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Earmarked Funding and the Performance of International Organizations: Evidence from Food and Agricultural Development Agencies

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How do funding structures affect the performance of international organizations (IOs)? Considering the rapid growth of earmarked funding over the past decade, the need to address this question has become a matter of urgency. To answer this question, I divide IO performance into *outcome performance* (i.e., achieving results that are relevant and sustainable) and *process performance* (i.e., having systems, rules, and practices that enable IOs to achieve self-defined goals effectively, efficiently, and responsively). Drawing on the principal–agent framework and studies of organizational behavior, I derive expectations about how earmarked funding can affect those performance dimensions. To empirically examine these expectations, I rely on qualitative case studies of three major IOs in food and agricultural development—Food and Agricultural Organization, International Fund for Agricultural Development, and World Food Program—using semi-structured interviews with IO staff and evaluation reports from multiple sources. I find that earmarked funding undermines performance, albeit not uniformly across performance areas and organizational contexts. I highlight the need for future research that considers how funding structures, institutional structures, and organizational behavior interact to affect organizational performance.

Quels sont les effets des structures de financement sur les performances des organisations internationales (OI)? Étant donné la croissance rapide des financements ciblés aux OI cette dernière décennie, il s'avère urgent de répondre à cette question. Pour ce faire, je divise les performances des OI en *performances de résultats* (c.-à-d., atteindre des résultats qui sont pertinents et durables) et *performances de procédés* (c.-à-d., posséder des systèmes, des règles et des pratiques qui permettent aux OI d'atteindre les objectifs qu'elles ont définis de façon efficace et réactive). En m'appuyant sur le cadre principal–agent et les études sur le comportement organisationnel, je déduis des hypothèses concernant les effets des financements ciblés sur ces dimensions de performances. Pour analyser empiriquement ces hypothèses, je m'appuie sur des études de cas qualitatives de trois OI importantes en matière d'alimentation et de développement agricole—l'Organisation des Nations unies pour l'alimentation et l'agriculture (FAO), le Fonds international de développement agricole (FIDA) et le Programme alimentaire mondial (PAM)—à l'aide d'entretiens semi-structurés avec des membres du personnel d'OI et des rapports d'évaluation issus de plusieurs sources. J'observe que les financements ciblés nuisent aux performances, mais pas de façon uniforme dans tous les domaines et contextes organisationnels. Je souligne la nécessité de nouvelles recherches qui s'intéressent aux interactions entre les structures de financement, les structures institutionnelles et le comportement organisationnel d'une part et les performances organisationnelles d'autre part.

¿Cómo afectan las estructuras de financiación al rendimiento de las organizaciones internacionales (OOII)? Teniendo en cuenta el rápido crecimiento de la financiación asignada a las OOII durante el último decenio, urge encontrar respuesta a esta pregunta. Para ello, en este articulo propongo diferenciar entre dos dimensiones del rendimiento de las OOII: el *rendimiento de resultados* (es decir, lograr resultados que sean relevantes y sostenibles) y *el rendimiento de procesos* (es decir, tener sistemas, reglas y prácticas que permitan a las OOII alcanzar objetivos autodefinidos de manera efectiva, eficiente y receptiva). Utilizando el marco teórico del agente-principal y la literatura académica en comportamiento organizacional, deduzco expectativas sobre cómo la financiación asignada puede afectar ambas formas de rendimiento. Para examinar de manera empírica estas expectativas, me baso en estudios de caso cualitativos de tres importantes OOII en el desarrollo alimentario y agrícola [la Organización de las Naciones Unidas para la Alimentación y la Agricultura (FAO, por sus siglas en inglés), el Fondo Internacional de Desarrollo Agrícola (FIDA) y el Programa Mundial de Alimentos (PMA)], utilizando entrevistas semiestructuradas con personal de las OOII e informes de evaluación de múltiples fuentes. Mi análisis muestra que la financiación asignada puede disminuir el rendimiento, aunque no de manera uniforme en todas las áreas del rendimiento y contextos organizacionales. Destaco la necesidad de investigaciones futuras que consideren cómo interactúan las estructuras de financiamiento, las estructuras institucionales y el comportamiento organizacional para afectar el rendimiento organizacional.

Introduction

International organizations (IOs) play a critical role in addressing global development challenges, such as climate change, communicable diseases, and food insecurity. Their thematic expertise and capacity to reach beneficiaries are key assets in mustering effective responses to such challenges (Hawkins et al. 2006). And yet, there is considerable variation in the performance of IOs. While some IOs deliver on their mandate effectively and efficiently, others are perceived as sluggish, unresponsive, and wasteful (Barnett and Finnemore 2004; DFID 2011; AusAid 2012). Importantly, such differences exist even when considering differences in task profiles and other intervening factors outside the control of IOs.

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Scholars have long been interested in the determinants of IO performance, distinguishing donor-specific factors and agency-specific factors (Gutner and Thompson 2010; Buntaine, Parks, and Buch 2017; Lall 2017; Hall and Woods 2018; Honig 2019). For example, IOs may be unable to perform if they receive conflicting signals from their principals (Gutner 2005). Alternatively, IO performance may also suffer where IO leadership has failed to instigate an organizational culture that focuses on results (Weaver 2008). Focusing on the principal–agent relationship between the donor(s) and the agency, others argue that IOs perform better where donors "trust" them and leave them discretion to undertake autonomous decisions (Honig 2019), or where IOs can insulate themselves against donor pressures through fostering relationships with other actors (Lall 2017).

Surprisingly little is known about how funding structures affect IO performance. While some studies consider budget size as a driver of IO performance (Brown 2010; Knill and Bauer 2016; Patz and Goetz 2019), they ignore how variation in the composition of IO budgets affects IO performance. Considering the fundamental transformations in the funding structures of IOs over the past two decades, this lacuna has become problematic. A preponderance of budgetary resources in most IOs now comes from so-called "earmarked contributions" whereby donors restrict the use of funds to specific purposes, countries, or sectors (OECD 2012; Reinsberg, Michaelowa, and Eichenauer 2015; Patz and Goetz 2019). While much research focuses on the drivers of earmarking (Eichenauer and Reinsberg 2017; Graham 2017; Reinsberg 2017), its effects on the performance of IOs are less studied, with some notable exceptions (Reinsberg 2016; Baumann, Lundsgaarde, and Weinlich 2019; Schmid, Reitzenstein, and Hall 2021; Reinsberg and Siauwijaya 2023).

I examine how earmarked funding affects IO performance through qualitative case studies of three major IOs in the food and agricultural development complex: the Food and Agricultural Organization (FAO), the International Fund for Agricultural Development (IFAD), and the World Food Program (WFP). As many Global South countries are rural societies, advances in food and agricultural development are critical to their socioeconomic development. Following the outbreak of the Russia–Ukraine war, food security has grown into a key concern in recent policy discussions. Such concerns had precedent in the Global Financial Crisis, which caused significant spikes in food prices and prompted new funding mechanisms by the donor community, such as the Global Agriculture and Food Security Program (Reinsberg, Michaelowa, and Knack 2017).

My focus on the three Rome-based agencies is motivated by differences in their funding structures. Given similar contextual conditions, I can study the relationship between earmarked funding and organizational performance across these agencies while also scrutinizing developments within each agency. To cast light on relevant mechanisms underpinning that relationship, I draw on twelve semi-structured interviews with key IO officials, complemented by a document analysis of performance assessments from multiple sources, including the Multilateral Organization Performance Assessment Network (MOPAN), the Global Partnership on Effective Development Cooperation (GPEDC), the Listening to Leaders (LTL) surveys, and over thirty evaluation reports prepared by the independent evaluation offices of the three IOs.

I find that earmarked funding undermines organizational performance, albeit more so in some performance areas than others and in some organizations more than others. Across the three IOs, I find that earmarked funding tends to increase outcome performance by allowing agencies to expand their operations. However, IOs must balance these short-term gains against the lower relevance and reduced sustainability of the interventions supported through earmarked funds. In addition, I find that earmarking decreases process performance by complicating strategic planning, increasing administrative burdens due to additional donor requirements, stifling institutional learning, and preventing inter-agency cooperation. Although process-related performance losses vary by donor type and according to the stringency of earmarking, the separate reporting and additional fiduciary procedures of earmarked funds take away staff time from delivering actual results.

My study contributes to the emergent literature on earmarked funding (Graham 2017; Reinsberg 2017; Baumann, Lundsgaarde, and Weinlich 2019; Baumann 2021; Staeger 2022). Recent work has used large-*N* analysis to examine the link between earmarked funding and project performance (Heinzel, Cormier, and Reinsberg 2023). Other large-*N* work established that earmarked funding decreases organizational performance, but did not demonstrate the underlying mechanisms (Reinsberg and Siauwijaya 2023). Qualitative work on the issue has often lacked an explicit theoretical framework while also drawing on a limited set of IOs with similar funding models, focusing either on multilateral development banks or UN entities. To the extent that their context varies, it is difficult to attribute any differences in outcomes to their different funding structures. My study addresses this problem: IFAD, as one of the cases examined, has a financial model like the World Bank but operates within a UN context.[1]

More broadly, my study contributes to the literature on the drivers of IO performance (Eckhard and Ege 2016; Lall 2017; Hall and Woods 2018; Knill et al. 2019; Heinzel 2022). I shift attention to funding structures as a hitherto overlooked determinant of IO performance. Funding structures are not reducible to other drivers of IO performance. Hence, I complement well-established arguments emphasizing de-jure mandates, agent discretion, alliances with third parties, and donor-country trust (Buntaine, Parks, and Buch 2017; Lall 2017; Honig 2019; Jankauskas 2022). In this regard, I also emphasize an important but easily overlooked distinction between outcome performance and process performance. Earmarked funding may differentially affect those performance dimensions, thus implying a trade-off for IOs between achieving mandate and ensuring operational efficiency.

Literature Review and Theoretical Expectations

Funding Structures

IOs need funding to fulfill their duties. Two sources of donor funding can be distinguished. First, through *core resources*, donors pool their contributions and exercise control rights collectively through the governing board. Core resources are unearmarked and thus can support any activities within the organizational mandate. In the UN system, donors provide core resources on a voluntary basis for funds and programs, while specialized agencies can also draw on mandatory assessed contributions (Hüfner 2017; Patz and Goetz 2019; Haug, Gulrajani, and Weinlich 2022).

[1] IFAD uses a replenishment model that differs from that of the World Bank in that burden-sharing quotas are not locked-in but rather flexibly determined at each replenishment.

Second, *earmarked resources* allow donors to support only specific themes, sectors, countries, or projects at their own discretion. These types of resources have grown massively and now finance the bulk of operations in the UN system (Graham 2015; Reinsberg, Michaelowa, and Eichenauer 2015; Baumann 2021).

Earmarked resources have three key features. First, they afford donors with individual control rights over how the funds are used, involving direct financial accountability and tailored reporting. Second, their focus is often to generate short-term results, given the political imperatives of their donors to demonstrate "value for money." Earmarked projects, thus, tend to have shorter time horizons than core-funded projects (Baumann, Lundsgaarde, and Weinlich 2019). Third, their shorter duration, discretionary nature, and bottom-up mode of resource mobilization make these funds less predictable.

IO Performance

In recent years, interest in understanding the drivers of IO performance has grown, both among scholars (Gutner and Thompson 2010; Tallberg et al. 2016; Lall 2017) and within policy circles (DFID 2011; AusAid 2012; MOPAN 2019d). As Gutner and Thompson (2010, 231) explicate, performance is about "both the outcomes produced and the process—the effort, efficiency, and skill—by which goals are pursued by an individual or organization." MOPAN makes a similar distinction by having separate key performance indicators for organizational procedures and results attainment. I build on these foundations and distinguish two dimensions of performance. *Outcome performance* refers to the extent to which organizations achieve results that are relevant to beneficiary needs and economically, socially, and environmentally sustainable, thereby contributing to achieving their mandates. *Process performance* is the extent to which IOs have rules, procedures, and systems in place that enable them to effectively deliver interventions and that have the potential to achieve results in an efficient, responsive, and sustainable manner (MOPAN 2019d). Arguably, process performance is more under the control of the IO leadership than outcome performance, which may also be affected by extraneous circumstances in beneficiary countries.

I turn to the concrete example of development IOs to identify rules, procedures, and systems that can sustain the capacity of IOs to achieve results. Following the MOPAN assessment grid, I consider systems, rules, and practices in the areas of strategic management, operational management, relationship management, and knowledge management. For example, IOs should have a strategic vision and a clear mandate that help them stay focused. IOs also should have high-quality operational practices that help them manage money, people, and information efficiently. IOs should further have mechanisms to build, uphold, and deepen relations with stakeholders that can help them achieve results. Finally, IOs should have mechanisms to disseminate knowledge, promote institutional learning, and design policies based on lessons learned (MOPAN 2019d).

Linking Earmarked Funding and IO Performance

The IO literature discusses several drivers of IO performance, ranging from (sub-)institutional structures and organizational culture to the characteristics of staff—from executive directors to "street-level bureaucrats" (Lipsky 2010; Eckhard and Ege 2016; Hall and Woods 2018; Knill et al. 2019). To my surprise, funding structures are somewhat neglected as a potential driver of IO performance. To be sure, scholars have long recognized that insufficient resources can undermine IO performance (Brown 2010), and a rich historical literature has documented budget crises of the United Nations and its predecessor (Hüfner 2017; Patz and Goetz 2019; Hirschmann 2021). However, beyond the notion that resourcing matters, systematic knowledge on how funding structures influence organizational performance is lacking.

Several strands of literature hold insights into the funding-performance link. Sociological institutionalism and organizational theory are concerned with how organizations respond to their environment (Pfeffer and Salancik 2003; Weaver 2008; Moschella 2015; Hall 2016; Heucher 2019). Viewing IOs as open systems, these approaches have examined organizational culture, administrative styles, and institutional networks besides institutional mandates as mediating forces for how IOs respond to changes in the environment (Park and Vetterlein 2010; Seabrooke and Tsingou 2014; Hanrieder 2015; Knill et al. 2019). Resource dependence theory, in particular, studies how organizations adapt to resource pressures (Pfeffer and Salancik 2003). Specifically, IOs have responded to resource pressure through mandate expansion, resource diversification, in-sourcing operations, and fostering external cooperation (Liese 2010; Schemeil 2013; Hall 2016; Johnson 2016). In doing so, IOs face a tradeoff between acquiring resources and losing autonomy (Barnett and Coleman 2005; Lipson 2010; Harsch 2015). A limitation of these studies, however, is that they tell little about the performance effects of resourcing pressures and related organizational responses.

Rational institutionalism—particularly principal–agent models—focuses on the perspective of member states to examine when and how states delegate to IOs (Hawkins et al. 2006; Fleischer and Reiners 2021; Conceição-Heldt et al. 2022). While member states can benefit from the technical expertise and global reach of IOs to help them promote collective development goals, the cost of delegation is a relative loss of control over how their development monies are spent. In the IO context, delegation can take different forms, with different implications for how much control states cede to IOs. While core funding by member states implies a "collective principal" that jointly controls agent behavior, earmarked funding establishes multiple principals that contract the agent under different terms that allow individual donors to impose additional controls. Earmarked funding thus increases opportunities for donors to exercise control over agency activities compared to core funding. A limitation of principal–agent models is their diversity of theoretical priors on the funding-performance link, depending on chosen priors about donor preferences and agency behavior.

Theoretical Expectations on the Funding-Performance Link

Proponents of earmarked funding expect it to enhance IO performance by reducing opportunities for agency slippage and shirking. This is the view expounded by public-choice scholarship, which perceives IOs as self-interested budget maximizers that lack accountability to member states and their domestic taxpayers. Because they operate at a distance from the national policy-making context, as the argument goes, standard control mechanisms such as board oversight are insufficient to reign in their potentially pathological behavior (Vaubel 2006). Earmarked funding could reduce the span of control in multiple ways. First, restricting how funds can be spent may force agencies to pursue the interventions that donors consider critical for achieving development rather than those that make staff comfortable and advance their careers (Nielson, Tierney, and Weaver 2006). Second, in line with New Public Management thinking (Pollitt and Bouckaert 2011; Hood 2012; Dietrich, Reinsberg, and Steinwand 2022), the additional reporting requirements of earmarked funds can hold IO staff more accountable to donors. Both the increased frequency of reporting and the substance of reporting toward quantifiable targets are thought to promote results. Third, IOs that are made to compete for resources should have incentives to reform to prove their relevance to donors. As Downs (1967, 7) argues, "no bureau can survive unless it is continually able to demonstrate that its services are worthwhile to some group with influence over sufficient [re]sources to keep it alive." Yet, such accounts (over-)emphasize the benefits of control for performance without considering its costs.

Others have highlighted the costs of control, instead emphasizing the benefits of agency autonomy (Campbell 2018; Honig 2019; Eckhouse 2022). In these accounts, IO staff are generally mission-driven, but various constraints to IO autonomy undermine IO performance (Lipsky 2010; Buntaine, Parks, and Buch 2017; Honig 2019). By constraining IO autonomy, earmarked funding may undermine IO performance in various ways. First, by limiting delegated autonomy, IO staff can no longer allocate funds as they see fit but must follow donor priorities. This may help IOs mobilize additional resources that increase outcome performance, but can also undermine it because earmarked funding diminishes the discretion of IO staff to choose development interventions that fit local circumstances (Pritchett et al. 2013; Yanguas and Hulme 2015; Gulrajani and Honig 2016). Second, the short-termism of earmarked funds, alongside pressure to demonstrate results within short timeframes, alters incentives for IO staff to focus on activities that are "quick wins" but are comparatively less sustainable and that can undermine organizational processes. Recent evidence from national public administration research shows that—following reforms of the police under New Public Management—police officers shifted attention to prosecuting low-level crimes that would generate demonstrable results while using discretion to alter categories in the crime statistics to appear more effective (Eckhouse 2022). Similar incentives exist for IO staff pressured to demonstrate "value for money." Earmarked funds also open the door for more "donor shirking," as promises of financial support are completely voluntary and may not be followed through. This poses an operational planning dilemma for agencies, specifically when acting as surrogate principals for a set of downstream agents, like local contractors. As a result, IOs are forced to procure for shorter time periods and hire more short-term consultants, which likely lowers the quality of services obtained and undermines operational continuity. Also, earmarked projects involve additional "police patrols" that lower the efficiency of aid delegation, such as frequent re-negotiation of funding arrangements and additional reporting, especially if reporting frameworks must meet specific donor requirements and thus do not align with existing frameworks. Importantly, earmarked funding can work to undermine established processes and "organizational hygiene" by providing incentives for IO staff to turn to easily measurable tasks and performance metrics at the expense of general-purpose tasks. The perilous effects of "governance by numbers" are well known (Broome, Homolar, and Kranke 2018), increasing the risk that agencies "hit the target but miss the point." Finally, earmarked funding increases the competitive pressure on IOs, leading to more fundraising activity that will crowd out staff efforts on project-related activities, institutional learning, and intra-organizational cooperation (Baumann 2021; Reinsberg 2016; Graham 2017).

In sum, my theoretical discussion implies the following two sets of testable expectations. First, earmarked funding could increase *outcome performance* by increasing the funding available for development activities, while at the same time undermining these gains by supporting activities that are less relevant to recipient needs and whose results are less sustainable. Second, earmarked funding decreases *process performance* by complicating strategic planning, through increased administrative burdens, and by stifling institutional learning (figure 1).

Case Selection, Data, and Methods

I conduct qualitative case studies of FAO, IFAD, and WFP—the three major IOs in the food and agricultural development regime. I chose this sub-regime because of its substantive importance, the variation in funding structures in its key IOs, and the unique availability of their performance evaluations. Food and agriculture regained significant attention during the 2007/08 global food price crisis (Lele et al. 2021).

Path-breaking work has gauged the evolution of this regime, including the governance structures, organizational reforms, and ultimate effectiveness of its constituent agencies (Lele et al. 2021). Such work also recognized the significant overlap between the agencies in the regime and their attempts to coordinate with each other (Heucher 2019). While these studies have provided in-depth insights into the workings of the regime, explicit analysis of the funding-performance link is lacking. I introduce the three Rome-based agencies, focusing on relevant aspects for the funding-performance link.

The Rome-Based Agencies

FAO, IFAD, and WFP are often referred to as the "Rome-based agencies" as they have similar goals, organizational structures, and the same headquarters location (Table A1 in Online Appendix A). FAO is the oldest of these IOs, established in 1945 with an initial mandate to coordinate grain production. This has evolved to encompass all aspects of food and agriculture, forests, fisheries, and natural resource management and to "ensure food security across the development-humanitarian continuum" (MOPAN 2019a, 12). FAO fulfills both a normative role as an "information clearinghouse" and standard-setter and an operational role in technical assistance and policy support for agricultural development. FAO has 5,800 staff in about 130 countries, eighty-five country offices, five regional offices, and ten sub-regional offices (MOPAN 2019a, 13).

WFP was created in 1961 as a joint subsidiary program between the UN and the FAO with a mandate to coordinate and provide food assistance. WFP is tasked with developing technical standards and logistical capacity for food assistance. Reflecting the normative shift from "food aid" to "food assistance" (Lele and Goswami 2020), its role has evolved from a distributor of food aid (using agricultural surpluses in donor countries) to an enabler of food security that provides individuals in developing countries with vouchers. In the words of a WFP official, "FAO is the agricultural ministry, whereas WFP is the ministry for social protection" (Interview #7). WFP employs 17,000 staff, mainly located in over eighty country offices and six regional offices (MOPAN 2019c, 13).

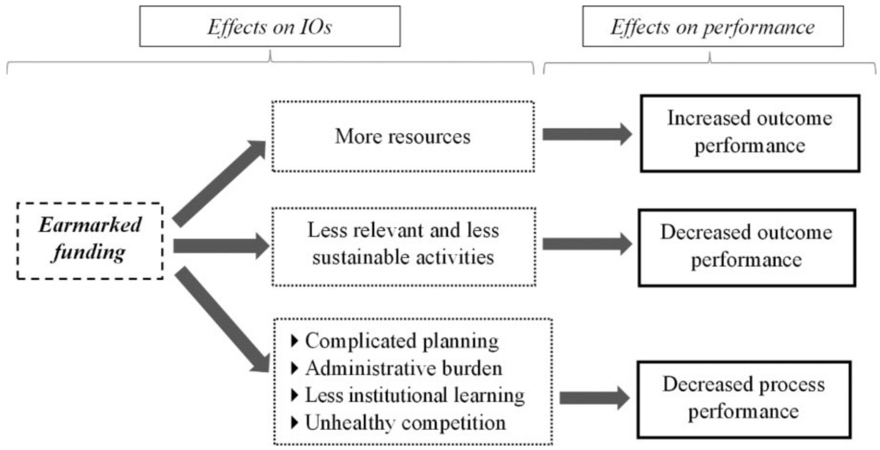

Figure 1. Summary of theoretical expectations.

IFAD was created in 1978 amidst an oil price crisis, financed by Petrodollar surpluses of OPEC members and contributions from OECD/DAC donors. IFAD focuses exclusively on the promotion of rural development. To that end, it provides highly concessional loans to smallholders for long-term projects, thereby investing in the productive capacities of agricultural sectors. Initially drawing on FAO expertise to develop projects, IFAD has increasingly developed its service portfolio to complement its investment function (Lele and Goswami 2020). Hence, IFAD has an unusual dual role, being both a specialized agency and an international financial institution that does not implement on its own but operates through government-led partners (MOPAN 2019b, 7). As a rather small organization—with about 700 staff and operations in ninety countries, only half of which have an IFAD country office—IFAD has less extensive field structures than the other Rome-based agencies, despite having decentralized operations in recent years (MOPAN 2019b, 43).

Data and Methods

I use a qualitative case-study approach that combines interviews with Rome-based officials and qualitative assessments from various evaluation reports to cast light on the relationship between funding structures and IO performance. These sources of evidence are complementary. While official reports sometimes explicitly discuss the funding-performance link, the evidence from staff interviews is more explicit about it.

I identified interviewees through IO websites, social media, and my network of existing contacts. I interviewed twelve IO officials, primarily from resource mobilization departments, as they are most knowledgeable about funding issues. Interviews continued until reaching a saturation point on the key themes of the inquiry. I obtained prior informed consent from interviewees and guaranteed that their statements would be treated confidentially. My use of the same interview protocol for each agency affords me the possibility to compare the salience of specific mechanisms across agencies. Interviews lasted for about one hour each, highlighting the most salient links between earmarked funding and organizational performance. The Online Appendix lists my interviews (Table A2 in Online Appendix A).

I complement evidence from semi-structured staff interviews with qualitative document analysis from different sources. I triangulate performance outcomes from different sources and various viewpoints, ranging from in-house reports from evaluation departments to external assessments. I also use numerical assessments from the GPEDC and the LTL surveys, although these are not available for all organizations.

I apply selection criteria to choose which evaluations to include in the analysis. I focus on reviews published in the 2010–2023 period, thereby excluding earlier reviews, for example, by UN-JIU, which may be seen as outdated considering corporate reforms to date. These reports remain important background material though. In terms of evaluators, I include all *external* corporate-level evaluations because there are few of them. This includes the MOPAN assessments, which provide the most in-depth coverage of the IOs, and which have assessed these IOs repeatedly: FAO (2011, 2014, and 2017–2018) and IFAD (2010, 2013, and 2017–2018), and two for WFP (2013 and 2017–2018). As detailed in the Online Appendix, MOPAN assesses outcome performance and process performance triangulating different sources, even if it could be argued that evaluation categories represent donor priorities (Table A3 in Online Appendix A). I gain complementary insights from the GPEDC ratings, which capture agency performance from a recipient-country perspective. GPEDC assessed the three IOs somewhat unevenly: FAO and WFP twice (in 2015 and 2017) and IFAD four times (2013, 2013, 2015, and 2017) (Table A4 in Online Appendix A). LTL only included IFAD and published the results of three elite stakeholder surveys (in 2015, 2018, and 2021) (Table A5 in Online Appendix A).

For *internal* evaluations, typically conducted by independent evaluation departments, I focus on those that draw some connection between resourcing and performance. The number of reports included in my list thus is a good indication of how salient this connection is in each organization. This approach is meaningful given the practical impossibility to (qualitatively) analyze all evaluation reports. Online Appendix lists relevant evaluations from all these sources and their key findings (Table A6 in Online∗ Appendix A).

In the following sections, I describe separately the performance outcomes and funding structures of all three Rome-based agencies. Subsequently, I provide evidence on the link between funding structures and performance outcomes.

Performance Assessments and Funding Structures in the Rome-Based Agencies

Organizational Performance

FAO scores moderately well on performance assessments. MOPAN lauds the organization for a "clear, compelling, and focused vision" that is translated into five strategic objectives, its "commitment to working in partnerships," and "high-quality financial management systems" (MOPAN 2019a, 8). Specific challenges include weaknesses in strategic risk management, human resource planning, corporate performance reporting, and the timeliness of administrative and operational processes, as reflected in "frequent no-cost extensions and under-resourcing of project cycles" (MOPAN 2019a, 8). An FAO Office of Evaluation (OED) assessment concludes that "FAO has not invested sufficiently in an effective institutional monitoring function that enables qualitative assessment, strengthens learning, and provides feedback to enhance program performance and results effectiveness" (FAO/OED 2019, x–xi). According to GPEDC evaluations, FAO is well aligned with country objectives and increasingly uses country systems. However, its disbursements lack predictability, and commitment–disbursement gaps have widened (GPEDC 2023).

IFAD performs relatively well on most performance dimensions. MOPAN scored IFAD consistently high in all evaluations, praising it as an "agile, responsive, and well-performing organization" in which "strategy, structure, and operating model are well geared toward achieving its mandate and sufficiently flexible to adapt to the context and changing member state needs" (MOPAN 2019b, 7). Prompted by the 2011 MOPAN review, IFAD made efforts to better link disbursements to results, and mainstream cross-cutting issues like gender, environment, and food security (MOPAN 2013a, 5–6). The 2017–2018 evaluation praises IFAD for having introduced results-based budgeting (MOPAN 2019b, 7). GPEDC assessments score IFAD well on alignment with country objectives and especially the use of country systems for financial management, reporting and monitoring, and audits. However, IFAD struggles to provide funding that is predictable for clients (GPEDC 2023). In the LTL survey, IFAD has fallen behind its peers in 2015–2021 in terms of its helpfulness and influence with recipient countries, even if these rank changes do not allow to judge IFAD's absolute performance (AidData 2023).

WFP is considered by MOPAN as a "highly relevant and response organization," which has a "clear long-term vision" and a "good value system," combined with "robust oversight and evaluation structures" (MOPAN 2019c, 8). This assessment is in line with the UN-JIU evaluation, a decade earlier, lauding WFP as an "adaptive organization with a focus on improving effectiveness and efficiency" and having "good planning and management capacity, with focus on results-based management" (JIU 2009, iii). MOPAN further recognized WFP's significant reforms since 2013 toward improved engagement with partners, strengthened country-level structures, and being an enabler and less an implementer (MOPAN 2019c, 23). Yet, its dual mandate is seen as a "source of confusion" (MOPAN 2013b, vi), even if WFP insists it should pursue a "holistic approach" comprising crisis relief, building resilience, and addressing root causes (Interview #4). GPEDC assessments for WFP are on par with the other two Rome-based agencies. WFP operations are moderately less aligned with country objectives, but funding is more predictable from a recipient perspective. WFP makes very limited use of country systems—a consequence of the nature of operations in humanitarian assistance.

Funding Structures

The three Rome-based agencies differ in their funding structures. FAO has assessed contributions and voluntary contributions. Assessed contributions support the Technical Cooperation Program (TCP). Voluntary contributions, which make up two-thirds of the budget, are generally earmarked for specific purposes and country-level interventions. In fact, FAO mobilizes most of its earmarked funds at the country level (MOPAN 2014, 63). Changes in its organizational structure designed to be more relevant to country needs precipitated this pattern: FAO began its decentralization process in the mid-1990s (JIU 2002) and expedited it further with the Immediate Action Plan (IAP) following the 2007 Independent External Evaluation (Lele and Goswami 2021, 643). FAO has seen rapid growth in earmarked contributions, especially around the 2007/08 global food security crisis. The specificity of earmarked funding has also increased, especially in 2010/11 coinciding with the IAP reform (Figure A1 in Online Appendix A).

IFAD has a dual financing model based on replenishments of its core fund every 3 years and complementary non-core resources (Interview #11). Replenishment is an opportunity for donors to provide strategic guidance and agree on a work program that is monitored using a results management framework. IFAD is currently supported by about twenty donors, and attempts to broaden the donor base have failed. Nonetheless, funding patterns have remained relatively stable, aside from cyclical funding fluctuations within replenishment periods. Earmarked funding amounts have varied, with two distinct upward spikes in 2007 and 2020. In 2020, earmarked funding has been on a par with core funding for the first time. The specificity of earmarking has remained relatively stable (Figure A2 in Online Appendix A).

WFP not only heavily depends on earmarked funds, but the share of unearmarked funding declined from 19 percent in 2002 to 5 percent in 2017 (MOPAN 2019c, 47). This is primarily due to the massive growth in earmarked funding, while core resources have remained flat (Figure A3 in Online Appendix A). MOPAN notes that "efforts to diversify funding base have not yet borne fruit" and that "WFP remains largely dependent on its top ten donors," who contribute 86 percent of the funding (MOPAN 2019c, 7). Most earmarked funds are raised at the country level. WFP data, which include all donors, indicate that 94 percent of all voluntary contributions in 2018 were earmarked, of which 84 percent were earmarked at the most restrictive level. This figure was reduced to 71 percent in 2019 (WFP/OEV 2020, iv), mainly due to the increased flexibility of several of the top-ten donors. The high prevalence of earmarking has many reasons, including the institutional genesis of WFP, its intervention modalities, growing needs due to an increasing number of crises, and changing donor preferences. Organizational reforms further expedited tight earmarking: the move toward Country Strategy Plans made lower-level earmarking at the activity level possible, whereby a donor only supports certain aspects of the plan (Interview #7).

Linking Earmarked Funding and Organizational Performance

Earmarked Resources Increase Outcome Performance by Expanding Available Resources

MOPAN defines outcome performance to go beyond mere outputs by measuring corporate-level results (whether IOs achieve what they set out to do), country-level results (relevance to country needs), and the sustainability of results (MOPAN 2019a). Adopting this definition, I find that earmarked funding helps IOs achieve their goals through expanding their operations, although supported activities are not always relevant to country needs and their sustainability is limited.

FAO supports almost its entire country-level operations by earmarked funds, whereas core resources support the normative work of the agency and TCP. Hence, earmarked resources fill an important gap in the country work, even if implying a rebalancing between normative functions and implementing roles. In an ideal scenario, both functions benefit from each other in a synergistic fashion, for example, when country-level experience informs norm-development (Lele and Goswami 2021). Similarly, earmarked funding has been used to scale up core-funded TCP support. Given its small size, the TCP has come to fulfill a catalytic role, encouraging scaled-up support from an earmarked project. For example, as an official explained, "FAO financed a small TCP in Thailand on fisheries. The consultant report made recommendations that the Thai government took on, and the following year a large donor came in to support the implementation." In a similar vein, FAO has also established a "formulation fund," which uses earmarked funding for innovative pilots. At a corporate level, earmarked funding could be a force for good, specifically on mainstreaming cross-cutting issues. According to an official, "earmarking is pushing us on priorities that we would not have pursued ourselves, but that are still within our mandate, like climate change in South America" (Interview #8). These examples show that earmarked funding can boost outcome performance, if used purposively and if appropriately managed and integrated with core programs. However, there are also limits as to how far earmarked funding can be pushed relative to core funds. The 2017–2018 MOPAN evaluation highlights that "too few unearmarked resources" pose a risk for FAO delivery capabilities (MOPAN 2014, 21).

The experience of IFAD is similar, yet more positive. Several evaluations, including the 2017–2018 MOPAN assessment, the 2018 IFAD/IOE evaluation on its financial architecture, and the 2020 IFAD/IOE evaluation on innovation, noted that IFAD faced a risk of being unable to support its activities under the work program. Under these circumstances, earmarked funding could fill a financing gap relative to self-defined goals and thereby help the agency stay relevant. According to IFAD officials and IFAD/IOE reports, the organization would be worse off without earmarked funds for three reasons. First, earmarked funds can fill gaps in the work program that emerge from the formula-based allocation system. Under the "Performance-based Allocation System," beneficiary-country core allocations are calculated using a specific formula based on country needs and country performance (IFAD/IOE 2018, xvi). This formulaic approach leaves several countries under-aided, despite relevant needs. In this situation, earmarked funds can "grow the pie," even if inefficiently so, given their tighter accountability frameworks (Interview #6). Second, earmarking can also help accelerate innovation (IFAD/IOE 2020). The IFAD official mentioned the example of the Adaptation for Smallholder Agriculture Program (ASAP), a multi-donor flagship fund that helped mainstream climate change into rural development. Beyond advancing thematic issues, ASAP helped "make us think how we can do better in our project design" (Interview #6).[2] Third, at the country level, earmarked resources, as a source of grant funding, can help foster country dialogue, which itself increases the likelihood of scaling up interventions through informing policy design (IFAD/IOE 2017a).

Earmarked funding is indispensable for WFP to achieve its mandate. This is because the organization is entirely funded by voluntary contributions, and only a negligible portion of them are core-like resources that can be used flexibly. The tremendous budget growth over the past decade can be interpreted—according to one official—as "a huge fundraising success" that would allow the organization to do more and address unmet needs (WFP receives about $7 billion per year, but estimated needs have increased to $20 billion). The official said that "donors agree with our priorities"—and the strong overall support for WFP stands above the drawback of high shares of earmarked funding (Interview #5).

Earmarked Funding Reduces Outcome Performance by Making the Achievement of Results More Difficult

While earmarked funding expands resources available for development interventions, the activities that it supports are not always a priority for recipients and suffer from limited sustainability. By allowing donors to pick-and-choose interventions, coupled with a tendency for donor competition, IOs are more likely to face underfunded areas and overfunded areas at the same time. In addition, the short-term nature of earmarked funds forces IOs to focus on short-term interventions with less sustainable impact compared to core funding.

Where donors are free to choose what initiatives to support, this leads to overfunding in some areas, whereas others get underserved. Underfunded areas thus underperform with respect to achieving results that are relevant to countries' needs. For example, as an FAO official explained, "the country may want activities in agriculture and fisheries; but no donor may want to finance that—the donor only wants to support fisheries. Then we will expand fisheries to at least do that well" (Interview #8).

WFP reports similar experiences, even if it is well attuned to the short-term nature of interventions as a provider of humanitarian assistance. Earmarked funding can undermine the delivery of results in multiple ways. First, earmarked funding for specific disasters can be sizeable but is slow to come through. WFP, therefore, needs flexible funding to jump-start an emergency response (Interview #7). Second, WFP faces "operational fragmentation"—having money for things for which there is not the greatest need. An official criticized that "WFP should be able to serve its mandate. Respecting the line of work that has been agreed in the strategic plan is important. But earmarked funds often go against the previously agreed plan" (Interview #4). The unpredictability of earmarked funding poses challenges to operational continuity. When a new crisis such as the Ukraine

[2]The ASAP experience was unique in that it was supported by a lead donor, which provided relatively flexible funding to jump-start the program. Subsequent contributions, particularly from other donors, were smaller and more fragmented (Interview #10).

war hits, earmarked funds follow, while funds for other crises like the conflict in Tigray dry up. WFP then must rely on unearmarked funds to keep up its operations in Tigray. WFP had to close its office in Ukraine in 2018, which was one of the "country offices with a small portfolio and no tasks." Ironically, as the official said, "of course, now we get a call and are expected to deliver [in Ukraine], but it is difficult under war conditions—to source warehouses, food items, and distribution chains" (Interview #7).

The unpredictability of earmarked funds and their short timelines can undermine results achievement. From an IO perspective, earmarked funds have these features because they are "linked to the electoral cycle of the donor, not to our planning cycle" (Interview #1). Hence, the "frequent no-cost extensions" and "under-resourcing of project cycles" (MOPAN 2019a, 8) noted in an FAO assessment can plausibly be linked to an over-reliance on earmarked funding. As one FAO official explained, "operational management is significantly affected by earmarked funding. Considering our program of work and budget, we only cover 25 percent of what we need with our regular staff. But you cannot plan if you don't know what you mobilize this year. If earmarked funds flow, we must open a pool of consultants. You need six months to get somebody on board, then you are already late" (Interview #9). Another official said, "country offices have limited capacities—sometimes only two people working there. Then you get $10 million in earmarked funding, which poses a challenge" (Interview #8). Lack of predictability and stop-and-go financing ultimately prioritizes shorter interventions that nonetheless must deliver results fast to not risk losing funding. The impossibility of planning ahead generates particularly salient risks in a highly decentralized organization like FAO. As one official explained: "The challenge is now how to implement a $82 million budget in Argentina—a country office that implemented $5 million in the year before. This is a struggle, [as we] need to show results, otherwise we get no more money. . . these funds put an organizational burden on us" (Interview #9).

From a WFP perspective, the short duration of funding arrangements of earmarked contributions undermines sustainability by causing operational inefficiency. One official explained: "With unearmarked funding, we can have longer contracts with vendors, which increases quality; we can hire staff more long-term, which should boost their motivation and increase their performance; we can invest longer in a village, which generates potential for self-sufficiency—relief is economically most costly while investing in people gives a return. In short, flexible and multi-year funding allows us to undergo longer-term commitments" (Interview #7). Operational rules attached to earmarked funds are another problem. As one official said, "with procurement limits imposed under strictly earmarked resources, optimization potential is often lost" (Interview #4). In other words, the small-scale nature of earmarked projects prevents economies of scale.

IFAD seems to be an outlier as none of the evaluation reports includes similar evidence. This is likely because its key challenge is that as a small organization, it struggles to produce results at scale. Urged by evaluators (Hartmann et al. 2010), IFAD has developed a strategic approach to using grants to "pilot innovations to be scaled up through loans, or support project design, sector and poverty analysis that would inform policy dialogue" (IFAD/IOE 2017b, v). The benefits of this approach in producing sustainable results are not guaranteed though. In this regard, it appears crucial that IFAD pursues co-funding opportunities with donors "that share similar innovation goals" (IFAD/IOE 2020, xxiv). A unique governance feature of IFAD is that all projects—even earmarked projects—are approved by the Executive Board (DFID 2015). This may ensure greater relevance of earmarked projects and identify complementarities with core operations.

Earmarked Resources Decrease Process Performance by Complicating Strategic Planning

While short-term projects that cater to donor priorities may still deliver results, they undermine strategic management at the corporate level. Where earmarked projects make up most of the budget, it becomes impossible for organizations to formulate coherent strategies—ironically a request long made by donors and used by them for allocating resources. Earmarked funding thus unequivocally undermines process performance by making strategic planning more difficult.

According to MOPAN, "FAO acknowledges that aligning earmarked funding (at both global and country level) with its strategic objectives remains a challenge, given the specific interests of particular funders" (MOPAN 2019a, 63). Interviewees confirm that staff essentially backfit earmarked funds to the strategic themes rather than starting from a coherent whole. According to one FAO official, "some small donors are extremely driven by their own agendas, with no appetite to enter into multi-donor trust funds" (Interview #2). IFAD officials also saw a risk that donors shift organizational priorities elsewhere. However, IFAD "takes strong ownership" to only accept contributions "aligned with SDG 2" (Interview #6).

For WFP, the reliance on earmarked funding is so high that the organization is impaired in its "ability to respond to need," and the high dependence on its top-ten donors "leaves it vulnerable to external policy shifts and pressures" (MOPAN 2019c, 29). Interviews confirmed this concern: "Some areas of our work are underfunded. For example, addressing root causes and anticipatory action need more advocacy work as they are currently underfunded. But we are convinced about our holistic approach—it is important when we talk about effectiveness" (Interview #3).

Whether earmarking undermines strategic planning also depends on donor practices. Compared to bilateral donors, global funds can have a positive influence on strategic planning, depending on the organizational context. For FAO, the recent growth of contributions from global funds has been beneficial because compared to its usual technical assistance projects, global funds provide relatively large projects for broad thematic priorities that fit relatively easily under the FAO mandate. As an FAO official explained, "FAO assists countries in putting forward proposals for funding from the global funds. There is a lead agency in each specific area, which allocates the funding. From this perspective, global funds are a stabilizing force for FAO—their funding is predictable" (Interview #1). Other donors (like Belgium and Sweden) have come to unearmark their voluntary contributions but want to be part of executive committees in return. Views about the global funds on their role for strategic planning were more tempered for the other Rome-based agencies. For example, IFAD/IOE evaluations have highlighted "the missing links between global partnerships and country programs [. . .], for example for global and regional grants" (IFAD/IOE 2016b, v).

Despite the difficulties for agencies to align strategic frameworks with donor priorities, IFAD appears to eschew much of these difficulties. Arguably, because IFAD has country-level core resources, it can afford to be more selective in its reliance on earmarked funding, thereby supporting its strategic agenda. An IFAD official explained: "There are IOs who have the capacity to deliver on multiple objectives at the same time—they reconcile different streams, which do not contradict each other, moving toward the same set of outcomes. . . IFAD is one of them; it has the capacity to design and deliver. Other IOs do not have that capacity because their mandate is narrow, for example, to develop a certain technology for sustainable agriculture; or because they have no country presence" (Interview #6).

Earmarked Resources Decrease Process Performance through Increased Administrative Burdens

There is evidence across all three IOs that earmarked resources decrease process performance through increased administrative burdens. From an FAO perspective, earmarking increases transaction costs for staff, with potentially adverse implications for their ability to attend to other core functions such as managing relationships and program learning. This is because of the relatively small financial envelope that earmarked projects entail, considering that the same procedures must be followed (due diligence, management clearance, contract issuance, and financial reporting) regardless of funding size. Even in pooled funding mechanisms, some donors require sub-program accounts for specific (domestic) reasons. One official said, with reference to three large donors, "they have specific requests so their funds cannot be lumped with other donors, such as specific reporting lines. Their aid must then become a single-standing project because it cannot be commingled, even if it aligns programmatically and is fairly unearmarked, but because of specific reporting timelines" (Interview #9). Earmarked contributions from global funds are heavy in transaction costs, too, because "they have different project cycles [and] additional criteria like Board approval. . . but we are able to cater to them" (Interview #8).

IFAD staff contends that the costs of managing earmarked resources are "inordinately high," especially from some global funds. Such contributions are "a different color of money," provided with the objective of "growing the pie" and "giving to the cause—but not [to] enhance efficiency" (Interview #6). An IFAD official said: "We would rather put those resources [to programs], but donors want more accountability" (Interview #6). One official admitted that demands for dedicated reporting can be quite high, even from "Nordic Plus" donors, and have increased over the last decade (Interview #11). Another official reported increasing administrative burdens in collaborating with the GCF, which requires separate log-frames (Interview #10). Hence, earmarked funding increases the transaction costs of aid delivery that come at the expense of substantive activities. Interview evidence also points to an additional operational risk: earmarked funding may undermine financial viability to the extent that they draw on organizational core capacities without paying for them. An IFAD official said that earmarked funds "take away our core; we do not recover our costs on these" (Interview #6). Probed why IFAD would not reject such monies, the official replied that "there is donor pressure to take them. . . if a donor is knocking on your door, you open it." Other officials confirmed that rejecting earmarked funds is unrealistic, saying that "previously, we had more leeway to negotiate as our core [funding] was larger, but at the end of day, if there is money on the table, we have to take it and make it work" (Interview #11). Considering the downsides of earmarking, IFAD staff would always prefer all contributions to be given as replenishments rather than earmarked funds.

From a WFP perspective, earmarked funding absorbs resources related to administration and reporting. In this regard, multi-year funding arrangements are the most preferred mechanism, as they prevent "agreements from being negotiated over and over again" (Interview #7). Transaction costs for WFP staff also arise from specific reporting requirements. WFP staff consider global funds particularly problematic in this regard. As one official said, "transaction costs are higher for these funds." Insisting on the importance of harmonized reporting, the official complained: "With these mechanisms comes a new reporting framework. They often put up a parallel framework that is often contradictive, especially for country offices which are stretched already" (Interview #4). From a WFP perspective, the problem is that "our reporting is based on our budget structure and we also have a different time frame (country reports by the end of March, approved by the Board in June); but often global funds have different timeframes and KPIs; this requires translating our data" (Interview #4). Still, only a minor percentage of WFP's earmarked funds come through global funds.

Earmarked Resources Decrease Process Performance by Stifling Institutional Learning

Earmarked funding may undermine knowledge management, hampering long-term institutional learning and results-based allocation of aid. In the case of WFP, "funding is still the primary driver of interventions. . . the potential for WFP to make adjustments in response to performance data is limited to a relatively small proportion of program funding, as the overwhelming majority of funding is earmarked for specific programs" (MOPAN 2019c, 38). Similarly, an FAO official said, "you cannot allocate where the results are if you have earmarking. We would have the projects, but then nobody believes this is a priority. For example, on swine flu, we wanted to work on prevention, but donors said they need to put it into COVID-19 now" (Interview #9). In this light, concerns that FAO would use "results-based budgeting to a limited extent" (MOPAN 2019a, 26) seem to miss the point, as good practice is hampered by earmarked funding. This assessment holds even when considering that FAO—according to its own evaluations—has missed the opportunity to mainstream earmarked resources into its operational planning and corporate oversight mechanisms (FAO/OED 2019). In fact, "[m]ost UN agencies have adopted [a] program approach decades ago, but FAO keeps managing its projects as discrete entities detached from one another" (FAO/OED 2020, 41).

According to internal evaluations, earmarked funding hinders the implementation of performance measurement and monitoring systems. This is because performance measurement predominantly fulfills an accountability function, rather than an opportunity for learning. As a WFP meta-evaluation highlights, "[w]hile recognizing that meeting donor monitoring requirements is necessary, the evaluations found that these requirements placed burdens on country offices, and that the data generated were not used beyond reporting. They also noted a lack of harmonization between donors" (WFP/OEV 2020, 28). For example, the 2020 School Feeding Strategy Evaluation noted: "The burden of [corporate and donor] reporting reduces the attention paid to analysis and use of the data gathered." The 2021 Country Strategic Plan evaluation of Zimbabwe concluded: "Overall the use of the available monitoring information was heavily oriented towards external reporting and accountability, rather than towards learning" (WFP/OEV 2020, 17).

Institutional learning through earmarked funding is limited also in the other agencies. The reviews of the FAO trust funds—among earmarked mechanisms the most likely to be beneficial for learning—are disappointing. The 2021 FMM evaluation concludes: "The FMM has significant potential for contributing to corporate knowledge and organizational learning. This potential has not been exploited sufficiently." The 2012 Africa Solidarity Trust Fund (ASTF) evaluation noted variation in the performance of ASTF performance and attributed this variation to "the lack of cross-learning among some of ASTF interventions," recommending the establishment of a "cross-learning component within the ASTF" as a result (FAO/OED 2018, 3). While this shows a lack of attention by donors to learning, internal evaluations also noted that "FAO has not invested sufficiently in an effective institutional monitoring function that enables qualitative assessment, strengthens learning and provides feedback to enhance program performance and results effectiveness" (FAO/OED 2019, x–xi). A 2020 evaluation lamented limited learning laterally and from the bottom up due to the "absence of formal tools" such that "knowledge is shared through networks that can easily form silos" (FAO/OED 2020, x). These quotes assign responsibility not only to donors who use fragmented reporting systems but also to management for insufficient attention to good learning systems. For IFAD, learning is a strategic goal enshrined in its 2007–2010 Strategic Framework. However, even in this favorable context, MOPAN found significant scope for learning, concluding that "integration of performance data and lesson learning could be more systematic" (MOPAN 2019b, 9).

Other Mechanisms of Process Performance

Earmarking can affect process performance in additional ways. For example, it may instill further competition between agencies, thereby preventing system-wide coordination and undermining relationship-building.

Several evaluation reports touch on the performance implications of inter-agency competition but do not establish explicit links to funding structures. An FAO/OED review concluded that "collaboration [between the Rome-based agencies] is offset at the moment by competition and high transaction costs" (FAO/OED 2020, x). Likewise, IFAD/IOE documents ongoing cooperative efforts at the country level, this "cooperation has yet to produce tangible results" (IFAD/IOE 2016a, v). Arguably, the need to mobilize earmarked donor resources is unlikely to facilitate cooperation among agencies and is plausibly linked to noteworthy mandate overlap that has come about due to agencies expanding their operations depending on opportunities created by available donor funding (Lele, Baldwin, and Goswami 2021, 383–84).

Softly Earmarked Funding Mechanisms—A Silver Lining?

IOs have long noted the perils of relying (too much) on restrictively earmarked funding. Two key responses to counteract this challenge are apparent. First, IOs have embraced organizational reforms to improve transparency, hoping for more (unearmarked) resources in return. Concerned about over-reliance on earmarked funds, a JIU report on WFP stated: "The Inspectors believe that WFP should make more efforts to enhance transparency and assurance in resource allocation and to strengthen communication with donors so as to reduce earmarking of contribution" (JIU 2009, iii). However, donors do not respond mechanistically to such improvements. As a MOPAN report noted ten years later, "the expectation that increased transparency—generated by clearly linking budgets to results—will provide for more flexible financial planning is hampered by the limited soft earmarking that WFP receives." Even more so, "unless donors respond to the changes WFP is making, the anticipated gains of these reforms may not be realized" (MOPAN 2019c, 23).

Another organizational response has been to establish funding mechanisms that pool donor resources around broader themes. FAO established three such trust fund mechanisms: the ASTF in 2012, the Special Fund for Emergency and Rehabilitation (SFREA) in 2004, and the Flexible Funding Mechanism (FMM) in 2010 aligning with FAO's five priority themes (FAO 2020). Their evaluations provide insights into the adequacy of their funding and their contribution to results at the country level and to the entire organization. The 2018 ASTF evaluation praises the ASTF for its overall positive performance, with contributions to capacity building and to reinforced regional partnerships (FAO/OED 2018). Similarly, FMM is seen as a cost-effective mechanism that aligns well with corporate objectives (FAO/OED 2016) and that even expanded operations into areas where FAO did not work before (FAO/OED 2021). However, there are weaknesses. The ASTF evaluation notes a lack of upstream take-up of results on the ground, and insufficient delivery of technical expertise from headquarters to project teams (FAO/OED 2018, 35). Being driven by headquarters, the FMM does not seek proposals from decentralized offices, while itself being unknown to many of these offices (FAO/OED 2021, xii). Ultimately, the benefits of FMM were reduced by donors insisting on specific earmarks within the fund, which, according to the donors, is related to "the poor quality of reporting, and a tendency to under-report on achievements" (FAO/OED 2016, 38). The 2021 evaluation states that reporting quality significantly improved since and that earmarking stringency has reduced (FAO/OED 2021, x). And yet, the short-term nature of the interventions, driven by donor constraints, has led to a fragmented portfolio of activities that prevents transformative change (FAO/OED 2021, xii). These issues aside, the size of the trust funds remains small, owing to lack of donor support and lack of communication about the fund from the organization (FAO/OED 2018, 3). For example, in its recent funding phase, the FMM mobilized $58.8 million, a mere 4 percent of its total resources. Hence, FAO pooled mechanisms do not change the fundamental conclusions about the adverse effects of earmarking, but rather replicate them to some extent. For WFP, pooled mechanisms are even less common. While project-based earmarking remains the predominant modality, some donors have recently stepped up their support for unearmarked mechanisms, such as the Immediate Response Account, as well as by providing advance funding, where a donor allows WFP to spend money based on promissory notes rather than received funds (Interview #4).

Conclusion and Discussion

This article examined how earmarked funding affects organizational performance. Combining evidence from evaluation reports and semi-structured interviews, I conducted qualitative case studies of the three major IOs in food and agricultural development—IFAD, FAO, and WFP. While the three IOs operate in a similar context and work for similar development goals, they differ with respect to the degree to which they rely on earmarked funding to support their work.

I found differences in funding structures drive IO performance. Conceptually, I followed the IO performance literature and the MOPAN assessment framework in distinguishing outcome performance and process performance. The former refers to the extent to which IOs achieve results and achieve their self-defined goals. The latter refers to the degree to which IOs are capable of planning strategically, managing operations efficiently, liaising with partners effectively, and monitoring results. I expected that earmarked funding, which is predominantly given as project-specific earmarking, can increase outcome performance but at the same undermines process performance. I interrogated these mechanisms by analyzing organizational reports and external evaluations from various sources as well as staff interviews.

The analysis broadly corroborated this expectation. Across all three IOs, I found that earmarked funding increases outcome performance by increasing the funding available for development activities but simultaneously jeopardizes these gains by supporting interventions that are less relevant to needs and that are less sustainable. For example, FAO uses earmarked funding to support most of its in-country work, but the supported activities suffer from short-term bias and lack sufficient technical support from headquarters. The case of WFP shows—in the context of a development agency that also addresses humanitarian needs—how the possibility for earmarking mobilizes much-needed funding for disasters but also undermines results by underfunding protracted crises and causing delays and capacity mismatches that adversely affect aid effectiveness.

In addition, I found that earmarked funding decreases process performance by complicating strategic planning, increasing administrative burdens due to donor requirements, stifling institutional learning, and preventing inter-agency cooperation. Although process-related performance losses vary by donor type and according to the stringency of earmarking, a common challenge is that earmarked funding involves separate reporting and additional fiduciary procedures that take away staff time from delivering aid projects. The short-term nature of most earmarked funds forces agencies to appoint short-term consultants and accept less favorable procurement terms, while the volatility of earmarked funds reduces operational efficiency. Since earmarked funds do not (fully) cover program support costs, there is limited incentive for the organization to provide technical backstopping. While advocates of earmarked funding would consider these efficiency losses as a necessary price to pay for more results and greater accountability, they may threaten the long-term capabilities of IOs and ultimately reduce aid effectiveness.

My analysis also established some new insights, notably that the performance implications of earmarked funding tend to be affected by context. Earmarked funding appears to have more benign effects at IFAD because it is more integrated with core projects, leading to synergies across funding streams. The requirement of board approval for earmarked projects fosters their alignment with the IFAD mandate and ensures management oversight. FAO replicates some of these benefits where its core-funded technical assistance program catalyzes scaled-up interventions supported from earmarked funds. However, lack of budget integration of both funding streams prevents strategic planning, exacerbated further by the lack of a programmatic approach that has caused a highly fragmented portfolio of earmarked projects. A further complication is that FAO gets assessed for country-level results, which are supported almost exclusively by earmarked resources that are known to be less effective. This traps the organization in a vicious circle whereby it is challenged to demonstrate results without having the appropriate type of resources to generate these results, which in turn prevents donors from unearmarking more of their contributions. Organizational reforms to bring sector expertise to country teams—as highlighted by the 2019 FAO/OED evaluation—are essential to break this vicious circle, but such reforms are costly to stem from an already depleted core budget. WFP also displays a dangerous over-reliance on earmarked funding but appears to control its adverse effects given its experience with short-term monies. Importantly, earmarked funds are better aligned with the operational mandate: WFP focuses on country-level support and does not engage in normative work. Where earmarked funds contribute to effective country-level support, WFP can successfully mobilize even more earmarked contributions—a virtuous circle given its business model.

I note some limitations of my study. Foremost, performance lies "in the eye of the beholder" (Gutner and Thompson 2010), and thus these assessments may be biased. To mitigate such biases, I triangulated my evidence from different sources capturing both donor views and organization perspectives. The views of the donor community and the agencies. Another limitation is that earmarked funding may ultimately only be a proximate cause for performance variation. Governance rules, such as voting weights and replenishment modalities, may ultimately be responsible for different earmarking patterns. Future research—taking a large-*N* approach—could complement my study in various ways. Importantly, large-*N* research would enable a more rigorous test of alternative explanations. For example, de-facto autonomy of IOs appears to be a plausible confounder (Lall 2017). However, WFP scores below IFAD despite its high de-facto autonomy rooted in the technical complexity of food assistance and its pool of private donors. Similarly, while "trust" is a plausible confounder (Jankauskas 2022), the widely perceived decline of trust in IOs applies to all IOs alike and therefore cannot explain differences in funding or performance across IOs.[3] My main analytical leverage comes from analyses of the mechanisms through which earmarked funding affects organizational performance within all three IOs. Ultimately, this qualitative evidence suggests that IOs would increase their performance if their operations were less dependent on earmarked funds but rather supported by core resources.

To counter the adverse process performance effects of earmarked funding, all three agencies have begun to establish softly earmarked mechanisms that directly support a subset of their strategic priorities and work programs. By pooling donor resources, they hold the promise to be more flexible, reduce operational fragmentation, and limit transaction costs. Internal evaluations attest that agencies have improved the transparency of aid allocation, attribution of results to donor contributions, and reporting against strategic priorities in these mechanisms. And yet, donor contributions toward these mechanisms remain small, and sometimes donors require special accounts even within these mechanisms to cater to specific financial regulations at the domestic level. Without increases in such flexible funding, the situation is unlikely to change.

There is scope for future research that could test non-linearities involving threshold effects and interactive effects with other institutional features. Some earmarked funding can be a driver of performance, but too much of it may

[3]The Online Appendix provides a more detailed discussion of these alternative arguments.

undermine performance by diverting attention away from core tasks, creating rigidities in operational responses, and increasing transaction costs. Similarly, task-specific features, such as the level of technical expertise required to deliver projects, may protect agencies from strictly earmarked funds and, thereby, from adverse performance implications. At the same time, we need a better understanding of the tradeoffs involved for IO staff when considering alternative funding options for development projects. IOs will likely resolve these tradeoffs in different ways, with potential ramifications for the relationship between earmarked funding and organizational performance.

Supplementary Information

Supplementary information is available at the *Global Studies Quarterly* data archive.

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