Explaining Multilateral Aid:

Conceptual Issues and Rationalist Approaches

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Abstract: I consider why states give aid multilaterally by exploring variation on the geographic distribution of multilateral development agencies (MDAs), the different types of MDAs, a state's status as a donor or recipient (or both) in an MDA, and the distribution of voteshares within MDAs. This analysis raises several questions in addition to the first: why have MDAs proliferated? Why does the Middle East lack a regional development bank and why does Asia appear to lack any other regional or subregional institutions other than the Asian Development Bank, especially when all the other regions have multiple regional and sub-regional MDAs? Why do the same states act as recipients in some agencies and donors in others? I explore extant explanations about multilateral aid and institutional design before proposing several of my own explanations.

We do not know if the individuals who bargained over the International Bank for Reconstruction and Development foresaw a world full of multilateral development institutions over sixty years later. The Bank's second president prophesied that the World Bank would be driven out of business by private capital (Oliver 1975, 239 as quoted in Rodrik 1995, 29). Instead, the World Bank's mission shifted from reconstruction to development, and multilateral development agencies have proliferated since the World Bank's creation. Every region in the world has at least one major regional development institution, and often several smaller sub-regional agencies. These agencies vary in terms of their decision-making procedures, their organizational structure, and their membership. Most attempts to explain multilateral aid fail to consider what factors might drive the establishment of so many institutions, usually focusing instead on the World Bank. Although several plausible explanations exist, multilateral aid is a phenomenon that scholars have yet to conquer.

In this paper I explore some of the dimensions across which different multilateral development agencies (MDAs) vary, explore explanations for this variance in rationalist literature on international institutions, delegation, and multilateralism, and briefly sketch out a few additional explanations for multilateral aid. In future iterations I plan to test these arguments—or at least some of them—but I do not undertake that task here. I begin with a sample of MDAs that includes the World Bank, the African, Asian and Inter-American Development Banks as well as the Andean Development Corporation (CAF), the Arab Bank for Economic and Social Development (BADEA), the Arab Fund for Economic and Social Development (AFESD), the Arab Gulf Fund for United Nations Development Organizations (AGFUND), the Black Sea Trade and Development Bank (BSTDB), the Central American Bank for Economic Integration (CABEI), the East African Development Bank (EADB), the European

Bank for Reconstruction and Development (EBRD), the Islamic Development Bank (ISDB), and the OPEC Fund for International Development (OFID), and the West African Development Bank (BOAD). So far, I have not collected data on the European Investment Bank, the Council of Europe Bank, EU development institutions, or the South Asian Development Fund (a possible contender for sub-regional development institution in Asia) or the Economic Cooperation Organization Trade and Development Bank (which was founded in 2005). After exploring variation on several dependent variables, I turn to extant explanations for multilateral aid.

These explanations emphasize different parts of what could be at least a three part causal chain. At each level of this chain, we should be able to observe some implications of the factors that drove states to create multilateral institutions. First, states decide whether to give aid, and if so, whether to give it bilaterally or multilaterally, or both. Second, given that states have chosen to give multilateral aid, they create institutions that facilitate collective decision-making and management of the aid giving institution. Finally, this institution actually allocates aid. Under the right conditions studying multilateral institutional outputs—aid generosity or allocation—can lead to important insights about why states create multilateral institutions. So far, such explanations have largely fallen short. Scholars need to consider the decision to create a multilateral aid agency as well as features of institutional design to reveal additional insights into why states give multilateral aid. After reviewing existing arguments about multilateral aid, I suggest a few of my own and conclude.

Empirical Puzzles and Dependent Variables

Statistical analyses of multilateral aid allocation or generosity typically ignore issues of institutional design in favor of other determinants of aid allocation. Several studies demonstrate, however, that institutional design can have important implications for the allocation of multilateral aid (Lyne et al. 2006; Nielson and Tierney 2003, 2005; and Hicks et al. 2008). Since institutional design features have potential for determining aid allocation, I focus on some of these issues in an effort to identify additional empirical puzzles. Later, I explore potential explanations for these puzzles. In the long term, I hope that such an approach will benefit efforts to explain the generosity and allocation patterns of multilateral donors.

In my analysis of MDAs, I include multiple MDAs that usually get overlooked. Some previous studies of aid allocation have included some of these in addition to the usual suspects—the World Bank, the regional development banks and the EU. Hicks et al. (2008) is notable for including some twenty-six MDAs in their study of environmental aid allocation and including institutional factors like voteshare in a model of why donors allocate environmental aid through particular multilateral agencies. Their list of donors is much more inclusive of large-scale, global donors than mine, although I identify several smaller MDAs that they exclude.[1]

I explore variation in the number and geographic distribution of MDAs, types of MDAs, a country's status as a donor or recipient (or both) in an MDA, and the distribution of voteshares in an MDA. I define an MDA as a multilateral financial institution that gives money—whether loans or grants, on concessional or non-concessional terms—ostensibly for development purposes.

Number and geographic distribution of MDAs are fairly straightforward; I use the World Bank's regions to code the number of MDAs in each. MDA types, as I describe in further detail,

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[1] The organizations that I include that Hicks et al. (2008, 266) do not are the Andean Development Corporation (CAF), the Arab Bank for Economic Development in Africa (BADEA), the Arab Fund for Economic and Social Development (AFESD), the Arab Gulf Fund for United Nations Organizations (AGFUND) the Central American Bank for Economic Integration (CABEI), the East African Development Bank (EADB), the West African Development Bank (BOAD). Organizations that Hicks et al. include that I do not are the Carbon Offset Fund, the European Investment Bank (EIB), the European Union's (EU) aid institutions, the Global Environmental Facility (GEF), the Inter-American Investment Corporation (IIC), the Montreal Protocol Fund, the Multilateral Investment Guarantee Association, the Nordic Development Bank, the Nordic Investment Fund, the North American Development Bank, the Rainforest Trust, the United Nations Children's Fund, the United Nations Development Programme and the United Nations Population Fund.

depend on what function the member states play within an MDA. MDAs usually consist of a group of donors who offer financing to recipient states, and all have membership on a common governing board. Two other types have emerged from the current research: one in which the organization consists only of donors and another in which the distinction between donors and recipients is unclear. Donor status, then, is the role a state plays within an organization, whatever type. Where donor status is vague, as in the second type of MDA, I have yet to identify a coding rule. I discuss additional problems with donor status below. Finally, the distribution of voteshares within an organization is simply a matter of tallying voteshares states have on MDA executive boards.

Figure 1 displays countries' membership in MDAs as donors. The data generally undercounts donor status, as accounting for donors and recipients at MDAs can be difficult. One might think that simply accounting for voteshare does this, following the rule at institutions like the World Bank. Voteshares usually derive from a country's subsciptions or contributions to an MDA, but this does not always indicate either donor or recipient status, as the recipient states in some MDAs, such as the Black Sea Trade and Development Bank, whose members include Russia, Greece, and Georgia, are also the principal donors. Russia's status in the World Bank provides another example of this problem: Russia has a seat on the Executive Board and is an IBRD recipient but not an IDA recipient. But given that the Executive Boards of both organizations are the same, Russia has non-recipient voting status on the IDA, but it is unclear if Russia should then be considered a donor in the context of the IDA.[2]

[Figure 1 about here]

This structure raises some questions about the role that these MDAs play in international redistribution, and may look more like an international version of a rotating savings and credit

[2] Given that Russia holds its own seat on the Executive Board, I consider Russia to be a donor in IDA.

association (ROSCA) than a more traditional development agency. In many credit-constrained countries, a group of, say ten individuals contribute the equivalent of $10 dollars each. This creates a pot of $100 every time the members meet (often monthly). Members' names are drawn randomly, without replacement, to create a queue. In the first month, the first individual on the list collects the pot of $100. The second month, the second individual collects the second month's pot of $100, and so on, until the last member collects her $100 in the last month that the group meets. Institutions like these mimic savings institutions, especially when individuals place a high value on today's consumption tomorrow's (Armendáriz and Morduch 2007). Certainly the details of these institutions differ, as I suspect that such institutions are not designed to conquer time preferences. Nevertheless, that institutions exist in other contexts where a "donor" might also be a "recipient" might provide some avenues for explaining this particular form of institutional design, as I explore below.

Several MDAs restrict their membership to donors. These include the OPEC Fund, the Arab Bank (BADEA), and the African Development Fund (AFDF). The Western industrial democracies feature as prominent donors, as well as the Arab states. Russia's donor status in IDA may be debatable. More interesting donor states include many that one would not expect to find on such a list. Croatia and Slovenia are both donors at the IADB, but not in any other organizations in my sample. EBRD donors include many of the usual suspects as well as Cyprus, Egypt, Mexico, Mongolia, Morocco, and Turkey. Argentina, Mexico, Brazil and Colombia donate to the Central American Bank (CABEI), and China and India donate to the West African Development Bank (BOAD).

Private firms appear as donors in some of these institutions and are not represented in this map. Private donors to the East African Development Bank (EADB) include the Commercial

Bank of Africa, Nairobi; Barclays Bank International, London; Nordea Bank Sweden AB; SBIC-Africa; and the Standard Chartered Bank, London.

International organizations are often represented as well. The AFDB gives to the EADB, the AFDF and BOAD; BOAD also counts the Central Bank for East African States and the European Investment Bank among its institutional members. The EBRD includes the EIB and the European Community as donors. Additionally, a “consortium of Yugsoslav institutions”[3] donates to the EADB.

Figure 2 maps states’ memberships in organizations in which the distinction between donors and recipients is especially unclear. It should be possible to create a list of donor-like states and recipient-like states within these MDAs. This would help strengthen the distinction between traditional MDAs which have some distinction between donors and recipients, and ROSCA-like agencies. A list of member states would be too long to place here. The MDAs that fall into this category are the Arab Fund (AFESD), the Islamic Development Bank, the Arab Gulf Fund (AGFUND), the Black Sea Trade and Development Bank, and the Andean Fund (CAF).

[Figure 2 About here]

That some states have overlapping memberships as recipients in these agencies is not surprising, but that there is so much variation is. Figure 3 maps the number of institutions a state is a recipient in. These states include Bolivia and several Central American states, the recipients of the East and West African Development Banks, Indonesia, Malaysia, Papua New Guinea, and the central Asian “stans”, along with India and Pakistan. Uzbekistan stands out as having the most overlapping memberships as a recipient state: the ASDB, EBRD, IBRD and IDA.

[3] It does not specify who the members of this consortium are.

Uzbekistan's recipient status with both the IBRD and IDA sets it apart from its neighbors, who are also recipient states in the ASDB, EBRD and one of the World Bank institutions.

[Figure 3 about here]

The last map ignores different statuses and institutional types to consider general patterns of MDA membership. That the industrialized democracies have multiple memberships is no surprise. Most aid analysts fail to consider aid institutions in the Middle East, and the overlapping mandates of institutions like the European Bank for Reconstruction and Development Islamic Development Bank, the African Development Bank and the Asian Development Bank in Africa and Asia and those of the Inter-American Development Banks and the Central American Bank and the Andean Fund contribute to these patterns. Table 1 illustrates the regional distribution of these institutions.

[Figure 4 about here]

Table 1: Regional Distribution of MDAs

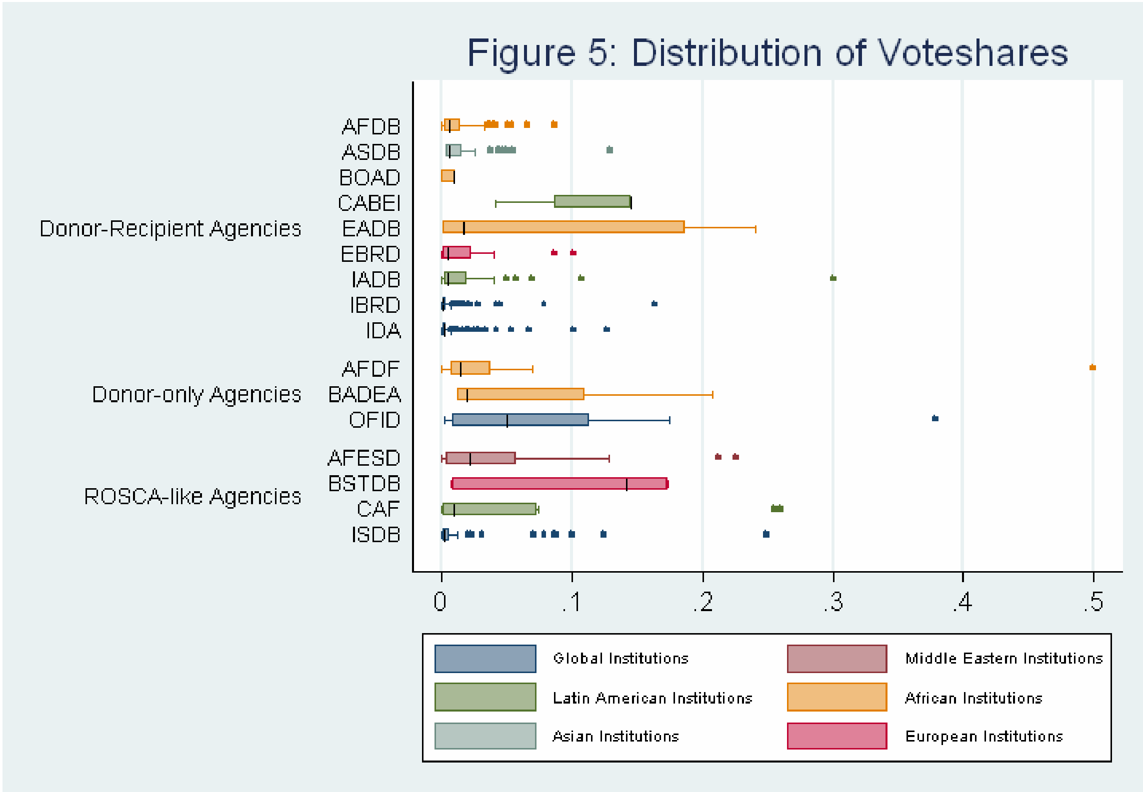
Region	*MDAs*	*Names*
Global	6	AGFUND, IBRD, IDA, ISDB[4], OFID, UNDP*
Africa	5	AFDB, AFDF, BADEA, BOAD, EADB
Latin America & Caribbean	4	CABEI, CAF, CDB*, IADB
Europe	3	BSTDB, COEB*, EBRD, EIB*
Asia	1 (2?)	ASDB, SADF?
Middle East/North Africa	1	AFESD

*Data for these institutions are not included in the above maps.

Finally, Figure 5 displays boxplots of voteshares at the MDAs (excluding AGFUND, CDB, COEB, EIB and UNDP). Smaller boxplots imply a more equitable distribution of voting power, while larger boxplots indicating the opposite. Even the more equitable institutions have

[4] Although the ISDB's membership is limited to members of the Organization of the Islamic Conference, it also lends to Muslim communities in non-member states, including the United States. For this reason I consider it an institution with global coverage, although its lending appears to be biased toward member countries.

several outliers. Inspection of this graph reveals few obvious patterns across different types of institutions or regional commonalities.



This table and the maps above suggest several questions about the nature of MDAs and their creation. First, the proliferation of MDAs at nearly all levels seems unusual[5]. Even this list considers what might be considered some of the more prominent sub-regional institutions; there are at least four additional Arab institutions that I have not included (Boogaerde 1991), as well as the South Asian Development Fund of the South Asian Association for Regional Cooperation (founded in 1996) and the Economic Cooperation Organization Development Bank (founded in 2005). That there are so many should have important implications for recipients' abilities to play one off of another. The costs of designing such institutions are high enough that they cannot

[5] A point which the list of donors in Hicks et al. (2008, 266) illustrates as well.

construct a new one every time they find their goals frustrated within the current ones but not so high that states see a new institution as bringing additional benefits.

Second, note that there is only one institution serves the Asian region[6] and one serves the Middle East. In spite of failed attempts in the nineties by the Clinton Administration to create a Middle Eastern Development Bank (The Economist 1995), the US has no presence in any of the MDAs that serve or receive their financing from Middle Eastern/Arab donors.

Third, many developing or middle income states play the role of donors in many of these institutions. These states include those that have recently established their own bilateral aid programs, but many that have not. Few analysts would include Egypt or Morocco on a list of donor states. Why do these states contribute to these organizations? This analysis also raises the question of institutional design: there are MDAs in which recipients are not members, there are ROSCA-like organizations, there are more "traditional" MDAs in which donors and recipients both have membership but donors hold most of the voting power. How do we explain this variation?

These puzzles present us with a series of dependent variables. These include the *number* and *distribution of MDAs*; variations in the type of organization (*MDA Type)*—donor-only, ROSCA-like, and donor-recipient organizations; *donor status* in MDAs; and the *distribution of voteshares* in these organizations. In many ways, these variables are interdependent. The distribution of voteshares cannot easily be separated from the organization type or donor status. Further, these factors may all affect patterns of MDA diffusion across time and space. These factors are all matters of institutional design. Additionally, asking why multilateral aid exists requires considering the institutional design of such organizations. What are the advantages, costs and trade-offs involved in delivering aid through an MDA or creating a new MDA for aid

[6] Possibly two. The nature of the South Asian Development Fund is unclear.

delivery, especially when bilateral aid may be an easier alternative? In the next section I consider explanations for the dependent variables I have specified here.

Multilateralism, Institutional Design and Delegation

Arguments about multilateralism in aid and international organizations deal with the generosity of multilateral institutions (Milner 2006; Rodrik 1995), actual decisions about whether to act multilaterally or bilaterally (Hawkins et al. 2006; Thompson and Verdier 2008), and determinants of multilateral institutional forms (Hawkins et al. 2006; Koremenos et al. 2001; Momani 2007; Tierney 2003). These explanations work at different levels or make different assumptions about the connections between the decision about how to cooperate and/or delegate, the institutional forms that delegation takes, and the outcomes of delegation.[7] To elucidate these points, I draw on an analogy with statistical analysis.

First, Hawkins et al. point out that delegation is only one outcome at the end of a decision tree. First, states choose whether to cooperate or not. Failure to cooperate is unilateralism. If they cooperate, they can choose to delegate or not. Failure to delegate leads to “international cooperation”, or in aid terms, bilateral aid. If states choose to delegate, they delegate to international organizations (11). Again, in aid terms, this is multilateral aid. In failing to consider each of these plausible outcomes, analysts make an error akin to selecting on the dependent variable. Limiting the range of variance the analyst considers introduces bias into the estimation of an independent variable’s effect on outcomes (King, Keohane, and Verba 1994).

Second, analysts may conflate a decision to delegate with specific institutional forms as well as decisions about aid allocation itself. An analysis of the decision to delegate might focus

[7] I largely limit myself to rationalist approaches to multilateralism and multilateral aid. I realize that non-rationalist approaches, including sociological institutionalism and constructivism offer additional competing explanations. Thus, I fail to include what are certainly important explanations for international institutions and organizations more broadly.

on the dichotomous choice about whether to pursue multilateralism instead of bilateral aid giving, it might focus on the details of institutional design which result from the first decision, or it might focus on decisions about how much aid should be given through specific aid granting channels and to whom. Under the right conditions, answering a question like “why multilateralism?” might simply require asking why an organization like the World Bank gives out as much aid as it does. But if those circumstances fail to hold, we might get a biased and inefficient response.

Similarly, some questions are well-suited for analysis with least-squares regression, even if outcomes are dichotomous, limited in some way, or result from selection bias. But unless we expand our analyses to consider these alternative approaches, or explore the conditions that might necessitate their use, we might not know if we have incorrect results. Fortunately, the least-squares estimator is fairly robust; unfortunately, analogy is not enough to ensure that these analytical approaches are.

Considering the first question (giving bilaterally or giving multilaterally) might require a probit or logit estimator, which takes the dichotomous choice strictly into consideration. Considering the second question (institutional design) might require an estimator that takes the first decision into account. In quantitative analysis, Tobit and Heckman estimators do this (Amemiya 1984; Cragg 1971, 830). But they do it differently, in ways that matter for the results they yield. Using a Tobit estimator assumes that the same variables explain both decisions, so they can be treated as a single decision. A Heckman model assumes (in fact, requires) that a different set of variables explain both decisions (Wooldridge 2002, 564).[8] Decisions about institutional design depend on a decision to engage in (or at least consider) multilateral lending.

[8] This is not to suggest that the Heckman model is without problems; I simply draw an analogy between quantitative and theory-driven analysis.

Further, it may be that decisions about multilateral generosity and allocation depend on these factors. If they do—and some studies argue that this is the case (Nielson and Tierney 2003, 2005; Lyne et al. 2006)—then keeping this in mind in our analysis may be important in reaching the right conclusions[9], In pointing out these problems, I hope to combine the insights of prior analyses with additional conceptual and analytical rigor.

Generosity of Multilateral Aid

Although it is not always made explicit, one approach to multilateral aid is to forgo an explicit analysis of institutional choice and analyze policy outputs by MDAs, with the expectation that multilateral behavior explains the choice and use of multilateral institutions. Rodrik and Milner's analyses of multilateral aid take this approach: The decision to give multilateral aid is largely independent of the decision to create a multilateral aid institution and, upon bargaining with other states, to agree on a particular form. Rodrik and Milner's arguments stress preferences, information, and principal institutions. Although Rodrik does not explicitly use a principal-agent approach, I couch his arguments in these terms and set them next to several other arguments about agent behavior.

Preferences

As principal's preferences diverge, we should expect to see some portion of divergent behavior among agents (H7[10]: Hawkins et al. 2006, 34). This approach usually assumes that mechanisms for holding principals accountable, such as elections or various bureaucratic controls, work effectively. Milner argues that voters and politicians have different preferences

[9] I am not arguing that studies need to explicitly consider all three steps in this process in order to reach better conclusions. In any analysis, many important factors must be treated as constant or exogenous in order to determine the causal effects of the independent variable of interest (Lake and Powell 1999, 15). My central concern here is that "jumping" steps in this analysis may affect our conclusions.

[10] I identify the various hypotheses with the first letter (or first two letters) of one of the author's names. In table 2, below, I summarize these hypotheses and identify them in this way.

for aid. Voters want to use aid to help poor countries, while politicians want to use it bolster strategic relationships. Because skeptical voters will fail to re-elect politicians who give aid for strategic reasons, politicians will channel more aid to multilateral institutions. As voters become less skeptical, politicians have more maneuvering room, and give more bilaterally. When publics are skeptical, politicians get to give more aid than they would otherwise; voters get the satisfaction of knowing that more aid will be used for development (M1: Milner 2006, 110).

One of Rodrik's arguments centers on preferences as well (R2: Rodrik 1995, 13). Multilateral agencies have an advantage in enforcing conditionality because recipients view them as being less political than other actors. Other actors avoid conditionality largely out of a preference to avoid what looks like imperialism. That is, norms against imperialism shape the preferences of international actors'—both nation states and private creditors—for engaging in conditionality. Other studies emphasize the role of principal preferences in determining multilateral aid allocation (Lyne et al. 2006; Nielson and Tierney 2003, 2005), but they do not directly address the question of why multilateral aid exists.

Information

Another explanation for multilateral aid hinges on information. In the same article, Rodrik (R1: 1995, 8) also argues that the as information about borrower country conditions becomes more like a public good, the justification for multilateral lending increases. He finds little empirical support for this proposition, but notes that his analysis is preliminary.

Principal's Institutions

Multilateral generosity might also be influenced by changes in principal's institutions. In a third potential argument, Rodrik suggests that multilateral institutions may allow donors to make credible commitments to give aid that targets poverty (R3: 3). Rodrik ignores this argument as most multilateral aid is not concessional. However, he bases this argument on the Organization for Economic Cooperation and Development (OECD) statistics, which under account for multilateral aid (Hicks et al. 2008, 266). Additionally, democracies have been argued to allow states to make credible commitments internationally (Cowhey 1993; Schultz 1998); it is unclear why they cannot with respect to aid.

The structure of a collective principal (itself an agent to contracting states and an important part of a multilateral agency) should also matter for agent behavior and multilateral generosity and allocation (Hawkins et al. 2006, 35; Lyne et al. 2006; Nielson and Tierney 2003; 2005). As I mentioned above, these factors do matter, but they fail to connect multilateral aid to institutional alternatives. If the explanation for multilateralism lies simply in explaining the generosity of multilateral aid organizations, then explanations like this should suffice. If not, then we need additional explanations.

"Lateralisms" and Aid

Several arguments do connect multilateral aid to its institutional alternatives—that is, not giving aid[11] and bilateral aid—or provide some theoretical guidance for thinking about these issues. Of course, unlike the previous arguments, these explicitly consider the decision to choose multilateralism as an institutional form. They do not explicitly account for features of institutional design, although some loss of individual control (Koremenos et al. 2001, 12) seems implicit in adopting multilateralism. Arguments about the choice of "lateralisms" center around externalities (Thompson and Verdier 2008, 6; Hawkins et al. 2006; 15), agency surplus and transaction costs (Thompson and Verdier 2008, 6), or other factors, including gains from

[11] In theory, "unilateral" aid could occur, if a state had reason to grant funds to a country without a contract. If aid is bilateral because aid-giving always has a target, it is difficult to think of a case in which a state could give aid unilaterally. If aid is bilateral because of a contract between the donor and recipient, then the humanitarian aid during the NATO invasion of Afghanistan might count.

specialization or collective decision-making, demand for dispute resolution mechanisms, or creating policy bias (Hawkins et al. 2006, 13). In broad terms, explanations like these help us understand why a new multilateral institution might emerge, and therefore the number and distribution of MDAs. Several of them might also explain MDA type and a country's donor status within an MDA.

Externalities, Agent Surplus and Transaction Costs

Externalities often drive international cooperation (Milner 1997). Hawkins et al. argue that, given that delegation is a form of cooperation, an increase in cooperation can lead to an increase in delegation (H2: 15). Thompson and Verdier refine the argument, using a formal model to derive the result that decreasing externalities should result in unilateral action (V1: 2008, 6). Externalities do not necessarily lead to multilateral action, however, as transaction costs and agent surplus matter for whether states act bilaterally, multilaterally, or both. Agent surplus is analogous to consumer surplus, or the resources lost necessary to set the "price" of membership low enough to get the marginal member to join (V2: 7). Transaction costs consist of the costs of designing contracts (V3: 6). In multilateralism, transaction costs are usually low (only one contract) and agency surplus is high; in bilateralism, transaction costs are high (many contracts) and agency surplus is low. Thus, we should see multilateralism as an institutional form when transaction costs are high and agency surplus is low, bilateralism with low transaction costs and high agent surplus, and a mixture when they are both equivalent.

If we view aid as purchasing policy concessions by aid recipients (Bueno de Mesquita and Smith 2007; Keohane 1984, 128), then externalities might drive bilateral aid allocation. Multilateral aid generally lacks the political character of bilateral aid (Alesina and Dollar 2000;

Maizels and Nissanke 1984), however, so it is difficult to see how multilateral lending might be an extension of donor states' foreign policies. I return to this point below.

Other Factors

Several other factors influence states' decisions to pursue multilateral solutions, although they have not necessarily been applied to multilateral aid. Some states may not have the capacity to launch a bilateral aid program, but sharing the costs of creating such an institution allows them to collect some of the gains from aid allocation without the costs of maintaining a bilateral aid program (H1: Hawkins et al. 2006, 14). This may explain why states like Egypt and Mexico have been multilateral donors for some time without bilateral programs. If the benefits to regional or sub-regional specialization outweighed the costs of creating a new multilateral institution, then specialization could also explain the proliferation of aid institutions worldwide.

To some degree, multilateral institutions allow states to wash their hands of aid allocation. For example, by delegating to a multilateral agency, states no longer need to be directly involved in any disputes that arise between the agency and a borrower country (H4, Hawkins et al. 2006). Of course, these costs can also be avoided by not giving aid. That states continue to give bilateral aid implies that this strategy does not drive the decision to lend multilaterally.

Multilateral institutions might also reflect a desire by states to credibly commit to reform or bias policies towards reform (H5: Hawkins et al. 2006, 18-19; Vreeland 2003). The existence of what I have called "ROSCA-like" MDAs, in which the principal recipients are the principal donors suggests that states might create institutions in addition to global or regional ones for the sake of credible commitments. I return to this point below.

Finally, if states fear cycling in their bilateral aid giving, they might delegate to a multilateral aid institution with agenda setting powers (H3: Hawkins et al. 2006, 16). This suggests both a motivation for multilateral aid as well as institutional forms—specifically, an agent should have rights to propose activities with minimal influence from donor states. However, it is unclear what cycling in bilateral aid might look like. The presence of externalities, agent surplus, transaction costs, and the other factors I have mentioned lead states to prefer multilateral solutions over unilateral (not giving aid) or bilateral solutions. Aside from the possibility of overcoming cycling, however, these approaches do not suggest specific institutional forms within multilateralism.

Institutional Design

The decision to allocate aid multilaterally does not mean that states will reach a bargain about how their agency should be designed. Taking one aspect of the IBRD as a model illustrates this point. States delegate to the IBRD's Board of Executive Directors. Some states receive seats on the board without representing other states, all states receive votes, both ostensibly based on subscribed capital and other technical considerations[12]. We observe particular states with their own seats and particular distribution of votes, when a nearly infinite set of possible outcomes (if the distribution of voteshares is continuous). I limit myself to the consideration of institutional features that bear on membership and control.[13] The severity of enforcement problems, uncertainty about other actors' preferences, the number of members (or potential members), inequalities in contributions (Koremenos et al. 2001, 23), reneging, sanctioning, conflict, disruption and adjustment costs (Tierney 2003, 148-158), the divisibility of cooperation (117), and principal preferences (Momani 2007) affect decisions about membership

[12] Momani (2007) provides evidence that this is not the case, at least for seats on the IMF's Board.
[13] This is largely a function of the data I have collected so far.

and control. These explanations have implications for MDA type and the distribution of voteshares.

Membership

Decisions about membership tend to correlate with a unique feature of institutional design at MDAs: they tend to be "negotiation organizations."[14] Negotiation organizations require members sign multiple contracts (Tierney 2003, 114). First, members sign a contract that may assign certain rights or obligations, largely granting them membership. In the case of MDAs, this is the establishing agreement, which usually confers voting rights. Members and the organization then negotiate specific behavioral obligations after membership has been granted. The alternative, reciprocal organizations, require that contracts specifying mutual rights and obligations for the signing member and all other signing members (112). Negotiation organizations have broader membership than reciprocal organizations since cooperation in the latter is indivisible. As the goods achieved by cooperation become more public good-like, the member states need to know that each others commitments are credible, since defection imposes important costs on the other members (117). Reciprocal agreements achieve this by limiting membership.

Multilateral aid is a highly divisible form of cooperation and fits the model of a negotiation organization (127). Increased divisibility of cooperation should also mean that MDAs enjoy less severe enforcement problems. Although states might renege on their specific, post-membership agreements, the private good status of negotiated organization agreements suggests that reneging on these agreements will be less costly, even if reneging is harder to observe (Koremenos et al. 2001, 23).

[14] This point appears to hold based on the preliminary analysis and data collection I have conducted so far.

That this is so does not mean that MDAs will necessarily have open membership—recall the Arab Bank, the OPEC Fund, and the African Development Fund. They may be the exceptions that demonstrate the rule, however.

Various costs also influence the inclusiveness of membership. Although negotiation organizations are not sensitive to defection costs, they may be sensitive to adjustment costs—the costs of reconfiguring an organization when new members join, for example (153), sanctioning costs—the costs of punishing members who have violated an agency's rules (152), or disruption costs—the costs imposed on members by a member who intentionally or unintentionally undermines the organization (149).[15] Sanctioning costs can largely be eliminated by delegating authority to deal with violations. He argues that adjustment costs for international financial institutions will be minimal (154) although the loss in control (votes) entailed in less restrictive membership may be enough to scuttle an arrangement or lead to more restrictive membership. As for increases in the other costs, membership becomes more restrictive as these costs increase (147).

Uncertainty about others' preferences subsumes concerns about future disruption costs as well as adjustment costs (Koremenos et al. 2001, 23). If states worry that members might have ulterior motives in joining an organization or that they will take advantage of the position granted them by their vote allocation, they might restrict membership. Neither Koremenos et al. nor Tierney discuss what might be an effective signal of an actor's intention to follow the rules, although some form of membership conditionality could suffice.

Adjustment costs suggest distribution problems. As distribution problems become more severe, membership becomes more inclusive (Koremenos 2001, 24), since larger membership

[15] Tierney also mentions conflict costs—the costs imposed by the increased probability that member states will go to war because of admitting particular members (2003, 156). Conflict costs seem unlikely to affect institutional design in MDAs.

means that cooperation among subgroups becomes more likely (Snidal 1991). Adjustment costs and distribution costs also have implications for members' control of an organization.

Control

Other hypotheses on institutional design deal with issues of the degree of control that individual states have in the decision-making process at an international institution. Control mechanisms at MDAs include the votes a state receives, whether or not a state controls its own seat on the Executive Board or must cooperate with other states in a collective seat and similar issues. The IMF (and other MDAs) ostensibly allocate seats (and votes) according to a technocratic formula. Momani (2007, 2008) shows how politics among member states can override such formulas; politics should be a determinative factor in how seats and votes are distributed both at an organization's creation and later.

More broadly, as the number of potential members in an institution increases, member states lose individual control (Koremenos et al. 2001, 31). With the proliferation of members, any given state is less likely to hold a seat on Executive Board-style institutions. This conjecture may not necessarily hold if an organization uses systems other than "one-state, one vote", under which a state's average voteshare decreases with the number of members. Although additional institutions like consensus voting can preserve individual states' power by effectively granting each of them a veto, this is not necessary. When institutions use a "one dollar, one vote" system, as the MDAs tend to, it usually appears that broader membership implies less control. Powerful or important states (usually defined in MDAs as those with larger economies or larger contributions) might maintain more control even in the face of a proliferation of members. Inequalities in contribution should drive inequalities in control (Koremenos et al. 2001, 31).

Summary

Table 2 summarizes the hypotheses I have presented above and how they relate to the dependent variables I discussed in the previous section. Although dependent variables like multilateral generosity cannot directly be linked to any of the dependent

Table 2: IVs and DVs in lit review

Hypothesis	IV: State characteristics	IV: MDA characteristics	IV: Problem characteristics	DV: MDA behavior	DV: Multilateralism decision	DV: Institutional design	DV: My list
H7	Preferences			X			
Mi1	Domest P-A Problem			X: Generosity			
R2	Preferences (Imperialism)			X: Generosity			
H8	Demand for Information			X			
R1			Information externalities	X: Generosity			
H9		Principal Structure		X			
R3	Ability to make credible commitments			X: Generosity			
H10	Decision-making rules	Decision-making rules		X			
V1			Externalities		X		Number, distribution of MDAs*
H2			Policy externalities		X		Number, distribution of MDAs
V2		Agent Surplus			X		Number, distribution of MDAs
V3		Transaction costs			X		Number, distribution of MDAs
H1	Gains from specialization (versus costs and resources)		Gains from specialization		X		Number, distribution of MDAs
H3	Cycling in policymaking					X: International agent with agenda-setting powers	MDA type
H4	Demands for dispute resolution					X	Number, distribution of MDAs
H5	Demand for Credible Commitments			X: Conditionality	X		MDA type, donor status
H6	Creating policy bias			X: Conditionality			MDA type, donor status
K1			Enforcement Problems			X: Membership more restrictive	MDA type
K2			Uncertainty about others' preferences			X: Membership more restrictive	MDA type
K3			Severity of distribution problems			X: Membership more inclusive	MDA type

T1			Costs of cooperation			X: Membership more restrictive	MDA type
T2			Indivisibility of cooperation			X: Membership more restrictive	MDA type
T3			Indivisibility of cooperation			X: Membership restricted to states that can make credible commitments	MDA type
K4		Number of members				X: Loss of control	Distribution of voteshares (control)
K5		Inequalities in contributions				X: Inequalities in control	Distribution of voteshares (control)
M1	Divergence between agency culture and principal preferences					X: Distribution of seats	
M2	Preferences					X: Distribution of seats	
*More specifically, these address the question of whether or not states will create a new instituition, which is a crucial component in variation in the number and distribution of MDAs.							

variables I identified earlier, they provide important insights into how the authors of two prominent studies on multilateralism think about the issue, in addition to providing potential explanations for multilateralism. Other arguments explain variation in at most two of the dependent variables I have proposed. On one hand, it may be that multilateral aid is such a large and varied phenomenon that a single explanation cannot explain even one of these variables. In the next section, I propose explanations that attempt to explain multiple facets of multilateral aid.

Additional Explanations

Although these explanations do not necessarily overcome the weaknesses of the arguments I present above, they do discuss a set of issues that they ignore. Additionally, they have implications for several of the dependent variables I have discussed above, rather than focusing on one or two. I argue that joint foreign policy making, collective dissatisfaction with the status quo in an MDA (or set of MDAs), and a demand for credible commitments explain multilateralism. I briefly sketch these arguments and conclude with directions for future work on this project.

Joint Foreign Policy and Multilateral Aid

Work on bilateral foreign aid concludes that various foreign policy concerns—maintaining strategic alliances, strengthening economic ties, and other political and economic factors largely drive aid (Alesina and Dollar 2000; Bueno de Mesquita and Smith 2007). Quantitative analyses that compare bilateral and multilateral aid conclude that humanitarian and development concerns appear to drive multilateral aid more than they do bilateral aid (Maizels and Nissanke 1984). At the same time, studies of international financial institutions, especially the International Monetary Fund, indicate that powerful member states—usually the United

States—pressure these institutions to ignore the conditionality in lending to their clients or allies (Stone 2002).

Foreign policy interests appear to drive bilateral aid and skepticism about the role that multilateral institutions allow states to make credible commitments to humanitarian aid. I argue that multilateral aid represents cooperation among a set of states to jointly pursue their foreign policy interests. Sets of donors who have common interests might take advantage of the fact that giving some portion of their foreign aid jointly could reduce the costs of their domestic aid programs. Analyses of multilateral aid institutions usually assume that the preferences of a single member state drives behavior (Nielson and Tierney 2003, 2005; Lyne et al. 2006). If states create MDAs to manage common foreign policy interests, then the activities of the institution should appear less "extreme"—that is, less driven by interest in strategic factors, especially over time, as interests diverge from what they were among the core states initially.

This approach also subsumes the idea that powerful states might intervene to protect their clients and allies, as Stone demonstrates. Additionally, it suggests that the founding members, especially those most interested in jointly managing their foreign aid should contribute most to these institutions and therefore have more control than other actors. It does not, however, offer a clear explanation of why a frequent characteristic of MDAs is their inclusion of recipient states, who dilute their control of the agency.

Criticisms of these institutions often rest on the argument they really are simply tools of the great powers. If founding states can overcome collective action problems to create these institutions, it may be that some of this critique is true.

Dissatisfaction

At some point during their tenure as members of one MDA, a group of members might become dissatisfied with either the level of control they have within an institution or the amount of aid they receive. They frequently remain members of the initial institution, but attempt to create additional institutions that will increase the flow of aid they receive or increase the amount of power they have. Prominent examples that suggest such an explanation include Chavez's efforts to create the Banco del Sur (Bank Information Center 2008), the failed US efforts in the 1990s to create a Middle Eastern Development Bank (El-Nagger and El-Erian 1993, 219; The Economist 1995), as well as the proliferation of oil funded MDAs like the Islamic Development Bank, the OPEC Fund, and the Arab institutions (Boogaerde 1991).

Not only does this argument potentially explain the number and distribution of MDAs, it also might explain the distribution of voteshares, MDA type and donor status. First, the members of new institutions might be unwilling to create and join a new institution that grants them less control than the institution they are dissatisfied with. Additionally, this factor might lead to smaller institutions which facilitate such an increase as well as to alternate institutional forms in which they have more control over allocation—as in the donor-only MDAs or the ROSCA-like MDAs in which members donate more, but receive more control over what they receive.

Credible Commitments, Reform, and MDA types

Alternatively, MDAs might provide opportunities for member states to credibly commit to reforms (Hawkins et al. 2006, 18-19, Vreeland 2003), as I mentioned above. But some states might want to create, for members of their regime or selectorate (Bueno de Mesquita et al. 2003), a credible commitment that they will *not* reform in the face of domestic or international pressures. If multilateral agencies enforce conditionality, then multilateralism may be driven by recipient states and not the donors. That states in some MDAs are both donors and recipients suggests that this may be the case. Indeed, by eschewing conditionality (as some of the Arab MDAs do) multilateral aid by non-democratic states might make reform harder. This also suggests that not only will these institutions fail to address the problems of aid fungibility, they will underinvest in monitoring efforts. In some respects, this parallels Pevehouse's (2005) arguments about the effects of regional IOs on democratization, although he does not go so far as to suggest that states with different preferences for reform will create new institutions that allow them to commit to reforming or not.

I have not had an opportunity to flesh out these arguments in more detail, but I plan to do so in the future. They represent different approaches to the study of multilateral aid: the first suggests that the more humanitarian character of multilateral aid derives from efforts to jointly manage aid giving. The second argues that dissatisfied states might be more willing to create new institutions for the sake of greater control or aid. The third suggests that multilateralism might offer an additional source of credible commitment, not only for reformers, but also for those unwilling to reform. Although they are only sketches of arguments, more fleshed out versions could contribute compelling, testable hypotheses about why states engage in multilateralism, how those decisions shape the institutional rules they use to govern the institution, and how those rules in turn shape the policy outputs of these institutions.

Conclusion

So far, this paper only analyzes arguments for multilateral aid and includes a few additional ones. Progress on this project requires first, brush-clearing. If the prior explanations are insufficient, why are they so? I suggest that multilateral aid is a complex phenomenon that might not be explainable by looking at multilateral generosity or allocation. Rather, an explanation might require a multi-stage approach that deals with the decision to give aid, then a decision about how to give aid. If a state selects the multilateral approach, it must choose whether to give to an existing organization or create a new one. Next, the purpose of creating a multilateral aid institution should have implications for institutional design. Finally, that same purpose should have also imply certain patterns in generosity and allocation. Generosity and allocation decisions will likely also be influenced by institutional rules.

Although I only provide sketches of additional arguments that do not necessarily deal with the criticism I have levied at prior explanations, they provide some possible new directions to consider in approaching multilateralism in aid. In future iterations I will sketch these explanations out more plainly, develop a research design that allows me to mediate among these alternative explanations, and finally test them.

Expanding the sample of multilateral institutions helps provide more opportunities to design research that will allow researchers to test arguments about multilateral aid and other aspects of international organizations.

Figure 1: Membership in MDAs as Donors

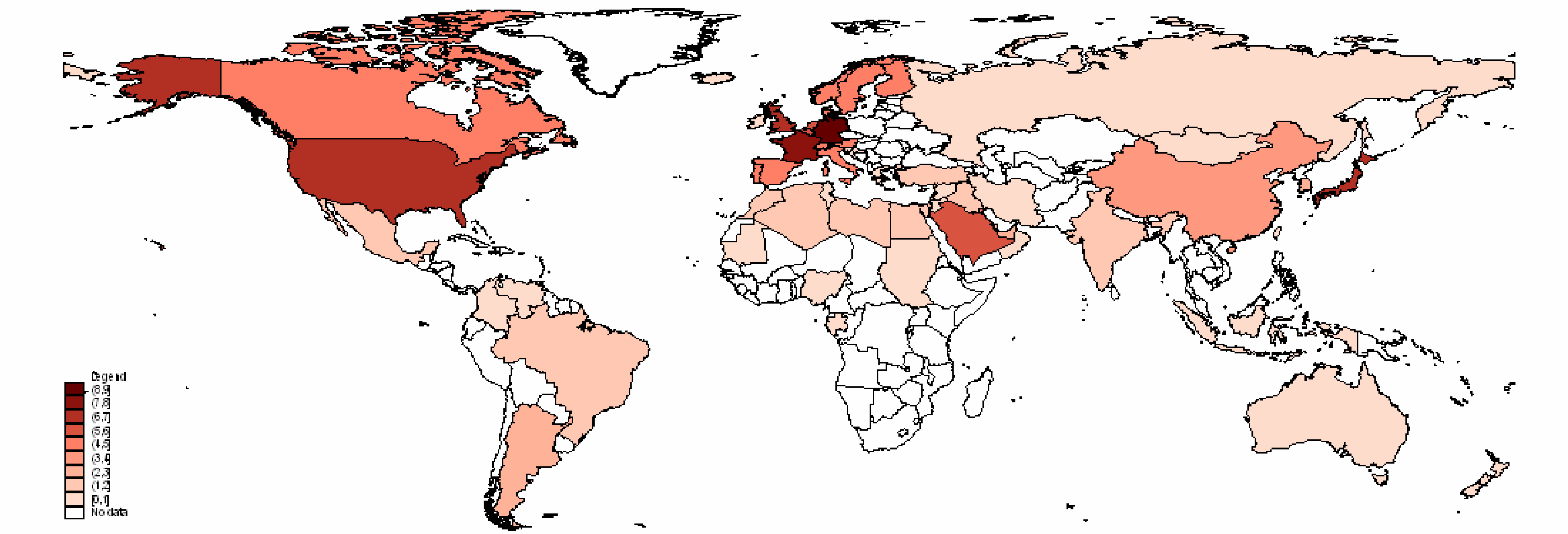


Figure 2: Membership in MDAs Donor/Recipient MDAs

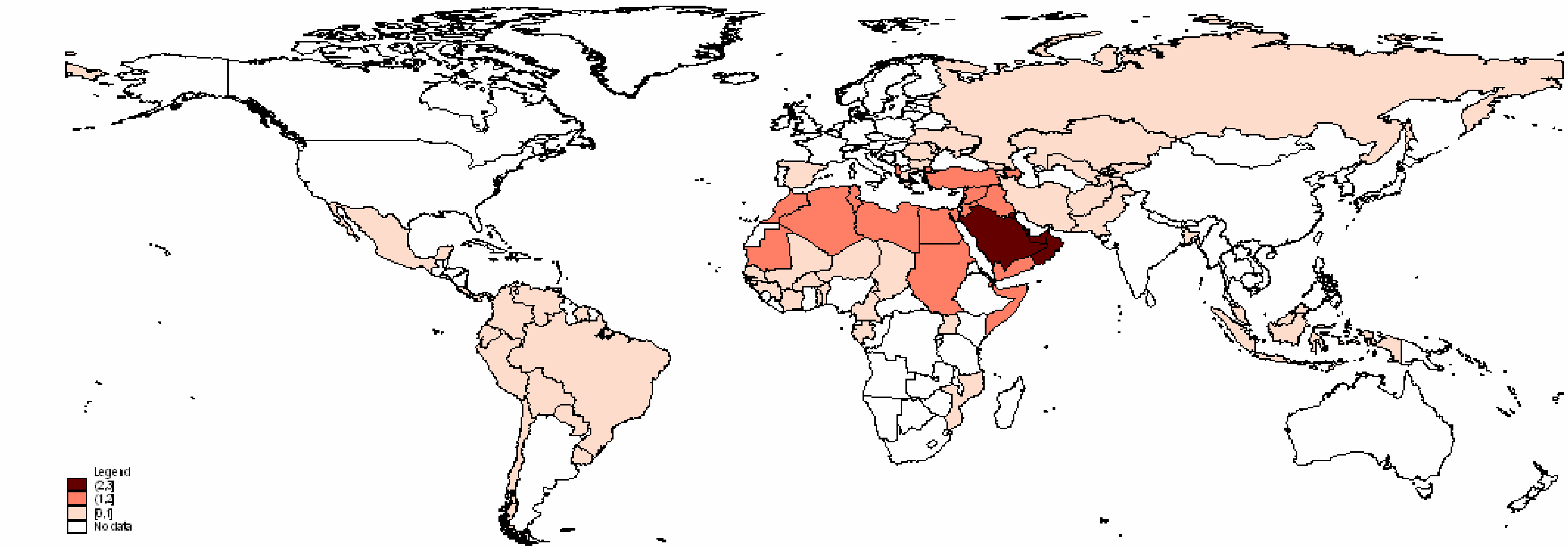


Figure 3: Membership in MDAs as Recipients

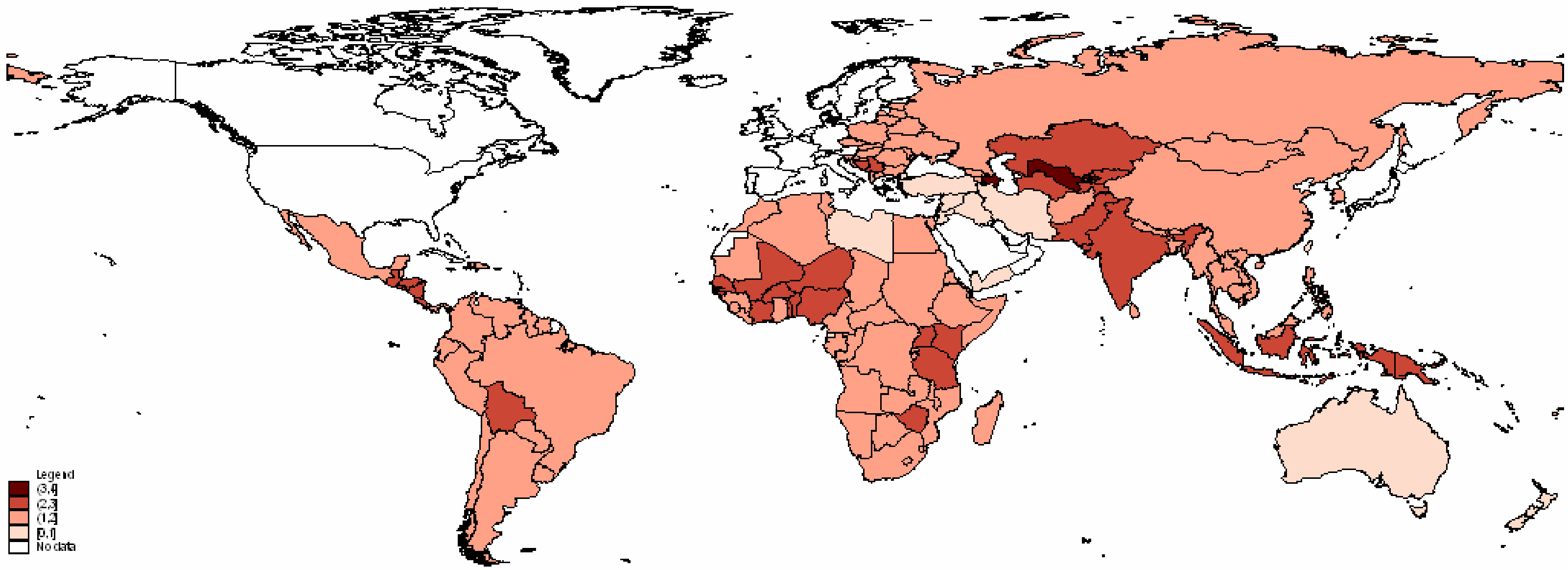
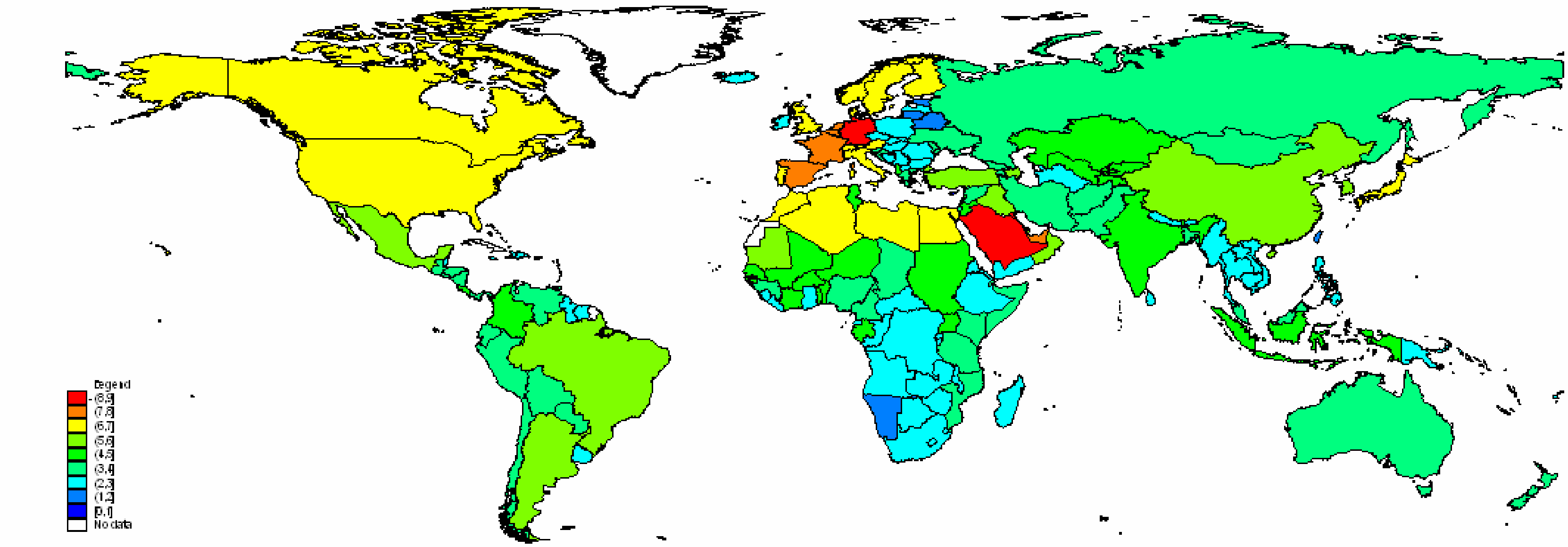


Figure 4: Membership in Multilateral Development Institutions



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