Evidence indicates that bilateral aid from member states has not changed in delivery following the Paris Declaration, in which donors pledged to shift delivery to budget support. The Paris Declaration thus serves as a tool to avoid the redistribution of EU funds from smaller to larger member states. It is an agreement legitimating practices the smaller member states already wanted the EU to follow.

More Power than You Think?

Constituencies and Decision-Making Influences over Agency Output in EuropeAid

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In 2005, 137 countries signed the Paris Declaration, promising to render foreign development assistance more effective by eliminating the duplication of activities, agreeing on a division of labor, and specializing according to comparative advantages (Paris Declaration 2005). At that time, the signatories also pledged to prioritize one particular delivery mechanism of development assistance over all others. That delivery mechanism was *budget support*, also known as government-to-government aid, or the direct transfer of aid monies from donor to recipient government.

Although budget support had been a popular delivery mechanism from the inception of foreign aid into the 1980s, most donors had turned heavily toward bypass channels of delivery for 20-25 years leading up to the Paris Declaration.[1] The change came as a result of reports that aid delivered directly to recipient governments was co-opted by political elites and handed out as rents, used to replace money that was already allocated to pay for public goods while the original money was put into private pockets for political reasons, and ultimately kept from the poor that were meant to be targets of delivery. On the heels of this news, donors began giving aid to non-profits, private firms, and multi-lateral organizations to implement, or implementing it themselves, thus side-stepping home governments and reducing the potential for waste, fraud, and abuse.

When the international pendulum swung back toward budget support in 2005, the policy shift was putatively a result of deleterious side effects of the dependence on bypass channels of delivery. First, bypassing the public sector to deliver public goods often meant the most skilled and educated labor force left public employment to work for donor agencies and contractors, thus draining the public sector of its prime labor source, as well as inflating salaries and benefits for the fortunate few. Second, projects implemented by outsiders foster no ownership among recipient publics or their governments, which threatens the sustainability of development efforts when donors depart. And finally, donor governments can coordinate the efforts of multiple donors and projects in their country if they are receiving aid money, but if aid money is disbursed to a multitude of contractors, donors' efforts end up competing against each other in recipient nations, often at duplicative or even cross purposes (Acharya, de Lima, and Moore 2004; Easterly 2007).

In 2011, the Organisation for Economic Co-operation and Development announced that donors had made little progress on the coordination front, and reports emerged that several EU donors were reducing their budget support (Ellmers 2011), despite repeated rhetoric from the European Commission that budget support was a central tenet of their aid strategy (European Commission 2011a, 2012). If delivery via budget support was not increasing, then, what was the draw to the Paris Declaration? Why would bilateral donor countries, already a member of other multilateral donor organizations, enter another multilateral agreement to engage in a practice they had no intention of following?

I contend in this paper that the Paris Declaration serves as an international agreement forged by member states in order to bind their own international (multilateral) aid donor organizations and constrain their fellow members, even if they never intended to abide by the declaration bilaterally. Rather, the Paris Declaration is a tool used by less powerful member states in the EU to balance their more powerful member neighbors, and to avoid the redistribution of EU funds from smaller to larger member states. Evidence indicates that bilateral aid from member states has not changed in delivery mechanism since signing the Paris Declaration. Meanwhile EuropeAid, the aid donor arm of the European Union, began giving assistance in the form of budget support as early as 2000, even before the Paris Declaration (European Commission 2011), and its patterns did not shift markedly in 2005. The Paris Declaration, then, served to legitimate practices the smaller member states already wanted the EU to follow.

[1] Beginning in the 1960s, Britain and France gave budget support to their former colonies in Africa. The practice was disparaged as colonialism (Acharya, de Lima, and Moore 2004).

This paper offers two main contributions. First, I show how international organizations can be used as tools to check other member states' behavior. Identified by Hawkins et al (2006) as a reason for creating such organizations, this case illustrates precisely how mechanisms of institutional design and *ex post* monitoring can be used to manipulate outcomes to a member state's benefit.

Second, this work gives an example of the redistribution of power an international organization can achieve. By constraining the distribution of aid given by the European Union multilaterally, smaller member states also constrain the distribution of rents among larger member states, ensuring smaller members' contributions do not get implemented by larger members' contractors. Membership in an international organization thus offers an increase in power to states previously thought to be weaker in the power system.

Budget Support and Aid Effectiveness: The Development Argument for the Paris Declaration

The Paris Declaration was signed by 137 donor and recipient nations, plus 28 multilateral organizations and 14 nongovernmental organizations (NGOs), all of whom pledged with their signatures to work toward greater cooperation between and among donors' and recipients' priorities, and to acknowledge and implement strategies to overcome any recipient's institutional weaknesses (complete list of signatories as of 2008 is in Appendix). Although the Declaration of 2005, amended by the Accra Agenda for Action of 2008, never explicitly mentions the term *budget support*, policy documentation and aid effectiveness literature communicate that development assistance channeled directly to recipient governments is a good idea for a variety of reasons. The "scaling up" of aid to government-level delivery, as opposed to delivery at the grass-roots or client level, should help coordinate aid with the priorities, systems, and procedures of the recipient country, and to help strengthen recipient government capacities (Paris Declaration 2005).

More specifically, this change was designed to increase participant *ownership* and donor-recipient *alignment* of development strategies. In pursuit of ownership, recipient countries declared to take the lead in coordinating development within their borders, and to exercise leadership over their development policies. Donors, for their part, declared to respect recipient country leadership and to help strengthen their capacity to exercise it (Paris Declaration 2005, Article II.13).

Alignment was specified as donors' basing "their overall support on partner countries' national development strategies, institutions and procedures" (Article II.16). Donors committed to using a country's existing institutions and systems to implement policies when sure aid would be used for agreed upon purposes, because doing so would increase aid effectiveness "by strengthening the partner country's sustainable capacity to develop, implement and account for its policies to its citizens and parliament" (Article II.17). Further, donors and recipients agreed to work together to decide upon performance, transparency, and accountability assessments, and to integrate such assessments into the overall capacity-building of the recipient's institutions (Article II.19).

The Declaration also included a few concrete policy recommendations – or pledges, depending on one's vantage point. To combat the drain on the public sector labor force, donors agreed to use all existing recipient procedures and systems to the greatest extent possible, including management structures, project implementation systems, and oversight mechanisms, and to avoid setting high salaries for local staff (Articles II.21, II.39). To help strengthen capacity, donors were to gradually increase the use of recipient procurement systems, weaning away from their own procurement procedures whenever possible (Article II.30). In a decisive move toward increased effectiveness, ownership, *and* alignment, donors were to untie all aid (Article II.31). Finally, donors committed to avoiding "activities that undermine national institution building, such as bypassing national budget processes" (Article II.39).

Each goal was given a rough progress gauge, and targets were set for 2010. Targets were not based on effectiveness outcomes, but on procedural inputs. In five years, members of the covenant would assess their progress based on such indicators as the percent of donors using recipient country mechanisms for procurement and financial management, the percent change in the reporting of aid to recipients' national budgets, and the continued decrease in the existence of tied aid (Article III).

Writers of the Paris Declaration built in a few caveats that allow donors to deviate from the desired behavior when they find it necessary. In effect, the promises to use recipient delivery channels, financial management systems, and procurement procedures are only as good as the donors' assessments of those systems. If any donor believes a recipient's system insufficient for handling funds or leading development initiatives and strategy, the Paris Declaration implies that a donor can direct all facets of implementation once again. And although there are subsequent pledges to help build capacity for a recipient's systems if one finds them lacking, there is no corresponding indicator of whether or not that has been done.

In short, donors can ignore the commitments of the Paris Declaration but still claim to adhere to their pledges, if they simply argue that a recipient's decision-making, procurement, financial, and/or implementation infrastructure lack either the capacity or the credibility to enable the recipient to hold up its end of the Declaration. If donors believe the logic of the Declaration and have development as their only concern, there would be no desire for such practices; transferring responsibility and ownership of all facets of development would strengthen the capacity of the recipient to provide public goods, and lead to eventual sustainability of economic, political, and social development. But we have reason to believe that even if the logic of the Declaration is true, donors are concerned with factors beyond recipient development. Those concerns are the topic of the next section.

Donor Concerns and Constraints

Although the Paris Declaration conceptualizes the goal of foreign aid as poverty reduction in the recipient nation, a branch of scholarship has characterized donor motivations in terms of strategic/policy goals, as well. Those who view aid as a tool of poverty reduction typically divide the concept into the two components *growth* and *development*, often measured in terms of national GDP per capita, or aggregate indicators of infant mortality, literacy, access to health care, or education (Burnside and Dollar 2000, 2004; Casella and Eichengreen 1996; Batana 2010; Easterly 2003). Scholars of aid as a policy tool have argued that aid advances donor goals of democratization (Bermeo 2011; Wright 2009), anti-terrorism (Bapat 2011), recipient government stabilization (Kono and Montinola 2009), favorable outcomes in the United Nations (Kegley and Hook 1991), trade and geopolitical relationships (Balla and Reinhardt 2008), and policy concessions (Bueno de Mesquita and Smith 2009).

Each of these studies makes basic assumptions about what donors seek to achieve with foreign aid. One general consensus that has emerged is that bilateral donor agencies, those representing just one donor country, are more strategic and politically oriented than multilateral donor agencies, those representing a group of donor agencies. A single donor government has incentives that can conflict with pure development motives and inhibit a donor's ability to enforce conditionality agreements (Bearce and Tirone 2010), so even donor publics are argued to trust multilateral donors to be less political (Milner 2006). But once developed, a multilateral organization can acquire a staff and management system that functions separately of its member states, complete with incentives and preferences of its own (see Hawkins et al 2006). At that point the multilateral donor is a function of the preferences of its member countries as well as those of its staff.

The European Union: The Political Argument for the Paris Declaration

Consider the European Union (EU). Several members of the European Union are bilateral aid donors on their own. They also contribute to the European Union's Bank of Reconstruction and Development (EBRD), and the multilateral fund which has recently consolidated from several branches of EU aid to become EuropeAid, the main donor arm of the EU. EuropeAid has discretion over the distribution and implementation of foreign development assistance on behalf of the EU. The EBRD, EuropeAid, and the donor members of the EU are all signatories to the Paris Declaration, indicating on paper their preferences for engendering sustainable development in recipient nations, and in doing so by increasing budget support and decreasing tied aid.

Research has detailed, however, the differences in allocation patterns (Alesina and Dollar 2000) and delivery mechanisms among individual donors. Donors vary in the ways strategic, economic, and humanitarian goals factor into their allocation calculi (Balla and Reinhardt 2008). They also vary in the delivery mechanism they choose as the most appropriate to achieve each goal (Knack 2013).

Delivering aid via channels that bypass the recipient government, a practice specifically eschewed in the Paris Declaration, allows aid to be implemented by contractors such as for-profit and non-profit entities. To win a multi-million dollar foreign-assistance project or program, a contractor often has to be familiar with procurement processes and financial management systems of the donor. It should come as no surprise that for most donors, their top contract recipients tend to be headquartered in their own countries. If EuropeAid were also to award contracts to contractors within the EU, that would mean European aid money would be essentially be redistributed from a group of members to one member. Instead of going through standard debate, regulations, and transparency standards within the EU itself, this redistribution would take place under the auspices of the development assistance program, effectively not considered redistribution within the EU at all. And the decision about where it would go, which contractor would receive it, would be in the hands of the EuropeAid bureaucracy, staffed by the Directorate-General and his chosen few.

The repercussions of such redistribution go beyond the implementation of aid in recipient nations. With contracting in mind, bypass channels now become a tool of redistribution within the EU itself, meaning members with small contributions may see their limited funds travel to countries with big budgets and experienced contractors, and members with extensive funds might see their number of contracts grow. Meanwhile, members accustomed to acquiring contracts might become increasingly competitive among themselves. Is it possible that the Paris Declaration, then, is a means of stifling bypass aid not in order to encourage development, but in order to constrain redistribution?

The Creation of International Organizations: Designing to Constrain

Before addressing the EU and EuropeAid directly, let us turn to the principal-agent paradigm to help characterize multilateral aid donors and their member states. Donor countries, the principals, give their money to a multilateral organization, the agent, to disburse to recipient nations. Multilateral organizations, then, are no more a-political than the members that create them (see Rowe 1978). The degree to which political considerations enter the day-to-day operations of an international organization depends on how the organization was originally structured and how it continues to function over time.

Just like any principal-agent relationship, donor principals have two main mechanisms to control the amount of discretion agents have over their own behavior (Calvert, Moran, and Weingast 1988; Epstein and O'Halloran 1994, 1996; Lohmann and O'Halloran 1994; Levine and Forrence 1990; McCubbins, Noll, and Weingast 1987). These mechanisms, agency design and *ex post* monitoring, set boundaries on the amount of discretion bureaucrats have in making policy. In the case of aid allocation, they represent opportunities for donors to insert their own aid allocation preferences into the allocation patterns of the multilateral donor.

Agency *discretion* refers to the freedom to make decisions, based on one's own judgment or preferences, when it comes to policy-making. A particular agency's discretion is bounded by the rules and statutes that constrain it (Epstein and O'Halloran 1996). The agency design phase provides one opportunity to regulate discretion and allows member states to ensure implementation of their own preferences, and to assure bureaucratic accountability for policy choices (see Epstein and O'Halloran 1994, 1996). Lyne, Nielson, and Tierney (2006) explain how a group of member countries with diverse preferences will be unlikely to agree to a common policy, or to want to delegate a lot of decision-making power to an international organization. A multilateral donor made up of such a group, then, is unlikely to have wide discretion over aid allocation decisions.

Ex post monitoring occurs through administrative procedures dictated to agents, such as strict reporting requirements, complicated approval processes, and budget appropriations. While these restrictions are often set in the agency design process, they provide an ongoing mechanism to constrain agent discretion (McCubbins, Noll, and Weingast 1987; Epstein and O'Halloran 1994). Because they persist into the future, member states do not need to know the details of their most desired future policy; they only need to know the constituents they want future policies to benefit – their own publics. Setting precise administrative procedures gives member states the knowledge a multilateral donor will be sure to produce favorable policy, regardless of the specific topic or issue area (Hawkins et al 2006; McCubbins, Noll, and Weingast 1987).

Tools of Constraint used to Allocate Aid

When it comes to international aid organizations, discretion and *ex post* monitoring become tools member countries use to constrain the ability of the organization to allocate funds. In the case of a multilateral donor such as EuropeAid, member states function as multiple principals with EuropeAid as their agent (Pollack 2006; Lyne, Nielson, and Tierney 2006). Although the member states all give bilateral aid on their own, there are at least three reasons why multilateral aid organizations such as EuropeAid exist (the following discussion is built on Hawkins et al 2006).

One reason for delegation to multilateral aid organizations is also an important reason for delegation at all levels of government: specialization. Delegation exists because principals do not have the time, energy, or resources to perform the actions their agents do. EuropeAid exists because some of its members are unable to perform every donor function; many small donors do not have procurement, financial management, implementation and monitoring mechanisms in every recipient nation. Some small donors do not have the funds to engage in large development pursuits. Pooling their money with other donors allows them to do so.

A second reason to delegate to IOs is to coordinate and avoid mutually distasteful outcomes that might occur if each member state were left to its own allocation decisions. The Paris Declaration also seeks to make this point, that coordination should avoid duplicate aid projects and the fragmenting of recipient resources, but it does not create an international bureaucracy to perform the coordination. A multilateral donor can act as a neutral third party that should not favor one member state over another. This element is key to managing small states' desires.

Third, international organizations help resolve dilemmas of collaboration in that they supply public goods that individual members would fail to supply individually. In this case, it is clear the member states would already be supplying aid on their own; in fact, they still are supplying aid on their own. But are they supplying large amounts of aid in the form of budget support? Are they supplying large amounts of untied aid? A multilateral donor can insure that aid is allocated in a particular way, assuring small states that their money will not be implemented at the hands of, or to the benefit of, larger states' interests at the expense of their own. The organization also ensures larger states that one member does not benefit at the expense of another.

Literature on principal-agency with respect to international organizations leads us to a few general expectations regarding the relationship between the member states and the degree of discretion their agency will have. First, the more the member states diverge in terms of preferences, the less discretion we will see in the agency. This discretion is because the designing principal members will see their co-principals as threatening to their own interests, and have reason to constrain agency action. Second, disproportionate distributions of power among the principals should lead to a reduction in agency discretion. If numerous states share power equally, agreement among the principals must be achieved for any action/decision to be taken, and general agency autonomy grows. Concentration of power in the hands of just a few members leads to greater control by those members and less autonomy, thus less discretion (see Pollack 2006; Lyne, Nielson, and Tierney 2006; Hawkins et al 2006).

Imagine, then, a small donor that already relies on pooling its aid with others to engage in large initiatives. It relies on entities such as the World Bank and the IMF to implement its money as a portion of funding for projects on a grand scale, and it notices that the projects of major bilateral donors such as the UK, Germany, and Australia, when implemented via bypass channels, tend to be given to British, German, and Australian contractors, respectively. When it comes time to create another international organization, such as EuropeAid, how will this small donor want its money delivered? Budget support will go straight to the recipient government. Bypass aid will be delivered via contractors, and those contractors are likely to be experienced agencies, probably residing in other member states. In other words, bypass aid represents the redistribution of money not just from the EU to the developing world, but from one member state to another.

Hypotheses

Where do the ideas of principal-agency leave the goals set forth in the Paris Declaration? If all donor signatories espouse Declaration goals, and those donor countries make up the multilateral donors that are also signatories, donors should have no problem working toward the commitments of the Declaration. But if donor countries have other political or strategic motives, and if those motives influence the allocation of funds from multilateral donors as well, the goals of the Paris Declaration may be subsumed for those of individual member states. Based on the above discussion, the budget support patterns we observe among bilateral and multilateral donors should reveal the actual preferences of donors who are also members of international donor organizations.

In particular, we should expect to see bilateral donor patterns of budget support to be higher or lower than the budget support patterns of multilateral donors, depending on their underlying motives:

Hypotheses 1: If individual donor states value budget support and the underlying logic of the Paris Declaration over inter-principal redistributional concerns, their bilateral budget support allocation will be no less than that of their international organization.

Hypotheses 2: If individual donor states are concerned about redistribution among members, their bilateral budget support allocation will be less than that of their international organization.

DATA AND METHODS

Close exploration of the founding, decision-making structures, and policy mechanisms of EuropeAid requires examination of documents and interviews, which lends itself to an in-depth case study design. The data for this case comes from documents, press releases, and aid allocation reports. An examination of the European Union, both as an international organization and as a collection of individual donors, reveal principal-agent incentives trumping growth and development motives, when it comes to aid allocation.

EuropeAid: Institutional Design via Budget Support

EuropeAid was created at the beginning of 2011, as a union of the EuropeAid Cooperation Office (AIDCO) and the Directorate General for Development and Relations with Africa-Caribbean-Pacific States (DEV). AIDCO was founded at the beginning of 2001, and was exactly 10 years old at the time of the merger; its mission was to implement the EU's external aid programs around the world. DEV was responsible for policy and programming. Now all responsibilities fall under the Directorate-General of Development and Cooperation – EuropeAid (European Commission 2001, 2002; Council of the European

Union 2011b). Hereafter all funding mechanisms of the EU will be referred to as *EuropeAid* unless otherwise specified.

EuropeAid allocates funding on behalf of the EU. The funding comes from three primary funding instruments: DCI, ENPI, and EDF. From 2007-2013, close to one-third of the funding came from the Development Co-operation Instrument (DCI), a fund that supports programs in Latin America, Asia, and the Persian Gulf. Another 22% came from the European Neighborhood and Partnership Instrument (ENPI), which goes to fund projects in Eastern Europe, the Mediterranean, and Russia. The remaining 45% was financed by the European Development Fund (EDF), a fund composed of voluntary contributions of member states and allocated toward Africa-Caribbean-Pacific recipients (EuropeAid 2013).

Budget support was first designated a priority of the EU in 2000, following a European Commission report indicating that predictability, ownership and accountability in development assistance were enhanced when aid was given via government-to-government channels (European Commission 2011). EuropeAid subsequently spent ten years touting budget support as a "vector of change," particularly how well the mechanism aligned with Millennium Development Goals. Annual reports indicated that EuropeAid was increasing its allocation to budget support, in real and percentage terms, every year, although that allocation varied according to thematic and geographic sector, resulting in budget support vacillating in particular areas over time, sometimes broadly (European Commission 2001-2008a, 2009-2011a, 2012).

After 10 years of hailing budget support as a desirable strategy, EuropeAid performed an assessment of the mechanism and its effectiveness at fostering sustainable development practices. Before doing so, it created and implemented (from 2004-2008) a methodology for evaluating the effectiveness of budget support, and evaluated the methodology's suitability as an evaluation mechanism. After 5 years of evaluations in 9 recipient countries, reports concluded that budget support as a mechanism was difficult to assess with a "one size fits all" measurement system applied to all implementation contexts (EuropeAid 2007a, 2007b; European Commission 2008b, 2009b, 2009c). In one case, Nicaragua, budget support had even been abandoned due disagreements with the host government, but rather than being deemed failed or ineffective, it was simply termed "unable to be evaluated" (European Commission 2012).

EuropeAid: *Ex Post* Monitoring via Policy Change

If decision-makers within EuropeAid wanted to change the allocation of aid and shift away from budget support, would they be able to do so? The decision-making mechanisms of EuropeAid would make any shift in allocation priorities or mechanisms extraordinarily difficult, whether the money is from the DCI, ENPI, or EDF. When the time comes to develop and approve a new funding mechanism (every 5-6 years), the European Commission examines the recipient nations and EuropeAid's proposed strategy for each relevant country. A committee takes on the tasks of programming aid, monitoring implementation, and making decisions, under the recommendation of the Directorate-General. The Committee is composed of all member states, which have votes on the committee weighted according to their populations. To amend the weighting scheme, a unanimous vote of all member states is required (Official Journal of the European Union 2006).

When it is time to create a new strategy for a funding instrument and the countries it covers, EuropeAid releases the proposed strategy to the member states. After time for the exchange of views among the member states and between the member states and EuropeAid, programming should be adjusted to reach a consensus. If no consensus can be reached, a member state can request EuropeAid's opinion. Any changes to the recommendation can be inserted into policy only by a Qualified Majority Vote (QMV) of the member states. As of 2014, the QMV is 258 of 345 votes, plus representation of at least 65% of the population of EU citizens, plus votes from at least 55% (15) of the member states.

Such onerous mechanisms to change recommended policy virtually assure that once accepted a particular funding strategy will persist for years or decades. For one thing, each strategy is already adopted for a 5-6 year period. Second, changing a recommended strategy, an option that only comes around twice in a decade, requires either developing a consensus of members, or pulling at least 14 other members to one's side for a QMV. Notwithstanding the problems consensus-building can bring,[2] finding a QMV is no mean feat.

Thus, the stated practices of EuropeAid indicate that budget support is a strong priority. The multilateral donor's internal structure reflects its creation by a group eager to restrict discretion and keep members in check. At this point, the patterns we see coexist; EuropeAid is an international organization with limited discretion, but emphasizing budget support does not violate its bounds. To evaluate whether budget support is a priority of member states, we need only to look at their individual allocation patterns.

EU Member States: Budget Support or Bypass?

The Organization of Cooperation and Development (OECD) offers data categorized by aid delivery mechanisms beginning in 2008. Donors self-report channels of aid delivery in five categories: public sector, NGOs and civil society, public-private partnerships, multilateral organizations, and other channels. For this discussion, any aid not given to the public sector will be considered to be bypassing recipient government and public channels. Table 1 shows the amount of Official Development Assistance each bilateral donor gave to non-public channels from 2008 to 2011, both in constant 2011 US dollars and in percentage terms.

Table 1 Amount of EU Member States' ODA Being Channeled through Bypass Agents, in Absolute and Percentage Terms

	2008 US$ to Bypass Channels	Percent of Total	2009 US$ to Bypass Channels	Percent of Total	2010 US$ to Bypass Channels	Percent of Total	2011 US$ to Bypass Channels	Percent of Total
Austria	***283.96***	***21.77***	***273.78***	***50.69***	***308.19***	***46.60***	***265.83***	***53.76***
Belgium	***491.55***	***32.65***	***591.61***	***34.22***	***1001.36***	***43.97***	***1057.59***	***53.13***
Denmark	939.79	62.48	1321.24	75.87	952.05	41.29	1013.25	45.77
Finland	510.43	72.50	573.76	70.60	613.88	67.60	591.51	68.83
France	3148.36	39.88	1370.54	15.90	449.85	4.62	424.16	4.51
Germany	***1871.69***	***17.08***	***1880.55***	***22.14***	***3158.44***	***31.63***	***3173.73***	***30.99***
Greece	***25.38***	***8.05***	***19.66***	***6.49***	***94.43***	***42.03***	***74.89***	***48.66***
Ireland	587.64	70.10	427.54	62.70	377.92	61.22	376.79	62.08
Italy	1444.26	70.01	440.91	41.31	209.76	20.22	367.88	17.54
Luxembourg	160.43	52.55	156.92	52.39	196.62	59.34	151.58	53.95
Netherlands	3223.53	59.48	2890.45	57.08	2912.05	55.33	2807.31	61.69
Portugal	15.09	3.98	59.19	18.65	78.32	17.16	38.15	7.40
Spain	4122.70	77.90	2641.69	55.07	3220.93	69.23	1845.55	71.57
Sweden	2042.19	60.56	2395.48	65.88	2065.20	62.93	2256.89	61.09
United Kingdom	***2489.72***	***33.49***	***4151.45***	***49.71***	***6266.07***	***70.28***	***6484.62***	***73.92***

[2] Reaching a consensus is an informal hurdle that complicates goals due to its very lack of structure. Woods (1999) details how business decided via consensus may enhance speed, but has negative effects on participation and transparency. By working for the amorphous concept of *consensus*, groups tend to have more informal consultations, meaning key decisions take place without record and without the presence of all members. A lack of accountability ensues as there is no record of votes, no preservation of reasoning behind decisions, and no knowledge of any one country's position.

If these member states are in accord with the Paris Declaration, we should observe a decline in aid given via bypass channels. Those countries exhibiting an *overall* decline (marked in blue) are: Denmark, Finland, France, Ireland, Italy, and Spain. Of these, Finland, Ireland, and Spain demonstrate drops of less than 10% of total aid. Finland moves from 72.50% to 68.83%, Ireland moves from 70.10% to 62.08%, and Spain moves from 77.90% to 71.57%. Since these drops took place over just four years, and some had increases in between, it is too soon to say whether they are committed decreases in budget support.

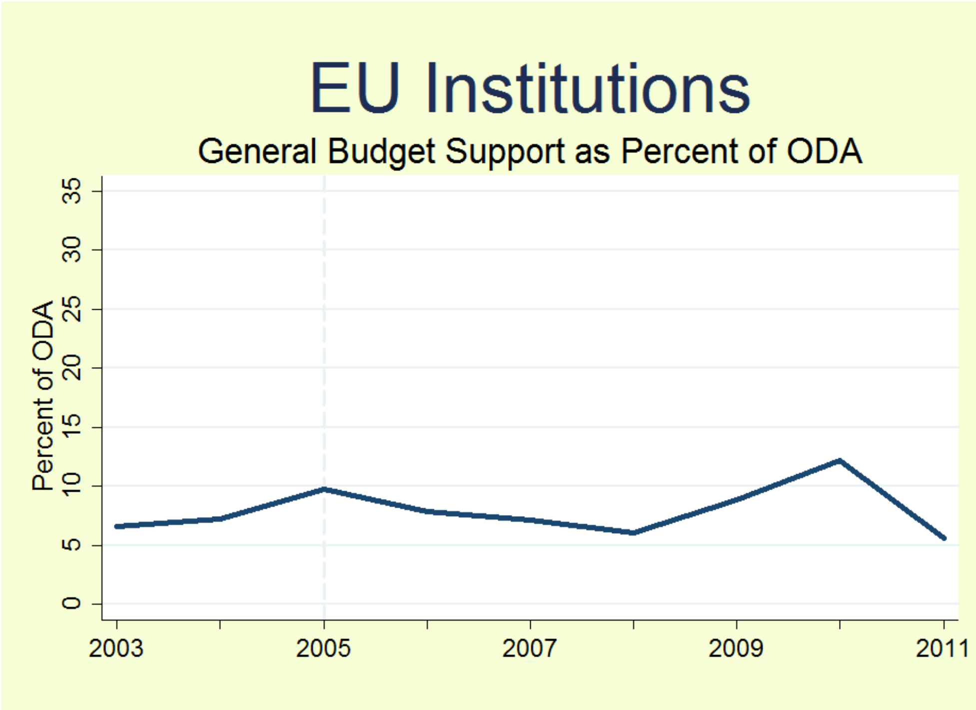
The remaining three donors that dropped their aid via bypass channels appear to have made more substantial commitments, both in terms of percentage and trend. Denmark went from 62.48% of aid delivered through bypass channels in 2008 to 45.77% in 2011, a change of more than 25% of the amount originally given, and a drop of more than 15% of the whole. France dropped from giving nearly 40% through bypass channels to giving less than 5% four years later, after a steady and sharp downward trend. And Italy dropped from one of the highest percentages given to bypass channels in 2008, 70%, steadily down to less than 20% in 2011.

Although these donors' percentages channeled toward budget support were on the rise, their overall aid was not. Figure 1 depicts EU member states' aid in millions of gross 2011 US dollars, ranking each year from greatest to smallest amount given. As we move from Panel A to Panel D, we can see that the amount of aid France gave (highlighted in red), including all multilateral and bilateral aid, dropped drastically over the course of the 4-year period. The rise of the fraction of aid given through public channels is less impressive. Italy, represented in green, shows a similar pattern, with the fraction of bypass aid declining as the overall aid dropped significantly.

An additional 9 donors' records reflect patterns that do not seem committed to budget support. Austria, Belgium, Germany, Greece, and the United Kingdom (UK) significantly raised the percentage of funds they delivered via bypass channels (italicized in Table 1). Luxembourg, the Netherlands, and Portugal kept their levels roughly the same.

What about EuropeAid's commitment to budget support? EuropeAid does not report to the OECD in the same fashion as individual donors. At best we can find reports on ODA given by all EU institutions, which sums funds distributed by EuropeAid with the EBRD. If we do look at this amount over time, we see no predictable pattern of increased budget support (Figure 1).

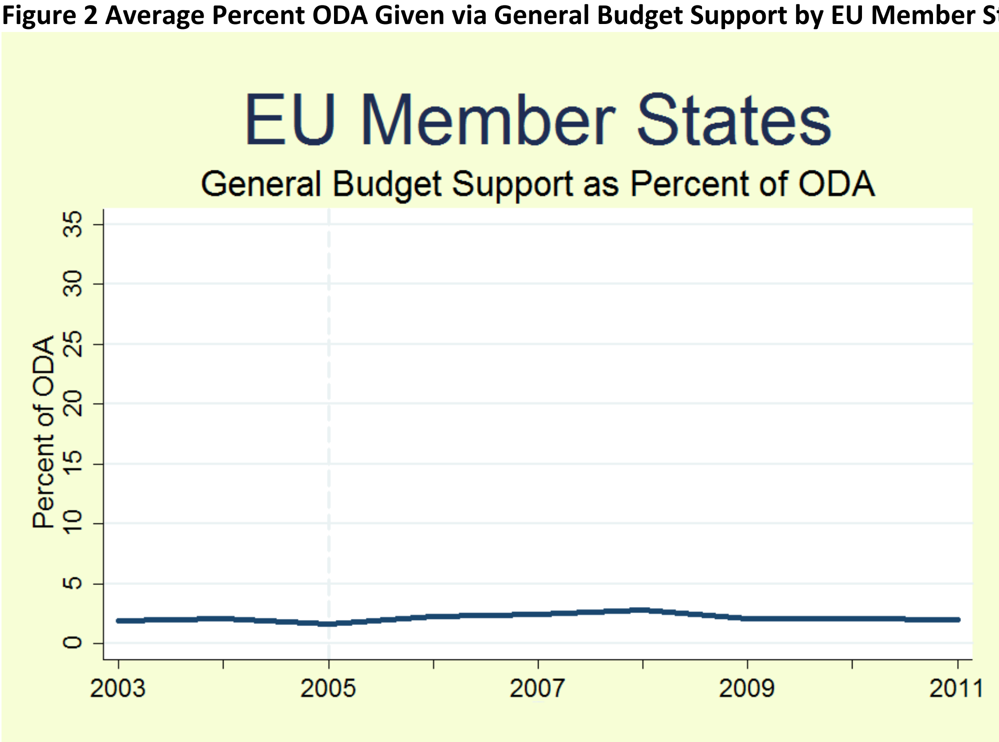
Figure 1 Percent ODA Given via General Budget Support by All EU Institutions



Data from OECD CRS Database, compiled by Author.

Comparing these numbers to those of the overall average of EU member states, we see member states contributing an almost unvarying percentage of ODA to budget support over the same time period (Figure 2). It is remarkably and consistently lower than the EU Institution amount.

Figure 2 Average Percent ODA Given via General Budget Support by EU Member States

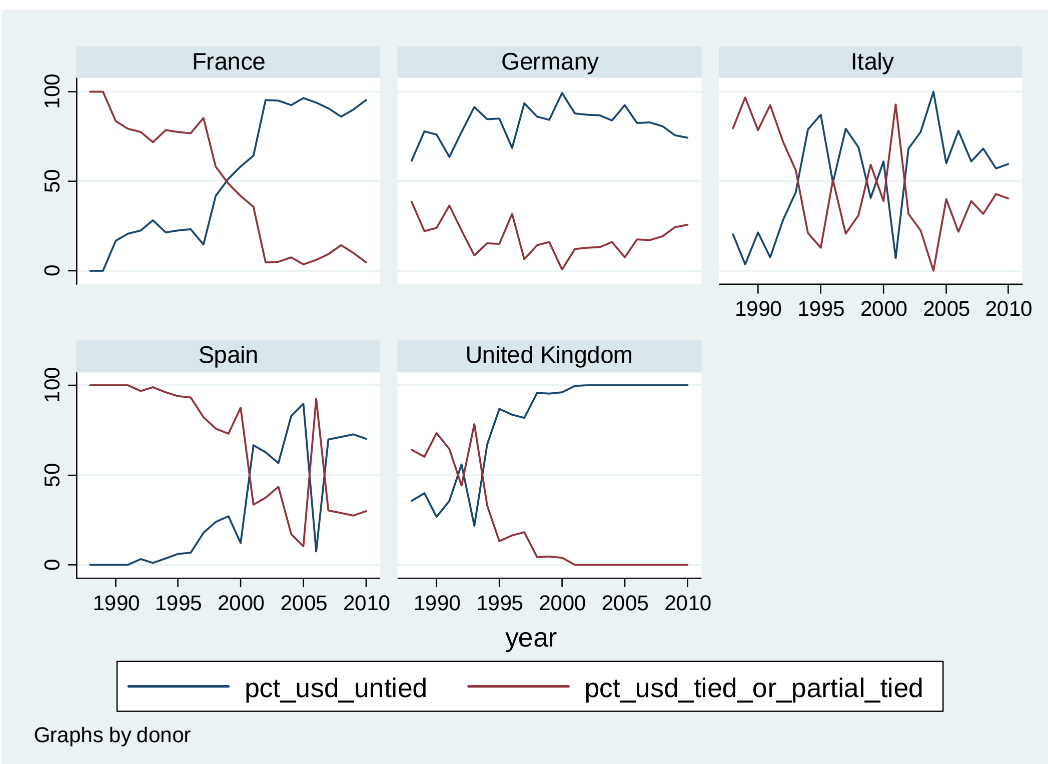


EU Member States: Contractors as Implementers

If aid is not channeled to recipient governments, it is channeled instead to either multilateral organizations, or to contractors that serve as implementers. Both for-profit and non-profit contractors act as bypass agents that implement projects and programs from delivering equipment to multi-recipient health initiatives. A "magic bullet," destined to solve the moral hazard and fungibility problems of aid, the competition among contract bids was supposed to make aid "untainted by the politics of government" (Fisher 1997: 442). In 1994, NGOs received over 10% of all public development aid ($8 billion), while over 25% of US bilateral aid was disbursed directly to NGOs (Gordenker and Weiss 1996a: 25). By 2002, NGOs were receiving over $2 billion in ODA alone, 65 times more than they had received twenty years prior (OECD 2013). In 2011, the OECD reports that bypass aid amounted to U$49.11 billion (45.43%) of ODA (ibid.).

Disbursing aid via contractors should not be objectionable to member states, except that when a multilateral donor has to choose a contractor, it may seem biased toward contractors from one donor country over another. This practice is often reflected in the *tying* of aid. Tied aid is aid that is required to be spent in the donor country. Essentially this means the aid needs to be given to a contractor from the donor country to implement. According to the European Network on Debt and Development (2011), about 20% of bilateral aid is still formally tied. Of the aid contracts that are not tied, two-thirds still go to OECD entities. Some donors are worse than others. In 2009, Greece tied 67% of its aid, Austria tied 54%, and Portugal tied 39%. Figure 4 depicts the tying patterns of the EU members who have the largest amounts of votes based on their populations.

Figure 4 Top 5 EU Voters' ODA, Divided by Percent of ODA Tied v. Untied



Source: AidData.org, tabulated by Author.

Other than the UK and France, whose records indicate that they stopped (or nearly stopped) tying aid in the early 2000s, four of the top 6 voters (Poland does not give bilateral aid) still tie portions of their aid. Germany, Italy, and Spain tie more than 25% each, percentages that have been on the rise since the mid-2000s. Even untied aid is awarded to contractors primarily in donor countries. Donor contractors understand procurement procedures, they have more capacity to implement large contracts than small contractors in poor recipient countries, and they can meet the restrictive eligibility criteria related to previous experience and staff turnover (Ellmers 2011). An independent audit of the Department for International Development (DFID), the ODA administrative arm of the UK, revealed that in the face of fully competitive and open bidding processes, 94% of UK ODA went to British contractors in 2012-2013. Fifty percent of this amount went to five contractors (Independent Commission for Aid Impact 2013).

Contracting figures are unavailable for other EU donors, who do not follow the transparency goals of the UK. Other member states might therefore suspect that, based on general contracting trends of donors across the world, EuropeAid might fall under the same contracting practices. If EuropeAid did go to contractors in the UK, such an allocation would essentially represent a redistribution of money from other member states to the British economy. The same would hold for money given to contractors from any member state. Restricting aid funds to be channeled only to recipient governments, then, would insure that redistribution from some members to others would be less likely to take place under the egis of foreign development assistance.

Conclusion

It would appear that the pledge to direct and increase allocation to budget support is not only not followed by EU member states bilaterally, but that it is not followed by the members' multilateral donor organization, EuropeAid, either, although it is still highly touted as an optimal target. To be sure, there are several reasons why budget support might be avoided. EuropeAid has issued guidelines and qualifications it wants recipients to follow/meet in order to receive it (European Commission 2013). But if these were the only reasons budget support was falling as a fraction of the whole, that fall in percentage would be reported straightforwardly. Instead, EuropeAid reports that budget support continues to rise.

The most interesting picture is that painted by the EU members themselves. Their own allocation patterns do not reflect a commitment to budget support at all. Whether influenced by political, strategic, or altruistic/humanitarian motives in their allocation, the delivery mechanisms they choose are not channeled through recipient governments. So what could it be that makes them want EuropeAid to commit to recipient governments as a channel?

It is the competition among member states themselves that is reflected in their multilateral pledge to commit to budget support. The Paris Declaration does not bind any of its member states, and a conflict in donor motives can be found when comparing donors that sign the Paris Declaration both as bilateral donors and as members of multilateral donor organizations. By restricting the mission and actions of EuropeAid, EuropeAid and the Paris Declaration do happen to align in terms of stated motives and goals. But the restriction is about more than fostering recipient transparency and accountability, more than encouraging increased ownership among recipient nations. The restriction is about constraining the ability to use multilateral monies to pay other members' citizens and businesses, thus redistributing rents across the union without being held accountable.

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Countries and territories adhering to the Paris Declaration and Accra Agenda for Action

Afghanistan	Albania	Argentina
Armenia, Republic of	Australia	Austria
Bangladesh	Belarus	Belgium
Benin	Bolivia	Bosnia and Herzegovina
Botswana	Brazil*	Burkina Faso
Burundi	Cambodia	Cameroon
Canada	Cape Verde	Central African Republic
Chad	China	Colombia
Comoros	Congo, Republic of	Congo D. R.
Cook Islands	Cyprus, Republic of	Czech Republic
Denmark	Djibouti	Dominican Republic
Ecuador	Egypt	El Salvador
Estonia	Ethiopia	European Commission
Fiji	Finland	France
Gabon	Gambia, The	Georgia
Germany	Ghana	Greece
Guatemala	Guinea	Guinea Bissau
Guyana	Haiti	Honduras
Hungary	Iceland	India
Indonesia	Iraq	Ireland
Israel	Italy	Ivory Coast
Jamaica	Japan	Jordan
Kenya	Korea	Kuwait
Kyrgyz Republic	Lao PDR	Lesotho
Luxembourg	Madagascar	Malawi
Malaysia	Maldives	Mali
Mauritania	Mexico	Moldova
Mongolia	Morocco	Mozambique
Namibia	Nepal	The Netherlands
New Zealand	Nicaragua	Niger
Nigeria	Norway	Pakistan
Palestinian territories	Panama	Papua New Guinea
Paraguay	Peru	Philippines
Poland	Portugal	Romania
Russian Federation	Rwanda	Samoa
Sao Tomé & Principe	Saudi Arabia	Senegal
Serbia and Montenegro	Sierra Leone	Slovak Republic
Slovenia	Solomon Islands	South Africa
Spain	Sri Lanka	Sudan
Swaziland	Sweden	Switzerland
Syria	Tajikistan	Tanzania

Thailand	Timor-Leste	Togo
Tonga	Tunisia	Turkey
Uganda	Ukraine	United Kingdom
United States	Vanuatu	Vietnam
Yemen	Zambia	

* Confirmation pending

International Organizations Adhering to the Paris Declaration and Accra Agenda for Action

African Development Bank	Arab Bank for Economic Development in Africa
Asian Development Bank	Commonwealth Secretariat
Consultative Group to Assist the Poorest (CGAP)	Council of Europe Development Bank (CEB)
Economic Commission for Africa (ECA)	Education for All Fast Track Initiative (EFA-FTI)
European Bank for Reconstruction and Development (EBRD)	European Investment Bank (EIB)
GAVI Alliance	Global Fund to Fight Aids, Tuberculosis and Malaria
G24	Inter-American Development Bank
International Fund for Agricultural Development (IFAD)	International Monetary Fund (IMF)
International Organisation of the Francophonie	Islamic Development Bank
Millennium Campaign	New Partnership for Africa's Development (NEPAD)
Nordic Development Fund	Organization of American States
Organisation for Economic Cooperation and Development (OECD)	Organization of Eastern Caribbean States (OECS)
OPEC Fund for International Development	Pacific Islands Forum Secretariat
United Nations Development Group (UNDG)	World Bank

Civil Society Organizations Present at the High Level Forum, Paris 2006

Africa Humanitarian Action	AFRODAD
Bill and Melinda Gates Foundation	Canadian Council for International Cooperation (CCIC)
Comité Catholique contre la Faim et pour le Développement (CCFD)	Coopération Internationale pour le Développement et la Solidarité (CIDSE)
Comisión Económica (Nicaragua)	ENDA Tiers Monde
EURODAD	International Union for Conservation of Nature and Natural Resources (IUCN)
Japan NGO Center for International Cooperation (JANIC)	Reality of Aid Network
Tanzania Social and Economic Trust (TASOET)	UK Aid Network