Donor Choice in Multilateral Health Aid

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Donors of development aid for health face increasingly complex decisions when distributing their budgets. A significant portion of aid is still given bilaterally, but donors also have the choice of an expanding number of multilateral institutions. How do donors decide how large a share of their multilateral budget each available institution receives? I argue that donor states prefer to delegate and contribute to institutions with aid distribution preferences similar to their own. This similarity consists of two components: First, donors evaluate preference similarity by looking at their general political alignment with other member states of the institution. Second, donors weigh the overlap between their bilateral aid portfolios and the institution's multilateral aid portfolio. Donors should dedicate larger shares of their overall multilateral budgets to institutions with similarly aligned members and portfolios. Using global public health institutions as a case study, the paper presents a set of empirical tests of these hypotheses based on time-series cross-sectional data on multilateral health aid given in the first decade of the 2000s. The analysis shows that greater alignment with member states does indeed lead to significantly increased contributions from donors but that the similarity of aid portfolios has no such effect. In delegating multilaterally, donors care more about who they share an institution with rather than how that institution spends its money.

Introduction

In the first decade of the 2000s, developed countries channeled an average of more than 30 percent of their development aid through multilateral institutions and allocated over $40 billion in total to global public health programs and agencies. At the same time as donor states are increasingly relying on multilateral institutions to distribute aid, the number of such institutions has been rising. Faced with greater institutional choice and domestic budgetary pressures, donor states must make a complex decision about how to split their aid budgets between bilateral and multilateral aid and how much to allocate to which organization. How do donors make this choice?

While a donor state has complete control over its bilateral aid allocation, delegation to a multilateral institution presents the dual problem of finding common ground with other principals and the potential interference of the institution itself as an agent. Donors nevertheless have incentives to contribute to multilateral institutions, since aid "depoliticized" in such a way—at least partially insulated from the political, strategic, and economic preferences of individual donors—is thought to be more effective at promoting development. Donor states seem to face a dilemma: give aid bilaterally and retain control (yet lose effectiveness) or give aid to multilateral institutions with more effective results but reduced control over outcomes.

All donors respond to this with a mix-and-match approach of bilateral and multilateral aid, and there is a substantial body of literature that examines why donor states choose one of these channels over the other. Still, how do donors choose *between* multilateral institutions?

The paper will answer this question of institutional choice by investigating which share of their multilateral health aid donors choose to channel through specific global public health institutions. The expectation is that donors favor organizations whose members are more geo-politically aligned to them and whose institutional aid allocation patterns are more similar to their own. An institution exhibiting high *preference similarity* with a donor is more attractive, because it ensures that delegation will not compromise a donor's core preferences about aid allocation. Accordingly, the more a donor prefers an institution as an allocation channel, the greater a share of multilateral health aid the agency will receive.

The paper proceeds as follows: It opens with an outline of donor state delegation to multilateral aid institutions and the state of the relevant literature and shows the substantial variation in donor budget allocations to a number of international aid agencies. I offer a principal-agent framework for analysis and test the argument on a dataset spanning the decade of 2000–09 for twenty-two OECD donor states. The paper concludes by summarizing key findings and their wider implications.

Delegation to Multilateral Institutions

Despite a large number of studies on development aid in general, the issue area of global public health remains understudied in international relations scholarship. To date, no systematic study of donor contributions to multilateral health institutions has been published. However, there are a number of useful strands in the literature on aid and on delegation that can help contextualize the question.

The more general assertion that states aim to use multilateral institutions to pursue their own policy objectives is exceptionally well-supported by the literature. Authors providing evidence of this behavior include Alesina and Dollar (2000), Burnside and Dollar (2004), Oatley and Yackee (2004), Broz and Hawes (2006), Dreher, Sturm, and Vreeland (2009), Bearce and Tirone (2010), Copelovitch (2010), Vreeland (2011), and others.

In the case of development aid, donor states typically specify which share of the aid budget will be allocated to multilateral institutions and which share is to be given to recipient states bilaterally. The literature remains dominated by studies on bilateral aid relationships (Mckinley and Little 1979; Maizels and Nissanke 1984; Schraeder, Hook, and Taylor 1998; Alesina and Weder 2002; Dollar and Levin 2006) and focuses on the reasons why donors allocate aid to a specific recipient. Donors commonly reward developing nations that are of political, economic, or strategic importance to them, although this behavior is not entirely consistent across donors: France, Italy, and Japan are especially "egoistic" in that donor interest clearly outweighs recipient need as a determining factor of foreign aid, while Austria, Switzerland, or the Nordic countries are more "altruistic" (Berth´elemy 2006). Notwithstanding some diverging results, there is a general agreement that bilateral aid allocation is a strategic choice by donors, and there is nothing to imply this would be different for multilateral aid allocation.

In contrast to bilateral aid, the concrete factors explaining donor delegation to multilateral agencies have rarely been investigated, and even then authors typically concentrate on one case (Nielson and Tierney 2003; Martin 2006; Copelovitch 2010). These are still useful points of departure, as such studies show that states are indeed more amenable to delegation when their own preferences and those of their agents are aligned (Martin 2006). Milner (2006) explains a donor's choice between bilateral and multilateral delegation and provides a number of variables influencing the delegation decision. The only analysis on donor choice comparable to the paper at hand has been conducted by McLean (2012). The article is based on a similar dataset and also investigates donor preferences across multilateral aid institutions, although it only includes EU-15 donors and three international institutions and does not cover a particular issue area such as health. McLean provides statistical evidence that donor states systematically prefer delegation to agencies whose members are more closely aligned to

them—where preferences are similar, donors are more comfortable with allocating larger parts of their budgets. I expand on these findings by letting donors not only consider their alignment with other member states but also with past institutional policies.

The main strand of scholarship which considers the dynamics between delegating states and executing institutions is principal-agent theory (Nielson and Tierney 2003; Bendor and Meirowitz 2004; Hawkins, et al. 2006; Copelovitch 2010). This approach explains why and how a principal—a state or a group of states as a collective principal—grants conditional authority to an agent that empowers the latter to act on behalf of the former in what is commonly known as delegation (Hawkins, et al. 2006). Considering that development aid can be used as a powerful tool to influence recipient states and to pursue political and economic interests, states should be reluctant to hand over control of this tool to an international organization. Donors cannot keep complete control since they are unable to sufficiently monitor the agent (perfect monitoring would be prohibitively expensive), which inevitably leads to some degree of "agency slack" and to outcomes that might not be in the principals' direct interest. It is for this reason that delegation to multilateral agencies can be a controversial move for governments and might be unattractive for those under domestic pressure to retain sovereignty (Lake 2007).

In all multilateral aid agencies, member states and other political stakeholders hold some form of ultimate authority over institutional policymaking, but certain tasks in the decision-making have been delegated to agents. These tasks can range from the more trivial—compiling documents, preparing meetings—to the vitally important—shaping institutional agendas and strategies or determining resource distribution. A central tenet of principal-agent theory holds that all agents possess and pursue their own interests and aim to maximize their autonomy within the constraints that principals set out. This is easier for them in situations of common agency, since multiple principals may not have identical preferences about the agent's behavior, which in turn increases agent independence (Nielson and Tierney 2003; Copelovitch 2010). Nevertheless, delegation of course has its uses: Institutional agents gather information, monitor compliance, or provide specialized expertise, they make policy coordination and dispute resolution easier, or even serve as a convenient scapegoat for unpopular decisions and policies (Haas 1992; Koremenos 2008).

This leaves open the question of how donors minimize the risk of a "runaway agent" acting against their interests. There are two possibilities for principals: Use incentives and punishments to keep the agents in line even in the absence of perfect monitoring, or allocate aid to organizations whose policies are already congruent with the donors' preferences (Weingast 1984; Miller 2005). The latter is an especially effective strategy, because it allows donors to enjoy the benefits of institutional delegation without the need for constant negotiation, supervision, or a potentially costly circle of punishing and rewarding their agent. It also explains why principals in a number of international organizations (such as the Global Fund to Fight AIDS, Tuberculosis and Malaria) rarely, if ever, exercise their power to modify or reject program proposals and staff recommendations (Theiner 2012). If the donor is sufficiently certain that an agent's preferences are already aligned with its own, adjustments can be kept to a minimum.

Taken together, the risks and benefits of delegating aid allocation to multilateral institutions suggest that donors' dominant strategy will be to regularly go "forum shopping," re-evaluate institutional policies, and choose to contribute more to institutions whose present and implied future policy preferences are aligned with their own. Since an organization's policies are determined by collective decision-making among the principals, but the policies are influenced and modified by agents, donors will delegate greater portions of their budgets to institutions where they are more closely aligned with both parties.

The following section will outline the observable outcome of these donor preferences about delegation, namely varying allocations of resources to different agencies.

Variation in Multilateral Aid Allocations

There is great variation in donor contributions to international institutions in the field of global public health. In the context of this paper, the donor states of interest are twenty-two of the currently thirty members of the OECD's Development Assistance Committee.[2] Between 2000 and 2009, these donor states gave almost $1 trillion in aid, $120 billion of which were invested into health programs. Thirty percent of all aid—around $300 billion—was channeled through multilateral agencies, and $40 billion of this was given to twelve institutions wholly or partially dedicated to health. Figure 1illustrates this variation over time. As defined by the OECD, institutions with "sizable health programs" are: African Development Fund (AfDF); Asian Development Fund (AsDF): the EU's development aid programs; GAVI; the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM); the World Bank's International Development Association (IDA); the Inter-American Development Bank's Special Fund (IDB); Joint UN Programme on HIV/AIDS (UNAIDS); UN Development Programme (UNDP); UN Population Fund (UNFPA); UN Children's Fund (UNICEF); and the World Health Organization (WHO).

**Figure 1. Health Aid as a Share of All Aid Given by OECD Donors, in Billions**

How donors choose to distribute their aid budgets between these institutions varies to a considerable degree. The dependent variable capturing this variation is the *percentage of a donor's total multilateral heath aid allocated to institution X in year Y*. In other words, it is the share of a donor's total contributions to all health institutions that goes to a particular organization. While the variable's interpretation is intuitive, it is not always as straightforward to calculate, as in the case of bilateral aid.

First, the amount of a donor's imputed multilateral aid to health channeled through a particular institution is established. Second, this result is expressed as a share of all imputed multilateral aid to the twelve institutions in the same year. Imputing contributions is necessary because donors normally contribute to an agency's overall budget rather than allocate funds to individual issue areas such as health. All imputed aid amounts were obtained directly from the OECD Development Co-operation Directorate (2017). Imputation is not needed if an institution spends 100 percent of its funds on health programs (like the Global Fund or UNAIDS), and if donors delegated only to such organizations, this computational step would be altogether unnecessary. However, many states give substantial amounts to organizations such as the World Bank's International Development Association (IDA), which is an important factor in global health but only devotes 7–10 percent of its budget to the issue. What is more, donors might systematically prefer (or dislike) delegating to such mixed-function agencies, and this variation would be lost if they were excluded from the analysis.

As an example, Finland allocated $24 million in total to the United Nations Children's Fund (UNICEF) in 2009, and the agency spent roughly 15% of its budget on health programs in the same year. As a result, Finland's imputed multilateral aid to health through UNICEF in 2009 was $3.6 million. In total, Finland allocated $62 million in imputed health aid to all twelve agencies, meaning its contribution to UNICEF represents 5.8% of its multilateral health aid budget in 2009. In other words, out of all aid given to the health sector

Figure 2. Budget Allocations over Time, Germany and Netherlands
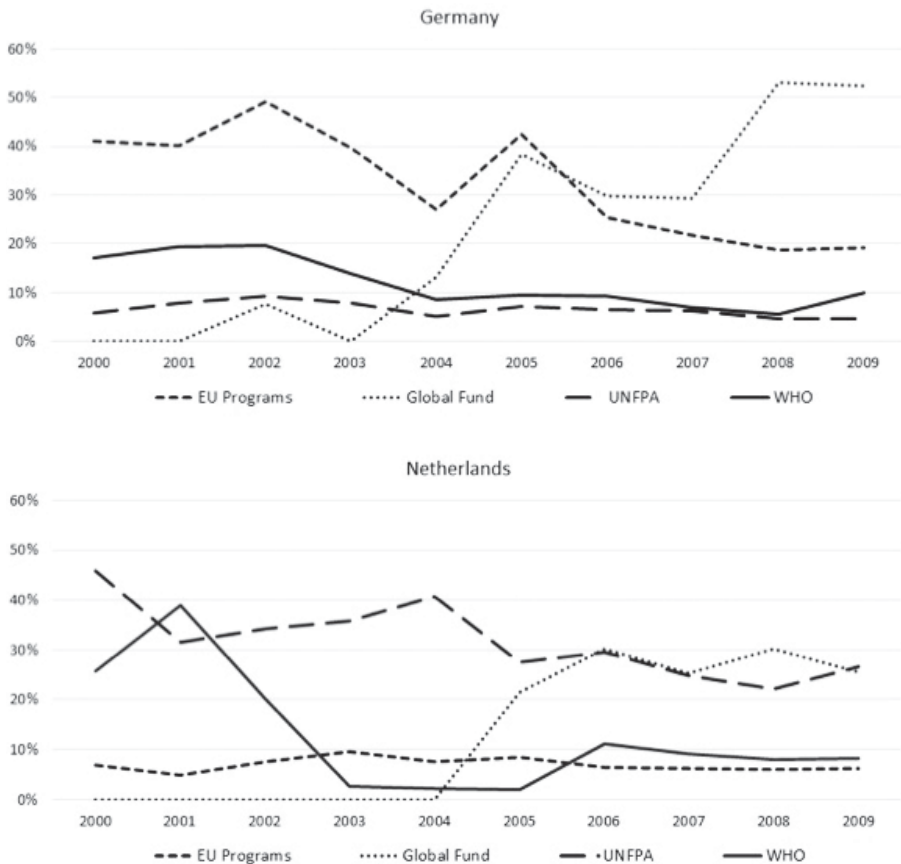
through multilateral channels, Finland delegated only 5.8% to UNICEF, compared to 20% to UNAIDS, and almost 50% to the UN Population Fund.

Other donors prefer delegating to different agents. For example, Canada channeled more than 70% of all multilateral health aid through the Global Fund in 2009; Greece allocated 90% of its budget to programs run by the EU in 2000. However, aid allocation choices not only vary between donors, they also change significantly and frequently over time for each donor. In 2000, the U.S. gave 22% of its multilateral health aid to UNICEF and 48% to the World Bank's International Development Association. Yet ten years later, these institutions seem to have lost much of their attraction as an agent for the U.S.: In 2009, both institutions *together* received not even 9% of American multilateral contributions for health, while almost 75% were delegated to the Global Fund. The UK's aid allocation underwent a similar transformation from 53% of health aid going through the World Health Organization in 2000 to only 9% in 2009.

Figure 2 shows the degree of temporal variation in the case of two sample donors, the Netherlands and Germany. Like other Scandinavian donors, the Netherlands channel much of their health aid through UNFPA—in 2004, $132 million (41%) of a total multilateral health budget of $324 million, for example. EU programs seem much less attractive to the Dutch, and never receive more than 10% of the multilateral budget ($25 million in 2004, or 8%). In contrast, the Global Fund had already become the main beneficiary of Dutch health aid just four years after its inception, receiving $90 million of a total budget of $300 million in 2006 (31%). Germany, on the other hand, seems to follow a very different strategy. UNFPA is the least used of the four agencies, while the lion's share of the multilateral budget is funneled through the EU: In 2002, almost 50% of the total budget was delegated there ($120 million of $243 million). However, we also see the EU's diminishing role as the Global Fund receives ever larger shares of Germany's budget.

For further comparison, Figure 3 shows how differently donor states Canada, Germany, Greece, Netherlands, and the U.S. allocate their multilateral aid budgets between the same four agencies used previously: the EU, Global Fund, UNFPA, and WHO. Greece's reliance on the EU is as clear as the Netherlands' disinterest in the latter's programs. Also visible is the reduced role of the WHO (to which all donors dedicated smaller portions of their budget over time) and the Global Fund's dramatic gain in appeal. Generally speaking, states in southern Europe prefer delegating to EU programs while northern European states have more diverse portfolios. It also has become increasingly hard for UN-affiliated agencies such as UNAIDS, UNICEF, and the WHO to attract donor funding, with the exception of UNFPA. In contrast, the Global Fund has excelled at acquiring large parts of donors' multilateral budgets.

To summarize, donor preferences about delegating multilateral aid can be measured by the percentage of all health aid that is allocated to an institution in a particular year. The more preferred an organization is as an allocation channel by a donor, the greater the share of this state's multilateral health budget it will receive.

How Do Donors Choose to Delegate Health Aid?

As outlined above, delegation to a specific international organization comes with substantial benefits, but it is not costless. The greatest risk for a donor is to delegate authority and resources to an institutional agent which then pursues policies at odds with the donor, greatly reducing the usefulness of aid as a strategic tool of foreign policy. To prevent this, a donor state has two choices: It can either monitor, punish, and incentivize one particular agent to enforce a similarity of preferences or choose between different agents and allocate most resources where principal and agent preferences are judged to be most similar already. The latter incurs much less institutional friction, limits the need for negotiation, and, as a result, is more cost-effective. I argue that the main heuristic used by states to choose between organizations is based on *preference similarity*.

States will ask two questions when deciding if an institution should receive a part of their multilateral budget: First, is the donor closely aligned with the other member state principals?

Figure 3. Budget Allocations by Selected Donor States

WHO, budget allocation

Global Fund, budget allocation

UNFPA, budget allocation

EU Programs, budget allocation
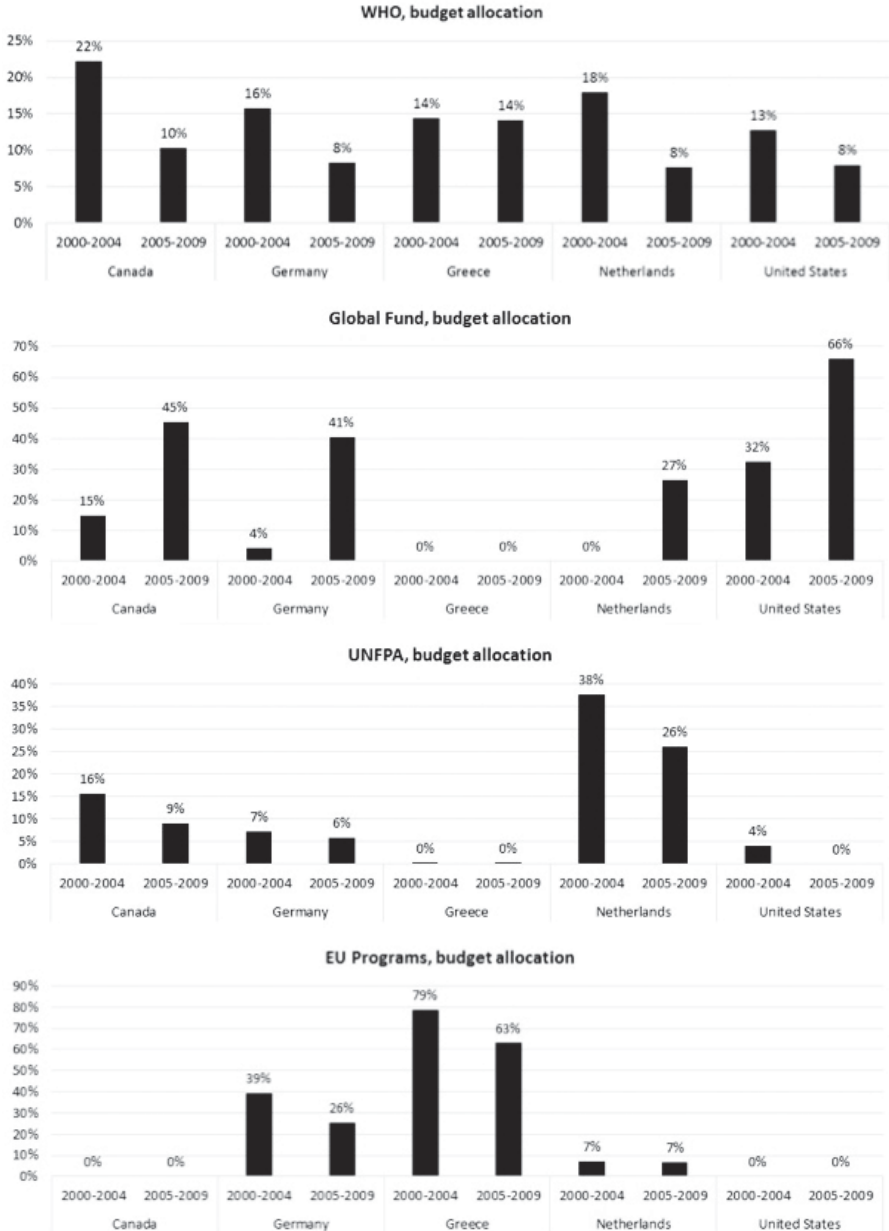
Second, are the donor's bilateral aid policies closely aligned with the multilateral policies of the institution? In the case of an organization where both questions are answered positively, we would expect a donor to systematically allocate larger shares of its budget. An institution with a high preference similarity is attractive to donors, because it allows them to avoid most costs of delegation but still use the organization to coordinate and implement the policies they

prefer in bilateral contexts. Finding multilateral institutions with high preference similarity essentially allows donors to have their cake and eat it—they contribute to multilateral problem solving but in a manner that is consistent with their own approach.[3]

Independent Variables

In determining how to distribute its multilateral aid budget, a donor first will evaluate the degree of alignment between themselves and an institution's other principals. Less aligned preferences will make delegation a less attractive choice, because negotiations become more difficult (and thus more costly) when countries disagree about which institutional policies to adopt. More importantly, divergent preferences mean that any policy will only be satisfactory to some members but not to others; the more heterogeneous state preferences are, the greater the chance for an individual donor to end up on the "losing" side with an institutional policy not in line with its own preferences.

Table 1. Summary Statistics

Variable	*n*	**Mean**	**SD**	**Min**	**Max**
Dependent variable					
Share of multilateral health aid	2570	8.56	13.49	0	90.21
Independent variables (preference similarity)					
Alignment with member states	2537	0.66	0.26	-0.71	0.98
Alignment of spending patterns	1808	145	39	20	200
Control variables					
Number of institution's members	2640	64	55	20	193
Population size (log)	2640	16.6	1.42	13	19.5
GDP per capita (log)	2640	10.1	0.37	9.3	10.9
Government spending (%)	2640	19.4	3.5	10.8	27.3
Year*	2640	5.5	2.9	1	10

* Year starts at value 1 in 2000

Table 1 provides descriptive statistics of the dependent variable and the independent and control variables introduced in this section.

The paper will operationalize preference similarity with the Affinity of Nations dataset, which provides scores for the similarity of votes in the UN General Assembly. Correlated voting patterns imply more aligned geopolitical preferences, and such an alignment has already been shown to influence the distribution of bilateral aid (Gartzke 2006; Voeten 2000, 2008; Vreeland 2011; Dreher, Nunnenkamp and Thiele 2008). The variable has the benefit that it does not presume donors are guided by the (inherently unobservable) underlying preferences of others but merely by the revealed preferences evident in voting records (Frieden 1999). For each donor-institution pairing in a given year, I calculate the average similarity of UN General Assembly voting between the donor and all other relevant members of the organization in that year. A high value means the donor is closely aligned with many other member states, and it should allocate larger parts of its health aid budget to the agency as a consequence.

Hypothesis 1: Donor states will allocate larger parts of their health aid budgets to institutions whose member states have more donor aligned preferences, ceteris paribus.

There are a number of institutions in the dataset whose membership is in principle universal, such as UNDP and the WHO. This raises a question: Can states really exercise meaningful choice based on preference alignment if that choice is mainly between organizations

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3. The literature still lacks consensus about whether principals or agents have a greater impact on institutional policy. Arguments and empirical evidence have been provided for either side or even for both (Schraeder, Hook, and Taylor 1998; Flinders and Buller 2006; Barnes and Brown 2009; Börzel 2009; Kilby 2010; Copelovitch 2010; Theiner 2012). As a compromise, this paper allows a state to consider both the principals and the institutional agents when evaluating preference similarity.

that have similar or even universal membership? However, there are two reasons why this type of endogeneity problem does not arise from the data. First, because preference alignment is based on voting patterns in the General Assembly rather than votes in the institutions in the dataset, it can be treated as an exogenous factor. Second, this alone could not solve the issue that any two universal membership institutions should provide the same alignment values for a donor in any given year. However, even where membership is indeed universal, organizations often have an additional, more exclusive organ that sets institutional policies without the involvement of all members. The Global Fund, UNFPA, UNDP, and UNICEF all have executive boards with selected state members, UNAIDS has a "Programme Coordinating Board," etc. The notable exception to this is the WHO, in which all members exercise collective decision-making in the World Health Assembly. To construct the variable, I consider only the alignment between a donor and the members of these separate decision-making organs rather than the entire institution. Due to the variation of board members across institutions and time, this greatly reduces the risk of an endogenous alignment measure.

Second, a donor will evaluate the degree of alignment between its bilateral aid portfolio and that of the multilateral institution. This is necessary in addition to member state alignment, since donors are aware that in a principal-agent context, institutional policies are not just set by the members but might be influenced by the organization's leaders, its staff, or independent experts consulted during decision-making (Theiner 2012). Documents and discussions on official institutional policies are readily accessible to donors. Yet the easiest way to judge whether an agency's policies are agreeable to a donor is to evaluate the institutional preferences "revealed" in actual aid allocation. Such spending patterns are not random but a visible record of priorities. As an example, a donor might—for a variety of reasons—consider the prevention and treatment of sexually transmitted diseases especially important and allocate most of its bilateral aid budget to this public health issue. With its multilateral budget, the donor should then also be more willing to support international institutions that concentrate on these diseases, rather than those primarily funding vaccinations or medical research. One example of such behavior is the U.S.'s ban on funding family planning and reproductive health organizations that also provide or inform about abortions, a policy which has been in place since 1973 (Kaiser Family Foundation 2017).

The similarity between donor and institutional policy will be measured using OECD data on "Aid to Health" (OECD Development Co-operation Directorate 2017). This unique dataset breaks down the amounts given as health aid into seventeen distinct spending categories such as "health education" or "malaria control." The OECD collects this data for bilateral aid given by donors and for multilateral funding by institutions. This makes spending by donors and by institutions *directly comparable* in terms of the funded problem areas. For each spending category, the amount spent is converted into a percentage of the total expenditure by the donor or institution. I then calculate the sum of absolute distances between all spending category percentages for each donor-institution pairing. The result is a measure of how similar donors and institutions spend their money—high distance values indicate that a donor prefers to spend its bilateral aid on very different sectors and programs than the multilateral institution.

Hypothesis 2: Donor states will allocate larger parts of their health aid budgets to institutions whose multilateral spending patterns are similar to their bilateral spending, ceteris paribus.

To summarize, I argue that donor states prefer delegation to agencies with similar preferences. Donors will judge this similarity based on the general preference alignment with other member state principals and on the preference alignment with the institution itself as revealed by spending patterns. All else being equal, states will prefer to delegate to organizations whose

members are in agreement with the states geopolitically and whose aid distribution policies are more closely aligned with the states.

Control Variables

The literature has identified a number of variables that influence aid allocation by donors and could be used as controls. Their usefulness is limited, however, because they are normally used to explain why donors delegate bilaterally or multilaterally rather than why they prefer one multilateral channel over the other. As an example, Milner (2006) contends that wealthier countries—measured by GDP per capita—will be more likely to allocate their aid on a bilateral basis since their financial power makes the multilateral pooling of resources less necessary. Whatever the veracity of this claim, the variable cannot explain why affluent donors prefer one multilateral institution over the other. The same is true for other variables such as population size (smaller countries will prefer the increased leverage multilateral aid gives them) and the level of government spending as a percentage of GDP (countries that have strong re-distributive tendencies on the domestic level will also be more accepting of redistribution on the international level).

The paper will nevertheless include the control variables of GDP per capita, population size, and government spending in order to investigate the possibility of systematic variation between donors. Statistical models will be run with three further controls: A one-year lagged measure of a state's contribution to the organization in question, since contributions sizes are not entirely independent of each other; the size of the institution's membership, because countries might prefer delegating to institutions with fewer members in order to reduce transaction costs and preference heterogeneity; and a year variable to account for linear trends over time.

Results

To test the explanatory power of preference similarity for delegation in multilateral health aid outlined in the previous sections, I created a dataset containing information about the aid allocations of twenty-two OECD donor states. The dataset tracks these donors' aid allocations to twelve international institutions during the first decade of the 2000s (2000–2009) and is based on reporting to the OECD Development Co-operation Directorate. Data on control variables was obtained from the World Bank Data Catalog (World Bank 2017). Multilevel regression models were specified where the dependent variable is the percentage of all multilateral health aid allocated to institution X in year Y with independent variables as fixed effects and country-level random effects (Gelman and Hill 2007). All independent variables are lagged by one year, and all non-binary independent variables were transformed by centering and dividing by two standard deviations in order to make regression coefficients comparable on a common scale (Gelman 2008). Each coefficient can thus be directly interpreted as the expected change in the dependent variable when moving from one standard deviation below the mean in the independent variable to one standard deviation above it. In other words, the coefficient is the expected change in the percentage allocated to an institution when comparing a low and a high value of a given explanatory variable while keeping all other factors at their mean.

Table 2 shows the results of the statistical analysis. The multilevel models include country-level random effects that are incorporated into the intercept term but not into the slopes of the individual coefficients. The intention was to partially pool the available data to construct an average model of donor choice for the countries in the sample, not to create a precise model of any one individual state. Each fixed effect in the multilevel regression table can be interpreted as having been adjusted by the inclusion of the variance added by each state. The two facets of preference similarity (alignment with member states and alignment of spending patterns) are first analyzed individually in Models 1 and 2 and then combined in Model 3.

The results support Hypothesis 1 about the effect of preference similarity on the choice of multilateral institution, but not Hypothesis 2, although both measures of similarity point in

Table 2. Modeling Multilateral Health Aid Allocation

|	Model 1	Model 2	Model 3
Alignment with member states	2.16***		2.99***
	(0.65)		(0.81)
Alignment of spending patterns		0.45	0.33
		(0.53)	(0.53)
Previous year's contribution	0.75***	0.73***	0.72***
	(0.01)	(0.02)	(0.02)
Number of institution's members	0.83*	0.12	0.70
	(0.39)	(0.46)	(0.49)
Population size	1.79**	0.24	2.23**
	(0.65)	(0.49)	(0.83)
GDP per capita	0.11	0.16	0.00
	(0.38)	(0.49)	(0.49)
Government spending	0.07	0.05	0.12
	(0.39)	(0.49)	(0.50)
Year	0.03	0.06	0.03
	(0.07)	(0.10)	(0.10)
(Intercept)	2.05***	3.03***	2.98***
	(0.48)	(0.71)	(0.72)
AIC	16439.74	12433.65	12335.02
BIC	16497.11	12487.96	12394.68
Log Likelihood	-8209.87	-6206.83	-6156.51
Num. obs.	2291	1687	1675
Num. groups: donor	22	22	22
Var: donor (Intercept)	0.00	0.00	0.00
Var: Residual	75.77	91.86	91.32

***$p < 0.001$, **$p < 0.01$, *$p < 0.05$

the hypothesized direction, only preference alignment with other member states is statistically significant. This means donors indeed evaluate their alignment with other principals when choosing which institution to delegate to and dedicate significantly larger parts of their multilateral budgets to those whose member states are in agreement with them. Conversely, donors are cautious about delegating to organizations where members have preferences that diverge from theirs. However, there is no such effect for the alignment between bilateral spending and multilateral portfolios—donors do not seem to systematically prefer organizations that have aid portfolios similar to their own.

Figure 4 shows the overall relationship between greater member state alignment and larger budget allocations. The slope of the linear regression of a donor's alignment with member states at first glance looks modest. On average, moving from an institution where member state preferences are generally opposed to the donor (-0.5 on the alignment scale) to an institution with highly aligned members (1.0 on the same scale) lets us expect the latter to receive a 4.5 percent higher share of that donor's budget.[4] However, as the local regression line shows, the effect increases sharply for institutions where states are very closely aligned—so much so that for "well-aligned" organizations like the EU, we would expect an average allocated budget of almost 40 percent. In absolute terms, the average effect is also far from insignificant, especially given the parsimony of the model. The budget size of large health donors such as

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4. The U.S. is responsible for most data points with low agreement values, since a majority of General Assembly members regularly vote against it. Nevertheless, the empirical findings are almost identical whether or not the U.S. is included in the analysis.

France (total budget in 2009: $675 million) or the U.S. ($1.3 billion) means that any redistribution potentially moves hundreds of millions between institutions. A 4.5 percent change can translate into an institution suddenly receiving $50 million more from just one donor. Summed up across all donors, institutions boasting more aligned members can quickly divert significant funds away from other organizations—the Global Fund is the best example of this effect.

Figure 4. Budget Allocations and Member State Alignment, with Linear and Local (Dashed) Regression Lines
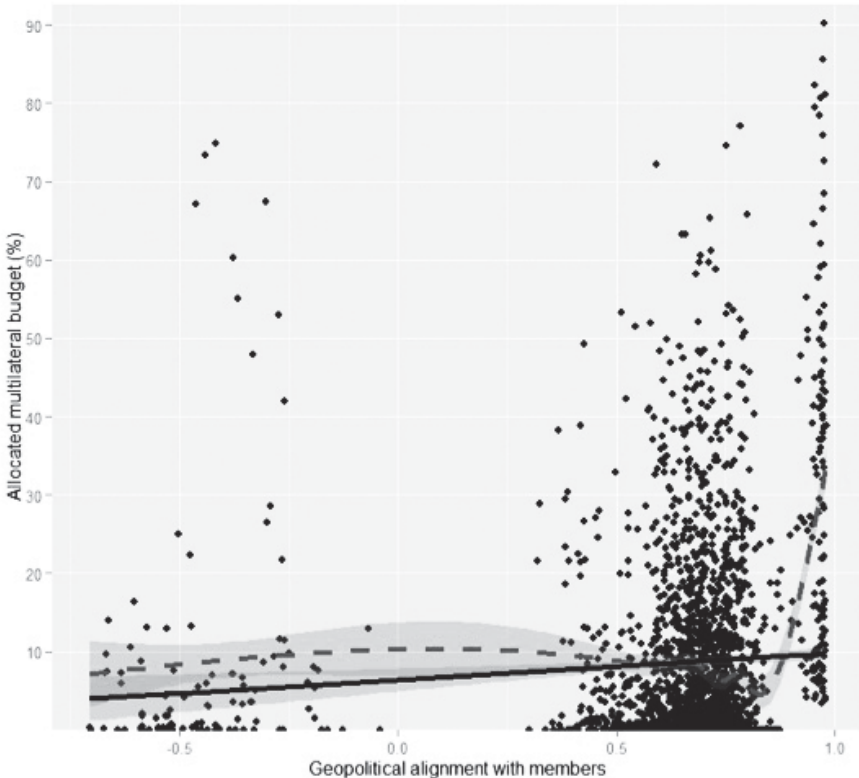
Moving on to the second independent variable of interest, I find that donors do not seem to systematically take spending similarity into account when allocating their budgets. While the effect does point in the hypothesized positive direction—states are more likely to delegate to institutions which spend money in a similar manner—it is neither statistically significant on its own nor in the combined model. Figure 5 illustrates this: a higher measure of spending alignment also correlates with higher shares of donors' budgets, but standard errors are too large to make us believe in the validity of the relationship. There are two possible reasons for this null result. First, donors consider the similarity between bilateral and multilateral aid portfolios, but this is not a major guiding factor when choosing an institutional agent. Second, states in the sample do not apply a uniform logic when deciding their contributions: while the hypothesis stated that donors should seek out institutions with similar portfolios, it is conceivable that some are instead looking to delegate to institutions with *complementary*—meaning dissimilar—portfolios. The lack of a clear relationship would then be due to opposite logics of choice canceling each other out.

Figure 5. Budget Allocations and Spending Alignment, with Linear and Local (Dashed) Regression Lines
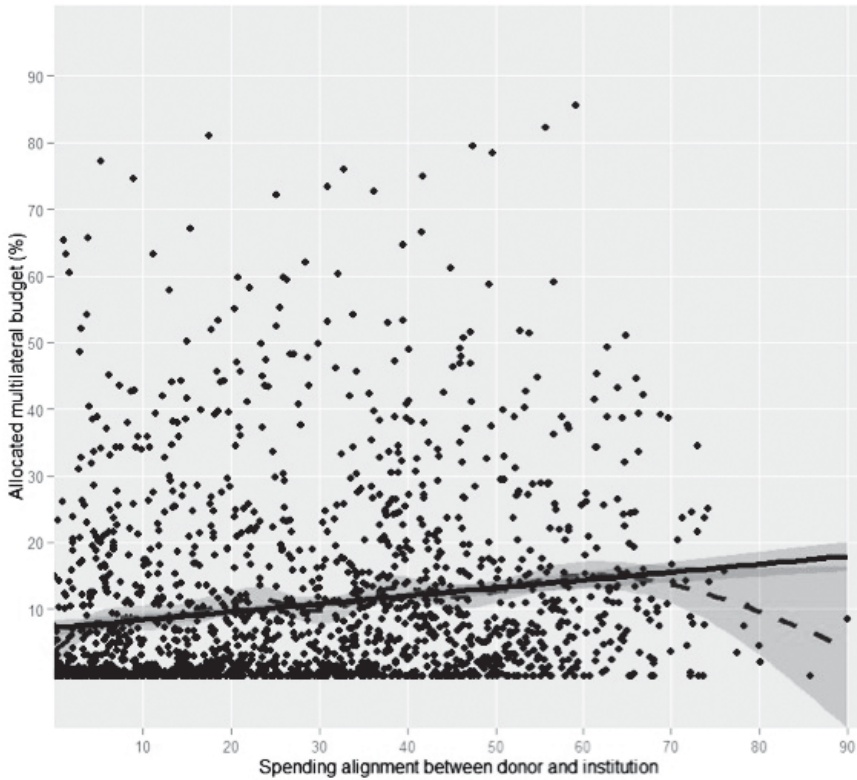
Some of the control variables also exert consistent effects. Unsurprisingly, the lagged variable capturing a donor's budget allocation in the previous year is strongly significant. I have demonstrated that individual allocations can vary greatly over time, but they are not independent observations for each institution. Much like in the case of national ministries and agencies, changes in their relative share of the overall budget tend to happen gradually, rather than suddenly. The size of an institution does not consistently affect the dependent variable, despite Koremenos, Lipson, and Snidal (2001) arguing in the literature on institutional design that broader participation generally is detrimental to the depth of cooperation. The data does not indicate that donors shy away from larger institutions when it comes to distributing their budgets. Lastly, population size has a significant positive effect. Since the dependent variable is expressed as a percentage which sums up to 1 in any given year across all institutions for one donor, the coefficient indicates that more populous countries tend to delegate greater shares to individual organizations. Put simply, larger donors give to fewer institutions, and those will receive larger shares of the budget. It remains to be seen whether this is a statistical artifact of the behavior of the populous donors in the dataset (such as Germany, Japan, and the U.S.) or a genuine behavioral trend.

Conclusion

How do donors decide how to allocate their multilateral aid? This paper has argued that donor states take *preference similarity* into consideration when choosing how much of their bud-

get goes to certain institutions. In principle, preference similarity consists of the alignment between the donor's interests and the preferences of the institution's other member states and of the overlap between the bilateral aid allocation chosen by the donor and the multilateral policies pursued by the institution. Institutions where a donor is well-aligned with other members, and where spending patterns mirror those of the donor, are attractive because they limit principal-agent problems—meaning states can enjoy the benefits of delegation without the need to constantly negotiate with other principals or monitor their agent. We would expect such institutions to subsequently receive a larger share of funds.

The paper tested this argument using time-series cross-sectional data on the contributions from twenty-two OECD donors to twelve international health organizations from 2000 to 2009. The analysis only supports the first part of the argument: States do indeed systematically allocate greater parts of their multilateral health budgets to institutions whose members are closely aligned with them, even when other factors are taken into account. Channeling funds into such organizations assures donors that multilateral spending will not be completely dissimilar to how they prefer to spend their money bilaterally. In contrast, the similarity between bilateral and multilateral spending patterns seems to matter little. Donors neither seek out organizations that mirror their own spending preferences nor do they avoid those who have vastly different funding priorities.

What do these results mean for the principal-agent narrative? The quantitative analysis implies that state principals care much more about how well they harmonize with other principals rather than agents. There could be several reasons for these findings. States might simply not behave uniformly when it comes to deciding budget distribution; some might prefer delegating to institutions with complementary, rather than similar, spending patterns. Since diverse strategies cancel each other out when aggregated, this would explain the null result of portfolio alignment. Another interpretation is that donors trust that institutions are still controlled to a large degree by their principals. Consequently, they either believe there is little risk of a runaway agent or that it can be brought to heel relatively easily. This would naturally lead them to pay closer attention to principal alignment, since sovereign member states are much harder to influence or control. The findings also have policy implications. When it comes to acquiring donor state contributions, the configuration of an institution's participants is vastly more important than its actual policies. Donors do not seem to uniformly prefer similar or complementary organizations, but they do favor those with whose members they align. Any institution that wants to receive substantial resources must confine its membership to well-aligned states. This does not mean that aid cannot ultimately be channeled to non-aligned states but that these should remain outside the institution in order to maximize contributions. Including a broader range of countries in the decision-making may be a legitimate goal, but the data suggests this will lead to hesitation on the part of donors. In contrast, trying to match institutional portfolios to those of donors—emphasizing nutrition or prevention of infectious diseases over other issues, for example—should not be expected to increase financial support. This is bad news for older global health institutions such as the WHO, which have seen reduced contributions; changing aid portfolios is much easier than changing membership.

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