU has become the second largest donor to World Bank 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 \$78 billion EC-ACP Natural Disaster Risk Reduction Program (World Bank 2012, 10).

The Commission could delegate the resources without imposing any constraints, but this hardly ever happens. For virtually all projects, the Commission prescribes at least a broader regional focus, and oftentimes even specifies the recipient country (geographic earmarking). The Commission also frequently pre-defines the sector in which the IDO must spend the money (sector earmarking). Earmarking allows the Commission to ensure that the projects respect the specific preferences of individual EU member states. Earmarking is an important component of

double delegation because it allows the Commission to balance some of the potential costs that arise for its member states with the benefits from delegating to IDOs.

THE POLITICS OF DOUBLE DELEGATION IN THE EUROPEAN UNION

Our theoretical argument focuses on the preferences of three types of actors involved in the double- delegation chain: (1) the EU member countries that delegate aid resources to the EU, (2) the Commission which serves as the managing and implementing agency of the foreign aid resources, and (3) other IDOs to whom the Commission may delegate its aid resources (under the condition that the member states approve).

For simplicity, and based on our interview evidence, we assume that IDOs are generally ready to accept the Commission's multi-bi aid. Multi-bi aid expands the IDO's budget through both the aid resources transferred and the additional fees for trust fund management. The additional funding usually compensates the IDO's own cost incurred related to the services they provide. However, the IDO has its own funding priorities, which may not necessarily align with the priorities of the EU. The loss of control incurs indirect costs for EU member states, which add to the direct cost of delegation. Furthermore, double delegation reduces the EU's visibility as a foreign actor (see discussion below), so that the EU members' initial benefits from delegating to the Commission decline.

If the delegation of foreign aid resources to IDOs entails additional costs, why would EU member states delegate their aid to the EU in the first place (rather than to the IDOs directly)? And why would the Commission not allocate these resources to recipient countries directly? We argue that EU members have experienced increasing incentives and pressures to delegate to the European Union instead of spending their foreign aid resources bilaterally or multilaterally. EU member states stand to benefit because the pooling of resources at the EU-level 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 important and powerful partners of recipient countries in international development.³ The position as a

³ We focus our argument on gains from increasing the visibility of EU development finance in recipient countries. One could argue that the increasing delegation to the EU and the visibility of EU aid could also lead to greater support at the national level (Milner 2006).

“champion of the developing world” has not only brought the EU respect as a supporter of economic development, but also resulted in strategic advantages in other areas. For example, many countries (most of them highly dependent on EU aid) stood by the EU when it challenged the US-favored “scientific principle” that guides the World Trade Organization’s rules on food imports (Pollack and Shaffer 2009, 196; Schneider and Urpelainen 2013, 20). 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.

EU member states have experienced increasing pressures to delegate foreign aid resources to the EU as well. The OECD performs regular reviews of the development cooperation efforts of its 29 members. The objective is to improve the quality and effectiveness of development cooperation policies and system, and to promote good development partnerships for better impact on poverty reduction and sustainable development in recipient countries. Over time, these reports have consistently highlighted the importance of coordination of European aid, following the goals of harmonization and donor coordination established globally in the Paris Declaration. In other words, the OECD has repeatedly promoted the delegation of more aid resources and decision-making capacity to the European Commission (OECD 2012, 20).

Even though the Commission has welcomed these developments in general, it is a multi-purpose agency that manages all the EU’s policies with limited administrative capacity and even more limited specialized knowledge in its individual areas of activity. The EU budget for its own administration is very small; less than 5% of the EU budget support the entire body of administrative staff. It should not come as a surprise that in development assistance, the Commission has not yet developed the same level of professional expertise and experience as other IDOs. Due to these deficiencies, its interventions tend to be both less efficient and less effective (e.g., Bodenstein, Faust and Furness 2017, 443; OECD 2012, 75-86).

To improve the effectiveness of EU development assistance, while at the same time retaining the standing of the EU in international development finance, it may be optimal for the Commission to channel some of its development resources to more experienced IDOs. The drawback is the loss of control, and possibly, a reduced visibility of the EU as a large foreign policy actor. Several of our interviewees at the Commission particularly mentioned the latter concern. It seems plausible to assume, however, that the reduction in visibility is smaller than if

the EU members would have channeled the funds to the IDOs directly without the EU assuming any role at all. It further helps that the influence of large contributors like the EU in these IDOs remains relatively high, even within a trust fund managed by another agency.

The more important problem related to the second step of delegation is that the Commission (and by extension the member states) loses some control over the allocation of resources. If the longer chain of delegation reduces the influence of EU member states over the allocation of funds, they may have limited incentives to agree to double delegation in the first place. The more the IDO's allocation departs from the ideal aid preferences of the member states the greater the costs. EU members should be particularly concerned in areas of strategic relevance, and when they want the EU to assume the role as a powerful foreign policy actor. The costs should increase when EU members' geopolitical or commercial interests are at stake (especially when the IDO allocates the aid resources for (non-strategic) economic development) and when the strategic interests of the IDO members conflict with the strategic interests of the EU member states.

How does the Commission—the agent that moderates between the member countries and the IDOs—solve this dilemma? How does it balance the objectives of visibility and control given its own capacity constraints? Two considerations seem important. First, aid projects differ. Not all are equally demanding with respect to capacity. And not all are equally important to EU member states. The Commission can be selective in delegating some of its projects and retaining others under its own full responsibility. Second, earmarking provides a tool to retain some control even once when the Commission delegates to IDOs. To a certain extent, we may consider earmarking and retaining the project under the Commission's own responsibility as substitutes. Any project characteristics that suggest less double delegation also suggest more earmarking (and *vice versa*), whereby the Commission can select both instruments in combination, or either of the two. Regarding the relevant project characteristics, we distinguish between three categories: Commission capacity in the specific area, member states' strategic interests, and heterogeneous preferences among member states.

First, not all aid projects are equally demanding. For instance, the EU has experience in cooperating with some regions, but less so with others. Furthermore, the Commission's capacity varies between different sectors of activity and over time depending on staff availability. The greater the Commission's capacity constraints, the greater its incentives to rely on other IDOs.

This implies more double delegation and less earmarking. Where the Commission has greater capacity, the opposite should be the case:⁴

Hypothesis 1a: The likelihood for double delegation decreases for projects in recipient countries where the Commission has relatively more capacity and expertise.

Hypothesis 1b: The likelihood for earmarking increases for projects in recipient countries where the Commission has relatively more capacity and expertise.

Second, EU member states attach strategic relevance to some projects, either commercially (for example, because of strong trade relationships) or politically (for example, due to geopolitical interests). If such strategic interests are at stake, retaining control over the allocation of resources becomes more important. The Commission can achieve this goal if it either delegates less or earmarks more (or both):

Hypothesis 2a: The likelihood of double delegation decreases for projects in recipient countries where EU member states have strategic interests.

Hypothesis 2b: The likelihood of earmarking increases for projects in recipient countries where EU member states have strategic interests.

Finally, EU member states sometimes have diverging preferences with respect to the allocation of aid. Some of the EU members may exhibit extreme, and therefore salient, positions. Given the decision-making rules, all member countries have to agree on the Commission's delegation of resources to another IDO. As a consequence, the Commission must retain sufficient control over the allocation of its resources in order to convince the most reluctant member that its preferences will be ensured. This implies either reduced double delegation or more earmarking (or both):

Hypothesis 3a: The likelihood of double delegation decreases for projects in recipient countries when EU members have heterogeneous preferences.

⁴ All hypotheses comprise the *ceteris paribus* condition.

Hypothesis 3b: The likelihood of earmarking increases for projects in recipient countries when EU members have heterogeneous preferences.

Note that the first two sets of hypotheses relate primarily to the second part of the double-delegation chain, that is, the relationship between the Commission (influenced by member states' preferences) and the IDO. The third set of hypotheses primarily addresses the first part of the double-delegation chain, that is, the interaction between the Commission and the member states. If we find empirical evidence for all of them, this will lend support to the importance of the complete double-delegation chain to explain the allocation of funding. Standard models of delegation assume that the heterogeneity of principals' preferences provides for more discretion of the agency (that is, the Commission, who might put somewhat more weight on capacity than EU members, could benefit by delegating more aid to IDOs). Indeed, this result holds for the case when the Commission allocates foreign aid directly (Schneider and Tobin 2013, 109). In our context, however, the relevant divergence of preferences is not between the Commission and EU members, but between the former two and the IDO. In this case, the Commission should take up the salient request for control by some members, and adjust its position on further delegation and earmarking accordingly.

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. Furthermore, we illustrate the causal mechanism with qualitative evidence from the multi-bi partnership between the Commission and the World Bank. Our quantitative data cover the Commission's aid activities for the 2000-2012 period. We base all general aid-related data 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; 2013b). 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. We collected additional data for the Commission and the World Bank from the organizations' webpages, EU budget reports, and

the World Bank’s (2013c) trust fund databases. We took all general recipient country information from the World Bank’s (2014) World Development Indicators, Eurostat (2015), and Mayer and Zignago (2006). Appendix 1 provides detailed definitions of all variables, including data sources, and descriptive statistics.⁵ The original aid data are 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 Commission’s delegation patterns.⁶

Our qualitative analysis draws on evidence from both interviews and official documents. Overall, we conducted more than 40 interviews with Commission 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 individuals with experience in the Commission and individuals from different sectoral departments (see Appendix 3 for a list of interviews). The most relevant official document is the “Financial Regulation,” which governs the relationship between the Commission and the IDOs. Based on this regulation, which was last updated by the member states and the European Parliament in March 2013, the Commission concludes framework agreements with the IDOs. These framework agreements require the IDOs to have minimum standards of accounting, internal control, auditing, and procurement. The Financial Regulation obliges the Commission to maintain some prerogatives of control and verification (European Commission 2014). The Trust Fund and Co-Financing Framework Agreement—concluded in the early 2000s and periodically updated—formalizes the specific partnership between the Commission and the World Bank. It applies to all Commission entities and to all trust funds of the Commission with the World Bank (see European Commission 2013; World Bank 2013b).

Variables

⁵ All appendices are available online and from the authors.

⁶ We follow Eichenauer and Reinsberg (2017) and exclude all aid flows dedicated to debt relief and humanitarian aid. These are distinct from aid activities for substantive development purposes. We also drop all aid activities that cannot be attributed to individual recipient countries.

In a first step, we analyze the determinants of double delegation. We measure the dependent variable of the double-delegation regressions as the percentage of EU aid to a recipient that the Commission channels 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 the Commission earmarks either geographically to specific countries or sectorally. 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 (mean of 20%).

The operationalization of our explanatory variables is less straightforward. Many indicators reflect EC capacity, EU member states' strategic interest, and preference heterogeneity. None of them cover these concepts in a comprehensive way. To make matters worse, several variables relate to both capacity and strategic interest. In some cases, data constraints limit our choice to imprecise measures of the concepts at hand. We resort to a choice of variables that combines different measures for each of the concepts, informed by the general aid allocation literature (see, among many others, Bermeo and Leblang 2015; Berthélemy and Tichit 2004; Chauvet 2003; Hoeffler and Outram 2011). In addition, we make sure that at least some variables are not observationally equivalent for each concept we aim to measure, so that it is possible to discriminate between effects related to capacity and strategic interest.

To test the first set of hypotheses, we use measures related to capacity. The Commission should have more capacity in areas in which the EU has a long-standing presence. This includes the African, Caribbean and Pacific Group of States (ACP)—with whom the Commission has been collaborating since the very beginning of its development program in 1957—and to a lesser extent, the countries included in the European Neighborhood Policy (ENP) developed in 2004. Common language with the partner country further facilitates project implementation for the Commission, as its staff will be able to understand the project documentation and to communicate with local stakeholders more easily. We code indicator variables for projects in the ACP and ENP regions (*ACP country*, *ENP country*), and for recipients for which one of the national languages corresponds to the language of at least one EU member country (*Common language*).

While we see these variables primarily as indicators of greater capacity, they may also signal strategic interests. In both cases, we would expect less double delegation and more earmarking.

The prediction is hence unambiguous, and a failure to find corresponding evidence would put in question both the first and the second set of hypotheses.

To directly address only the capacity-related hypotheses, we further consider a count of *Commission staff (log)*. The available data varies only across time. EuropeAid can more easily handle projects that are launched in years when the Commission has more staff (at given aid volumes) because more people are available to manage and monitor these projects, both in the headquarters and on the ground. Since we only consider aggregate numbers, changes reflect the member states' overall support for the EU's aid activities, but not new areas of strategic priority.

Second, capacity could be conceived as a relative concept, that is, by comparing the Commission's capacity to the capacity of the IDOs to which it could delegate. Many donors expect substantial gains driven by economies of scale in large organizations like the World Bank and by the expertise of their staff (Milner and Tingley 2013, 317-18). Projects in countries in which other IDOs are very well represented and experienced may lead the Commission to think twice about whether to rely on its own limited capacity or to reap the benefits from further delegation. To capture this relative perspective, we include information on the major IDO that may represent an alternative: the World Bank. We do not have specific information on the number of local staff, but we know whether the World Bank has an office in the respective country (*WB delegation*), and we know the World Bank's volume of aid. We use World Bank aid volume as percentage of Commission aid (*WB amount*) to capture the relative capacity advantage of the local World Bank office.

Third, we introduce an indicator for areas that have only recently become relevant within the aid community for reasons beyond the EU's control. In these cases, the EU lacks capacity to address the emergent interest in this aid sector. We infer the importance of specific sectors from the creation of new Development Assistant Committee (DAC) working groups—informal discussion groups among the OECD/DAC donors that set the agenda on new development issues such as poverty alleviation, fragile states, and the environment (Reinsberg et al. 2017). *Important sector* is a dummy variable that captures whether a country has obtained aid projects in any of

the new DAC working group priority sectors in each year. In these areas, the EU lacks capacity, and we expect that this should lead to more double delegation and less earmarking.⁷

To test the second set of hypotheses, we include variables related to strategic interests and purely developmental motivation of aid. To capture economic interest, we use the export share of the three most influential EU members—Germany, France and United Kingdom—in percent of their exports to developing countries (*Export share in EU-3*). To measure developmental needs, we include three variables related to poverty and vulnerability: *Life expectancy (log)*, *GDP per capita (log)*, and an indicator variable for fragile states (*Fragile state*).

Some of these variables may be ambivalent. When countries are prioritized by the EU for either strategic reasons or for reasons of developmental needs, this may induce the Commission to build more capacity in these countries. For the export-related variable, predictions are indeed indistinguishable as both greater capacity and strategic interests should decrease double delegation and increase earmarking. For the need-related variables, however, the two interpretations lead to opposing predictions: while greater development needs suggest more double delegation and less earmarking, higher capacity that the Commission may have built in the context of such countries suggests less double delegation and more earmarking. If our suggested interpretation in terms of the strategic interest (versus needs) hypotheses dominates, fragile states and countries with low life expectancy or GDP per capita should be associated with more double delegation and less earmarking.

To test the third set of hypotheses, we include measures of interest heterogeneity in the EU. Matching our decision to separately examine 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, 105; 2016, 648), we use the different shares of bilateral aid they allocate to any given recipient each year to compute a coefficient of variation that captures geographical heterogeneity (*Geographic heterogeneity*). For the heterogeneity of sectoral

⁷ Capacity cannot be confounded with strategic interest because the EU member states do not attach specific relevance to the topics covered by DAC working groups, even if strategically relevant for the donor community as a whole. Even if they were, expectations for the effect on double delegation and earmarking would be opposed to the prediction we get for the interpretation in terms of a lack of capacity.

preferences (*Sector heterogeneity*), we further distinguish between sector shares within each recipient (see Appendix 2 for a formal exposition). Both measures include merely the EU-15 subset of members because new members became official aid donors only recently, and they have contributed relatively little bilateral aid (so that their inclusion may be misleading).

We further include *Commission aid growth*, measured as the annual percentage growth in foreign aid provided by the Commission (to put the Commission staff numbers into perspective), a dummy for the period after the Paris Declaration in 2005 that arguably gave a push to multi-bi aid (*Post-Paris Declaration*), and a linear time trend. We use all variables in both equations, with the exception of the Post-Paris Declaration dummy, which is relevant only for the decision on double delegation (Barakat, Rzeszut, and Martin 2012; Reinsberg et al. 2015).

Model Specification

The equations estimating the effect on double delegation and the equations estimating the effect on earmarking are not independent from each other. The decision to increase earmarking can substitute for a decision to reduce double delegation. In addition, when there is no double delegation, the Commission cannot earmark. A standard Heckman selection model is not appropriate because we measure double delegation as the percentage of EU's multi-bi aid given to a specific recipient in each year. Reducing this variable to a binary choice variable would lead to a loss of information and to an arbitrary decision about the cut-off. We 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. Many of our variables of interest are time-invariant country characteristics. These would drop out in a 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 for unobserved heterogeneity because a linear combination of these variable means approximates the fixed effects (Mundlak 1978). The F-test was not significant in either of the two models, so fixed effects do not seem necessary in our analysis.

EMPIRICAL ANALYSIS

Tables 1 and 2 present the results of the CMP estimation. Table 1 focuses on the double delegation model, Table 2 on the earmarking model. In both tables, the first three columns refer to geographic earmarking and member heterogeneity while the remaining three refer to sector earmarking and heterogeneity. Within each set of regressions, the second and third columns provide more refined specifications of the capacity-related variables (see below).

Capacity

Supporting Hypothesis 1a, double delegation is significantly less frequent in regions where the Commission exhibits greater capacity. Projects in ACP countries are about 0.8-1.2 percentage points less likely to be funded through other IDOs. This effect is non-negligible. For much of the period under consideration the share of projects with double delegation remained below 5%. Common language shows an even greater effect in reducing the probability of double delegation (by up to 1.9 percentage points). The coefficients for ENP countries generally point in the right direction but never become significant—probably because the Commission has started to build capacity in this region only relatively recently.

What about the effect of capacity on earmarking (Hypothesis 1b)? Even though we find the expected positive effect for common language, the two other variables are largely insignificant. It appears that the effect of capacity works predominantly through a reduction of double delegation, rather than an increase in earmarking. For geographic earmarking, we observe a strong positive effect of capacity. It seems that the Commission spends more efforts in selecting the recipients when it has a larger staff, leaving less room to maneuver for the IDOs. Wherever significant, the effect on double delegation points in the direction suggested by our hypothesis, but it appears much less robust. The variables for a local World Bank delegation and the amount it oversees (introduced to capture the Commission's relative capacity) are insignificant or (in one case) contradictory. Of course, the Bank is present in almost all recipient countries and there is little variation on this variable, which may explain the insignificant finding. In addition, the variation in aid volumes may not reflect the variation in the capacity of the country offices very well. Unfortunately, we could not obtain more concise information on local Commission and IDO capacity.

Table 1: Double delegation model

	(1)	(2)	(3)	(4)	(5)	(6)
ACP country	-0.833*	-0.908**	-0.838*	-1.052**	-1.249**	-1.074**
	(0.495)	(0.449)	(0.497)	(0.510)	(0.540)	(0.510)
ENP country	-0.957	-0.770	-0.963	-0.953	-0.750	-0.961
	(0.755)	(0.801)	(0.752)	(0.749)	(0.791)	(0.746)
Common language	-1.851**	-1.641**	-1.853**	-1.737**	-1.518**	-1.729**
	(0.748)	(0.675)	(0.749)	(0.715)	(0.640)	(0.716)
Commission staff (log)	-1.930	-6.615*	0.794	-2.170	-6.676*	0.763
	(3.301)	(3.539)	(3.604)	(3.392)	(3.446)	(3.631)
WB delegation	-1.327	0.232	-1.349	-1.401	0.461	-1.431
	(1.278)	(0.424)	(1.307)	(1.403)	(0.437)	(1.439)
WB amount		0.179			0.183	
		(0.202)			(0.200)	
Important sector			0.851***			0.877***
			(0.254)			(0.252)
Export share in EU-3	-0.139*	-0.142**	-0.139*	-0.117*	-0.112*	-0.114
	(0.075)	(0.071)	(0.075)	(0.070)	(0.063)	(0.070)
Life expectancy (log)	-2.754**	-3.795***	-2.714**	-3.011**	-4.344***	-2.983**
	(1.320)	(1.387)	(1.317)	(1.294)	(1.632)	(1.292)
GDP per capita (log)	0.127	0.222	0.132	0.048	0.123	0.048
	(0.256)	(0.336)	(0.257)	(0.235)	(0.294)	(0.236)
Fragile state	0.243	0.560	0.247	0.206	0.542	0.208
	(0.577)	(0.610)	(0.578)	(0.580)	(0.610)	(0.582)
Geographic heterogeneity	-0.064	-0.304	-0.047			
	(0.364)	(0.514)	(0.365)			
Sector heterogeneity				0.304	0.292	0.343
				(0.330)	(0.369)	(0.332)
Commission aid growth	0.267	-0.456	0.233	0.270	-0.523	0.249
	(1.426)	(1.103)	(1.433)	(1.437)	(1.123)	(1.443)
Linear trend	0.356***	0.332***	0.376***	0.368***	0.351***	0.389***
	(0.100)	(0.079)	(0.101)	(0.095)	(0.073)	(0.096)
Post-Paris Declaration	1.310**	2.001***	1.025*	1.391***	2.072***	1.076*
	(0.524)	(0.727)	(0.553)	(0.531)	(0.757)	(0.562)
Observations	1542	1138	1542	1533	1136	1533
Recipient countries	125	121	125	125	121	125
R ²	0.13	0.13	0.14	0.13	0.17	0.14

Double delegation equation of SUR system. Recipient-clustered standard errors in parentheses

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

Table 2: Earmarking model

	Geographic earmarking			Sector earmarking		
	(1)	(2)	(3)	(4)	(5)	(6)
ACP country	-4.385** (2.062)	-2.735 (2.396)	-2.586 (2.392)	-6.482 (5.325)	-6.799 (5.616)	-7.067 (5.611)
ENP country	-0.520 (2.151)	-1.239 (1.288)	-1.342 (1.298)	2.137 (3.737)	1.862 (4.314)	2.089 (4.276)
Common language	3.190** (1.464)	1.275 (1.216)	1.253 (1.223)	10.653*** (4.125)	9.177** (4.300)	9.235** (4.258)
Commission staff (log)	74.559*** (15.351)	59.736*** (15.276)	57.908*** (14.952)	-9.502 (37.138)	-21.437 (39.062)	-16.530 (41.117)
WB delegation	-4.614* (2.629)			12.325** (5.019)		
WB amount		-0.035 (0.259)	-0.052 (0.256)		-0.707 (0.992)	-0.693 (0.971)
Important sector			1.983* (1.166)			-3.964 (3.870)
Export share in EU-3	0.397*** (0.144)	0.254* (0.148)	0.263* (0.147)	0.322 (0.277)	0.294 (0.300)	0.278 (0.300)
Life expectancy (log)	15.670 (10.524)	9.443 (11.014)	9.746 (11.075)	27.578* (15.099)	16.864 (16.960)	16.294 (16.995)
GDP per capita (log)	-2.329** (0.935)	-0.378 (0.905)	-0.359 (0.902)	-5.421*** (1.618)	-3.192* (1.716)	-3.233* (1.696)
Fragile state	2.203* (1.262)	0.698 (1.243)	0.653 (1.244)	-1.687 (3.268)	0.358 (3.451)	0.420 (3.441)
Geographic heterogeneity	3.967*** (1.209)	3.269** (1.511)	3.223** (1.508)			
Sector heterogeneity				9.130** (3.677)	5.731* (3.387)	5.739* (3.363)
Commission aid growth	16.963*** (4.874)	14.460*** (3.848)	13.513*** (3.712)	46.964*** (16.401)	43.580** (18.035)	45.628* (18.447)
Linear trend	-1.200*** (0.271)	-0.991*** (0.245)	-0.888*** (0.250)	-1.476** (0.583)	-1.315** (0.636)	- 1.522** (0.686)
Observations	655	538	538	655	538	538
Recipient countries	125	121	125	125	121	125
R ²	0.05	0.05	0.07	0.06	0.05	0.07

Earmarking equation of SUR system. Recipient-clustered standard errors in parentheses

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

We now turn to the indicator for aid sectors that have recently become important within the DAC. We expect the Commission to lack capacity in these sectors, which—according to Hypothesis 1a—should lead to increased double delegation. Our results indicate a highly significant positive effect on double delegation, the size of which corresponds to the effect of *ACP country* (Table 1, columns 3 and 6). The EC could additionally (or alternatively) react by reducing sector earmarking (Hypothesis 1b). Yet, the effect on sector earmarking is not significant at conventional levels. In line with our previous results, capacity predominantly affects double delegation, but not earmarking.

Our quantitative results support the first set of hypotheses: the likelihood of double delegation decreases when the Commission’s capacity and expertise increase. While some of the variables are imprecise, most show the expected relationship with respect to double delegation and earmarking. This is also true for the variables *Commission staff* and *Important sector*. We find more support for Hypothesis 1a than for Hypothesis 1b. However, based on the quantitative analysis alone, this result should be interpreted with caution given that the earmarking regressions are based on a much smaller number of observations.

Our qualitative results further support 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 Commission’s rapid increases in foreign aid resources that have gone unmatched with proportional increases in capacity led to serious capacity constraints. While our respondents at the Commission focus on staff numbers when they speak about capacity, other sources see the capacity deficits primarily in the Commission’s lack of expertise. One Commission official stated that the Commission gained additional benefits 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 Commission lacks capacities for processing foreign aid even in its own neighborhood. This could provide an additional explanation 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 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 Commission 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 Commission asked the World Bank for a feasibility study on an energy market project in the Caspian region.

Our qualitative research further suggests that the failure to find clear results for earmarking may not simply be an artifact of smaller sample size. Respondents in our interviews do not mention earmarking 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 relates primarily to legal provisions and oversight clauses the Commission regularly requests. Our interviews suggest that the Commission staff are less concerned about this, possibly because of their high legal and administrative capacity (as opposed to their developmental expertise and capacity) (OECD 2012). Hence, our qualitative results also reflect the limited support for the link between capacity and earmarking: it appears that the effect of capacity primarily works via the decision on double delegation. In sum, 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

We also find some evidence for the role of strategic interest through trade and poverty related variables (Hypotheses 2a and b). As expected, recipients that import from the EU tend to receive funding directly from the Commission rather than via other IDOs. If aid is double-delegated, the likelihood for geographical earmarks increases significantly. More specifically, if a recipient receives 10 percentage points more of its imports from the three major EU members, the former has a 1.1-1.4 percentage points higher chance to receive aid funding directly from the EC (Table 1). The likelihood of geographical earmarking to this specific recipient country increases by 2.5-4 percentage points if the Commission decides to delegate to another IDO (Table 2).

Among the three variables that measure developmental needs, life expectancy appears most important. When life expectancy doubles, the likelihood of double delegation decreases by roughly 3-4 percentage points. The effect on earmarking is even greater, albeit significant in only

one regression (Table 2, column 4). These results point to a dominance of strategic interests (or the lack thereof). If the Commission focused its capacity on countries with low life expectancy, then increasing life expectancy should lead to more—rather than less—double delegation and to reduced earmarking. This is not what we observe. There are no significant results in the double-delegation models, but some significant coefficients for earmarking. They suggest that the Commission earmarks more when projects benefit poorer countries. We checked whether the direct correlation between life expectancy and GDP per capita explains these findings by running the models with only one of the two variables. This did not change our results. The additional indicator variable for fragile states almost never turns significant.

Overall, our quantitative analysis provides support for strategic interests with respect to the recipients' share of EU-3 exports and life expectancy in recipient countries. Our qualitative analysis provides additional evidence. In the words of a Bank official, “the [Commission] has its thematic priorities,” which “respond to salient member state interests.” Another World Bank staff member said that given that the Commission now manages a significant multilateral budget, “it is unavoidable that those pressures [from influential donor countries] are scaled up at the European level.” Commission officials shared this view. One official stated: “[...] 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). In sum, the above results provide support for Hypotheses 2a and b.

Heterogeneous preferences

When EU member preferences are heterogeneous, the Commission must ensure the most skeptical member that its interests will not be violated through a loss of control induced by double delegation. Theoretically, we expect less double delegation (Hypothesis 3a), or more earmarking (Hypothesis 3b), or both. Empirically, we find no evidence for an effect of heterogeneous preferences on further delegation (Table 1, columns 1-6). However, we find a highly significant positive effect on earmarking (Table 2).

The results suggest that reluctant member countries accept double delegation if earmarking ensures that their specific interests are taken into account. Our qualitative research supports this view. One Commission official said: “the [Commission] will anticipate potential problems in the relevant committee and not propose projects that do not find common support.” This implies that the Commission must propose an allocation that respects all member states’ salient interests, so that greater heterogeneity of interests would predict a higher level of earmarking. The preferences of individual member states prevent double delegation altogether only if the IDO does not allow for earmarking. For example, a Bank official mentioned that in the Sustainable Energy Partnership, the Commission 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 Commission from supporting the program. Even in these cases, the Commission usually finds a way to circumvent the problem, for example, by generating a parallel single donor trust fund with more narrowly defined objectives for the Commission alone. In sum, heterogeneous preferences matter, but the effect works through increased earmarking (Hypothesis 3b) rather than through reduced double delegation.

Robustness tests

To analyze whether our findings 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 Appendices 4 and 5. The results are robust and support the role of Commission capacity on the one hand, and strategic considerations on the other. As in our main estimations, heterogeneous EU member preferences do not affect double delegation, but earmarking.

We further explore the effect of member heterogeneity by including interaction terms with other variables to our main specification: regional dummies for ACP and ENP countries, common language, and the EU-3 export share (Appendices 6 and 7). We examine both the CMP estimations (columns 1 and 3) and the separate random effects estimations (columns 2 and 4). The corresponding interaction terms hardly ever turn out to be significant. We conclude that there is no systematic influence of member heterogeneity.

Finally, we use an alternative measure for when countries become unexpectedly important, so that the Commission suffers from at least a temporary lack of capacity. Rather than inferring

importance from high-priority aid sectors, we consider that countries may suddenly require more support when they are hit by war. The increased humanitarian needs following the onset of war often call upon donors to increase their aid. We identify seven cases for which the Commission may have been obliged to increase its aid for this reason, while lacking capacities on its own to deliver the increased aid efficiently. These cases include Serbia (1997), Afghanistan (2001), Pakistan (2002), Iraq (2003), Somalia (2006), Yemen (2009), and Syria (2011). We only take the first year of each of these conflicts, assuming the Commission could in principle remedy its capacity deficits as time elapses. We find that country importance does not significantly affect the Commission's double-delegation behavior, but sector earmarking is significantly lower in such cases (Appendix 8).

To summarize, the results suggest that a trade-off between efficiency gains of delegation, notably when the Commission's capacity is low and the interest to control aid allocations is great, explains double delegation. Even if agency slippage does not occur between the Commission and the EU member countries as its principals, further delegation to the IDO may lead to agency slippage by this secondary agency. This is why the Commission tends to renounce on double delegation in areas in which it possesses higher capacity and where member states' strategic interests are at stake. To maintain control, the Commission can also increase earmarking, but we find slightly less evidence for this alternative strategy. In contrast, when the Commission reacts to heterogeneous member preferences, its preferred strategy includes an increase in earmarking. Individual members with particularly salient preferences seem to support double delegation as long as the tighter earmarking protects their interests. We thus obtain some supportive evidence for all three sets of hypotheses derived from our theoretical framework, in particular for Hypothesis 1a, 2a and 3b.

CONCLUSION

International organizations oftentimes delegate tasks bestowed upon them by their member states to other international organizations, without any obvious gain in the specialization of expertise. Given that the second step of the delegation chain does not come free of cost, this article questioned why they pursue these strategies, and why member states do not directly delegate these resources to the second organization.

Our analysis focuses on the double delegation of development assistance in the European Union. We argue that EU member states have experienced increased pressures and incentives to delegate foreign aid resources through the European institutions. The increased delegation of foreign aid may overburden even a large institution. Indeed, the Commission's capacity to handle development finance lags behind the pace of increasing delegation to the EU. Double delegation presents one strategy for the EU to maintain its role as a major foreign aid actor in international development, while at the same time ensuring efficient aid provision by delegating its resources to other IDOs. The EU can control the latter through different levels of earmarking when necessary. 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 place constraints on this delegation to other IDOs. When such interests are strong, double delegation does not take place at all or the EU maintains control through tighter earmarking. When EU member preferences are heterogeneous, the level of control depends on the most skeptical member state. This is reflected in an even tighter earmarking.

These results differ from what one would expect in a standard principle-agent context. If we considered EU members and the Commission, we would easily misinterpret aid allocations that do not follow the members' preferences as agency slippage by the Commission. This would imply a reduction or tighter control of funding to the EU. This is not what we observe. The agent responsible for potential agency slippage is the IDO rather than the Commission, whose interests are well aligned with those of the member states in the context examined here. Similarly, a standard principal-agent model would suggest that heterogeneity in member preferences, that is, divergence of interest among the multiple principals of the Commission, should provide more discretion to the latter that it could use for its own benefit (for example, by delegating more aid to other IDOs). This is not what we observe here. There is no substantial difference in the preferences of the Commission and the member states in the first place. Both parties want strong and powerful EU institutions, and both parties want to maximize aid effectiveness under these conditions. To understand the empirical evidence, we must take into account the full double-delegation chain.

The empirical findings shed some light on the puzzle of why the EU, which is a major international development organization itself, delegates to other IDOs. They indicate that

although the EU—as a multilateral donor—outspends even the World Bank, it still depends on other more established development organizations as vehicles to maximize the effectiveness of its aid. The benefits from double delegation are strongest for foreign-aid resources that support projects in some of the poorest regions of the world. Most double-delegated EU aid flows into these countries.

These findings complement the extant literature on delegation and principal-agent problems in international organizations by introducing a second (horizontal) step of delegation, without any gains in specialization.⁸ It accounts for the important and pro-active role of the international bureaucracies (Johnson 2013; 2014a; 2014b), but relaxes assumptions that grant agent expertise a central role in explaining delegation (Schneider and Slantchev 2013). And it contributes to the discussion of new funding mechanisms for international organizations (Goetz and Patz 2017; Graham 2015), and the emerging literature focusing on multi-bi aid (Reinsberg et al. 2015; 2017), with a focus on trust funds in IDOs by IDOs.

Even though it is beyond the scope of this article to offer a test of double delegation in other areas, our findings provide insights about the conditions under which we would expect to see double delegation. First, incentives for double delegation arise when pressures and opportunities to delegate are independent of the expertise of the international organization. If such pressures exist (for example, when there is the need to coordinate actions in a single entity to increase effectiveness and visibility), double delegation may occur because the organizational agent may not be able to implement the tasks efficiently. Second, double delegation assumes that there exists a second layer of international organizations that can accommodate the resources (or other tasks) in the second stage of delegation—as well as implement them more efficiently. Finally, the international organization in the first stage needs some ability to control the actions of the international organization at the second stage. In our case, the EC was able to control the IDOs' behavior using different levels of earmarking. If such control is not possible, we expect less double delegation, especially when member state interests are strategic, heterogeneous, or not in line with the international organization at the second stage.

⁸ Our argument about the importance of complex delegation patterns in international relations follows similar arguments made about orchestration (Abbott et al. 2015; 2016), new interdependence (Farrell and Newman 2014), and complex governance (Kahler 2016).

While not all of these conditions hold for every case of double delegation, they can help scholars develop more specific hypotheses about the relationships between capacity, interests, heterogeneity, and double delegation. The Global Environment Facility (GEF) may prove an interesting case for further research. The GEF is the only tangible outcome of the Rio Earth Summit in 1992, and the only established and well-functioning international organization responsible for climate finance. Its international standing and the size of its activities matter a lot to member countries. While there is a more direct interaction between recipient countries and GEF agencies than in the case of EU aid, the projects elaborated and implemented by GEF agencies—like the World Bank or the UNDP—could, in principle, also be funded by member states directly. This suggests a similar puzzle to the one posed in our article. The phenomenon of double delegation is particularly interesting because the second step of the delegation chain is parallel—that is, between rather similar organizations. This suggests that there may also be cases where two organizations mutually entrust each other with some of their projects.

SUPPLEMENTARY INFORMATION

This section provides a list of all supplementary information, including online appendices and replication materials. All materials can be found on Christina J. Schneider's webpage (<https://quote.ucsd.edu/cjschneider/>) and at the *International Studies Quarterly* data archive.

Appendices:

Appendix 1: Variable description and sources

Appendix 2: Heterogeneity Measure

Appendix 3: List of interviews

Appendix 4: Double delegation model, random effects

Appendix 5: Earmarking model, random effects

Appendix 6: Double delegation model, additional interactions

Appendix 7: Earmarking model, additional interactions

Appendix 8: Country importance

Replication Package:

Replication do-file: ISQ-2017-04-0201.do
Replication data-file: ISQ-2017-04-0201.dta
README.text

REFERENCES

- Abbott, Kenneth W., Philipp Genschel, Duncan Snidal, and Bernhard Zangl. 2015. "Orchestrating Global Governance: From Empirical Findings to Theoretical Implications." In *International Organizations as Orchestrators*, edited by Kenneth W. Abbott, Philipp Genschel, Duncan Snidal, and Bernhard Zangl, 349-79. Cambridge, U.K.: Cambridge University Press.
- Abbott, Kenneth W., Jessica F. Green, and Robert O. Keohane. 2016. "Organizational Ecology and Institutional Change in Global Governance." *International Organization* 70(2): 247-77.
- Arel-Bundock, Vincent, James Atkinson, and Rachel Potter. 2015. "The Limits of Foreign Aid Diplomacy: How Bureaucratic Design Shapes Aid Distribution." *International Studies Quarterly* 59(3): 544-56.
- Barakat, Sultan, Kathryn Rzeszut, and Nick Martin. 2012. "What Is The Track Record of Multi-Donor Trust Funds in Improving Aid Effectiveness? An Assessment of The Available Evidence." *EPPI-Centre Report No. 2005*, Social Science Research Unit, Institute of Education. London: University of London.
- Bayer, Patrick, Christopher Marcoux, and Johannes Urpelainen. 2014. "Choosing International Organizations: When Do States and the World Bank Collaborate on Environmental Projects?" *The Review of International Organizations* 9(4): 413-40.
- Bermeo, Sarah Blodgett, and David Leblang. 2015. "Migration and Foreign Aid." *International Organization* 69(3): 627-57.
- Berthélemy, Jean Claude, and Ariane Tichit. 2004. "Bilateral Donors' Allocation Decisions: A Three Dimensional Panel Analysis." *International Review of Economics and Finance* 13(3): 253-74.
- Bodenstein, Thilo, Jörg Faust, and Mark Furness. 2017. "European Union Development Policy: Collective Action in Times of Global Transformation and Domestic Crisis" *Development Policy Review* 35 (4): 441-53.
- Chauvet, Lisa. 2003. "Socio-Political Instability and the Allocation of International Aid by Donors." *European Journal of Political Economy* 19(1): 33-59.

- Coen, David, and Mark Thatcher. 2008. "Network Governance and Multi-Level Delegation: European Networks of Regulatory Agencies." *Journal of Public Policy* 28(1): 49-71.
- Eberlein, Burkard, and Abraham L. Newman. 2008. "Escaping the International Governance Dilemma? Incorporated Transgovernmental Networks in the European Union." *Governance* 21(1): 25-52.
- European Commission. 2013. "Frequently Asked Questions: International Organizations." Accessed May 1, 2014, <https://ec.europa.eu/europeaid/node/45490>.
- European Commission. 2014. "International Cooperation and Development." Accessed September 1, 2014, www.ec.europa.eu/europeaid.
- Eichenauer, Vera Z., and Simon Hug. 2018. "The Politics of Special Purpose Trust Funds." *Economics & Politics* 30(2): 211-55.
- Eichenauer, Vera Z., and Bernhard Reinsberg. 2017. "What Determines Earmarked Funding to International Development Organizations? Evidence from the New Multi-Bi Aid Dataset." *The Review of International Organizations* 12(2): 171-97.
- Eurostat. 2015. "Eurostat: Main Tables." Accessed June 11, 2015, <http://ec.europa.eu/eurostat/web/international-trade/data/main-tables>.
- Farrell, Henry, and Abraham L. Newman. 2014. "Domestic Institutions beyond the Nation-State: Charting the New Interdependence Approach." *World Politics* 66(2): 331-63.
- Global Environment Facility. 2017. "GEF agencies." Accessed October 31, 2017, <https://www.thegef.org/partners/gef-agencies>.
- Goetz, Klaus, and Ronny Patz, eds. 2017. "Resourcing International Organizations." *Global Policy* 8(S5): [page range].
- Golden, Marissa M. 2000. *What Motivates Bureaucrats?: Politics and Administration During the Reagan Years*. New York, NY: Columbia University Press.
- Graham, Erin R. 2015. "Money and Multilateralism: How Funding Rules Constitute IO Governance." *International Theory* 7(1): 162-94.
- Graham, Erin R., and Alexander Thompson. 2015. "Efficient Orchestration? The Global Environment Facility in the Governance of Climate Adaptation." In *International Organizations as Orchestrators*, edited by Kenneth W. Abbott, Philipp Genschel, Duncan Snidal, and Bernhard Zangl, 114-38. Cambridge, U.K.: Cambridge University Press.

- Henning, Randall C. 2017. *Tangled Governance: International Regime Complexity, the Troika, and the Euro Crisis*. Cambridge, U.K.: Cambridge University Press.
- Hodson, Dermot. 2011. *Governing the Euro Area in Good Times and Bad*. Oxford, U.K.: Oxford University Press.
- Hodson, Dermot. 2015. "The IMF as a De Facto Institution of the EU: A Multiple Supervisor Approach." *Review of International Political Economy* 22(3): 570-98.
- Hoeffler, Anke, and Verity Outram. 2011. "Need, Merit, or Self-Interest—What Determines the Allocation of Aid?" *Review of Development Economics*, 15(2): 237-50.
- Johnson, Tana. 2013. "Institutional Design and Bureaucrats' Impact on Political Control." *Journal of Politics* 75(1): 183-97.
- Johnson, Tana. 2014a. *Organizational Progeny: Why Governments Are Losing Control over the Proliferating Structures of Global Governance*. Oxford, U.K.: Oxford University Press.
- Johnson, Tana. 2014b. "International Bureaucrats and the Formation of Intergovernmental Organizations: Institutional Design Discretion Sweetens the Pot." *International Organization* 68(1): 175-208.
- Kahler, Miles. 2016. "Complex Governance and the New Interdependence Approach (NIA)." *Review of International Political Economy* 23(5): 825-39.
- Igrade, Serbia: The Pontis Foundation and the Center for Democracy Foundation.
- Martens, Bertin, Uwe Mummert, Peter Murrell, and Paul Seabright. 2003. *The Institutional Economics of Foreign Aid*. Cambridge, U.K.: Cambridge University Press.
- Mayer, Thierry, and Soledad Zignago. 2006. "Notes on CEPII's Distances Measures. Paris: CEPII's." Accessed March 1, 2015, <http://www.cepii.fr/anglaisgraph/bdd/distances.html>.
- Michaelowa, Katharina, Bernhard Reinsberg, and Christina Schneider. 2017. "Multi-bi Aid in European Development Assistance: The Role of Capacity Constraints and Member State Politics." *Development Policy Review* 35(4): 513-30.
- Milner, Helen V. 2006. "Why Multilateralism? Foreign Aid and Domestic Principal-Agent Problems." In *Delegation and Agency in International Organizations*, edited by Darren G. Hawkins, David A. Lake, Daniel L. Nielson, and Michael J. Tierney, 107-39. Cambridge, U.K.: Cambridge University Press.
- Milner, Helen V., and Dustin Tingley. 2013. "The Choice for Multilateralism: Foreign Aid and American Foreign Policy." *The Review of International Organizations* 8(3): 313-41.

- Mrak, Mojmir, and Dragan Tilev. 2008. *Absorption for EU Pre-Accession Funds: Concept and Implications for Kosovo*. Pristina, Kosovo: Kosovar Civil Society Foundation.
- Mundlak, Yair. 1978. "On the Pooling of Time Series and Cross Section Data." *Econometrica* 46(1): 69-85.
- Newman, Abraham L. 2010. "International Organization Control under Conditions of Dual Delegation: A Transgovernmental Politics Approach." In *Who Governs the Globe?*, edited by Deborah D. Avant, Martha Finnemore, and Susan K. Sell, 131-52. Cambridge, U.K.: Cambridge University Press.
- Nielson, Daniel L., and Michael J. Tierney. 2003. "Delegation to International Organizations: Agency Theory and World Bank Environmental Reform." *International Organization* 57(2): 241-76.
- OECD. 2011. *2011 DAC Report on Multilateral Aid*. Paris, France: OECD.
- OECD. 2012. *European Union, DAC Peer Review 2012*. Paris, France: OECD.
- OECD. 2013a. "Aggregate Official and Private Flows (DAC1a)". Accessed July 1, 2013, stats.oecd.org
- OECD. 2013b. "Creditor Reporting System (CRS)". Accessed July 1, 2013, stats.oecd.org
- Pollack, Mark A. 1997. "Delegation, Agency, and Agenda Setting in the European Community." *International Organization* 51(1): 99-134.
- Pollack, Mark A. 2003. *The Engines of European Integration: Delegation, Agency, and Agenda Setting in the EU*. Oxford, U.K.: Oxford University Press.
- Pollack, Mark A., and Gregory C. Shaffer. 2009. *When Cooperation Fails. The Politics of Genetically Modified Organisms*. New York, NY: Oxford University Press.
- Reinsberg, Bernhard, Katharina Michaelowa, and Vera Eichenauer. 2015. "The Rise of Multi-Bi Aid and the Proliferation of Trust Funds." In *Handbook on the Economics of Foreign Aid*. Edited by Mak B. Arvin, and Bryon Lew, 527-54. Northampton, MA: Edward Elgar.
- Reinsberg, Bernhard, Katharina Michaelowa, and Stephen Knack. 2017. "Which Donors, Which Funds? The Choice of Multilateral Funds by Bilateral Donors at the World Bank." *International Organization* 71(4): 767-802.

- Roodman, David. 2009. "Estimating Fully Observed Recursive Mixed-Process Models With CMP." *Center for Global Development Working Paper No. 168*. Washington, DC: Center for Global Development
- Schneider, Christina J., and Branislav L. Slantchev. 2013. "Abiding by the Vote: Between-Group Conflict in International Collective Action." *International Organization* 67(4): 759-96.
- Schneider, Christina J., and Jennifer L. Tobin. 2013. "Interest Coalitions and Multilateral Aid Allocation in the European Union." *International Studies Quarterly* 57(1): 103-14.
- Schneider, Christina J., and Jennifer L. Tobin. 2016. "Portfolio Similarity and International Development Aid." *International Studies Quarterly* 60(4): 647-64.
- Schneider, Christina J., and Johannes Urpelainen. 2013. "Distributional Conflict between Powerful States and International Treaty Ratification." *International Studies Quarterly* 57(1): 13-27.
- Sridhar, Devi, and Ngaire Woods. 2013. "Trojan Multilateralism: Global Cooperation in Health." *Global Policy* 4(4): 325-35.
- Vaubel, Roland. 2006. "Principal-Agent Problems in International Organizations." *The Review of International Organizations* 1(2): 125-38.
- World Bank. 2012. *2011 Trust Fund Annual Report*. Washington, DC: Concessional Finance and Global Partnerships Vice Presidency.
- World Bank. 2013a. *2012 Trust Fund Annual Report*. Washington, DC: Concessional Finance and Global Partnerships Vice Presidency.
- World Bank. 2013b. *FAQs on The Framework Agreement Signed on March 20, 2009*. Accessed February 23, 2018, https://ec.europa.eu/europeaid/faqs-framework-agreement-signed-march-20-2009_en.
- World Bank. 2013c. *Trust Fund Databases*. Washington, DC: Concessional Finance and Global Partnerships Vice Presidency.
- World Bank. 2014. "World Development Indicators." Accessed April 12, 2014, data.worldbank.org.