# Donor bureaucratic organization and the pursuit of performance-based aid through multilateral trust funds.

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Over the years, multilateral trust funds have become an increasingly prominent funding mechanism in international development. Yet marked differences exist in the extent to which donors support trust funds. In this study, we argue that differential support for trust funds originates in donor domestic politics. Specifically, it results from differences in national bureaucratic rulebooks that incentivize aid officials to support trust funds more or less. Because trust funds place a high premium on performance and results, aid officials from donor countries whose aid bureaucracies are set up to promote performance and results, including, e.g. the United States and the United Kingdom are more likely to support trust funds than their counterparts from aid bureaucracies that are less performance-oriented. We find robust support for our argument through multilinear regression on a data set of World Bank trust funds. Our project contributes to the understanding of international development cooperation by mapping donor political economies to the rise of trust fund usage. We also contribute to a better understanding of the global diffusion of performance-based evaluation.

## 1. Introduction

Neoliberal doctrine has shaped international relations over the past thirty years. Around the globe, states have promoted economic policies that have opened up market forces, with implications for trade, monetary policy, and investment (Elkins, Guzman, and Simmons 2006; Simmons and Elkins 2004; Swank 2016). Neoliberal doctrine has also shaped international development through its impact on the organization and bureaucratic practices of donor aid organizations. For example, Dietrich (2021) shows that comprehensive managerial reforms of some (but not all) Western aid agencies have led to the adoption of rules and practices that incentivize officials of aid organizations to bypass risks to aid delivery such as corrupt and weak state institutions; and, instead, to delegate these funds through non-state development actors. Honig (2019) demonstrates that bureaucratic organization in the form of results-based management can hamper the effectiveness of aid projects in some of the world`s poorest countries where poor governance structures challenge the implementation of aid projects. These insights demonstrate that bureaucratic (re-) organization not only fundamentally alters donor recipient interactions, but also influence the effectiveness of foreign aid.

In this paper we further investigate the link between bureaucratic organization and international development through a focus on multilateral trust fund support. Over the years, multilateral trust funds have become an increasingly prominent funding category. Trust funds are special-purpose funding vehicles governed by administrative arrangements between the donor(s) and host organizations that typically eschew control of the formal governing bodies of these organizations. Trust funds have become an integral part of international organizations like the World Bank and the United Nations. In 2016, the World Bank alone was stewarding $11 billion in trust fund resources (World Bank 2017). Relative to traditional multilateral aid, donors have increased their support of trust funds over the past 30 years. Today, trust funds represent the modal form of multilateral development cooperation (Reinsberg, Michaelowa, and Eichenauer

2015).[1] One often stated objective of trust funds is to improve cooperation among donors and harmonizing donor practices. However, scholars have suggested channeling aid through trust funds can be explained by diverging state preferences over policy substance and burden-sharing (Bayram and Graham 2016; Graham 2015), the autonomy and preferences of aid agencies (Bryant 2015), preference diversity among states, as well as voter concerns over effective aid spending (Eichenauer and Hug 2018). In this paper we explore why donors have made trust funds increasingly central for aid delivery by demonstrating that donors differ in their use of trust funds based on domestic political considerations. We emphasize the role of donor bureaucratic organization as an important correlate of trust fund support.

We motivate our approach with the observation that, on average, trust fund governance structures[2] are determined by managerial rules and performance frameworks that incentivize aid officials to minimize results- and fiduciary risk and maximize efficiency and effectiveness in the implementation of aid. For example, trust fund arrangements include distinct frameworks for financial accounting and results reporting based on specific indicators (IEG 2011; Reinsberg 2016; Sridhar and Woods 2013), beyond what is covered in results reporting on core funds and at a higher frequency. Trust funds therefore can be seen as instruments to reduce information asymmetries in the aid delegation chain (Martens et al. 2002). Notably, however, there is also important heterogeneity in the set-up of trust funds that has thus been underappreciated by the literature: while the majority of trust funds prioritizes short-term efficiency (we term them *Co-Financing Funds*), others are set up around longer time horizons and focus on knowledge and skill transfer (or, *Technical Assistance Funds*). This variation in

[1] Trust funds have become indispensable for many organizations. Current total volume is US$ 20 billion (Reinsberg 2017a), accounting for 85% of the World Food Programme and 80% of the United Nations Development Programme.

[2] The governance structure of trust funds involves three constitutive elements: (1) They are governed separately from core resources of the organization; (2) Their donors can take policy decisions that do not need approval of the Executive Board; (3) Donors may have special tailored reporting requirements, as agreed with the trustee.

objectives and time horizons is interesting insofar as it points to heterogeneity in the ecosystem of trust funds that requires explanation.

Central to our argument is the contention that decisions about trust fund support are made by officials of donor aid organizations who are guided by bureaucratic rule-books when making decisions about foreign aid delivery. Dietrich (2021) shows that bureaucratic rules and practices vary markedly across national aid organizations and systematically shape bilateral aid decisions. We contend that variation in bureaucratic organization also dictates differential support for trust funds and variation within them. For example, aid bureaucracies in the US and the UK are set up around managerial principles and employ performance frameworks to incentivize their officials, and are therefore more likely to make use of trust funds than their counterparts from more traditional public sector bureaucracies. In addition, when looking at variation across trust-funds, we expect US and UK aid bureaucracies to support a focus on short-term results delivery instead of longer time horizons and the promotion of technical assistance. Indeed, the data show that since 1996 the UK, the US, and Canada have significantly increased their participation in trust funds, whereas Germany, France and Japan have shown less engagement. The latter countries also tend to support funds that promote technical assistance objectives. Using multivariate regression analysis, we find support for the claim that donor bureaucratic organization correlates with overall support of trust funds and differential support for short- and long run funds.

This paper contributes to the literature in several ways. First, we make a case that bureaucratic organization explains variation in donor support of trust funds. Our focus on domestic considerations expands upon previous studies on IO aid allocation that argue that donors choose international organizations (IOs) because of their foreign policy preferences (Eichenauer and Hug 2018; McLean 2012) and portfolio similarity of multilateral and bilateral aid (Schneider and Tobin 2016). Second, our study accounts for previously unexplored heterogeneity in trust funds and explains variation in support of these types of funds across donor countries. Third, we identify and measure two distinct yet related features of bureaucratic

organization that help account for systematic variation in donor trust fund support: the implementation of performance-frameworks and competitive contracting.

## 2. Explaining donor choices for performance-oriented multilateralism

Our argument is built on several claims. First, we posit that decisions about multilateral trust fund support are made by donor officials of national aid agencies who decide about how much to support trust funds. We consider aid officials across donor countries to be rational actors who, as institutionalists before us have argued, are embedded in institutional rules and practices that shape the daily lives of aid officials and create interests: they incentivize officials to act in ways that promote the organization's objectives (Barnett and Finnemore 2004; Ege 2020; Koremenos, Lipson, and Snidal 2001).

Building on Dietrich (2021), our argument then accounts for marked variation in institutional rulebooks across OECD donor governments. On the one hand, donors like Germany or France, have rulebooks that are built on traditional public sector rules that promote more long-term results and are not as focused on performance-frameworks to incentivize their officials. On the other hand, we note that, today, aid agencies in the United States or the United Kingdom, among others, have bureaucratic practices and structures that are set up to produce aid success or results in the short-run. Building on public administration research we identify two related yet conceptually distinct bureaucratic dimensions that are set up to accomplish this objective (Pollitt and Bouckaert 2011). The first dimension taps into bureaucratic practices and captures the extent to which bureaucracies are managed through performance-frameworks. Performance-frameworks serve the purpose of incentivizing officials to manage and deliver funds around set criteria of performance including, e.g. indicators that measure how effectively agencies are achieving specified objectives or set results. The second dimension taps into bureaucratic organization and captures the extent to which aid bureaucracies use competitive contracting in aid implementation. According to managerial thinking, competitive contracting

ensures that aid delivery follows efficiency criteria and minimizes risks of aid capture. It can be measured by the degree to which bureaucracies outsource the provision of goods and services to non-state development actors (Hood 2012; Pollitt 1990). Today, Denmark, Sweden, and Finland spend around ten percent of their GDP on government outsourcing to non-state actors for goods and services used by general government (OECD 2015); while France, Japan, and Germany spend less than 5 percent. We call bureaucracies that score high on performance frameworks and outsourcing "performance-oriented bureaucracies". We define a performance-oriented bureaucracy as one that comprehensively employs competitive contracting as well as performance-frameworks and assessments at multiple levels and areas of government including budgeting, human resource management, and/or pay. As more countries have reorganized their bureaucracies around the management of performance our paper seeks to clarify how changes to bureaucratic rules and practices influence aid officials in their decisions about the funding of multilateral organizations, with a focus on trust fund support. In a next step, we introduce underappreciated variation in bureaucratic organization of multilateral funding vehicles.

Extensive research establishes that trust funds are not subject to the formal governing structures of the multilateral organization (Eichenauer and Hug 2018; Graham and Serdaru 2020; Reinsberg 2017b). Instead, they are built on formal agreements between donors and their multilateral host and have their own structures in place that govern the management and implementation of foreign aid. These structures are broadly similar to the organization of donors that underwent comprehensive neoliberal reforms of their public sectors and that employ performance frameworks to reduce fiduciary and results-risks for states that contribute to the funds. For example, comparisons of World Bank trust funds and the traditional World Bank lending programs reveal that trust funds incorporate additional layers of fiduciary management and managerial accountability in project or program implementation. While International Development Association (IDA) lending is set up to ensure that project implementation can be carried out with longer time-horizons (Denly 2021), we note that often trust fund programs are set up to deliver short-term goals. They have performance frameworks

in place that guide and incentivize their officials to maximize results. Over the past twenty years, the World Bank has continually worked to promote trust fund impact along these lines.

What is more, Musgrove (2011) suggests that trust funds were in part created to develop and pilot initiatives that maximize results, including e.g. results-based financing initiatives that would finically reward the delivery of outputs related to outcomes specified by donors. Trust funds thus facilitate and disseminate new methods of results-based financing, which might convince the World Bank to subsequently adopt these new approaches for other lending programs (IEG 2011, p. 6).[3] The Global Partnership on Output-Based Aid (GPOBA) serves as a case in point. The World Bank launched the GPOBA in 2003 to promote output-based aid. In terms of financing, output-based aid rests on the principle of ex-post reimbursement, where the private sector finances the outputs and receives reimbursement from the trust fund upon completion. Although this particular aid delivery approach is hailed for its potential to enhance aid efficiency, central challenges include the timely verification of results as well as capacity limitations of the private sector that needs to pre-finance outputs. Through its activities, the GPOBA piloted and tested this new approach. The GPOBA's governance structure was set up to ensure independence from the World Bank over time.

Having established that trust fund rules and practices are, on average, broadly similar to the institutional rulebooks of performance-oriented donor bureaucracies, we argue that aid officials from performance-oriented donor bureaucracies are more likely to support trust funds than their counterparts from bureaucracies that are not organized around performance and short-term results. We expect them to be more supportive of trust funds because the organizational objectives of trust funds are more compatible with those of performance-oriented bureaucracies. Second, we claim that the bureaucratic organization of national aid organizations produces capacity and competences in aid management and oversight that are

[3] This resonates with a burgeoning literature on informal governance, which emphasizes how stakeholder countries use informal channels to influence international organizations (e.g., Kleine 2013; Westerwinter 2019). For other external influences on World Bank programing see, e.g., Dreher et al. (2009), Kilby (2013).

specific to bureaucratic rulebooks. To evaluate the performance of officials and aid implementers, performance-oriented bureaucracies use extensive monitoring systems that are used internally to understand whether the aid is delivered efficiently and, importantly, whether it has achieved pre-specified targets and results. We expect aid officials to prefer funding and working with aid implementers whose bureaucratic rulebooks and practices concerning performance are broadly similar or not too distant from theirs.

We find anecdotal evidence about systematic differences regarding trust fund usage in 15 author interviews with senior officials from OECD/Development Assistance Committee (DAC) countries. In countries that score high on performance-orientation, officials consistently cited preferences for performance-oriented governance and mentioned in-house capacity constraints as a key driver of trust fund engagement. For example, a Swedish government official described Sweden's increased usage of trust funds as reflecting "a general trend in Sweden toward outsourcing the implementation of international development to the World Bank."[4] He continued by suggesting that "outsourcing has been the rationale for Sweden since the 1980s when the government decided to meet the ODA target without increasing SIDA's own administrative capacity."[5] Independently, Canadian and Australian government officials noted that trust funds offered "best value for money."[6]

Interestingly, individual donor countries are aware that they share these preferences with other, likeminded donors, and that trust funds provide a venue for promoting performance-oriented

[4] Across Scandinavian countries, performance-oriented principles have come to undergird the management and delivery of goods and services within and outside country, and led to a significant increase in outsourcing to non-state actors in international development including trust fund networks, other international organizations, and non-governmental organizations. See Dietrich (2021) for more discussion on market-based approaches to governance across Scandinavian countries.

[5] Author interview with Swedish Executive Director of the World Bank, Washington, D.C., 6 Aug 2013.

[6] Author interviews with Australian and Canadian Executive Directors of the World Bank, Washington D.C., 19 Aug 2013 and 8 Aug 2013, respectively.

governance principles. A UK government official elaborated on the importance of shared structures regarding decision-making about trust fund membership:

"One of the reasons for the creation of trust funds is that they allow us to engage with a range of donors with shared priorities on procedures, who agree with us on the significance of the results-agenda, and who share focus on health and governance especially in fragile states (…) Like them, we think that trust funds are efficient, because they have an end-date, make better use of the results framework, and allow us to demonstrate value for money."[7] An official from the US government corroborates this view by suggesting that trust funds are competent in managing fiduciary and results risks, and are therefore "likely to crowd-in other partners that push for higher levels of accountability and results." He continues to state that "the US would like to contribute more to trust funds if it were not for specific rules imposed by Congress that would prevent us from doing so."[8]

In contrast, our interviews with officials from donor countries that have not comprehensively reformed their bureaucratic structures in a neoliberal image indicate a different reaction to our questions about trust fund support. Officials from German and French governments repeatedly articulated skepticism towards trust fund support and how this approach deviates from their own domestic practices. As a French official at the Ministry of Finance notes: "The vision of cooperation we have is on long-term restoration of the state. We strongly push for a replenishment of World Bank funds for the least developed countries. In more fragile contexts, we also focus more on government-to-government relations than other donors like Sweden or the United Kingdom who significantly support trust funds, or like the United States who works a lot through its NGOs. We want to rebuild the state through capacity-building measures rather than outsourcing the delivery of service to trust funds or other non-state actors."[9]

[7] Author interview with British Executive Director of the World Bank, Washington D.C., 27 Aug 2013.

[8] Author interview with U.S. Executive Director of the World Bank, Washington D.C., 20 Aug 2013.

[9] Author interview with senior French government official, Ministry of Finance, Paris, July 3, 2013.

This and other reactions by officials are in line with how the literature talks about costs of a managerial approach to aid management. For example, performance-based aid has been criticized for being too rigid and formal and, thus lacking the ability to integrate needs on the ground as they arise (Guillaumont and Wagner 2015; McGillivray and Pham 2017; Paul 2015). Furthermore, performance-based aid is largely conceived in donor offices using administrative practices of donor countries and pays little attention to the principle of ownership (Paul 2015). Finally, performance-based aid has been criticized for prioritizing easily measurable indicators to demonstrate success, at the expense of indicators that are more difficult to measure (McGillivray and Pham 2017). We interpret these reactions by donor officials to support our claim about why and how marked variation in bureaucratic structures and organizational goals determines trust fund support. Ultimately, it comes down to national aid agencies and their rules and practices that dictate particular solutions and prioritize similar organizational structures, and, in turn, shape multilateral funding decisions. We then establish two related hypotheses that link donor bureaucratic organization and trust fund support:

**Hypothesis 1a**: Donor countries with more performance-oriented aid bureaucracies are more likely to support multilateral trust funds than donors whose bureaucracies are less performance-oriented.

**Hypothesis 1b**: Donor countries with more performance-oriented aid bureaucracies provide a greater share of their multilateral aid through multilateral trust funds than donors whose bureaucracies are less performance-oriented.

Although we consider all trust funds as more performance-oriented funding vehicles than traditional multilateral aid structures, we nonetheless observe important differences in objectives and priorities. We produce these insights by coding the dedicated purpose of trust funds as a dichotomy: There are trust funds that prioritize the efficient implementation of specific development projects or programs, so-called *Co-Financing Funds*, and ones whose core objectives includes the generation and transfer of skills to developing countries, *Technical Assistance Funds.*

This dichotomy in trust fund objectives provides us with analytic leverage to further tease out how donor bureaucratic organization shapes trust fund support; but this time, we focus on important heterogeneity of trust fund objectives. We argue that the objectives of *Co-Financing Funds* are ideologically more consistent with performance-oriented approaches to aid delivery than the emphasis on skill-transfer and recipient capacity of *Technical Assistance Funds*. Skill-transfer and recipient capacity are difficult to assess in the short-run and are therefore less attractive to performance-oriented donors. However, other donor bureaucracies seek to maximize these goals. Although we expect less performance-oriented bureaucracies like Germany or France to be more reticent towards trust funds in general, they should be more likely to embrace *Technical Assistance Funds* if they decide to use trust funds. Our interviews provided anecdotal support for this claim. For example, a German government official highlights concerns about donors assuming undue influence on shaping the consensus in international development through their advocacy of trust funds. Yet, he goes on to defend trust funds that focus on knowledge generation with a view to strengthening public sector capacity by arguing that IDA "cannot be used for knowledge services unless tied to a specific project. Trust funds allow us to deliver this (knowledge, author added)."[10]

It is worth emphasizing that these differences in objectives build on long-running differences in development policy outlook. Major policy developments at the World Bank in the 1990s and 2000s were on one hand characterized by the "results agenda", with its drive to implement verifiable metrics of policy success, and the concomitant rise of the "Knowledge Bank", as clearing house for the articulation and dissemination of best policy practices. At the time, performance-oriented donors like the US pushed for the use of verifiable metrics at the Bank to determine policy success (this "results agenda" ushered in a performance-based aid allocation system). Other stakeholders, however, advocated less focus on results but emphasized the need to improve recipient government capacities. The declaration of the World

[10] Author interview with German Executive Director of the World Bank, Washington D.C., July 3, 2013.

Bank as "Knowledge Bank" by James Wolfensohn in 1996 and the implementation of the Comprehensive Development Framework represent those trends.

We therefore expect performance-oriented donors to be more likely to flock into *Co-Financing Funds*, while donors who are more skeptical towards private sector principles, while generally reluctant to use trust funds, should be more likely to join *Technical Assistance Funds.* Differentiating between trust fund types therefore allows us to probe more deeply the functional logic underlying trust fund use.

**Hypothesis 2**: Performance-oriented donors are more likely to join trust funds engaged in *co-financing* projects rather than trust funds whose primary goal is to deliver *technical assistance*.

## 3. Empirical analysis

In this section, we present our research design to examine the determinants of donor participation in trust funds using multivariate analysis. Our basis of analysis is a unique dataset of donor contributions to all World Bank trust funds in FY 2002-13, along with information on specific features of such trust funds. Overall, the data cover almost 1,800 unique trust funds for up to 35 OECD/DAC donors.[11] For the purpose of assessing our hypotheses, we first construct a cross-sectional dataset of trust fund donors in FY 2002-13.[12] Below we introduce the key variables in this dataset. We also construct a short panel, described further in the results section, which allows us to test our argument using within-donor variation.[13]

### 3.1. Support for trust funds

[11] This includes the 30 DAC members and 5 observer states (Table A1 in the supplemental appendix).

[12] The FY 2002-13 period is the longest possible for which detailed information on trust fund contributions are available.

[13] Table A2 in the supplemental appendix provides an overview of our empirical strategy.

Our main dependent variable is NUMBER OF TRUST FUNDS—the total number of unique trust funds in which a given donor participated over the FY 2002-13 period. Participation hereby refers to the occurrence of any positive financial contribution in this period. We believe this operationalization is adequate in view of our theoretical interest to capture the breadth of engagement with trust funds as a new governance instrument to promote performance standards in multilateral aid allocation. In contrast, total amounts would unduly bias our results as they would lead to an over-representation of a few large trust funds (specifically the Global Fund and other financial intermediary funds for which the World Bank offers fiscal agency services) as well as the largest donors who would be expected to funnel aid through trust funds by the sheer size of their aid budgets. Despite these obvious drawbacks, we present results using the logged US dollar amount of donor contributions to trust funds in our robustness tests.

The contribution patterns of OECD/DAC donors to World Bank trust funds confirm the prevalence of performance-oriented donors using this type of facility (Figure 1). All graphs are based on contribution data from the World Bank trust funds databases (World Bank 2014). Our empirical analysis focuses on the World Bank because it is the only institution for which disaggregated information on trust fund contributions is available. Theoretically, the World Bank is a least-likely case for our argument because it arguably embraces performance orientation to a larger extent than the UN system and thus our results should hold more strongly for the UN system. In terms of the number of different trust funds, the United Kingdom is the most important donor, followed by the Netherlands and Sweden. Countries like the United States, Germany, and Japan—arguably the most important donors in terms of total aid volumes—occupy middle ranks only (Reinsberg, Michaelowa, and Knack 2017). This suggests that performance orientation and trust funds go hand in hand.

[Figure 1 here]

In addition to the number of trust funds, we also compute the share of trust fund commitments in proportion to IDA commitments, which are the closest expression of "aid" that is not channeled through trust funds in the World Bank context. This measure is a direct

representation of how much importance a donor places on trust funds over and above its core contributions in concessional funding to the World Bank. Choosing IDA commitments as denominator is preferable over using total ODA, which would also include contributions to other multilateral institutions and bilateral aid.

### 3.2. Performance-orientation of donor countries

To construct our key explanatory variable—PERFORMANCE ORIENTATION—we conducted a confirmatory factor analysis on a range of indicators capturing performance-orientation in domestic public service delivery. We draw on six government performance measures (available from OECD/DAC statistics), chosen to tap into different aspects typically associated with a performance-oriented bureaucratic rulebook.[14] Instead of arbitrarily relying on a single construct, we verified that indeed all six measures load onto a single factor that is highly correlated with its constituent measures. The resulting one-factor solution captures 81.5% of the variance (Table A3).

We corroborate the face validity of our latent performance measure by calculating its correlation with a simpler measure suggested by influential Comparative Politics literature which has divided countries into "liberal market economies" and "coordinated market economies" (Dietrich 2016; Gulrajani 2011; Hall and Soskice 2001; Thelen 2012). Liberal market economies employ performance-based approaches to public-sector governance and the delivery of goods and services. Domestically, these donor countries consider the appropriate role of the state in public service delivery to be minimal, favoring private-sector mechanisms. In foreign aid, these donors place a high premium on market efficiency and thus outsource aid delivery in poorly governed recipient countries to improve the likelihood that aid reaches the intended beneficiaries of services (Dietrich 2016). Donors that are commonly considered to fulfill these criteria include Australia, Canada, Denmark, Finland, Ireland, Norway, New

[14] The measures are share of outsourcing, human resource management, performance assessments, independent regulators, performance budgeting, and performance pay, measured as scale-free index values (with the exception of outsourcing, which is calculated as a share of total output).

Zealand, Sweden, the United Kingdom, and the United States. Reassuringly, these are also the donors that have the highest values on our latent measure of performance orientation. In fact, our latent index and the binary indicator for these donors are highly correlated ($\rho$=0.67, $p<0.01$). To maximize efficiency, we therefore include the binary indicator as the seventh indicator in our factor analysis and use the single-factor solution for our subsequent analysis.

Following our theoretical discussion, we also use government outsourcing—as sub-dimension of performance orientation—as alternative predictor in our regression analyses. Government outsourcing measures the extent to which governments rely on contractors for *domestic* service provision (OECD 2015) and is therefore conceptually distinct from trust fund usage, which is a form of outsourcing to multilateral institutions. While our latent performance-orientation index is the most faithful measure of the underlying concept, the main rationale for using the (narrower) government outsourcing measure is greater data availability. In the supplemental appendix, we present "missingness maps" for the performance-orientation index (Figure A1) and its constituent dimensions (Figure A2). These maps show that outsourcing is more widely available indicator across donors and over time compared to the other performance-orientation indicators, which are missing especially for "newer" DAC donors (i.e., Central and Eastern Europe) and DAC observers.

### 3.3. Control variables

To mitigate potential bias due to confounding factors, we include a range of control variables. A baseline set of controls is inspired by aid allocation studies, thus capturing the general tendency of donors to support trust funds. In particular, we include the logged population of the donor country, given that more populous donor countries will have a greater diversity of interests that may find its expression in a larger number of trust funds being supported. We also include logged GDP PER CAPITA because wealthier donors should be more likely to afford trust fund donations on average. We also control for ODA/GNI, the overall aid budget expressed as percentage of GNI, expecting a positive relationship with trust fund support.

As part of the baseline set of controls, we also include variables capturing domestic political economy arguments of foreign aid. In particular, we use a perception-based measure of CONTROL OF CORRUPTION to measure the institutional quality of a donor country. Political economy theory suggests that donors may channel aid multilaterally if they have a domestic reputation for poor aid management and limited accountability vis-à-vis domestic taxpayers (Milner 2006). Others have suggested that donor aid bureaucracies hold sway over foreign aid policies (Gulrajani 2017). We thus include a binary measure—INDEPENDENT AID AGENCY—gauging the specific organizational model of a donor government. Independent aid agencies enjoy high levels of delegated authority over aid allocation that facilitates the autonomous conclusion of aid contracts with multilateral trustees.

We also need to control for the political clout of a donor with the World Bank. While donors are known to use trust funds as means of influence (Reinsberg 2017b), they may be particularly motivated to wield such influence when their formal voting power is limited, following a line of research on informal governance (Stone 2013). Hence, we include a dummy for Executive Board membership (EB MEMBER). While past research has shown that (developing) countries that serve at the Board can increase their receipt of World Bank loans (Kaja and Werker 2010), we posit that EB members are less likely to resort to trust funds because they enjoy formal influence. For many smaller donors, lack of influence is a potential issue because they are grouped into multi-country voting constituencies and thus often not directly represented in the governing body. Trust funds could remedy their relative lack of influence by circumventing the Board (Kapur 2002; Reinsberg, Michaelowa, and Knack 2017; Weaver 2007). In a similar vein, we control for IDA VOTING POWER—the percentage of votes of a given donor in the IDA board. We expect less powerful countries to be more likely to resort to trust funds as engagement into trust funds may help them "punch above their weight" in influencing the allocation of their aid contributions, while yet retaining access to the expertise of the World Bank. Finally, to eliminate potential temporal effects due to the cross-sectional nature of our analysis, we control for the average start year of the trust funds into which a given donor has engaged over FY 2002-13.

We probe the robustness of our findings against sequential inclusion of two additional sets of control variables. The first captures changes in the international environment, proxied by three variables. Specifically, we test whether a donor's alignment of foreign policy preferences with the G7 countries—proxied by the respective UN General Assembly vote similarity score (Bailey, Strezhnev, and Voeten 2015)—promotes participation in World Bank trust funds. We also test whether increases in military expenditure as percent of GDP, often linked to international interventions in conflict-affected states, relate to greater trust fund support (Reinsberg, Michaelowa, and Knack 2017). Inclusion of the KOF index of political globalization (Dreher 2006) lets us assess whether greater international openness boosts support for trust funds.

A second set of additional controls considers domestic constraints to aid giving. Here we test whether public support for aid is a correlate of trust fund engagement. In addition, we include the average partisan position of the government—calculated as a weighted average of partisan positions of government parties where weights correspond to seat shares, available from the ParlGov database (Döring and Manow 2012). Finally, we include multilateral aid as percentage of GNI to account for the possibility that countries with a tendency for multilateralism use trust funds in different ways than other donors. For all (principally) time-varying variables, we take the value of the closest year prior to the 2002-13 period. Descriptive statistics and source information for all variables are available in Table 1.

[Table 1 here]

## 4. Results

### 4.1. Cross-sectional analysis

We first examine visually the raw correlation between performance-orientation and the number of trust funds. Figure 2 shows that donors with higher performance-orientation are engaged in

a higher number of trust funds. Since these patterns could be brought about by omitted variables, we subsequently control for them using multivariate analysis.

[Figure 2 here]

Table 2 presents our main cross-sectional results using negative-binomial regressions with robust standard errors. This model is appropriate because our main dependent variable is a count and a likelihood-ratio test indicates the presence of overdispersion ($p<0.001$), which advises against the Poisson model. Consistent with hypothesis 1a, we find that performance-oriented donors engage in a higher number of trust funds. In substantive terms, a donor with a performance orientation level that is one standard-deviation above the mean will participate in about 43 funds more than the average donor ($p<0.01$).[15] This effect is robust throughout the three permutations of control sets.[16]

Regarding control variables, we find that more populous donors ($p<0.01$) and richer donors ($p<0.01$) are significantly more likely to be part of trust funds. We do not find a significant relationship with the total aid budget. Conversely, we find that better governed donors are more likely to outsource aid to trust funds ($p<0.01$), while those with an independent aid agency tend to be less inclined to do so (although this effect is not statistically significant). If a donor is directly represented at the Executive Board, it also engages in a higher number of trust funds. Yet, lower voting power in the IDA Board is significantly related to a larger number of trust fund engagements ($p<0.01$). Additional control variables remain mostly insignificant, at the exception of partisanship. Here we find that right-leaning governments tend to be engaged in fewer trust funds ($p<0.1$).[17]

[15] We obtain this by taking the difference of the exponentiated linear predictions for both hypothetical cases. The average donor is engaged in 89 trust funds.

[16] Figure A3 in the appendix shows the bivariate correlation after partialling out the effect of control variables. The plot shows that the UK is an outlier, supporting more trust funds than what would be expected based on control variables.

[17] Table A4 shows the descriptive statistic for the regression sample.

[Table 2 here]

To evaluate hypothesis 1b, we estimate our models using the share of trust fund aid as dependent variable. Specifically, our dependent variable is the cumulative trust fund contribution amount (FY 2002-13) divided by the cumulative World Bank IDA commitments (CY 2001-12). Table 3 shows the results. We find a strongly significant positive relationship between performance orientation and the share of trust funds as of multilateral aid ($p<0.01$). In substantive terms, the trust fund share increases by up to 0.495 for a standard-deviation increase in the performance index, with a mean trust fund share of 0.831. This supports hypothesis 1b.

[Table 3 here]

Our argument also has observable implications for donor engagement in different types of trust funds. Table 4 shows regression analysis where the dependent variable in each column refers to the percentage of funds of a particular type over all funds in which a donor engages over FY 2002-13. Obviously, as these shares are not independent of each other, we estimate them jointly in a linear system-of-equations framework and a common variance-covariance structure. Our results are consistent with our hypothesis that performance-oriented donors are relatively more frequent members of co-financing trust funds. In substantive terms, donors with performance orientation of one standard-deviation above the mean will be engaged in about 6 percentage points more of such funds ($p<0.01$). For technical assistance funds, the relationship is negative, as expected, but not statistically significant.

[Table 4 here]

4.2. Panel analysis

Thus far, our results have only been based on cross-sectional variation across donors—reflecting the limited availability of performance-related data. To put our hypothesis to a more rigorous test, we now examine within-donor variation and using a measure for which time-varying cross-national information is available. Specifically, we draw on various editions of the *Government at a Glance* data (OECD 2015) to measure government outsourcing as

percentage of GDP for 32 DAC donors from 2009 to 2012. This measure is not specific to aid allocation practices, but represents outsourcing across all aspects of government activity. In the absence of panel data on performance indicators, we consider this to be a valid measure of performance-orientation. Both performance-orientation and outsourcing are organizational characteristic that have ideological roots in neoliberal doctrine. In the context of trust funds, neoliberal doctrine promotes governance arrangements that mimic private sector governance, including a focus on performance and market-type mechanisms.

The availability of repeated measurements within donors affords us with the opportunity to conduct fixed-effects regressions, thereby controlling for the effect of unobserved country heterogeneity. As the key dependent variable is the number of trust fund contributions of a given donor in a given year, we estimate fixed-effects pseudo-Poisson quasi-maximum likelihood regressions with country-clustered standard errors (Santos Silva and Tenreyro 2011). The panel setup of our analysis further allows us to assess the impact of an expanded set of control variables that vary not only across donors but also over time. Table 5 shows descriptive statistics and definitions of these variables.[18] In addition to a stripped-down baseline set of controls, we separately test for the relationship between trust fund support and the domestic business cycle, international politics, changes in domestic preferences and political ideology, as well as in the political climate for aid.

[Table 5 here]

Table 6 shows the results. We corroborate our posited relationship between government outsourcing and trust fund support. In substantive terms, for a given donor, an increase in outsourcing as percentage of GDP by one standard-deviation increases the predicted number of trust fund contributions by about 5 funds ($p<0.01$), roughly 20% of its standard deviation.

Given our use of country-fixed effects, fewer control variables remain significant. Specifically, we find that an increase in donor GDP facilitates engagement in more funds ($p<0.05$), whereas

[18] Table A13 in the appendix shows the descriptive statistics for the regression sample.

an increase in governance quality has a similar effect ($p<0.05$). Conversely, a rise in unemployment reduces demand for trust funds ($p<0.01$), consistent with earlier studies (Reinsberg, Michaelowa, and Knack 2017). Finally, if a country increases its level of political globalization, it will likely engage in more trust funds, too ($p<0.1$).

[Table 6 here]

Table 7 exploits that donors with different levels of performance orientation will not equally engage in all types of trust funds alike. Again, we find that as the share of outsourcing as of GDP increases, a donor will engage in more co-financing trust funds. Conversely, a donor government will likely reduce its engagement in technical assistance funds, although this effect is not statistically significant.

[Table 7 here]

### 4.3. Robustness tests

In the Supplemental Appendix, we present additional regressions to undergird the robustness of our findings. First, we replace the dependent variable by the logged US dollar amount of contributions and use Ordinary Least Squares regression with robust standard errors. Our coefficient of interest remains positively significant throughout but is somewhat less stable across different models (Table A5).

Second, we conduct cross-section analysis using government outsourcing as an alternative predictor, thereby ensuring consistency with the panel analysis where this measure is used. We find that our relationship of interest holds, suggesting that countries with greater use of government outsourcing support a larger number of trust funds (Table A6). We also replicate our cross-sectional analysis with a dummy variable for liberal market economies—rather than the continuous latent index of performance orientation—which allows us to test the relationship of interest on the larger sample of all 35 donor countries. The dummy is positively significant throughout different model permutations ($p<0.01$). Results are also robust to using a different version of this dummy that includes the smaller Eastern European donors, as well as a latent

performance index that does not include the dichotomous indicator but only uses the six continuous measures of performance orientation (Table A7).

Third, we show robustness to alternative estimators, specifically Ordinary Least Squares instead of negative-binominal regression. We find that our results are virtually identical using the linear estimator (Table A8). An increase in the performance-orientation index by a standard deviation is related to an increase in the predicted number of trust funds by about 33 funds ($p<0.01$).

Fourth, we perform additional tests to ensure that our results hold irrespectively of organizational reforms that the World Bank undertook to regulate the use of trust funds.[19] A particular concern is that different phases of trust fund reforms have altered incentives for different donors to participate in trust funds. To that end, we first split the sample according to the two phases of the trust fund reform during our sample period and count the number of trust funds to which a donor contributed in each phase. We find that our results hold for both periods interchangeably, with a slightly more pronounced effect in the second sub-period (Table A9). A related concern is that tighter regulation on size thresholds for establishing trust funds could drive our result. We therefore drop all funds from the count with a size below USD 1 million (as those would not have been feasible in the second phase). Our results remain very strong (Table A10). Taken together, we confirm that the reform process did little to affect the differential attractiveness of trust funds to different donors depending on their performance orientation.

[19] As part of ongoing efforts to improve its development impact, the World Bank Group has engaged since 2001 in a series of reforms of its management of trust funds in four phases (such as strengthening financial controls and oversight (phase I: 2001-2007); mainstreaming trust funds in WBG processes and procedures (phase II: 2007-2013); and improving the strategic oversight and management of the entire trust fund life cycle (phase III: 2013-2017). In addition, the second and third phases also tried to reduce the inefficiencies caused by the proliferation of small trust funds by progressively raising the minimum threshold to establish new trust funds to USD 1 million first (phase II), and USD 2 million (phase III).

Finally, we probe robustness of our panel analyses. Using logged contribution amounts as our dependent variable, we find that outsourcing as a percentage of GDP is positively significant in over half of the models, but effect sizes and levels of statistical significance vary across models. We discount these findings as we doubt that contribution volumes are pertinent measures of the intensity of preferences toward trust funds as a new governance modality (Table A11). With respect to the number of trust funds as outcome variable, we test robustness to inclusion of year-fixed effects. Except for one model, our estimates are statistically significant and substantively similar (Table A12).

In sum, our analysis lends support to our theoretical claim linking membership in trust funds to donor political economies. Across model specifications, we have found a significantly positive association between performance orientation and the number of trust funds supported by donors. We also found evidence that performance-oriented donors specifically engage in those kinds of trust funds that are most suitable to help them achieve their performance-related goals.[20]

## 5. Discussion and conclusion

This article explored performance-oriented multilateralism as an important new phenomenon in international development cooperation. Building on previous work that identifies donor political economy orientations as drivers of aid delivery choices (Dietrich 2016, 2021), we show empirically how donors with performance-oriented bureaucratic rulebooks use trust funds to achieve their goals. Trust-funds use short-term performance metrics that mirror the incentives of aid officials working under performance-oriented rulebooks. From a policy perspective, trust funds offer donors the advantage of combining the policy expertise of international financial institutions in performance-oriented program implementation with

[20] Given the use of observational data, our results are not causal but nonetheless strongly suggest that performance-orientation is an important determinant of trust fund use.

venues for selective engagement with specific countries and topics, forums for testing out policy innovations, and the flexibility to reallocate resources without having to violate long-standing policy commitments.

By implication of our argument, we further distinguished between *Co-Financing Trust Funds* and *Technical Assistance Trust Funds*. The former have a focus on short-term measurable program outcomes and accountability in project implementation. We showed that performance-oriented donors are more likely to flock to *Co-Financing Trust Funds*. We argued that *Technical Assistance Trust Funds* deviate somewhat from the performance-oriented approach of *Co-Financing Trust Funds* insofar as their primary focus is not on the efficient delivery of services, but on the long-term transfer of knowledge and skills to strengthen capacity in recipient countries.

Our findings provide evidence that domestic factors shape donor decisions to invest in trust funds. While previous studies have shown that smaller donors flock to trust funds so that, though the pooling of resources, they can circumvent the influence of more powerful actors (Kapur 2002; Reinsberg, Michaelowa, and Knack 2017; Weaver 2007), we show that differences in bureaucratic structures incentivize donor governments to support trust funds to varying degrees. The entry of new actors into the aid arena and the increase of South-South cooperation more generally, will put to the test the resilience of the performance-based governance paradigm. With no single actor being able to reshape the system in its own image, the competition of ideas can only accelerate, with multilateral organizations and their structures set to play a crucial role for the future of foreign aid governance.

Pressure for changes to the performance-based governance paradigm might also arise from its potential shortcomings. Since trust fund agreements between a donor and the implementing multilateral institution typically involve restrictive conditions how the trust fund will operate, and tight monitoring by the donor, the multilateral institution's autonomy is severely reduced. Ultimately, this risks to hurt aid program performance (Buntaine, Parks, and Buch 2017; Honig 2019; Lall 2017), effectively threatening to undermine the rationale for using trust funds for

performance-based aid in the first place. As second problem, trust funds also increase the number of "donors" (or funding channels) involved in aid projects and thus reduce project performance (Shin, Kim, and Sohn 2017; Winters and Streitfeld 2018). Finally, the quest for value for money reduces incentives for experimentation and promotes incentives to disburse (Yanguas and Hulme 2015).

Our political economy explanation of aid allocation through trust funds raises interesting new questions about trust funds themselves: how they organize donor interaction, and how they may draw in new members. If future research conceived of trust funds as development networks, for example, we highlight that interaction among donors is ensured through regular meetings at trust fund headquarters and in the field. During these meetings, donor governments provide operational guidance, discuss strategic objectives of the program as well as past results, best practices and lessons learned from past and ongoing trust fund activities. Member interactions also take place in informal settings, where World Bank staff transmit information to all donors that are connected through membership in trust funds. The resulting trust fund network thus acquires institutional characteristics by establishing and disseminating ideas and best practices of aid delivery among its members. It thus encodes the interests and policy preferences of their creators. Most notably, donors are frequently members of several trust funds, which begs future research that explores and theorizes about joint or dynamic patterns of network membership. An explicit network perspective is useful insofar as it can provide original theoretical leverage for pressing questions about international cooperation. While we observe the acceleration of a decline of a global liberal world order that was designed to benefit the rich nations of the North, networked forms of governance, like trust funds, have an increasing role to play in shaping the emergent new order.

More generally, our paper also offers interesting contributions to the burgeoning IR literature on regime complexes (Alter and Meunier 2009; Gehring and Faude 2014; Hofmann 2019), specifically in the issue area of development (Reinsberg and Westerwinter 2019). To the extent that trust funds can be conceived as informal clubs where like-minded states flock together to

pursue joint interests (Reinsberg et al. 2017), their growing popularity with donors raises questions about the viability of multilateralism in contemporaneous global governance (Kahler 1992). An open-ended question, to be explored by future research, would be whether the institutional relationship between trust funds and core-funded operations such as IDA is cooperative or conflictive, which is a key issue in the regime complexity literature (Gehring and Faude 2014; Henning and Pratt 2021; Pratt 2018).

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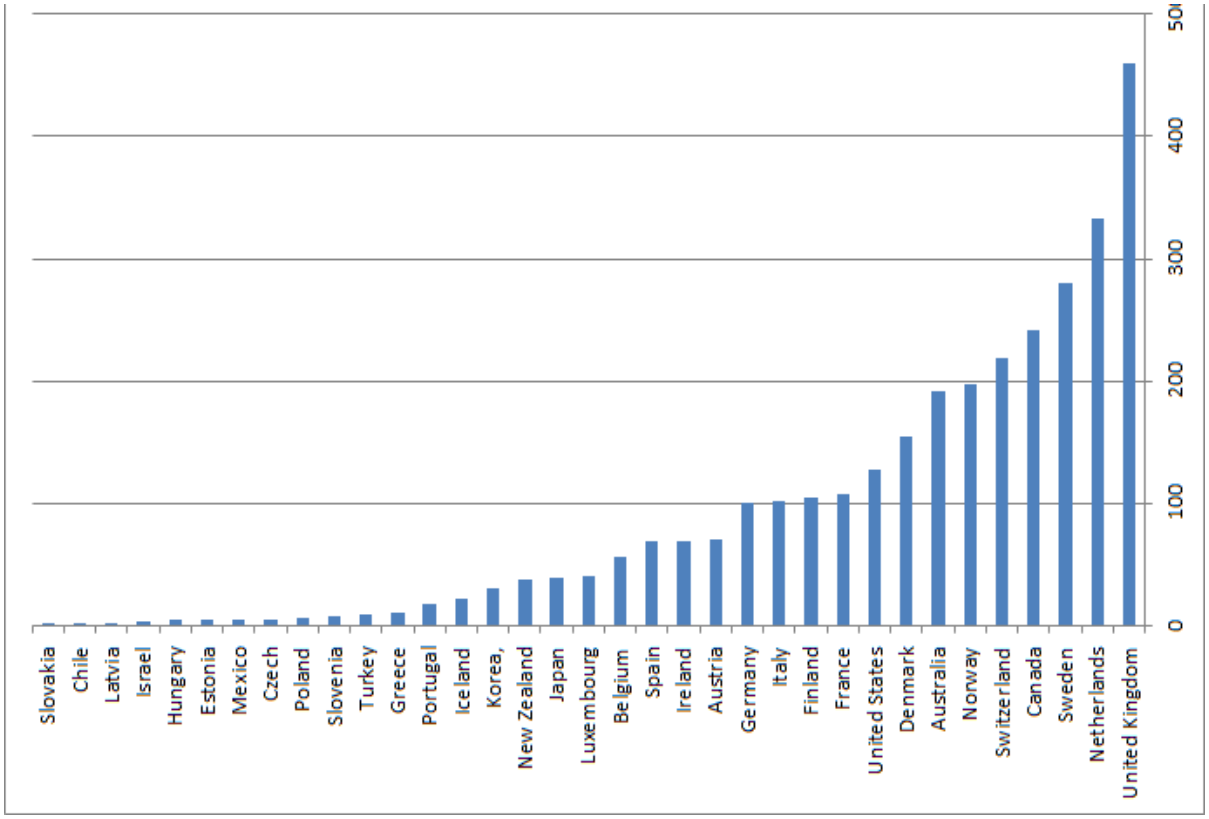
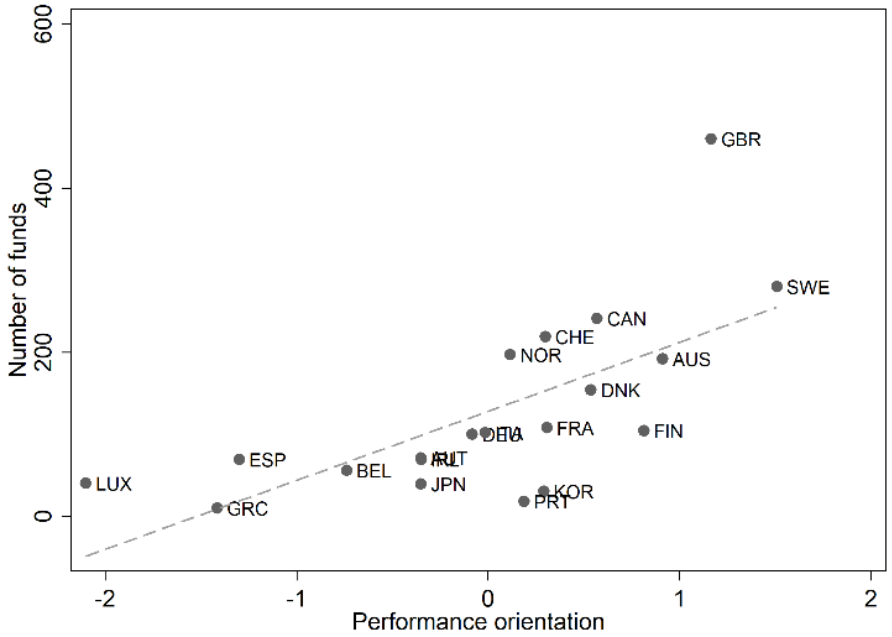
## Figures

**Figure 1**: Contribution patterns of OECD/DAC donors in World Bank trust funds.




*Notes*: Bars show the number of trust funds in which a given donor participated financially in any year in the 2002-13 period.

**Figure 2**: Raw correlation between performance-orientation and trust funds.



## Tables

**Table 1**: Descriptive statistics of cross-sectional sample.

| Variable | Description | Observations | Mean | Sd | Min | Max |
|---|---|---|---|---|---|---|
| Number of funds | Number of unique trust funds in which a donor has participated any time during FY 2002-13 (World Bank 2014) | 35 | 89.37 | 109.86 | 1.00 | 460.00 |
| Contributions | Logged amount of contributions (in USD) with which a donor has contributed to trust funds during FY 2002-13 (World Bank 2014) | 35 | 5.00 | 3.58 | -2.96 | 9.59 |
| Co-financing (%) | Percentage of trust funds dedicated to co-financing World Bank projects (World Bank 2014) | 35 | 12.24 | 11.64 | 0.00 | 50.00 |
| Technical assistance (%) | Percentage of trust funds dedicated to technical assistance (World Bank 2014) | 35 | 40.02 | 23.07 | 0.00 | 100.00 |
| Performance orientation | Single-factor solution of a confirmatory factor analysis based on six variables capturing performance orientation in domestic administration, based on performance data (OECD 2015) | 20 | 0.00 | 0.94 | -1.69 | 1.54 |
| Population | Natural logarithm of population (World Bank 2015) | 35 | 16.33 | 1.56 | 12.56 | 19.48 |
| GDP per capita | Natural logarithm of GDP per capita in constant 2005 USD [NY.GDP.PCAP.KD] (World Bank 2015) | 35 | 10.03 | 0.75 | 8.55 | 11.21 |
| ODA/GNI | ODA as a perentage of GNI (OECD 2015) | 35 | 0.27 | 0.26 | 0.00 | 1.03 |
| ICRG index | International Country Risk Guide: Quality of Government index, available from QoG dataset (Teorell et al. 2016) | 35 | 0.81 | 0.14 | 0.55 | 1.00 |
| Independent agency | Binary indicator variable for a donor country having an independent aid agency (according to OECD/DAC classification of aid agency models) (OECD 2005) | 35 | 0.49 | 0.51 | 0.00 | 1.00 |
| EB member | Binary indicator or whether donor is member of the World Bank Executive Board (not representing a constituency). Countries occupying their own seat are USA, GBR, JPN, DEU, and FRA. Data taken from World Bank annual report (World Bank 2001) | 35 | 0.37 | 0.49 | 0.00 | 1.00 |
| IDA voting power | Percentage of votes that a donor country maximally represents in the IDA board. For donors in multi-country constituencies, the percentage of votes of the entire constituency is taken. Data is taken from the World Bank annual report (World Bank 2001) | 35 | 4.64 | 2.28 | 1.84 | 14.46 |
| Start year | Average start year of trust funds in which the donor has engaged over FY 2002-13 (World Bank 2014) | 35 | 2005.12 | 1.23 | 2002.40 | 2007.07 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Preference heterogeneity | Distance in estimated ideal points between donor and G7 average based on UN General Assembly voting (Bailey, Sthreznev, and Voeten 2015) | 35 | 0.84 | 0.09 | 0.55 | 0.90 |
| Military expenditure | Military expenditure as percentage of GDP [MS.MIL.XPND.GD.ZS] (World Bank 2015) | 35 | 1.89 | 1.39 | 0.00 | 8.07 |
| Political globalization | Political globalization index (Dreher 2006) | 35 | 84.68 | 13.14 | 43.20 | 97.05 |
| Aid support | Public support for aid in donor – various Eurobarometer waves | 35 | 87.67 | 6.02 | 70.00 | 95.28 |
| Government ideology | Partisanship of donor government based on seat-weighted share of party ideology of government parties (Döring and Manow 2012) | 35 | 5.00 | 2.51 | 0.00 | 9.88 |
| Multilateral ODA/GNI | Multilateral aid as percentage of GNI (OECD 2015) | 35 | 0.09 | 0.08 | 0.00 | 0.38 |

**Table 2**: Performance-orientation and participation in World Bank trust funds.

| | (1) | | (2) | | (3) | |
|---|---|---|---|---|---|---|
| Performance orientation | 0.369*** | (0.036) | 0.341*** | (0.036) | 0.357*** | (0.043) |
| Population | 0.466*** | (0.058) | 0.426*** | (0.056) | 0.513*** | (0.066) |
| GDP per capita | 1.693*** | (0.154) | 1.711*** | (0.155) | 1.786*** | (0.148) |
| ODA/GNI | 0.296 | (0.194) | 0.193 | (0.199) | 0.408 | (0.519) |
| ICRG index | 2.386*** | (0.438) | 2.391*** | (0.469) | 2.500*** | (0.527) |
| Independent agency | -0.046 | (0.054) | -0.047 | (0.061) | -0.098 | (0.064) |
| EB member | 0.217** | (0.090) | 0.239** | (0.108) | 0.119 | (0.096) |
| IDA voting power | -0.209*** | (0.016) | -0.191*** | (0.019) | -0.221*** | (0.020) |
| Start year | 0.056* | (0.031) | 0.078** | (0.039) | 0.064* | (0.034) |
| Preference heterogeneity | | | 1.045 | (1.279) | | |
| Military expenditure | | | 0.050 | (0.066) | | |
| Political globalization | | | 0.006 | (0.006) | | |
| Aid support | | | | | 0.002 | (0.006) |
| Government ideology | | | | | -0.047* | (0.025) |
| Multilateral ODA/GNI | | | | | -0.269 | (1.392) |
| Observations | 20 | | 20 | | 20 | |
| Pseudo-R2 | 0.349 | | 0.354 | | 0.365 | |

*Notes*: Negative-binomial regression of the number of trust funds (FY 2002-13) with robust standard errors. LR test rejects Poisson model ($p<0.001$). Significance levels: *** p<.01 ** p<.05 * p<.1.

**Table 3**: Performance-orientation and the share of trust fund aid in IDA commitments.

| | (1) | | (2) | | (3) | |
|---|---|---|---|---|---|---|
| Performance orientation | 0.444*** | (0.116) | 0.480*** | (0.098) | 0.532*** | (0.107) |
| Population | 0.219 | (0.122) | 0.341** | (0.107) | 0.178 | (0.138) |
| GDP per capita | 1.373*** | (0.362) | 1.252** | (0.417) | 1.218*** | (0.335) |
| ODA/GNI | -0.338 | (0.350) | 0.091 | (0.311) | 0.477 | (0.913) |
| ICRG index | -0.772 | (1.158) | -0.089 | (0.970) | -1.021 | (0.833) |
| Independent agency | 0.568*** | (0.150) | 0.807*** | (0.227) | 0.656** | (0.201) |
| EB member | -0.831*** | (0.253) | -1.136** | (0.345) | -0.636** | (0.224) |
| IDA voting power | -0.049 | (0.062) | -0.117** | (0.048) | -0.054 | (0.044) |
| Start year | -0.113 | (0.066) | -0.326*** | (0.091) | -0.207** | (0.061) |
| Preference heterogeneity | | | -11.693* | (5.176) | | |
| Military expenditure | | | -0.247* | (0.123) | | |
| Political globalization | | | -0.001 | (0.014) | | |
| Aid support | | | | | -0.002 | (0.014) |
| Government ideology | | | | | 0.127** | (0.050) |
| Multilateral ODA/GNI | | | | | -2.728 | (2.425) |
| Observations | 20 | | 20 | | 20 | |
| Adjusted R2 | 0.667 | | 0.747 | | 0.832 | |

*Notes*: Linear regression of the share of trust funds (FY 2002-13) over IDA commitments (CY 2001-12) with robust standard errors.
Significance levels: *** p<.01 ** p<.05 * p<.1.

**Table 4**: Performance-orientation and participation in different types of funds.

| | Co-financing (1) | | Technical assistance (2) | |
|---|---|---|---|---|
| Performance orientation | 6.383*** | (2.256) | -2.038 | (3.465) |
| Population | -1.057 | (2.114) | 3.985 | (3.089) |
| GDP per capita | 2.391 | (5.999) | 25.181*** | (8.325) |
| ODA/GNI | 0.376 | (5.005) | -4.447 | (5.845) |
| ICRG index | -20.082 | (27.939) | 52.026 | (35.984) |
| Independent agency | 0.189 | (2.501) | -4.366 | (3.587) |
| EB member | 4.028 | (3.512) | 2.618 | (5.151) |
| IDA voting power | -0.648 | (0.759) | -3.281** | (1.279) |
| Start year | 0.835 | (0.822) | 0.455 | (2.080) |
| Observations | 20 | | 20 | |
| Adjusted-R2 | 0.275 | | 0.255 | |

*Notes*: System of equations in which the dependent variables are the respective percentages of trust fund types as of all funds (FY 2002-13).
Significance levels: *** p<.01 ** p<.05 * p<.01.

**Table 5**: Descriptive statistics for panel sample.

| | Definition | Observations | Mean | Sd | Min | Max |
|---|---|---|---|---|---|---|
| Number of funds | Number of unique trust funds in which a donor has participated any time during FY 2002-13 (World Bank 2014) | 420 | 18.60 | 24.29 | 0.00 | 136.00 |
| Contributions | Logged amount of contributions (in USD) with which a donor has contributed to trust funds during FY 2002-13 | 420 | 3.10 | 2.43 | 0.00 | 7.85 |
| Co-financing (%) | Percentage of trust funds dedicated to co-financing World Bank projects | 364 | 10.93 | 13.85 | 0.00 | 100.00 |
| Technical assistance (%) | Percentage of trust funds dedicated to technical assistance | 364 | 37.16 | 26.03 | 0.00 | 100.00 |
| Government outsourcing | Government outsourcing: Goods and services used by government (including procurement of intermediate products required for government production such as accounting or information technology services) as percent of GDP (OECD 2015). | 128 | 6.45 | 2.05 | 2.78 | 11.76 |
| Population | Natural logarithm of population (World Bank 2015) | 420 | 16.36 | 1.54 | 12.56 | 19.58 |
| GDP per capita | Natural logarithm of GDP per capita in constant 2005 USD [NY.GDP.PCAP.KD] (World Bank 2015) | 420 | 10.14 | 0.69 | 8.55 | 11.38 |
| ODA/GNI | ODA as a perentage of GNI (OECD 2015) | 420 | 0.32 | 0.28 | 0.00 | 1.12 |
| ICRG index | International Country Risk Guide: Quality of Government index, available from QoG database (Teorell et al. 2016) | 420 | 0.79 | 0.15 | 0.45 | 1.00 |
| GDP growth (%) | Annual growth rate of GDP (%) [NY.GDP.MKTP.KD.ZG] (World Bank 2015) | 420 | 2.20 | 3.40 | -14.72 | 11.90 |
| Unemployment (%) | Unemployment rate, total (% of total labor force) [SL.UEM.TOTL.ZS] (World Bank 2015) | 420 | 7.42 | 3.78 | 1.80 | 25.20 |
| Inflation (%) | Inflation, consumer prices (annual %) [FP.CPI.TOTL.ZG] (World Bank 2015) | 420 | 3.15 | 4.06 | -4.48 | 54.40 |
| MIC imports (%) | Imports from low and middle income economies (% of GDP), available from UN Comtrade database | 420 | 7.54 | 4.90 | 0.00 | 32.38 |
| Military expenditure | Military expenditure (% of GDP) (World Bank 2015) | 420 | 1.84 | 1.30 | 0.00 | 9.14 |
| Preference heterogeneity | Distance of estimated ideal points between given donor and the G7 average based on their UN General Assembly voting behavior (Bailey, Strezhnev, and Voeten 2015) | 420 | 0.82 | 0.08 | 0.44 | 0.90 |
| Economic globalization | Economic globalization index of the KOF index (Dreher 2006) | 420 | 77.42 | 11.49 | 44.14 | 99.03 |
| Political globalization | Political globalization measure of the KOF index (Dreher 2006) | 420 | 86.35 | 11.49 | 43.20 | 98.16 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Economic Freedom Index | Fraser Institute: Economic freedom index, available from the Quality of Government dataset (Teorell et al. 2016) | 420 | 7.52 | 0.54 | 5.20 | 8.56 |
| Government ideology | Partisanship of donor government based on seat-weighted share of party ideology of government parties (Döring and Manow 2012) | 420 | 5.35 | 1.87 | 0.00 | 9.88 |
| Right-wing aid minister | Binary indicator for right-leaning partisanship of aid minister (Fuchs and Richert 2015) | 420 | 0.42 | 0.49 | 0.00 | 1.00 |
| Aid quality index | Index of aid quality combining information for bilateral aid on (1) poverty selectivity, (2) governance selectivity, (3) untied aid (Fuchs and Richert 2015) | 420 | 0.59 | 0.09 | 0.31 | 0.80 |
| Multilateral ODA/GNI | Multilateral ODA as percent of GNI (OECD 2015) | 420 | 0.11 | 0.08 | 0.00 | 0.38 |
| Bank performance | Average project performance of World Bank projects in the sample year (scaled to 0-100 interval) (World Bank 2019) | 420 | 75.85 | 3.01 | 70.00 | 81.36 |

**Table 6**: Performance-orientation and trust fund participation using within-donor variation (FY 2009-12).

| | (1) | | (2) | | (3) | | (4) | | (5) | |
|---|---|---|---|---|---|---|---|---|---|---|
| Government outsourcing | 0.349*** | (0.098) | 0.273*** | (0.098) | 0.328*** | (0.090) | 0.309*** | (0.096) | 0.309*** | (0.113) |
| Population | -1.861 | (2.578) | 0.076 | (1.823) | -1.784 | (2.753) | -1.572 | (3.328) | -0.806 | (2.349) |
| GDP per capita | 3.622** | (1.656) | 1.324 | (2.157) | 3.840** | (1.566) | 3.545** | (1.500) | 4.247*** | (1.630) |
| ODA/GNI | 0.224 | (0.351) | 0.323 | (0.262) | 0.360 | (0.349) | 0.198 | (0.324) | 0.373 | (0.280) |
| ICRG index | 3.772*** | (1.446) | 3.425** | (1.500) | 3.558** | (1.782) | 3.849*** | (1.273) | 4.597*** | (1.547) |
| GDP growth | | | -0.006 | (0.010) | | | | | | |
| Unemployment | | | -0.122*** | (0.044) | | | | | | |
| Inflation | | | 0.002 | (0.023) | | | | | | |
| MIC imports | | | | | -0.027 | (0.017) | | | | |
| Military expenditure | | | | | -0.046 | (0.066) | | | | |
| Preference heterogeneity | | | | | 0.694 | (0.826) | | | | |
| Economic globalization | | | | | -0.013 | (0.024) | | | | |
| Political globalization | | | | | 0.030*** | (0.012) | | | | |
| Economic Freedom Index | | | | | | | 0.117 | (0.127) | | |
| Government ideology | | | | | | | -0.015 | (0.029) | | |
| Right-wing aid minister | | | | | | | -0.094** | (0.047) | | |
| Aid quality index | | | | | | | | | 1.020** | (0.504) |
| Multilateral ODA/GNI | | | | | | | | | -0.276 | (0.746) |
| Bank performance | | | | | | | | | 0.008 | (0.007) |
| Observations | 124 | | 124 | | 124 | | 124 | | 124 | |
| Pseudo-R2 | 0.034 | | 0.068 | | 0.048 | | 0.043 | | 0.039 | |

*Notes*: Pseudo-Poisson quasi-maximum likelihood estimations using country-fixed effects and country-clustered standard errors.
Significance levels: *** p<.01 ** p<.05 * p<.1.

**Table 7**: Performance-orientation and participation in different types of funds using within-donor variation.

| | Co-financing (1) | | Technical assistance (2) | |
|---|---|---|---|---|
| Government outsourcing | 8.600** | (4.034) | -6.981 | (7.556) |
| ODA/GNI | -6.490 | (12.134) | 22.365 | (22.731) |
| GDP growth | -0.233 | (0.309) | 1.637*** | (0.578) |
| Unemployment | -0.493 | (0.775) | -2.784* | (1.452) |
| Inflation | 0.612 | (0.633) | 2.832** | (1.186) |
| Economic Freedom Index | 0.169 | (4.598) | 10.633 | (8.613) |
| Government ideology | 2.083** | (0.821) | -2.037 | (1.539) |
| Right-wing aid minister | 1.298 | (1.770) | 1.411 | (3.316) |
| Bank performance | 0.410 | (0.323) | 1.736*** | (0.604) |
| Observations | 112 | | 112 | |
| Adjusted-R2 | 0.478 | | 0.657 | |

*Notes*: System of equations with country-fixed effects in which the dependent variables are the respective percentages of trust fund types as of all funds. Standard errors are clustered on donor countries. Significance levels: *** p<.01 ** p<.05 * p<.1.

## Supplemental appendix

**Table A1**: Donor countries included in the analysis.

| Country | DAC status | Number of trust funds | Performance orientation |
|---|---|---|---|
| AUS | Member | 192 | 1.10 |
| AUT | Member | 71 | -0.60 |
| BEL | Member | 56 | -0.87 |
| CAN | Member | 241 | 0.95 |
| CHL | Observer | 1 | |
| CZE | Member | 5 | |
| DNK | Member | 154 | 0.95 |
| EST | Observer | 4 | |
| FIN | Member | 104 | 1.14 |
| FRA | Member | 108 | -0.21 |
| DEU | Member | 100 | -0.47 |
| GRC | Member | 10 | -1.16 |
| HUN | Member | 4 | |
| ISL | Member | 22 | |
| IRL | Member | 69 | 0.27 |
| ISR | Observer | 3 | |
| ITA | Member | 102 | -0.37 |
| JPN | Member | 39 | -0.66 |
| KOR | Member | 30 | -0.32 |
| LAT | Observer | 2 | |
| LUX | Member | 40 | -1.69 |
| MEX | Observr | 5 | |
| NED | Member | 333 | |
| NZL | Member | 38 | |
| NOR | Member | 197 | 0.64 |
| POL | Member | 6 | |

| | | | |
|---|---|---|---|
| PRT | Member | 18 | -0.26 |
| SVK | Member | 1 | |
| SVN | Member | 8 | |
| ESP | Member | 69 | -1.14 |
| SWE | Member | 280 | 1.54 |
| CHE | Member | 219 | -0.28 |
| TUR | Observer | 9 | |
| GBR | Member | 460 | 1.41 |
| USA | Member | 128 | 1.10 |

**Table A2**: Overview of econometric models and regression formulas.

| | |
|---|---|
| Cross-section analysis | $Y_i=\alpha+\beta\ PFO_i+Z_i'\Gamma+e_i$ for donors i=1,…, 35 where<br>$Y_i$ refers to the number of trust funds (Table 2), the share of trust fund aid (Table 3), or amount of trust fund contributions (Table A5)<br>$PFO_i$ is the performance-orientation index (Table 2) or government outsourcing (Table A6)<br>$Z_i$ is a vector of control variables<br><br>SUR analysis<br>(1) $y_i^{CO}=\alpha_1+\beta_1\ PFO_i+Z_i'\Gamma_1+e_{1i}$<br>(2) $y_i^{TA}=\alpha_2+\beta_2\ PFO_i+Z_i'\Gamma_2+e_{2i}$<br>Where the two equations model the share of trust fund aid for co-financing funds ($y_i^{CO}$) and technical assistance funds ($y_i^{TA}$). Both equations are estimated simultaneously under a joint error structure. |
| Panel analysis | $Y_{it}=\alpha+\beta\ PFO_{it}+Z_{it}'\Gamma+e_{it}$ for donors i=1,…, 35 and t=2009,…, 2012 where<br>$Y_{it}$ is the number of trust funds (Table 6) or amount of trust fund contributions (Table A11)<br>$PFO_{it}$ is the share of outsourcing (Table 6), all else as above<br><br>SUR analysis<br>(1) $y_{it}^{CO}=\alpha_1+\beta_1\ PFO_{it}+Z_{it}'\Gamma_1+e_{1it}$<br>(2) $y_{it}^{TA}=\alpha_2+\beta_2\ PFO_{it}+Z_{it}'\Gamma_2+e_{2it}$ |

**Table A3:** Factor analysis of government performance measures.

Consider the following six measures of performance orientation of OECD/DAC governments:

| | Observations | Mean | SD | Min | Max |
|---|---|---|---|---|---|
| Use of outsourcing (%) | 34 | 6.557 | 2.514 | 2.650 | 13.100 |
| Use of human resource management | 21 | 0.654 | 0.100 | 0.440 | 0.830 |
| Use of performance assessments | 20 | 0.655 | 0.146 | 0.280 | 0.860 |
| Use of independent regulators | 20 | 3.321 | 0.420 | 2.260 | 4.030 |
| Use of performance budgeting | 21 | 0.377 | 0.112 | 0.130 | 0.575 |
| Use of performance pay | 21 | 0.691 | 0.297 | 0.000 | 0.930 |

Factor analysis shows that they all load onto a single factor that captures 81.5% of the variance.

| | Eigenvalue | Difference | Proportion of variance explained | Cumulative variance explained |
|---|---|---|---|---|
| **Factor 1** | **2.115** | 1.524 | 0.815 | 0.815 |
| Factor 2 | 0.590 | 0.267 | 0.228 | 1.043 |
| Factor 3 | 0.323 | 0.315 | 0.124 | 1.167 |
| Factor 4 | 0.008 | 0.144 | 0.003 | 1.170 |
| Factor 5 | -0.136 | 0.169 | -0.053 | 1.118 |
| Factor 6 | -0.305 | . | -0.118 | 1.000 |

*Notes*: Factor analysis with six predictors of government performance available from OECD/DAC statistics.

| | **Factor 1** | Factor 2 | Factor 3 | Factor 4 | Uniqueness |
|---|---|---|---|---|---|
| Use of outsourcing (%) | **0.630** | 0.288 | -0.050 | 0.027 | 0.517 |
| Use of human resource management | **0.751** | -0.256 | 0.291 | -0.008 | 0.286 |
| Use of performance assessments | **0.593** | -0.368 | -0.077 | 0.051 | 0.505 |
| Use of independent regulators | **0.300** | 0.377 | 0.364 | -0.006 | 0.635 |
| Use of performance budgeting | **0.546** | 0.380 | -0.265 | 0.004 | 0.488 |
| Use of performance pay | **0.644** | -0.143 | -0.165 | -0.065 | 0.534 |

*Notes*: The one-factor solution comes out as the preferred one.

The common factor that is based on the common variance of the above six indicators and the individual indicators are highly correlated with our binary measure of performance orientation:

| | **Factor 1** | Use of outsourcing (%) | Use of human resource management | Use of performance assessments | Use of independent regulators | Use of performance budgeting | Use of performance pay |
|---|---|---|---|---|---|---|---|
| Correlation | **0.678** | 0.801 | 0.392 | 0.298 | 0.489 | 0.537 | 0.419 |
| p-value | **0.001** | 0.000 | 0.097 | 0.216 | 0.034 | 0.018 | 0.074 |

**Table A4**: Descriptive statistics for the regression sample of the cross-sectional analysis.

| Variable | Count | Mean | SD | Min | Max |
|---|---|---|---|---|---|
| Number of trust funds | 20 | 127.95 | 110.75 | 10.00 | 460.00 |
| Contributions to funds | 20 | 7.09 | 1.61 | 3.29 | 9.41 |
| Performance orientation | 20 | 0.00 | 0.94 | -1.69 | 1.54 |
| Population | 20 | 16.52 | 1.37 | 12.99 | 18.65 |
| GDP per capita | 20 | 10.45 | 0.38 | 9.66 | 11.21 |
| ODA/GNI | 20 | 0.38 | 0.25 | 0.06 | 1.03 |
| ICRG index | 20 | 0.86 | 0.12 | 0.63 | 1.00 |
| Independent agency | 20 | 0.50 | 0.51 | 0.00 | 1.00 |
| EB member | 20 | 0.50 | 0.51 | 0.00 | 1.00 |
| IDA voting power | 20 | 4.63 | 1.79 | 2.21 | 10.96 |
| Start year | 20 | 2005.39 | 1.26 | 2002.40 | 2007.07 |
| Preference heterogeneity | 20 | 0.87 | 0.02 | 0.82 | 0.90 |
| Military expenditure | 20 | 1.63 | 0.69 | 0.73 | 3.41 |
| Political globalization | 20 | 90.11 | 8.40 | 58.20 | 97.05 |
| Aid support | 20 | 88.33 | 6.07 | 72.70 | 95.28 |
| Government ideology | 20 | 5.59 | 1.78 | 2.73 | 7.78 |
| Multilateral ODA/GNI | 20 | 0.13 | 0.08 | 0.02 | 0.38 |

**Table A5**: Performance orientation and total contributions to trust funds over FY 2002-13.

| *Contributions* | (1) | | (2) | | (3) | |
|---|---|---|---|---|---|---|
| Performance orientation | 0.362** | (0.160) | 0.554*** | (0.122) | 0.453* | (0.216) |
| Population | 1.246*** | (0.178) | 1.293*** | (0.132) | 1.253*** | (0.277) |
| GDP per capita | 2.977*** | (0.372) | 2.582*** | (0.196) | 2.946*** | (0.504) |
| ODA/GNI | 0.467 | (0.384) | 1.021* | (0.456) | 1.398 | (1.876) |
| ICRG index | 1.601 | (1.396) | 0.008 | (1.707) | 1.235 | (2.028) |
| Independent agency | 0.577*** | (0.163) | 0.757*** | (0.212) | 0.592** | (0.230) |
| EB member | -0.301 | (0.284) | -0.321 | (0.268) | -0.242 | (0.416) |
| IDA voting power | -0.053 | (0.082) | -0.111 | (0.064) | -0.070 | (0.090) |
| Start year | 0.052 | (0.096) | -0.099 | (0.134) | -0.024 | (0.087) |
| Preference heterogeneity | | | -4.040 | (7.685) | | |
| Military expenditure | | | -0.574*** | (0.139) | | |
| Political globalization | | | -0.001 | (0.011) | | |
| Aid support | | | | | -0.014 | (0.030) |
| Government ideology | | | | | 0.083 | (0.074) |
| Multilateral ODA/GNI | | | | | -2.912 | (4.789) |
| Observations | 20 | | 20 | | 20 | |
| Adjusted-R2 | 0.938 | | 0.972 | | 0.925 | |

*Notes*: Ordinary Least Squares regression with robust standard errors. Significance levels: *** p<.01 ** p<.05 * p<.1.

**Table A6**: Government outsourcing and trust funds support using cross-sectional analysis over FY 2002-13.

| | (1) | | (2) | | (3) | |
|---|---|---|---|---|---|---|
| Government outsourcing | 0.080** | (0.034) | 0.076** | (0.037) | 0.088* | (0.049) |
| Population | 0.487*** | (0.059) | 0.375*** | (0.077) | 0.414*** | (0.064) |
| GDP per capita | 1.333*** | (0.172) | 1.239*** | (0.166) | 1.184*** | (0.191) |
| ODA/GNI | 0.759*** | (0.242) | 0.746*** | (0.252) | 0.153 | (0.897) |
| ICRG index | 2.971*** | (0.898) | 2.341*** | (0.893) | 3.172*** | (1.149) |
| Independent agency | -0.005 | (0.100) | 0.043 | (0.092) | 0.062 | (0.112) |
| EB member | 0.345** | (0.151) | 0.386*** | (0.136) | 0.544*** | (0.177) |
| IDA voting power | -0.162*** | (0.025) | -0.144*** | (0.033) | -0.160*** | (0.027) |
| Start year | 0.157*** | (0.052) | 0.144*** | (0.051) | 0.128** | (0.054) |
| Preference heterogeneity | | | -0.559 | (1.135) | | |
| Military expenditure | | | -0.065 | (0.086) | | |
| Political globalization | | | 0.021*** | (0.008) | | |
| Aid support | | | | | -0.008 | (0.013) |
| Government ideology | | | | | 0.089** | (0.039) |
| Multilateral ODA/GNI | | | | | 1.824 | (2.670) |
| Observations | 34 | | 34 | | 34 | |
| Pseudo-R2 | 0.268 | | 0.298 | | 0.287 | |

*Notes*: Negative-binomial regression of the number of trust funds (FY 2002-13) with robust standard errors. LR test rejects Poisson model (p<0.001).
Significance levels: *** p<.01 ** p<.05 * p<.1.

**Table A7**: Alternative definitions of performance orientation.

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | LME | | LME | | LME | | Latent factor without LME | | LME/EE | |
| *Number of funds* | (1) | | (2) | | (3) | | (4) | | (5) | |
| Performance orientation | 0.460*** | (0.097) | 0.430*** | (0.107) | 0.406*** | (0.107) | 0.428*** | (0.062) | 0.454*** | (0.093) |
| Population | 0.452*** | (0.058) | 0.329*** | (0.067) | 0.373*** | (0.063) | 0.489*** | (0.058) | 0.494*** | (0.049) |
| GDP per capita | 1.359*** | (0.207) | 1.265*** | (0.181) | 1.159*** | (0.194) | 1.824*** | (0.183) | 1.494*** | (0.197) |
| ODA/GNI | 0.625*** | (0.234) | 0.456** | (0.217) | -0.625 | (0.593) | 0.138 | (0.179) | 0.607*** | (0.228) |
| ICRG index | 2.865*** | (0.695) | 2.467*** | (0.673) | 3.324*** | (0.640) | 3.086*** | (0.641) | 3.008*** | (0.593) |
| Independent agency | -0.091 | (0.092) | -0.082 | (0.092) | 0.010 | (0.113) | 0.090 | (0.058) | -0.096 | (0.092) |
| EB member | 0.420*** | (0.128) | 0.466*** | (0.109) | 0.579*** | (0.161) | -0.051 | (0.089) | 0.382*** | (0.116) |
| IDA voting power | -0.168*** | (0.026) | -0.111*** | (0.035) | -0.152*** | (0.024) | -0.212*** | (0.015) | -0.182*** | (0.024) |
| Start year | 0.133** | (0.052) | 0.150*** | (0.055) | 0.128*** | (0.043) | 0.007 | (0.027) | 0.121** | (0.049) |
| Preference heterogeneity | | | 1.525 | (1.145) | | | | | | |
| Military expenditure | | | 0.061 | (0.079) | | | | | | |
| Political globalization | | | 0.020** | (0.008) | | | | | | |
| Aid support | | | | | -0.000 | (0.009) | | | | |
| Government ideology | | | | | 0.062 | (0.050) | | | | |
| Multilateral ODA/GNI | | | | | 3.972* | (2.146) | | | | |
| Observations | 35 | | 35 | | 35 | | 20 | | 35 | |
| Pseudo-R2 | 0.278 | | 0.319 | | 0.298 | | 0.338 | | 0.283 | |

*Notes*: Negative-binomial regression analysis with robust standard errors. Specific indicator for 'performance orientation' shown in respective column header. Alternative measures of performance orientation are defined as follows: (1) Liberal market economy (LME), a binary indicator for countries including AUS, CAN, IRL, NZL, SWE, DNK, FIN, NOR, GBR, and USA (μ=0.29, sd=0.46); (2) LME/EE: as 'liberal market economy', but adding the following Eastern European donors: EST, LVA, HUN, SVK, and SVN (μ=0.46, sd=0.51); (3) Column 4 'Latent factor without LME' (μ=0.00, sd=0.89).
Significance levels: *** p<.001 ** p<.01 * p<.05.

**Table A8**: Linear estimation of the relationship between performance orientation and the number of trust funds over FY 2002-13.

| | (1) | | (2) | | (3) | |
|---|---|---|---|---|---|---|
| Performance orientation | 0.354*** | (0.037) | 0.349*** | (0.043) | 0.335*** | (0.052) |
| Population | 0.448*** | (0.059) | 0.429*** | (0.069) | 0.484*** | (0.095) |
| GDP per capita | 1.616*** | (0.173) | 1.622*** | (0.226) | 1.692*** | (0.259) |
| ODA/GNI | 0.289 | (0.251) | 0.249 | (0.307) | 0.399 | (0.662) |
| ICRG index | 2.332*** | (0.376) | 2.226*** | (0.591) | 2.430*** | (0.576) |
| Independent agency | -0.045 | (0.066) | -0.052 | (0.081) | -0.092 | (0.099) |
| EB member | 0.208* | (0.110) | 0.229 | (0.147) | 0.147 | (0.154) |
| IDA voting power | -0.212*** | (0.014) | -0.203*** | (0.021) | -0.219*** | (0.024) |
| Start year | 0.063* | (0.029) | 0.081* | (0.039) | 0.073* | (0.033) |
| Preference heterogeneity | | | 0.844 | (1.397) | | |
| Military expenditure | | | 0.016 | (0.068) | | |
| Political globalization | | | 0.002 | (0.005) | | |
| Aid support | | | | | 0.002 | (0.006) |
| Government ideology | | | | | -0.034 | (0.039) |
| Multilateral ODA/GNI | | | | | -0.252 | (1.655) |
| Observations | 20 | | 20 | | 20 | |
| Adjusted R2 | 0.981 | | 0.974 | | 0.977 | |

*Notes*: Ordinary Least Squares regression with robust standard errors. Significance levels: *** p<.01 ** p<.05 * p<.1.

**Table A9**: Split-sample results aligning with key phases of the trust fund reform process.

| | Phase I: 2001-2007 | | | | | | Phase II: 2007-2013 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (1) | | (2) | | (3) | | (4) | | (5) | | (6) | |
| Performance orientation | 0.357*** | (0.041) | 0.339*** | (0.045) | 0.340*** | (0.047) | 0.455*** | (0.052) | 0.421*** | (0.055) | 0.446*** | (0.065) |
| Population | 0.438*** | (0.061) | 0.406*** | (0.063) | 0.459*** | (0.058) | 0.475*** | (0.075) | 0.423*** | (0.065) | 0.574*** | (0.082) |
| GDP per capita | 1.769*** | (0.170) | 1.799*** | (0.158) | 1.831*** | (0.103) | 1.805*** | (0.198) | 1.838*** | (0.201) | 2.004*** | (0.174) |
| ODA/GNI | 0.268 | (0.187) | 0.161 | (0.204) | -0.015 | (0.479) | 0.206 | (0.207) | 0.072 | (0.216) | 0.520 | (0.589) |
| ICRG index | 1.667*** | (0.469) | 1.623*** | (0.492) | 1.788*** | (0.473) | 2.640*** | (0.507) | 2.635*** | (0.591) | 2.845*** | (0.620) |
| Independent agency | 0.074 | (0.056) | 0.038 | (0.077) | 0.060 | (0.064) | -0.032 | (0.062) | -0.026 | (0.070) | -0.141* | (0.084) |
| EB member | 0.158* | (0.093) | 0.214* | (0.116) | 0.048 | (0.081) | 0.217* | (0.123) | 0.246 | (0.151) | 0.053 | (0.121) |
| IDA voting power | -0.192*** | (0.020) | -0.180*** | (0.026) | -0.201*** | (0.024) | -0.186*** | (0.021) | -0.161*** | (0.024) | -0.209*** | (0.024) |
| Start year | 0.261*** | (0.035) | 0.293*** | (0.046) | 0.301*** | (0.041) | -0.158*** | (0.045) | -0.133** | (0.055) | -0.158*** | (0.040) |
| Preference heterogeneity | | | 2.084 | (1.794) | | | | | 1.340 | (1.608) | | |
| Military expenditure | | | 0.050 | (0.080) | | | | | 0.040 | (0.081) | | |
| Political globalization | | | 0.003 | (0.007) | | | | | 0.009 | (0.009) | | |
| Aid support | | | | | 0.005 | (0.006) | | | | | 0.003 | (0.008) |
| Government ideology | | | | | -0.065*** | (0.019) | | | | | -0.080** | (0.031) |
| Multilateral ODA/GNI | | | | | 0.874 | (1.364) | | | | | -0.805 | (1.532) |
| Observations | 20 | | 20 | | 20 | | 20 | | 20 | | 20 | |
| Pseudo-R2 | 0.379 | | 0.384 | | 0.410 | | 0.338 | | 0.344 | | 0.371 | |

*Notes*: Negative-binomial regression of the number of trust funds (FY 2002-13) with robust standard errors. LR test rejects Poisson model (p<0.001).
Significance levels: *** p<.01 ** p<.05 * p<.1.

**Table A10**: Excluding small funds (less than USD 1 million size).

| | (1) | | (2) | | (3) | |
|---|---|---|---|---|---|---|
| Performance orientation | 0.348*** | (0.042) | 0.335*** | (0.037) | 0.337*** | (0.053) |
| Population | 0.461*** | (0.063) | 0.431*** | (0.069) | 0.479*** | (0.081) |
| GDP per capita | 1.718*** | (0.166) | 1.734*** | (0.171) | 1.758*** | (0.178) |
| ODA/GNI | 0.212 | (0.225) | 0.136 | (0.238) | 0.191 | (0.626) |
| ICRG index | 2.216*** | (0.582) | 2.118*** | (0.595) | 2.275*** | (0.636) |
| Independent agency | -0.049 | (0.062) | -0.057 | (0.083) | -0.070 | (0.076) |
| EB member | 0.175* | (0.095) | 0.207* | (0.119) | 0.130 | (0.116) |
| IDA voting power | -0.197*** | (0.016) | -0.184*** | (0.025) | -0.201*** | (0.025) |
| Start year | 0.062** | (0.031) | 0.085* | (0.046) | 0.070* | (0.040) |
| Preference heterogeneity | | | 1.233 | (1.698) | | |
| Military expenditure | | | 0.026 | (0.088) | | |
| Political globalization | | | 0.004 | (0.006) | | |
| Aid support | | | | | 0.002 | (0.007) |
| Government ideology | | | | | -0.025 | (0.028) |
| Multilateral ODA/GNI | | | | | 0.092 | (1.725) |
| Observations | 20 | | 20 | | 20 | |
| Pseudo-R2 | 0.337 | | 0.340 | | 0.341 | |

*Notes*: Negative-binomial regression of the number of trust funds (FY 2002-13) with robust standard errors. LR test rejects Poisson model (p<0.001).
Significance levels: *** p<.01 ** p<.05 * p<.1.

**Table A11**: Performance orientation and annual contributions to trust funds over FY 2009-12.

| | (1) | | (2) | | (3) | | (4) | | (5) | |
|---|---|---|---|---|---|---|---|---|---|---|
| Government outsourcing | 0.358* | (0.194) | 0.269 | (0.284) | 0.394** | (0.177) | 0.351* | (0.203) | 0.272 | (0.245) |
| Population | 2.311 | (4.826) | 3.120 | (4.156) | 6.720 | (6.083) | 2.408 | (4.707) | 2.573 | (4.466) |
| GDP per capita | 3.549** | (1.378) | 2.908 | (2.473) | 3.630** | (1.385) | 3.574** | (1.517) | 4.010** | (1.584) |
| ODA/GNI | 0.312 | (0.561) | 0.437 | (0.780) | 0.449 | (0.673) | 0.348 | (0.693) | 0.289 | (1.009) |
| ICRG index | 1.526 | (2.634) | 1.608 | (2.775) | 1.996 | (2.639) | 1.463 | (2.804) | 1.891 | (2.479) |
| GDP growth | | | -0.003 | (0.012) | | | | | | |
| Unemployment | | | -0.031 | (0.059) | | | | | | |
| Inflation | | | -0.015 | (0.046) | | | | | | |
| MIC imports | | | | | 0.017 | (0.034) | | | | |
| Military expenditure | | | | | -0.047 | (0.144) | | | | |
| Preference heterogeneity | | | | | 2.240** | (0.847) | | | | |
| Economic globalization | | | | | 0.003 | (0.032) | | | | |
| Political globalization | | | | | 0.026** | (0.011) | | | | |
| Economic Freedom Index | | | | | | | -0.011 | (0.298) | | |
| Government ideology | | | | | | | -0.005 | (0.037) | | |
| Right-wing aid minister | | | | | | | 0.030 | (0.100) | | |
| Aid quality index | | | | | | | | | 1.569* | (0.901) |
| Multilateral ODA/GNI | | | | | | | | | 0.404 | (2.089) |
| Bank performance | | | | | | | | | 0.006 | (0.016) |
| Observations | 128 | | 128 | | 128 | | 128 | | 128 | |
| Within-R2 | 0.141 | | 0.152 | | 0.188 | | 0.142 | | 0.161 | |

*Notes*: Fixed-effects panel regression using logged contributions as dependent variable. Standard errors are clustered on donors.
Significance levels: *** p<.001 ** p<.01 * p<.05.

**Table A12**: Performance-orientation and trust fund participation using within-donor variation and adding year-fixed effects (FY 2009-12).

| | (1) | | (2) | | (3) | | (4) | | (5) | |
|---|---|---|---|---|---|---|---|---|---|---|
| Government outsourcing | 0.275** | (0.126) | 0.183 | (0.133) | 0.258** | (0.127) | 0.241* | (0.136) | 0.246* | (0.138) |
| Population | 5.907 | (4.631) | 3.676 | (4.727) | 5.197 | (5.017) | 5.580 | (4.674) | 5.833 | (4.653) |
| GDP per capita | 5.795*** | (1.721) | 3.736 | (2.631) | 5.682*** | (1.805) | 5.647*** | (1.726) | 6.041*** | (1.768) |
| ODA/GNI | 0.422 | (0.389) | 0.270 | (0.404) | 0.576 | (0.419) | 0.392 | (0.414) | 0.524 | (0.498) |
| ICRG index | 3.638 | (2.556) | 2.620 | (2.559) | 3.324 | (2.616) | 3.737 | (2.639) | 4.338* | (2.630) |
| GDP growth | | | -0.029 | (0.018) | | | | | | |
| Unemployment | | | -0.111** | (0.048) | | | | | | |
| Inflation | | | 0.004 | (0.030) | | | | | | |
| MIC imports | | | | | -0.014 | (0.023) | | | | |
| Military expenditure | | | | | -0.058 | (0.085) | | | | |
| Preference heterogeneity | | | | | 1.199 | (2.111) | | | | |
| Economic globalization | | | | | -0.023 | (0.021) | | | | |
| Political globalization | | | | | 0.024 | (0.026) | | | | |
| Economic Freedom Index | | | | | | | 0.096 | (0.175) | | |
| Government ideology | | | | | | | -0.013 | (0.030) | | |
| Right-wing aid minister | | | | | | | -0.095 | (0.060) | | |
| Aid quality index | | | | | | | | | 1.173 | (0.842) |
| Multilateral ODA/GNI | | | | | | | | | -0.344 | (1.358) |
| Bank performance | | | | | | | | | 0.007 | (0.022) |
| Observations | 124 | | 124 | | 124 | | 124 | | 124 | |
| Pseudo-R2 | 0.034 | | 0.061 | | 0.048 | | 0.043 | | 0.039 | |

*Notes*: Pseudo-Poisson quasi-maximum likelihood estimations using country-fixed effects and year-fixed effects. Country-clustered standard errors in parentheses. Significance levels: *** p<.01 ** p<.05 * p<.1.

**Table A13**: Descriptive statistics for the panel dataset.

| | Observations | Mean | Sd | Min | Max |
|---|---|---|---|---|---|
| Number of funds | 124 | 20.80 | 25.44 | 0.00 | 136.00 |
| Government outsourcing | 124 | 6.36 | 2.02 | 2.78 | 11.76 |
| Population | 124 | 16.45 | 1.60 | 12.66 | 19.58 |
| GDP per capita | 124 | 10.24 | 0.62 | 8.89 | 11.32 |
| ODA/GNI | 124 | 0.37 | 0.29 | 0.00 | 1.12 |
| ICRG index | 124 | 0.79 | 0.15 | 0.45 | 1.00 |
| GDP growth (%) | 124 | 0.18 | 3.86 | -14.72 | 9.16 |
| Unemployment (%) | 124 | 8.55 | 4.18 | 3.20 | 25.20 |
| Inflation (%) | 124 | 2.37 | 2.10 | -4.48 | 12.01 |
| MIC imports (%) | 124 | 8.10 | 4.78 | 0.00 | 26.14 |
| Military expenditure | 124 | 1.75 | 0.99 | 0.00 | 4.79 |
| Preference heterogeneity | 124 | 0.82 | 0.07 | 0.56 | 0.88 |
| Economic globalization | 124 | 76.15 | 11.34 | 44.80 | 94.69 |
| Political globalization | 124 | 89.28 | 8.06 | 54.25 | 98.16 |
| Economic Freedom Index | 124 | 7.43 | 0.48 | 6.35 | 8.42 |
| Government ideology | 124 | 5.47 | 1.61 | 0.67 | 9.46 |
| Right-wing aid minister | 124 | 0.40 | 0.49 | 0.00 | 1.00 |
| Aid quality index | 124 | 0.58 | 0.09 | 0.31 | 0.75 |
| Multilateral ODA/GNI | 124 | 0.13 | 0.09 | 0.00 | 0.38 |
| Bank performance | 124 | 75.85 | 3.41 | 70.00 | 81.36 |

**Table A14**: Correlation table for the cross-sectional dataset.

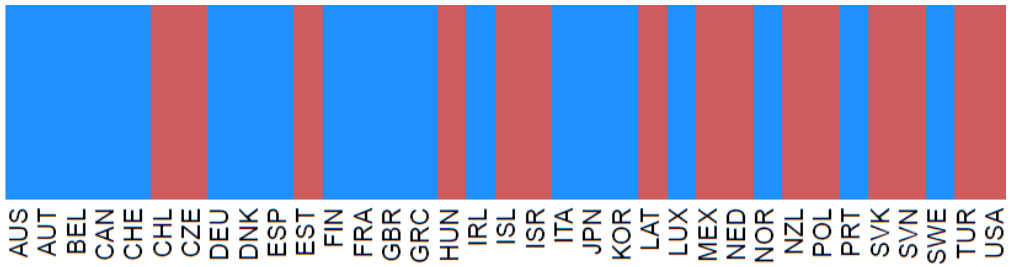
| | I | II | III | IV | V | VI | VII | VIII | IX | X | XI | XII | XIII | XIV | XV | XVI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of funds | 1 | | | | | | | | | | | | | | | |
| Contribution amount | 0.63 | 1.00 | | | | | | | | | | | | | | |
| Performance-orientation | 0.74 | 0.49 | 1.00 | | | | | | | | | | | | | |
| Population | 0.13 | 0.54 | 0.07 | 1.00 | | | | | | | | | | | | |
| GDP per capita | 0.33 | 0.31 | 0.14 | -0.55 | 1.00 | | | | | | | | | | | |
| ODA/GNI | 0.24 | 0.10 | 0.25 | -0.62 | 0.70 | 1.00 | | | | | | | | | | |
| ICRG index | 0.60 | 0.34 | 0.59 | -0.45 | 0.67 | 0.60 | 1.00 | | | | | | | | | |
| Independent agency | 0.43 | 0.51 | 0.14 | 0.07 | 0.28 | 0.23 | 0.32 | 1.00 | | | | | | | | |
| EB member | 0.48 | 0.66 | 0.24 | 0.55 | 0.09 | -0.23 | 0.12 | 0.40 | 1.00 | | | | | | | |
| IDA voting power | -0.04 | 0.35 | -0.01 | 0.28 | 0.21 | 0.07 | 0.07 | -0.09 | 0.30 | 1.00 | | | | | | |
| Start year | 0.43 | 0.49 | 0.40 | 0.15 | 0.18 | 0.05 | 0.37 | 0.21 | 0.12 | -0.08 | 1.00 | | | | | |
| Preference heterogeneity | -0.14 | -0.25 | -0.11 | -0.43 | 0.14 | 0.41 | 0.18 | 0.25 | -0.37 | -0.23 | -0.48 | 1.00 | | | | |
| Military expenditure | 0.09 | -0.19 | 0.09 | 0.34 | -0.58 | -0.25 | -0.48 | -0.01 | 0.04 | -0.24 | -0.32 | 0.03 | 1.00 | | | |
| Political globalization | 0.38 | 0.38 | 0.48 | 0.52 | -0.33 | -0.24 | 0.01 | -0.06 | 0.33 | -0.13 | 0.14 | -0.02 | 0.24 | 1.00 | | |
| Aid support | -0.06 | -0.14 | 0.08 | -0.08 | -0.10 | 0.04 | -0.10 | -0.20 | -0.31 | -0.18 | 0.03 | -0.20 | 0.12 | -0.35 | 1.00 | |
| Government ideology | -0.19 | 0.01 | -0.12 | -0.04 | 0.07 | 0.06 | -0.05 | -0.31 | -0.37 | 0.00 | 0.30 | -0.24 | -0.25 | -0.26 | 0.57 | 1.00 |
| Multilateral ODA/GNI | 0.22 | 0.10 | 0.28 | -0.47 | 0.57 | 0.92 | 0.46 | 0.11 | -0.22 | 0.05 | -0.08 | 0.52 | -0.09 | -0.02 | -0.03 | -0.02 |

**Table A15**: List of interviews

| Number | Donor country | Institution | Date |
|---|---|---|---|
| #1 | Switzerland | Swiss Development Corporation (Bern) | 11/04/2013 |
| #2 | Germany | Federal Ministry of Cooperation and Development (Berlin) | 10/06/2013 |
| #3 | Germany | Federal Ministry of Cooperation and Development (Berlin) | 10/06/2013 |
| #4 | France | Finance Ministry (Paris) | 03/07/2013 |
| #5 | Austria | Executive Director (Washington D.C.) | 05/08/2013 |
| #6 | Sweden | Executive Director (Washington D.C.) | 06/08/2013 |
| #7 | Switzerland | Executive Director (Washington D.C.) | 07/08/2013 |
| #8 | Canada | Executive Director (Washington D.C.) | 08/08/2013 |
| #9 | Australia | Executive Director (Washington D.C.) | 19/08/2013 |
| #10 | United States | Executive Director (Washington D.C.) | 20/08/2013 |
| #11 | Germany | Executive Director (Washington D.C.) | 21/08/2013 |
| #12 | Japan | Executive Director (Washington D.C.) | 22/08/2013 |
| #13 | Iceland | Executive Director (Washington D.C.) | 27/08/2013 |
| #14 | United Kingdom | Executive Director (Washington D.C.) | 27/08/2013 |
| #15 | France | French Development Agency (Paris) | 04/11/2014 |

*Notes*: Interviews were chosen purposively to ensure a broad diversity of donors in terms of performance-orientation. Large donors are overrepresented because of their importance to the aid governance system.

**Figure A1**: Missingness pattern for the cross-sectional dataset.




*Notes:* Blue color shows that performance data is available for the donor, while red color shows that it is unavailable.

**Figure A2**: Missingness pattern of the constitutive indicators of the performance-orientation index (2007-13).

| | AUS | AUT | BEL | CAN | CHE | CHL | CZE | DEU | DNK | ESP | EST | FIN | FRA | GBR | GRC | HUN | IRL | ISL | ISR | ITA | JPN | LAT | LUX | MEX | NED | NOR | NZL | POL | PRT | SVK | SVN | SWE | TUR | USA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| I | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 1 | 1 | 1 | 0 | 1 | 1 | 1 | 1 | 0 | 1 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 0 | 0 | 1 | 0 | 1 |
| II | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 1 | 1 | 1 | 0 | 1 | 1 | 1 | 1 | 0 | 1 | 0 | 0 | 1 | 1 | 0 | 1 | 0 | 0 | 1 | 1 | 0 | 1 | 0 | 0 | 1 | 0 | 0 |
| IV | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 1 | 1 | 1 | 0 | 1 | 1 | 1 | 1 | 0 | 1 | 0 | 0 | 1 | 1 | 0 | 1 | 0 | 0 | 1 | 1 | 0 | 1 | 0 | 0 | 1 | 0 | 1 |
| V | 1 | 1 | 0 | 1 | 1 | 0 | 0 | 1 | 1 | 1 | 0 | 1 | 1 | 1 | 0 | 0 | 1 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 0 | 0 | 1 | 0 | 1 |
| VI | 5 | 5 | 5 | 5 | 5 | 0 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 0 | 5 | 5 | 0 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |

*Note*: Cell entries show the maximum number of years in 2007-13 for which the respective indicator is available. LME indicator is cross-sectional. All subsequent indicators are constituent elements of the performance orientation index in our main analysis. Since 2009 is the year where most values are non-missing, we use this year as the basis for constructing the latent performance orientation index.

I: Use of human resource management
II: Use of performance assessments
III: Use of independent regulator
IV: Use of performance budgeting
V: Use of performance pay
VI: Use of outsourcing

**Figure A3**: Added-variable plot: Performance-orientation and trust funds support.

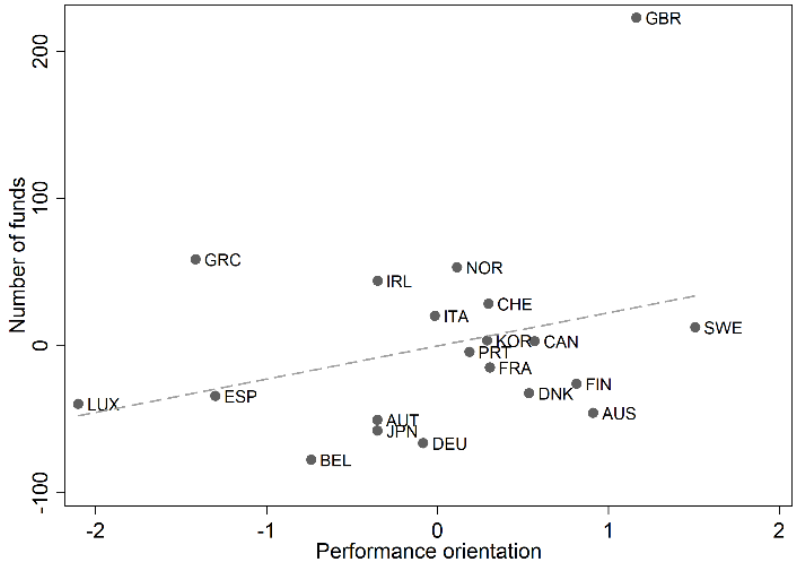


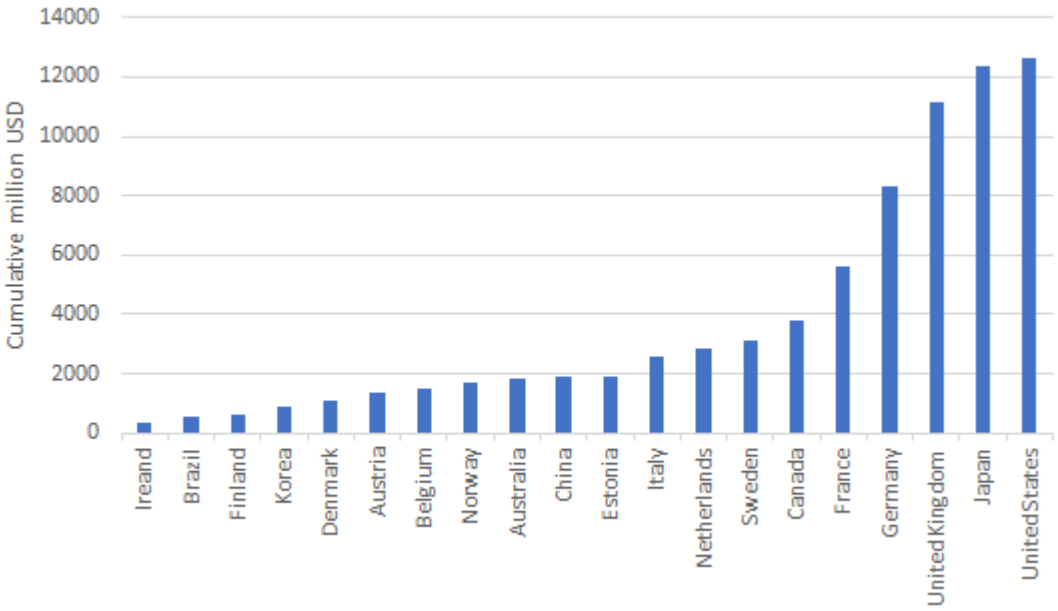

**Figure A4**: Development topics of trust funds supported by different donor types.

**Performance-oriented donors**


**Dirigiste donors**


*Notes*: This is a word cloud generated from the program titles of all trust funds. The two sub-plots differ because performance-oriented donors and dirigiste donors are members of different trust funds.

**Figure A5**: Cumulative IDA contributions (FY 2002-13).




Notes: A comparison of patterns of trust fund participation with contributions to the International Development Association (IDA) further reveals considerable differences between these two funding channels. The largest IDA donors are the United States, Japan, the United Kingdom, and Germany. Based on this graphical evidence, we therefore dismiss the most obvious alternative explanation that trust fund support is not about trust funds but about to what extent donors value the operational efficiency of the World Bank in general, proxied by their IDA contributions.