

When Reporting Undermines Performance: The Costs of Politically Constrained
Organizational Autonomy in Foreign Aid Implementation

Dan Honig

January 29, 2018

This is the author's final version of this article, save the addition of these lines. Please cite
this article as:

Honig, Dan. 2019. When Reporting Undermines Performance: The Costs of Politically
Constrained Organizational Autonomy in Foreign Aid Implementation. *International
Organization*, Forthcoming Winter 2019.

Acknowledgments

I thank the National Science Foundation Graduate Research Fellowship for its support under grant# DGE-1144152. Matt Andrews, Sam Asher, Nancy Birdsall, Mark Buntaine, Andreas Fuchs, Peter Hall, Conor Hartman, Bob Keohane, Chris Kilby, Steve Knack, Aart Kraay, Jane Mansbridge, Sheila Page, Woody Powell, Lant Pritchett, Simon Quinn, Steve Radelet, Tristan Reed, Alasdair Roberts, Bill Savedoff, Evan Schofer, Ryan Sheely, Beth Simmons, Vivek Srivastava, Martin Steinwand, Mike Tierney, Dustin Tingley, Eric Werker, Michael Woolcock, anonymous reviewers at IO, and many others have all provided helpful comments on earlier versions of these ideas and/or this work. Many thanks to Yi Yan, Smriti Sakhamuri, Grace Chao, Kyle Kessler, and the World Bank Archives staff (particularly Sherrine Thompson) for their research assistance. I thank the European Commission, the UK's Department for International Development, the Asian Development Bank, the Global Fund for AIDS, Tuberculosis, and Malaria, and the German Development Bank for providing data. World Bank data used in this analysis are publicly available; as such the World Bank deserves perhaps the greatest thanks. Data for the Japanese International Cooperation Agency (JICA), the German Society for International Cooperation (GiZ), and the International Fund for Agricultural Development were assembled from individual project completion reports by Odesk-contracted research assistants under my supervision, with the compiled data then sent back to the originating agency for comment and/or correction. GiZ was kind enough to respond with corrections, which were incorporated; JICA wished it to be made clear that these data were generated by me rather than by JICA and that it is not responsible for them. The case studies would not have been possible without the hundreds of hours spent by a diverse group of interviewees listed in the online appendix (available at danhonig.info) talking to me and answering odd questions, for which I am very grateful. I can be reached at dhonig@jhu.edu. Replication materials for this article can be found on the IO replication archive, iojournal.org/data-archive. A fuller Project Performance Database (PPD) listing all publicly disclosable development projects available (the world's largest database of development projects at present) is also available on danhonig.info. This article has overlap (in empirics and text) with Honig 2018 (*Navigation by Judgment: Why and When Top Down Management of Foreign Aid Doesn't Work* from Oxford University Press). Both the book press and journal are aware of this overlap.

When Reporting Undermines Performance: The Costs of Politically Constrained Organizational Autonomy in Foreign Aid Implementation

Dan Honig

Abstract

Bureaucracies with field operations that cannot be easily supervised and monitored by managers are caught between two sources of dysfunction that may harm performance. The first source of dysfunction is straightforward: field workers may use operating slack and asymmetric information to their own advantage, thwarting an organization's objectives. The second source of dysfunction is often overlooked: attempts to limit workers' autonomy may have deleterious effects, curbing agents' ability to respond efficaciously to the environment. I find that the parliaments and executive boards to whom International Development Organizations (IDOs) are accountable differentially constrain IDO organizational autonomy, which in turn affects management's control of field agents. Tight management control of field agents has negative effects, particularly in more unpredictable environments. Attempts by politicians to constrain organizations in an effort to improve performance may sometimes be self-undermining, having net effects opposite those intended.

Introduction

Bureaucrats, and employees more broadly, often decry the “red tape”, controls, and reporting requirements their organizations place on them. This paper investigates whether these controls are beneficial or counterproductive for International Development Organizations (IDOs, e.g. the World Bank and US Agency for International Development) that deliver foreign aid. There is a real trade-off in allowing field worker judgment to guide foreign aid project implementation; following Aghion and Tirole, letting field workers (agents) take more initiative requires circumscribing managerial (principal) control.¹ This paper, then, compares the benefits of greater agent autonomy to its costs. Is more reliance on the perceptions and judgment of field agents associated with better foreign aid project performance, or do greater top-down controls and orientation of agents towards measurable targets yield better results?

To explore these questions I examine variation in the constraints placed by political authorizing environment on IDOs, arguing that politically constrained organizational autonomy induces tight control of field agents by an organization’s managers. When IDO managers need to report measurable success to legislators and executive boards, they need to manage field staff in such a way as to generate numbers. Where agent autonomy is important, then, I argue that a reform-minded politician’s desire to improve aid project performance by requiring measurable short-term results may undermine the success of the very aid projects the politician wishes to see perform well. Accounting for results and actually succeeding in delivering results are sometimes in tension with one another.

¹ Aghion and Tirole 1997.

This does not mean top down controls are necessarily counterproductive; where rules and targets are well aligned with an organization's objectives tight control may improve performance. However tight control also reduces agent flexibility and risks orienting agents towards meeting targets at the expense of delivering on broader organizational goals. As such, the costs of control need to be weighed against its benefits. This paper uses variation in recipient country environments as a source of exogenous variation in the net effects of tight principal control. Some recipient country environments are more unstable, and thus there are greater returns to the agent flexibility and use of judgment that tight principal control precludes.

IDO's are well suited for exploring how environments and organizational control practices jointly impact organizational success. Individual IDOs work in a wide range of country environments across a range of tasks from road construction to anti-corruption efforts, with limited ability to exit contexts or tasks in response to poor performance. This paper provides novel evidence connecting political authorizing environment constraint and agency performance via management practice. The empirical findings strongly suggest that more politically constrained IDOs do indeed differentially engage in management practices that increasingly undermine their own performance as environments become more unpredictable.

Examinations of IDO effectiveness, and international organization behavior more broadly, have recently taken what Gulrajani calls the "bureaucratic turn".² This work

² Gulrajani 2017, 375. Recent works to bring serious empirical study of organization to bear on foreign aid include Buntaine, Parks, and Buch 2017; Buntaine 2016; Bush 2015; Swedlund 2017. On the "bureaucratic turn" in IO more generally I have in mind e.g. Johns 2007; Johnson and Urpelainen 2014.

contributes to that turn by focusing on the under-explored actor in principal-agent models of IO bureaucracy, the agent. As Hawkins & Jacoby put it, “In spite of the growing sophistication of the principal-agent literature, it still contains a remarkably thin view of agent behavior.”³ This paper connects the study of IOs to the rich literature on delegation and autonomy⁴ by describing the costs and benefits of principal control for IDOs.

After discussing the costs and benefits of principal vs. agent control, this paper discusses how environmental unpredictability impacts the balance of costs and benefits. It then argues why we should expect IDOs with insecure political authorizing environments to more tightly control field staff, even where such control is unlikely to augur for greater organizational success. The paper then turns to operationalizing key variables and formalizing the hypothesis. Quantitative analysis then brings to bear an original cross-IDO dataset composed of over 9,000 unique development projects, allowing us to test whether the impact of constrained autonomy is as hypothesized in the world’s largest cross-organizational database to incorporate development outcomes.⁵ The quantitative empirics are then complemented by qualitative interview data illustrating the central mechanism the paper theorizes.

Theory

³ Hawkins and Jacoby 2006, 199.

⁴ Calvert, McCubbins, and Weingast 1989; Carpenter 2001; Carpenter 2010; Nielson and Tierney 2003; Hawkins et al. 2006; Huber and McCarty 2004; Huber and Shipan 2006; Huber and Shipan 2002; Rasul and Rogger 2013; Keiser 1999; Lipsky 1980; Hupe and Hill 2007; Pepinsky, Pierskalla, and Sacks 2016; Kauppi and Van Raaij 2015.

⁵ While the movement for aid information transparency has made impressive strides in the past few years, most of the progress to data has been on inputs – on spending data and financial flows. No other source (including the International Aid Transparency Initiative, the OECD Development Assistance Committee’s Creditor Reporting System, and the AidData archive) includes systematic information on the results of projects in a way tractable to quantitative analysis for any donor other than the World Bank. The World Bank also makes these data public and easily accessible from the World Bank’s website (the only donor to do so).

How Principal Control Can Undermine Organizational Success

Principal-agent models have long wrestled with the reality that agents have asymmetric information – access to local knowledge that distant principals lack. Conventional applications of principal-agent models tend to focus on the risk this asymmetric information poses.⁶ In a recent piece entitled “Why Organizations Fail”, two distinguished scholars write “Incentive problems arise due to the presence of asymmetric information or imperfect commitment, which lead agents to act according to their own biases or preferences rather than in the interest of the organization.”⁷

Attempts at strengthening principal control often take the form of costly monitoring technology. Principals can also induce agents to do what principals want by tying compensation, promotion, etc. to outcomes the principal can observe. These attempts at control have costs as well, however. First, controls may induce agents to focus on meeting formal requirements rather than the service they are meant to deliver. Second, controls may preclude agent initiative and productive use of the asymmetric information to which agents uniquely have access. This section describes each problem in turn.

- What Principal Control May Unproductively Induce

Given the difficulty of directly observing agent action, IDOs’ primary tool of agent control is the setting of performance targets and requiring reporting against them.⁸ A recent OECD review of the US Agency for International Development (USAID) finds

⁶ E.g. Barnett and Finnemore 2003 conceive of IO asymmetric information as a source of dysfunction, of unresponsiveness to the desires of political principals.

⁷ Garicano and Rayo 2016, 138–9. The authors in turn cite Hölmstrom 1979 and Shavell 1979 on this point.

⁸ See e.g. Natsios 2010; Gulrajani 2011.

USAID uses “approximately 200 standard indicators (recently reduced from 500), and many more custom indicators” in their monitoring and evaluation of projects.⁹ These indicators orient agent action, thus acting as a *de facto* management tool irrespective of whether their intent was in fact to centralize control with the principal. Targets can orient field staff towards clear results and hold staff accountable if targets are not reached.

However, target-setting may also induce distortions, e.g. inducing agents to focus on producing what can be measured and reported upon.¹⁰ Due to their difficult monitoring environment, IDOs often measure short-term outputs to proxy longer term outcomes; agents may achieve these outputs but without actually forwarding the IDOs’ goals.¹¹ As Kerr put it over forty years ago, there is potential for IDOs to engage in “the folly of rewarding A while hoping for B.”¹²

- What Principal Control May Unproductively Preclude

The danger to principals of agent asymmetric information and hidden action are well explored in applications of the principal-agent model to international organizations. While less commonly explored in conventional applications of principal-agent models, there have been scholars who conceive of agents’ private information as valuable for good organizational performance. Most directly, Lisa Martin has theorized that IMF staff

⁹ OECD 2016, 82.

¹⁰ Holmstrom and Milgrom 1991; Wilson 1989.

¹¹ Clist 2016; Gelb and Hashmi 2014; Perakis and Savedoff 2015.

¹² Kerr 1975.

members have private information about borrowers' contexts that are important for IMF loan performance.¹³

Like IMF loan performance, foreign aid project success also depends on asymmetric information held by agents. Attempts at control inevitably produce rules, targets, and other accountability measures that purposefully constrain agents. But the very constraint that precludes bad behavior by agents may also unintentionally preclude behaviors that *are* in service of the organization's mission. Sometimes good organizational performance depends on the gathering and use of asymmetric information, such as local contextual knowledge. When there are important things agents can know and their supervisors cannot (asymmetric information), Aghion and Tirole argue it is critical that agents have not just formal but "real" authority.¹⁴ This means agents are not just given formal ability to make judgments but also that the organizational incentives they face encourage the use of their judgment. Aghion and Tirole argue that agents who do not have an incentive to gather asymmetric information will not do so, framing this as the tradeoff between agent initiative and principal control.¹⁵

Asymmetric information can also include soft information. Soft information is defined as information that a skilled observer might use to inform his or her decisions, but cannot be proven or "cannot be directly verified by anyone other than the agent who

¹³ Martin 2006. Johns 2007 also conceives of agent private information as critical to implementation in the context of IOs.

¹⁴ Aghion and Tirole 1997.

¹⁵ Aghion and Tirole's tradeoff has a number of cousins; E.g. James Scott's claim that top-down planning precludes "metis", or "knowledge embedded in local experience", and Gailmard & Patty's notion that inducing agent investment in expertise requires a loosening of principal control, as only agents with the ability to make use of expertise will work to cultivate it. Scott 1998; Gailmard and Patty 2007.

produces it.”¹⁶ Tight principal control means agents will not gather asymmetric information, including soft information; as such organizations are left with a poorer knowledge base.

Principal control may also impede organizational response to changing contexts. Putting more control in the hands of agents empowers actors who are better placed to rapidly respond when flexibility and adaptation is needed, while simultaneously reducing the control mechanisms (review procedures, approval processes, etc.) that might impede rapid response. Flexibility is complementary, but distinct, from the asymmetric (soft) information channel; flexibility is in greater demand when contexts change more rapidly, whereas the direct returns to soft information may persist irrespective of the rate of environmental change.

The Benefits of Principal Control

These benefits of agent autonomy must be balanced against their costs. Putting more control in the hands of field agents also means those agents will find it easier to engage in a range of actions, including those that may be illegal or undesired.¹⁷ Agents may be “captured” in their time away from headquarters, maximizing private benefits or simply implementing their own plans even when those plans do not serve organizational best interest.¹⁸

¹⁶ Stein 2002, 1892. Soft information is perhaps most easily understood as the informational cousin of tacit knowledge (Polanyi 1966), inasmuch as a key feature of both is the difficulty of codification and transmission.

¹⁷ Tirole 1994.

¹⁸ For this discussion in IDOs see e.g. Woods 2006, 56.

Agents will be more susceptible to capture with less principal control. In addition, agent judgment can simply be wrong even when well-intentioned. An IDO that gives agents more control will have more to fear from fallible agent judgments.

Principal control also produces more standardized behavior. By shifting control to agents, an organization may allow more scope for bias and prejudice.¹⁹ Where standardization is critical to good outcomes – the organizational equivalent of baking a cake, where following a precise recipe is likely to yield the best results – less principal control will likely induce variation that will be detrimental to organizational performance.²⁰

There are potential costs to organizations in giving agents more autonomy and thus relying on their initiative, just as there are costs to tighter principal control and less autonomy. Aghion & Tirole frame this as the tension between principal control and agent initiative. The following section explores how the level of environmental unpredictability affects the relative value of agent asymmetric information and flexibility, as well as the potential for outputs to induce distortions in agent performance unhelpful to the principal. It argues that environmental unpredictability plays an important role in determining how IDOs ought best resolve the tension between principal control and agent initiative in a given context.

Environmental Unpredictability, Principal Control, and IDO Success

¹⁹ Policing is perhaps the context in which this issue is most contested. Relying on police judgment clearly gives rise to disparate treatment e.g. by race; however it is unclear if tight control of police officers is likely to lead to better outcomes. See e.g. Brehm and Gates 1999; Prendergast 2001.

²⁰ See e.g. Chandler 1977; Williamson 1983 on the tension between flexibility and standardization on organizational management and structure.

Whether more or less principal control augurs for greater success in delivering foreign aid depends on a number of situational factors; one critical systematic source of variation is environmental unpredictability. Rapidly changing contexts both increase the chances that targets will induce distortion and raises the value of what controls can preclude. More unpredictable environments require more flexibility and more use of asymmetric (soft) information.

As IDO project implementation occurs, there are many things that may impact how interventions ought best proceed. Some changes are foreseeable, and thus a smart project plan could account for these contingencies. However, there are frequently what then-US Secretary of Defense Donald Rumsfeld once referred to as “unknown unknowns”.²¹

Some “unknown unknowns” may be unforeseeable when a project commences, but nonetheless predictable at some time before the risk occurs. When a hypothetical project to provide youth vocational skills in collaboration with the Ministry of Youth and Sports begins, the recipient country’s political environment may appear stable. However a year into implementation, the Minister falls out of favor with the Prime Minister and is likely to lose his job; the current Minister’s successor is likely to marginalize a program closely associated with her predecessor. A wise and well-informed IDO field agent, foreseeing this possibility, may begin to include more career civil servants in the steering committee of the project and consult the Minister himself less. Such a decision requires agent freedom of action and use of asymmetric soft information. An IDO with tight principal control will have more poorly informed agents who would in any case be less able to act on their own

²¹ This was at a press conference on February 12, 2002 regarding the link between the Government of Iraq and weapons of mass destruction.

unverifiable judgments of changing context to respond strategically to changing circumstances.²²

Additionally, environments vary with regards to legibility - the extent to which they can be understood from a distance.²³ More unpredictable environments are also likely to be less legible. In the context of international development this might be understood as the correlation of *de jure* structures with *de facto* reality. Formal structures and hierarchy vary with regards to whether they are good indicators, for example, of whose approval is needed in practice to ensure a project will proceed. The greater the gap between structures and reality, the greater the returns to soft information and thus agent autonomy. In less legible environments it will be hard for anyone other than field agents to make judgments about how to proceed in designing and implementing projects.

Deviations from Equilibrium: Heterogeneous Political Authorizing Environments

The discussion thus far perhaps begs the question why IDOs, and indeed all organizations, would not simply adapt principal control appropriately to differences in the environment. Just as field operatives report to IDO headquarters, IDOs themselves are agents reporting to authorizing environments, the collection of actors to whom organizations are accountable (e.g. their political principals). IDOs respond to the shadow of their authorizing environments. By “shadow” I mean the threat of possible future

²² Another way of framing this point is via the economics literature on incomplete contracting (e.g. Grossman and Hart 1986; Hart and Moore 1988; Hart and Moore 1990), which argues that decision rights for unforeseen contingencies need to rest with the party who needs to make uncontractible investments. In the sense of Gailmard and Patty 2012, it is the agents who need to invest in their expertise; in the sense of Aghion and Tirole 1997, these agents need to invest in gathering contextual asymmetric information.

²³ Legibility is a key element of James Scott’s framework for thinking about top-down planning in *Seeing Like a State* (Scott 1998).

authorizer sanction, which in turn affects management's actions and degree of principal control.²⁴ For public organizations political authorizing environments are critical gatekeepers to resources, controlling the funding, mandate, and ultimately survival of public agencies.²⁵

Different IDOs have very different relationships with their authorizing environments. The expected probability of sanctions for e.g. failure or reputation-damaging cases of corruption and fraud varies. As such the "length" of an authorizing environment's shadow varies; some IDOs worry about how their performance will be viewed by authorizers to a much a greater degree than do others. Exploring the reasons for authorizing environment differences are beyond the scope of this work, which will largely take authorizing environments as given. I focus instead on the consequences of differential authorizing environment insecurity.

Insecure agencies will take fewer risks than they otherwise would.²⁶ If an organization needs to meet measures in the short term in order to e.g. receive continued funding, the organization may not take the risks necessary to achieve long term ends—an organization's "risk appetite" may be inefficiently constrained. Insecure agencies are less likely to take smart risks, where the expected probability-weighted value of benefits exceeds costs.

²⁴ This thus takes the intuition of Axelrod's famous "shadow of the future" (Axelrod 1984) but operates not through a probabilistic chance of repeated interaction but rather a probabilistic chance of future sanction.

²⁵ Organizational behavior scholarship has long accepted that organizational strategies are determined in part by the need to access critical resources. See e.g. Resource Dependence Theory, and the long literature following Pfeffer and Salancik 1978.

²⁶ Bozeman and Kingsley 1998; Singh 1986.

Insecure agencies are also much more likely to be concerned with reporting success to authorizers. The greater the pressure to report organizational results, the greater the need for senior management to manage via measurement and target setting inside an organization, in order to generate the data which can then be reported to authorizers.²⁷ Target setting does more than simply add an additional reporting step to agents' workload; when pressure is put upon these measures for control purposes, measures change what agents and organizations actually do. While this is true of all kinds of measures, there are particularly large reasons to worry when management by measurement is employed for legitimacy-seeking reasons.

As seen from the perspective of an agency in need of justifying itself one attractive feature of measurement and reporting is measurement's role in making the activities of the organization seem legitimate.²⁸ In the public sector measurement has increasingly become critical to justifying continued funding and building legitimacy as part of a broader discourse on accountability and control; the spread of performance measurement is often linked with legitimacy seeking.²⁹ The reason for measurement is then to *appear* successful; where appearing successful and actually accomplishing the organization's objectives are in tension, the latter is likely to be sacrificed in favor of the former. By creating metrics and meeting targets, even when those targets are not well linked to

²⁷ E.g. Wynen and Verhoest 2016.

²⁸ Meyer and Rowan 1977.

²⁹ Dunleavy and Hood 1994; Hood 2004; Lynn Jr 1998; Modell 2004; Oliver 1991.

ultimate organizational goals, organizations can appear to be performing well to political authorizers.³⁰

Insecure agencies are likely to engage in greater principal control at the expense of agent initiative even where that principal control may undermine the success of interventions. This is both because principal control is likely to better generate standardized data that can be used for legitimacy-seeking purposes and because tight control limits opportunities for agent malfeasance or bad action that might serve as a reputational risk for agencies.

Hypotheses & Operationalization

This work conceptualizes letting go of principal control and thus giving agents greater autonomy as a 2nd-best strategy; a strategy to employ when it is less bad than the distortions and constraints of top-down control. In some contexts, tight principal control is clearly superior to relying on fallible agent judgment. In other contexts the gains of being able to respond more flexibly and better utilize asymmetric (soft) information are superior to distortionary tight principal control. IDOs with greater political authorizing constraint will be less likely to give up principal control when appropriate, as environments become more unpredictable. More constrained IDOs will thus be less able to cope with unpredictability than will their less constrained peers. Thus

³⁰ Authorizing environments are not the only source of legitimacy-seeking measurement; Buntaine, Parks, and Buch 2017 suggest that recipient countries play a key role in choosing less substantial, easier to monitor targets. This effect as they theorize it should not differentially affect different IDOs after controlling for recipient country fixed effects (as the empirical models below do), however.

IDO's with more stable political authorizing environments will see less of a decline in performance in response to increasing environmental unpredictability than their more constrained peers.

The claim is not, then, that tight principal control is always inferior; nor is it that agent initiative allows IDOs to improve their absolute level of performance as environments become less predictable. It is simply that less principal control and greater agent initiative will be more helpful in more unpredictable contexts. This is because the costs imposed by principal control will go up as unpredictability rises, as will the benefits of relying on agent initiative and judgment. Insecure political authorizing environments will preclude IDOs from giving up principal control when otherwise appropriate.

Operationalizing Success

In implementing their work IDOs structure their activities through projects. Projects are discrete, time- and place-bound activities implemented after careful planning and preparation. These projects can vary widely in location, sector, and purpose; World Bank projects approved by the World Bank's board in April 2017 include projects in the Dominican Republic focused on the quality of educational statistics, in Bosnia on public health behavior, in Benin on enhancing agricultural productivity, and in India on state-level urban development.³¹

The empirics below employ a novel dataset consisting of over 9,000 unique projects in 140 countries carried out by nine donor agencies from 1994-2013, the product of many

³¹ World Bank Project #s P163049, P160512, P160029, and P155303, respectively. April 2017 chosen as most recent available data from the public World Bank Projects & Operations database on date of access. World Bank 2017.

months of labor; this dataset is unique in including project performance data for multiple IDOs. More detail on the data collection, cleaning, and coding process can be found in the online appendix.³²

Figure 1 shows the distribution of projects across countries, demonstrating the wide range of countries in which projects occur.

[Figure 1 Here]

Project success ratings are assigned on a six point likert-type scale, with e.g 6 as “highly satisfactory” and 1 as “highly unsatisfactory”.³³ The underlying construct employed by different IDOs for measuring the success of projects is relatively consistent, with an OECD-wide standard in place. A given project’s rating is intended to incorporate a project’s relevance, effectiveness, efficiency, sustainability, and impact.³⁴ Holistic success ratings are variously calculated by IDO staff, external evaluation departments, or independent evaluators.

This is, of course, a less than fully precise standard as to what constitutes success. Success may be defined differently for different IDOs, or in different sectors. Fixed effects by IDO, sector, and recipient country partially help control for these potential sources of

³² The online appendix is on my personal website, danhonig.info. The fuller Project Performance Database (PPD), containing the publicly disclosable projects employed in this work as well as others (over 14,000 total projects), is also on the website.

³³ This example is drawn from the World Bank’s six-point rating system, as it is perhaps the best known. Some organizations evaluate projects on alternative likert-type scales (such as a four-point scale, with 4 being best); I transform all scales to be on a consistent six-point scale and employ IDO fixed effects in all models that use this six-point scale. I also employ a z-transformed version of this variable in the analysis when IDO fixed effects are absent. This process effectively de-means overall project success, just as employing IDO fixed effects would do.

³⁴ For more on these terms see OECD 2000; OECD 1991.

bias. Poor data quality and evaluation bias are potential threats to validity that are discussed below and treated in robustness checks in the online appendix. It is also possible for the data to be accurate in the sense of correctly reflecting an organization's assessment, but for that assessment to bear little connection to the actual performance of the project. To the extent possible, I have also attempted to validate these evaluations by turning to primary documentation; the online appendix describes this archival work, which broadly supports the conclusion that organizational assessments mapped "real" success and failure in the projects examined.

IDO Autonomy and Constraint: Authorizing Environment Insecurity and Propensity to Give Up Principal Control

In 2005 IDOs and recipient countries came together to agree to the Paris Declaration, a set of principles for achieving more effective aid tied to measurable targets.³⁵ Follow up Paris Declaration monitoring surveys focused on various elements of aid delivery. The monitoring surveys asked both donors and recipient countries for reports on their own, and each other's, practices (i.e. recipient countries also reported on donor behavior).

From the quantitative indicators that formed part of the monitoring reports I construct IDO proxies for "propensity to devolve control" and "authorizing environment insecurity".³⁶ The online appendix describes the construction of these scales in substantial

³⁵ The Paris Declaration on Aid Effectiveness 2005.

³⁶ These data were coded from appendix C of the published 2011 monitoring survey, which summarized performance on all three waves. They are indicators 5a (PFM), 5b (procurement), 6 (PIU), 7 (predictability), and 8 (tied aid). OECD 2012. The three waves of Paris Declaration surveys (2005, 2007, 2010) are averaged here, in keeping with expert advice that these were effectively multiple mappings of the same facts, with insufficient time for organizations to change significantly

detail. The devolution propensity and authorizing environment constraint measures are reasonably well correlated (.41). I take the simple average of the indicators to form a simple scale of autonomy ranging from 0 to 1, coded so that higher scores on the scale represent lower levels of political authorizing insecurity and higher IDO propensity to devolve control.³⁷ The overall scale has a Cronbach's alpha of .825.³⁸ This provides reasonable confidence that these measures and the two subscales map the same essential facts regarding IDOs and thus provide suggestive evidence for my conjecture that political constraints do in fact trickle down to IDOs' management practices.

A principal components analysis suggests this simple average is a more intuitive solution that will yield similar results to formal use of principal components; in any case results are robust to using a principal components approach. The online appendix presents the relevant technical information (e.g. eigenvector scree plots and component loading tables), as well as robustness checks employing principal components.

Given the critical role measurement of politically constrained autonomy plays for the empirical strategy, I validated the Paris Declaration scale with more direct measurement. I conducted a small-scale direct field survey of aid experts—individuals who have substantial development experience or whose jobs bring them into contact with a wide variety of donors. The online appendix contains a fuller explanation of this field survey measure.

between the first wave in 2005 and the last wave in 2010. Results are robust to using any wave and dropping any wave of the survey.

³⁷ For multilaterals (AsDB, WB, IFAD, EC) tied aid is not reported in the Paris Declaration monitoring surveys; in these cases the scale is an average of the remaining four measures.

³⁸ This is for the full scale with all IDOs.

Both the field survey measure and the Paris Declaration measure of IDO autonomy are time-invariant. In employing a time-invariant measure of IDO autonomy I do not mean to imply that IDO autonomy does not, in fact, vary across time – it certainly does, as agencies’ relationships with their political authorizing environments change. While data limitations preclude modeling this source of variation, I do attempt to control for these dynamics to the extent possible. I employ year-by-IDO fixed effects as a robustness check in Table 3, which will absorb any changes in autonomy for a given IDO (by absorbing any IDO-specific changes in performance dynamics where they differ from the general pattern). The results below are robust to using any of the (differently timed) waves of the Paris Declaration monitoring reports (and thus using only the most recent, or least recent, wave or waves), as well as employing the (even more recent) direct field survey measure of autonomy. This field survey is well correlated with the Paris Declaration-derived politically constrained autonomy scale (.73), providing both an additional level of confidence in the accuracy of the Paris Declaration-based measure and suggestive evidence that IDO autonomy has not changed so greatly within-IDO over the period of the data so as to make the time-invariant measure uninformative.

Environmental Unpredictability

This paper operationalizes unpredictability by focusing on differential state fragility. Predictability and fragility are often linked explicitly in development practice, with practitioners speaking about the difficult and unpredictable nature of fragile state environments.³⁹ Fragility is in some sense the likelihood that the current equilibrium will break down or change rapidly. As the World Bank puts it, fragile states are “more unstable

³⁹ Weijer 2012; Institute of Development Studies 2014; Ghani, Lockhart, and Carnahan 2005.

and unpredictable” than their less fragile peers.⁴⁰ The focus of this work is not on fragile states as a class; on those at the very extreme of the state fragility measure. The theory above is intended to apply to the entire range of state fragility, and thus comparisons will be made across the entire universe of developing countries.

Environmental unpredictability is measured via the Polity IV State Fragility Index (SFI).⁴¹ This index incorporates security, governance, economic development, and social development measures and has two subscales: effectiveness and legitimacy. The two subscales are highly correlated (.66) and Cronbach’s alpha (.78) suggests that they map the same underlying construct.⁴² The SFI varies at the country-year level, with every country holding an annual SFI score from 1994 to present.

Does Political Constraint on Autonomy Have Differential Effects Across Environment and Task?

The following section explores the relationship between IDO politically constrained autonomy, environmental unpredictability, and project success.

Summary Statistics of Key Variables

Table 1 presents summary statistics.

[Table 1 Here]

The online appendix provides additional summary statistics by IDO regarding the key dependent variable, project success. A key weakness of these data is the modest number of IDOs in the sample. Throughout the analysis below I will take care to ensure this small “2nd-level N” is not leading to spurious conclusions. In particular, I employ quite

⁴⁰ World Bank 2006, 55.

⁴¹ Center for Systemic Peace 2014.

⁴²In the sample data.

simple and straightforward econometric models to minimize the chance that these models are “overfit,” with results driven by the relative lack of variation in outcome data as compared to the number of explanatory variables.

Quantitative Results: Politically Constrained Autonomy and Project Success

This section lays out the primary findings then addresses potential econometric concerns. The model for project i in recipient country j implemented by IDO k generalizes to

$$\text{Project Success}_{i,j,k} = \beta_1 * \text{Environmental Unpredictability}_j + \beta_2 * \text{Environmental Unpredictability}_j * \text{IDO Autonomy}_k + \beta_3 * \text{Controls}_i + \text{Fixed Effects}_j + \text{Fixed Effects}_k + \varepsilon_i.$$

The key empirical prediction is that the coefficient on β_2 will be positive and statistically significant; that $\text{Project Success}_{i,j,k}$ will increasingly benefit from greater IDO Autonomy_k as $\text{Environmental Unpredictability}_j$ rises.

One key shortcoming of the dependent variable, project success, is that it is not amenable to direct inter-organizational comparisons; there is no reason to believe that one IDO’s rating of “4” is in fact more successful than another IDO’s rating of “3”. Any (constant) systematic differences amongst IDO evaluation criteria or measurement standards are addressed in two ways: by including IDO k fixed effects in the models below (thus generating results which leverage intra-IDO comparisons across projects) and by normalizing project ratings using IDO-specific z-scores where fixed effects are not employed. As noted above, the measure of IDO politically constrained autonomy varies at the IDO k level and is time-invariant. This means that the measure is collinear to IDO k fixed effects. As a result quantitative analysis cannot directly compare IDOs’ performance – it cannot say that e.g. KfW projects were more successful than IFAD in country X while IFAD projects were more successful than KfW in country Y. The interaction of IDO autonomy and a given country’s level of environmental predictability does vary at the j,k level. The

interaction term can thus still be informative as to how within-IDO performance varies over recipient country and across time, though the absence of an autonomy base term precludes a direct comparison of two different IDOs' project success in a given country-year. Some models also use recipient country j fixed effects, thus ensuring any fixed country-specific features are not driving results.

In a literal sense, using IDO fixed effects removes the mean of the dependent variable – project success - for each IDO. This also means we need not trust that projects are as successful as donors say they are to believe the results of this model. Table 1 indicates that the average project scores a 4.3 on a six point scale. It seems possible, even highly likely, that the average project is not in fact a clear success; that these ratings are biased upwards. This will not bias the results so long as for a given IDO higher numbers are still associated with greater success; so long as a project scoring a 6 is more successful than a 4, a 4 more than a 2, etc. By de-meaning project success we also avoid spurious conclusions about absolute levels of successfulness.

The quantitative analysis instead focuses on the differential performance of IDOs with varying levels of politically constrained autonomy in interaction with other explanatory variables. This takes advantage of the fact that a rating of 4 given by KfW means a project was more successful than a project assigned a 3 by KfW, while a 2 given by IFAD means a project was less successful than one given a 3 by IFAD. It is possible, then, for the quantitative analysis to yield conclusions of the type “KfW projects are more successful in country X than country Y, while IFAD projects are more successful in country Y than country X”. In this way inter-IDO comparisons can be made by comparing intra-IDO variation in project success.

To adjust for the possibility that project success may be correlated within a given recipient country, the main analyses report standard errors clustered at the recipient country level. It is also possible that project success is correlated within IDOs (even with fixed effects, errors may be correlated if the assignment of independent variables are clustered and there are heterogeneous treatment effects). Online appendix Tables I.10 and I.11 suggest that clustering by IDO (or, when practicable, double-clustering on IDO and recipient country) does not alter the substantive findings presented below.

Politically Constrained Autonomy and Environmental Unpredictability

Table 2 reports the core findings.

[Table 2 Here]

There is a robust and statistically significant negative relationship between environmental unpredictability and overall project success. Environmental unpredictability is associated with less successful project evaluations for IDOs, on average. The key explanatory variable, the interaction of IDO autonomy with environmental unpredictability, indicates that autonomy mediates the effect of environmental unpredictability on project success. While all IDOs see a decline in project success as environmental predictability falls, for more autonomous IDOs this decline is much less steep.

All models include IDO fixed effects. The model's comparison is being made within each IDO's projects, comparing whether a given IDO – e.g. the Asian Development Bank – sees more successful projects on average in more or less unpredictable environments (as measured by the State Fragility Index). Models 3 and 4 in Table 2 incorporate recipient

country fixed effects, thus focusing only on changes within recipient countries over time. Models 5 and 6 incorporate sector fixed effects, controlling for sectors at the most fine-grained level available, the 222 unique five-digit OECD Development Assistance Committee Creditor Reporting System (CRS) purpose sectors. Findings are robust to focusing on differences in performance within sectors as well.

If project success ratings were simply arbitrarily assigned, we would expect no relationship between project success and environmental unpredictability. If in harder to monitor unpredictable environments all projects were declared more successful, we would expect environmental unpredictability to be associated with higher success ratings. But instead here we see the relationship theory, and arguably intuition, would predict: consistent with my theory, as environments become more unpredictable project success falls.

As noted above, the key empirical prediction regards the interaction between IDO autonomy and environmental unpredictability. This interaction term is robustly positive and statistically significant, suggesting that autonomy does indeed play an important role in allowing an IDO to respond to greater environmental unpredictability. Once again this result holds when focusing on within-sector or within-recipient country data.

[Figure 2 Here]

Figure 2 draws from Model 1 of Table 2 to graphically represent differential performance by level of politically constrained autonomy. Note that the y-intercepts, and thus the relative level of the two lines in Figure 2, do not contain useful information. As described above the direct effect of autonomy is absorbed by IDO fixed effects, making the vertical positions of the two lines arbitrary. What *is* informative is the differential slopes of

the two lines – the differential success of IDOs of varying levels of autonomy in response to varying levels of environmental unpredictability.

All IDOs perform better in more predictable, stable contexts than they do in less predictable environments. More autonomous (less constrained) IDOs see a much smaller decline in performance than their less autonomous (more constrained) peers as unpredictability rises. While an IDO with the lowest observed level of autonomy is predicted to have over half a point (.5) of difference between its performance in a state like Armenia (SFI=7 in 2014, or one standard deviation more stable than the mean) and its performance in a state like Nigeria (SFI=17 in 2014, or one standard deviation below the mean), an IDO with the highest observed level of autonomy is predicted to have about .06 of a point, or one tenth as much, performance differential.⁴³

Table 3 adds a series of fixed effects to the main findings. Inclusion of time fixed effects (either yearly or in five-year periods) does nothing to diminish the association between autonomy and recipient unpredictability. The result remains robust to including time*IDO fixed effects and time*recipient fixed effects. These results should allay any concerns that the primary results are driven by heterogeneous IDO project performance over time or by heterogeneous entry of IDOs into and out of recipient countries over time.

[Table 3 here]

⁴³ While choosing the extremes for this graphical representation, relatively high and relatively low autonomy IDOs are differentiable at more modest degrees of differences as well. Online appendix Figure 3 demonstrates that using the 25th and 75th percentile also yields statistically significant differences in performance, though with smaller realized differences in predicted performance, of course.

Robustness

The online appendix outlines a series of robustness checks that speak to the validity of the autonomy measure, as well as the sensitivity of the analysis to how the interaction term is modeled, outliers, quirks in outcome variance, and a number of other potential threats to validity. Two primary concerns will be addressed here: the quality of the evaluations that form the core of the analysis and differential selection of IDOs into sectors or environments.

Evaluation Bias

These data rely on evaluations of project success made by the agencies themselves. One might worry that an agency with a fragile relationship with its political authorizing environment would, in addition to being less autonomous, have a greater incentive to self-evaluate projects to have been successes. This is not a threat to validity, inasmuch as a consistent bias would be absorbed by the IDO fixed effect; of greater concern would be bias that moves with the interaction of autonomy and environmental predictability. If, for example, more autonomous IDOs give their agents more leeway in self-evaluations, which those agents differentially exercise to a greater degree as environmental unpredictability rises, this would be a threat to the validity of the main findings.

The involvement of independent evaluation units provides suggestive insight into this problem, as independent evaluation units should not have the same degree of incentive as agents themselves to give favorable evaluations. Table 4 controls for the type of evaluation; that is, whether the data source is an internal review by project staff, a review conducted by an IDO's own independent evaluation unit, or a review conducted by an externally contracted evaluator.

[Table 4 Here]

The relationship between autonomy and environmental unpredictability remains unchanged, suggesting that differential evaluation bias by different IDOs is not driving the results.

Selection

One natural concern might be that controlling for recipient and sector fixed effects does not account for the fact that different IDOs may make decisions about what projects to pursue in light of where projects would be more successful. Perhaps more autonomous IDOs engage in greater strategic selection of recipient countries and sectors, placing themselves in a better position to succeed. While this selection effect would be a channel from autonomy to differential IDO project success, it would be one that meant more autonomous IDOs were not in fact more successful than their less autonomous peers in actually delivering projects in more unpredictable environments relative to their own performance in more predictable environments.

To explore selection I construct a parallel dataset with the number of observations from each IDO in each country in each sector in each year. If indeed differential IDO autonomy is working via selection, we should see differential presence or absence of projects by level of environmental unpredictability. Table 5 replicates Table 2's regression model, but substitutes the number of projects completed in each IDO-country-sector-year as the dependent variable.⁴⁴ There are over 900,000 unique IDO-country-sector-years, allowing quite a bit of precision in this selection estimate.

⁴⁴ Due to computational limitations, "sector" for the purposes of Table 5 are the 3-digit, rather than 5-digit, CRS sector codes.

[Table 5 Here]

Table 5 finds no selection along the main dimension of inquiry, the interaction between environmental unpredictability and IDO autonomy. This suggests that IDO selection of sectors and/or countries is not a systematic problem for this analysis.

The online appendix provides a range of additional tests. To partially summarize, it does not seem to be quirks of measurement or subtle features of the construction of any of the key measures that are driving results. Using the survey measure of IDO autonomy or a principal components approach does not alter findings. The appendix also presents the IDO-by-IDO statistics on the relationship between environmental unpredictability and project success, explores variance in project success and how this varies with level of environmental unpredictability and IDO autonomy, and presents IDO-by-IDO summary statistics.

Qualitative Illustrations: Comparing USAID and DFID Authorizing Environments and Their Impact

To further investigate the relationship between political authorizing environments, IDO autonomy, environmental unpredictability, and project success I conducted eight case studies examining US Agency for International Development (USAID) and UK Department for International Development (DFID) projects in Liberia and South Africa.⁴⁵ These case studies allow a direct comparison of IDO performance, going beyond the intra-agency comparisons to which the quantitative analysis is limited. While I cannot do justice to the richness of the case study data here, I believe these data can help illustrate the mechanisms theorized above. This section discusses differences in USAID and DFID authorizing

⁴⁵ This was done as part of the research for Honig 2018.

environments, then turns to illustrating the differences in level of principal control engaged in by USAID and DFID in a representative case in which both agencies were pursuing a similar goal (building municipal government capacity) in South Africa.

Authorizing Environments

USAID and DFID are IDOs with a clear difference in authorizing environment insecurity and constraint. The formal status of an agency and its level of formal independence have long been thought of as important features of agency independence and insulation from political oversight.⁴⁶ DFID is a separate ministry run by a cabinet-level minister, while USAID is subordinate to a cabinet secretary, reporting to the US Secretary of State. DFID has power and access that USAID does not, a sign of the relative importance and power of DFID vis-à-vis USAID.

DFID has stable budgets and strong parliamentary support for foreign aid. USAID's budget is quite unstable, with no long-term budgetary commitments and a much lower level of funding as a share of government spending. USAID's budget, unlike DFID's, involves heavy use of "earmarks" which pre-specify what funds must be used for; by one Congressional Research Service estimate earmarks comprised almost 75% of USAID's budget.⁴⁷ While tight control cannot be measured merely by the number of words devoted

⁴⁶ Huber and Shipan 2002; Carpenter 2001; Gilardi 2002.

⁴⁷ Congressional Research Service 2006, 19. This 2006 survey is the most recent comprehensive review of earmarks; this figure is an estimate of earmarks in the Foreign Operations Appropriations Act of 2005, and combines 'soft' (19.8%) and 'hard' (53.4%) earmarks. Foreign Operations budgets are put forward by a number of entities, including notably the State Department. However as USAID tends to have more earmarks than others (interviews) this estimate is more likely to be low than high.

to legislation, it is suggestive of the difference that the US foreign assistance act runs over 300 printed pages; comparable UK legislation runs fewer than 40 pages.⁴⁸

USAID and DFID are by their own admission very different organizations as regards risk-taking. USAID describes itself as having a “conservative risk appetite”; by contrast DFID describes itself as having “a relatively high risk appetite, and [DFID] is often willing to tolerate high levels of risk where there are substantial potential benefits.”⁴⁹ USAID also stands out with regards to flexibility and the use of measurement. A recent OECD peer review of USAID – essentially a report written by other IDOs regarding USAID’s systems – finds that USAID’s need for authorization from Washington constrains its operating flexibility.⁵⁰

The IDO autonomy score for each IDO supports the view that USAID and DFID’s differences in authorizing environment do indeed lead to different behavior. USAID has a score of .36, 30th amongst the 33 IDOs for whom Paris Declaration monitoring surveys allow the calculation of scores. DFID, on the other hand, has a score of .80, 2nd amongst the 33 IDOs.⁵¹

Politics and authorizing environments are much more salient for those discussing USAID than DFID government interventions. This is suggestive evidence of greater relative organizational focus on and preoccupation with its authorizing environment for USAID. In

⁴⁸ US aid expenditures still flow through the Foreign Assistance Act of 1961. This act, including amendments, runs 384 pages. US Congress Committee on International Relations and US Congress Committee on Foreign Relations 2003. For the UK there are a number of short pieces of legislation; these are Government of the United Kingdom 2002; Government of the United Kingdom 2006; Government of the United Kingdom 2014; Government of the United Kingdom 2015.

⁴⁹ DFID 2010, 6; USAID 2014, 16.

⁵⁰ OECD 2016, 59.

⁵¹ See the appendix for a full list of scores by IDO.

the interview data from South Africa, the word “Congress” appears thirteen times; “Parliament” is mentioned only once, and by way of *contrasting* DFID with USAID.

USAID’s belief that Congress does not trust the organization and fear of being on the proverbial chopping block came up frequently in interviews. This insecurity was evoked with regards to USAID’s hiring practices, limiting USAID’s ability to hire full time staff and thus the use of contractors in project supervisory roles.⁵² It was used to explain budget unpredictability and the constant need to fight for funding.⁵³ In perhaps the most vivid depiction, one senior official described USAID as “under siege” from Congress, saying

When you [USAID] have a hostile Congress and an ineffectual president which was the case pretty much since, I think the last time USAID had any true swagger was under Reagan, it has been an agency under siege for, I guess it would be going on for over thirty years now.⁵⁴

The need for reporting looms large for USAID. As one staffer of a development contractor implementing a USAID project put it, “USAID wanted reports. USAID pushed management, and management pushed us.”⁵⁵ An individual with experience at a number of development contractors described this as the pressure from USAID to “document more than do,” suggesting that such tends to leave projects with “some really beautiful reports” to please funders and authorizers but less impact on the ground than might have occurred

⁵² Interview 87, 9/20/13. This interview numbering scheme anonymizes specific remarks per the confidentiality offered interviewees; greater detail in the appendix.

⁵³ “It is all about the budget, right, the budget battle and the dream of federal agencies is that they could get, put together projects that year in and year out, programmes that year in and year out would have predictable funding, but every year the budget fight is a new adventure.” (ibid)

⁵⁴ ibid.

⁵⁵ Interview 44, 6/6/13

if attention had instead focused on implementation.⁵⁶ A former senior manager of a USAID project summarized a widely echoed view in saying “USAID’s focus was around meeting numbers as opposed to the impact.”⁵⁷

Key to the Aghion & Tirole model is the insight that if agents cannot use asymmetric information there is no point in gathering it. One USAID interviewee suggested that very few of her colleagues ever learned much about the world just beyond the embassy walls, as there was no way to make use of that information.⁵⁸ As one USAID official put it, the effect of the restrictions and constraint from above is to “make you cautious.”⁵⁹ Insecurity breeds conservatism, the need to ensure that any action taken can be defended.

The Impact of Authorizing Environment Constraint: Differential Principal Control, and Project Success, in South Africa

DFID and USAID’s projects in South African municipal governance in the mid-2000’s illustrate how legitimacy-seeking reporting induced by political authorizing environments can affect IDO projects in practice in a relatively predictable environment (and thus a ‘hard case’ for this paper’s theory). DFID’s Consolidated Municipal Transformation Programme⁶⁰ and USAID’s Local Governance Support Program, Phase 2 ⁶¹ both aimed to help municipalities efficiently and effectively deliver services.⁶² Both focused on making local

⁵⁶ Interview 49, 5/30/13

⁵⁷ Interview 81, 8/1/13

⁵⁸ Interview 12, 6/4/13.

⁵⁹ Interview 109, 9/12/13

⁶⁰ DFID Project Reference #104886

⁶¹ USAID Contract #674-C-00-05-00001-00

⁶² DFID’s CMTP stated its goal as to “consolidate accountable local democracy and pro-poor service delivery”. The purpose is to promote the development of effective and efficient municipalities”. (DFID 2003, p. 1) USAID’s Phase 2 focused on efforts to “improve municipal planning skills and operating systems to increase effectiveness, transparency and accountability; and increase the revenue stream of selected municipalities ensuring that citizens meet their obligations.” (LGSP/RTI 2006)

government more effective via capacity building by transferring knowledge to municipal staff. This capacity building was of both a management and a financial nature; both projects aimed to improve municipal accounting and billing systems and municipal debt management. How USAID and DFID delivered their interventions was quite different, however, as was their management, reporting, and design processes.

USAID settled on an initial model that delivered monitorable and measurable training to municipalities.⁶³ On a pre-arranged day, a trainer would arrive and hold a session, often in a conference room, for part or all of the day on the pre-arranged topic. Many municipalities were served by the project and many training sessions were delivered. Following the trainings, trainers verified that trainings had occurred and tracked how many individuals were trained.⁶⁴

DFID's project shared the broad focus of USAID's on improving municipal functioning via skills transfer and systems building. Contractors implemented DFID's project, as they did USAID's. Unlike USAID's project, DFID's project worked primarily by embedding advisors in local municipalities. Advisors resided in the municipalities for extended periods of time to build skills and systems on an ongoing basis. DFID's advisors were ultimately in charge of project direction; *they* set the specific goals against which they

⁶³ USAID's intervention eventually did place advisers briefly in municipalities; on some accounts this was in response to pressure from South African officials observing the relative success of the two projects. (Interview 97, 8/15/13) These USAID advisers still faced quite specific reporting regimes based on externally verifiable data and were far less able to use soft information than their DFID project cousins.

⁶⁴ Reports from contractors (various), acquired via anonymous source but producible (with redacted names) on request. Confirmed via interview 88, 8/1/13.

were reporting. As one implementer put it, DFID's reporting was "more content-rich; it was not a numbers game."⁶⁵

DFID and USAID both had reporting requirements for their respective projects. However DFID did not rely primarily on externally verifiable data in reporting, unlike USAID. DFID effectively put resident advisers and their soft information-laden judgments in control, something DFID not only condoned but actually explicitly designed into the project. The "price" of this greater degree of agent initiative was a lesser degree of principal control.

Meeting targets clearly served as a control in USAID's municipal governance project. Michelle Layte, the head of project implementation towards the end of the project, said indicators were chosen "because it was easier to count... but the numbers didn't tell about the impact". Layte went on to say that, while USAID had been better earlier in the project, "It was more a number chasing towards the end especially because we needed to reach our target."⁶⁶ Another interviewee described implementing the USAID project as "a numbers game... [USAID would say] we want the numbers, we want information."⁶⁷

One USAID implementer described a clear sense inside the project implementation team that the trainings were failing.⁶⁸ The correlation between measures and ultimate outcomes broke down in USAID's municipal governance project. The training numbers weren't fabricated; trainings were occurring and individuals were attending. One USAID

⁶⁵ Interview 82, 8/1/13. The interviewee was contrasting their experiences with DFID's municipal governance project with their experiences working for a variety of other organizations, not USAID specifically.

⁶⁶ This continued in the later phases of LGSP, which did involve placing some trainers in municipalities after many years of largely fruitless training. In the later phases of the project, resident advisers would report on meetings held, guidelines drafted, and other such externally observable and verifiable indicators. Interview 82, 8/1/13

⁶⁷ Interview 82, 8/1/13

⁶⁸ Interview 88, 8/1/13.

actor described this as counting “bums on seats.”⁶⁹ These targets were simply disconnected with the actual broader purpose they had been designed to serve. These measures may have had little connection to impact, but they certainly affected implementation. Target-setting constrained the behavior of field agents and their managers, precluding alteration of the project.

There is very little evidence that training under the USAID project was effective. This was the view not just of observers but also of those who actually worked to implement the project.⁷⁰ As one team member put it, “I don’t think [training under the project] contributed much... because you go there, you don’t have any authority over the people that you training, so if they don’t cooperate you cannot say anything, you go there sometimes, they tell you that we have other priorities, we don’t have time now, those kinds of things.”⁷¹

DFID’s project was by no means an overwhelming success; that said, it was substantially more successful than was USAID’s. Being full time resident for the long term (2-3 years), DFID project advisors were often – though not always - able to find a way to positively influence municipal systems. Both beneficiaries and project staff reported that advisors achieved some shifts in municipal practices.⁷² Multiple actors noted the

⁶⁹ Interview 86, 7/30/13

⁷⁰ e.g. interview 93, 7/18/13; interview 73, 7/19/13

⁷¹ Interview 88, 8/1/13

⁷² Interview 103, 7/30/13; interview 72, 7/31/13; interview 98, 8/14/13; interview 75, 7/25/13; interview 76, 7/29/13

permanent status of advisors in the municipality prevented the program from being “sidelined” in the way USAID’s project seems to have been.⁷³

The South African municipal governance case allows us to see what different levels of IDO autonomy look like in practice. USAID and DFID implemented programs with quite similar goals. They did so through rather similar contracting structures. But DFID’s project exhibited far greater flexibility and use of agent initiative. Measurement and reporting via pre-specified targets played a substantial role in USAID’s intervention but little in DFID’s. USAID was more rule-bound, with substantial process controls and an orientation towards satisfying bureaucratic requirements.⁷⁴ DFID, by contrast, placed resident advisers in municipalities, and designed its project in a manner less tractable to control from above. DFID’s project created reporting requirements that did not rely on externally verifiable and observable information. DFID’s project was more successful than USAID’s, a success clearly linked to the differences in how the projects were implemented and managed.

Conclusion

IDO project success is negatively impacted by environmental unpredictability. However less politically constrained IDOs see systematically lower performance declines in more unpredictable contexts than do their less constrained peers. The South Africa case study comparison provides suggestive evidence that what is true intra-organizationally is also true when comparing across organizations; constraints induced by political authorizing environment insecurity sometimes undermine comparative project success.

⁷³ Interview 74, 7/30/13; interview 72, 7/31/13. These actors didn’t make explicit comparison to LGSP.

⁷⁴ Interview 103, 7/30/13

Variation in political authorizing environments has quite substantial potential impacts on development outcomes and consequently on developmental trajectories and conflicts. Effective delivery for a range of IDO projects is for some, but not all, IDOs precluded by political authorizing environments and the measurement and control systems to which they give rise. Constraints on agents that flow from an understandable, even laudable, desire to demonstrate results and accountability to politicians and citizens can undermine IDO performance.

In some instances output measurement and reporting may well improve organizational performance; when working in relatively predictable environments this may well be the superior strategy. However in less predictable environments, this reporting and tight principal control crowds out the organization's ability to serve its ends. The more unpredictable the environment, the more important it is for power and decision-making to sit with field agents.

From public schools to multinational firms, many organizations struggle with Aghion & Tirole's tension between principal control and agent initiative. Philippe Aghion himself, in collaboration with a number of illustrious coauthors, has recently applied his model to private firms during the Great Recession.⁷⁵ Using data from 11 OECD countries they find that private firms with more local plant manager control out-perform more centralized firms in the sectors hardest hit by the crisis. As they put it, "Higher turbulence benefits decentralized firms because the value of local information and urgent action

⁷⁵ Aghion et al. 2017.

increases.”⁷⁶ The usefulness of agent initiative and ability to gather and use asymmetric (soft) information are far from an IDO-only, or even public sector, phenomenon.

This paper’s analysis suggests limits to the range of where external monitoring – the workhorse solution of applications of principal-agent theory to public bureaucracy – may indeed be a workable solution. For some tasks, in some environments, it is not just that the monitoring is costly – the monitoring *itself* may have deleterious effects. If indeed it is true that tight oversight is detrimental to performance in some circumstances, public accountability as conventionally conceived may sometimes come at the expense of desired performance outcomes. Reporting may be a façade, with reporting requirements inducing agents to produce numbers at the expense of actually forwarding the broader goals of their organizations.

IDOs operate in difficult contexts, and attempt to do difficult things. They are, perhaps unsurprisingly, often unsuccessful. In some of the domains where foreign aid has the potential to make the most difference, e.g. in unpredictable fragile states, politically induced constraints on IDO autonomy make project success even less likely. This paper’s findings suggest not only that we could do more to improve aid delivery, but that the move towards measurement and control in foreign aid in recent years may in some cases actually be hindering progress. The drive for measurement and quantitative results is usually framed around efficacy and value for money. If this encourages political authorizers to constrain IDOs’ ability to engage in more flexible, autonomous operational strategies, well-intentioned authorizers may end up accomplishing precisely the opposite of what they intend.

⁷⁶ Ibid., abstract.

References

- Aghion, Philippe, Nicholas Bloom, Brian Lucking, Raffaella Sadun, and John Van Reenen. 2017. *Turbulence, Firm Decentralization and Growth in Bad Times*.
- Aghion, Philippe, and J Tirole. 1997. Formal and real authority in organizations. *Journal of political economy* 105 (1): 1–29.
- Axelrod, Robert. 1984. *The Evolution of Cooperation*. New York: Basic Books.
- Barnett, Michael N., and Martha Finnemore. 2003. The Politics, Power, and Pathologies of International Organizations. *International Organization* 53 (4): 699–732.
- Bozeman, B, and G Kingsley. 1998. Risk Culture in Public and Private Organizations. *Public Administration Review* 58 (2): 109–118.
- Brehm, John O., and Scott Gates. 1999. *Working, Shirking, and Sabotage: Bureaucratic Response to a Democratic Public*. University of Michigan Press.
- Buntaine, Mark T. 2016. *Giving Aid Effectively*. Oxford University Press.
- Buntaine, Mark T., Bradley C. Parks, and Benjamin P. Buch. 2017. Aiming at the Wrong Targets: The Domestic Consequences of International Efforts to Build Institutions. *International Studies Quarterly*: 1–60.
- Bush, Sarah Sunn. 2015. *The Taming of Democracy Assistance: Why Democracy Promotion Does Not Confront Dictators*. Cambridge University Press.
- Calvert, R, M McCubbins, and B Weingast. 1989. A Theory of political Control and Agency Discretion. *American Journal of Political Science* 33 (3): 588–611.
- Cameron, AC, J Gelbach, and DL Miller. 2006. *Robust Inference With Multi-Way Clustering*. NBER Technical Working Paper. Cambridge, MA.
- Carpenter, Daniel P. 2010. *Reputation and Power: Organizational Image and Pharmaceutical Regulation at the FDA*. Princeton University Press.
- Carpenter, Daniel P. 2001. *The Forging of Bureaucratic Autonomy: Reputations, Networks, and Policy Innovation in Executive Agencies, 1862-1928*. Princeton University Press.
- Celasun, Oya, and Jan Walliser. 2008. Predictability of aid: Do fickle donors undermine aid effectiveness? *Economic Policy* 23 (55): 545–594.
- Center for Systemic Peace. 2014. State Fragility Index.
- Chandler, Alfred D. 1977. *The Visible Hand: the Managerial Revolution in American Business*. Cambridge, MA: Belknap Press.
- Clist, Paul. 2016. Payment by Results in Development Aid: All that Glitters is not Gold. *The World Bank Research Observer*: lkw005.
- Desai, Raj, and Homi Kharas. 2010. *The Determinants of Aid Volatility*.
- DFID. 2010. *Working Effectively in Conflict-affected and Fragile Situations (Briefing Paper H: Risk Management)*.
- Dunleavy, P, and C Hood. 1994. From old public administration to new public management. *Public money & management* 14 (3): 9–16.
- Gailmard, Sean, and John W. Patty. 2012. *Learning While Governing: Expertise and Accountability in the Executive Branch*. University of Chicago Press.
- Gailmard, Sean, and John W. Patty. 2007. Slackers and zealots: Civil service, policy discretion, and bureaucratic expertise. *American Journal of Political Science* 51 (4): 873–889.
- Garicano, Luis, and Luis Rayo. 2016. Why Organizations Fail: Models and Cases. *Journal of Economic Literature* 54 (1): 137–192.

- Gelb, Alan, and Nabil Hashmi. 2014. *The Anatomy of Program-for-Results: An Approach to Results-Based Aid*. Working Paper.
- Ghani, Ashraf, Clare Lockhart, and M Carnahan. 2005. *Closing the Sovereignty Gap : an Approach to State-Building*.
- Gilardi, Fabrizio. 2002. Policy Credibility and Delegation to Independent Regulatory Agencies: a comparative empirical analysis. *Journal of European Public Policy* 9 (6): 873–893.
- Government of the United Kingdom. 2014. *International Development (Gender Equality) Act 2014*.
- Government of the United Kingdom. 2015. *International Development (Official Development Assistance Target) Act 2015*.
- Government of the United Kingdom. 2006. *International Development (Reporting and Transparency) Act 2006*.
- Government of the United Kingdom. 2002. *International Development Act 2002*.
- Grossman, Sanford J., and Oliver D. Hart. 1986. The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration. *Journal of Political Economy* 94 (4): 691.
- Gulrajani, Nilima. 2017. Bilateral Donors and the Age of the National Interest: What Prospects for Challenge by Development Agencies? *World Development* 96. Elsevier Ltd: 375–389.
- Gulrajani, Nilima. 2011. Transcending the Great Foreign Aid Debate: managerialism, radicalism and the search for aid effectiveness. *Third World Quarterly* 32 (2): 199–216.
- Hart, O, and John Moore. 1988. Incomplete contracts and renegotiation. *Econometrica: Journal of the Econometric Society* 56 (4): 755–785.
- Hart, Oliver, and John Moore. 1990. Property Rights and the Nature of the Firm. *Journal of Political Economy* 98 (6): 1119–1158.
- Hawkins, Darren G., and Wade Jacoby. 2006. How Agents Matter. In *Delegation and Agency in International Organizations*, 199–228.
- Hawkins, Darren G., David A. Lake, Daniel L. Nielson, and Michael J. Tierney. 2006. Delegation under anarchy: states, international organizations, and principal-agent theory. In *Delegation and Agency in International Organizations*, edited by Darren G. Hawkins, David A. Lake, Daniel L. Nielson, and Michael J. Tierney, 3–38.
- Holmstrom, B., and P. Milgrom. 1991. Multitask principal-agent analyses: Incentive contracts, asset ownership, and job design. *Journal of Law, Economics, & Organization* 7: 24.
- Hölmstrom, Bengt. 1979. Moral hazard and observability. *Bell Journal of Economics* 10, (1): 74–91.
- Honig, Dan. 2018. *Navigation by Judgment: Why and When Top-Down Control of Foreign Aid Doesn't Work*. New York: Oxford University Press.
- Hood, Christopher. 2004. The Middle Aging of New Public Management: Into the Age of Paradox? *Journal of Public Administration Research and Theory* 14 (3): 267–282.
- Huber, John D., and Nolan McCarty. 2004. Bureaucratic capacity, delegation, and political reform. *American Political Science Review* 98 (3): 481–494.
- Huber, John D., and Charles R Shipan. 2006. Politics, Delegation, and Bureaucracy. In *The Oxford Handbook of Political Economy*, edited by Robert E. Goodin, 256–272. Oxford University Press.
- Huber, John D., and Charles R. Shipan. 2002. *Deliberate Discretion: The Institutional*

- Foundations of Bureaucratic Autonomy*. Cambridge University Press.
- Hupe, Peter, and Michael Hill. 2007. Street-Level Bureaucracy and Public Accountability. *Public Administration* 85 (2): 279–299.
- Institute of Development Studies. 2014. Conflict and Fragility. Available from <<http://www.ids.ac.uk/idsresearch/conflict-and-fragility>>.
- Johns, Leslie. 2007. A Servant of Two Masters: Communication and the Selection of International Bureaucrats. *International Organization* 61 (2): 245–275.
- Johnson, Tana, and Johannes Urpelainen. 2014. International Bureaucrats and the Formation of Intergovernmental Organizations: Institutional Design Discretion Sweetens the Pot. *International Organization* 68 (1): 177–209.
- Kauppi, Katri, and Erik M. Van Raaij. 2015. Opportunism and Honest Incompetence - Seeking Explanations for Noncompliance in Public Procurement. *Journal of Public Administration Research and Theory* 25 (3): 953–979.
- Keiser, Lael R. 1999. State Bureaucratic Discretion and the Administration of Social Welfare Programs: The Case of Social Security Disability. *Journal of Public Administration Research and Theory* 9 (1): 87–106.
- Kerr, S. 1975. On the Folly of Rewarding A, While Hoping for B. *Academy of Management journal* 18 (4): 769–783.
- Leuffen, Dirk, S Shikano, and S Walter. 2012. Measurement and data aggregation in small-n social scientific research. *European Political Science*: 1–20.
- Lipsky, Michael. 1980. *Street-Level Bureaucracy: Dilemmas of the Individual in Public Services*. Russell Sage Foundation.
- Lynn Jr, Laurence E. 1998. The New Public Management: How to Transform a Theme into a Legacy. *Public Administration Review* 58 (3): 231–237.
- Martin, Lisa. 2006. Distribution, Information, and Delegation to International Organizations: The Case of IMF Conditionality. In *Delegation and Agency in International Organizations*, edited by Darren G. Hawkins, David A. Lake, Daniel L. Nielson, and Michael J. Tierney, 140–164. New York: Cambridge University Press.
- Meyer, JW, and Brian Rowan. 1977. Institutionalized organizations: Formal structure as myth and ceremony. *American journal of sociology* 83 (2): 340–363.
- Modell, S. 2004. Performance measurement myths in the public sector: a research note. *Financial Accountability & Management* 20 (February): 39–56.
- Natsios, A. 2010. *The Clash of the Counter-bureaucracy and Development*. Washington, DC.
- Nielson, Daniel L., and Michael J. Tierney. 2003. Delegation to International Organizations: Agency Theory and World Bank Environmental Reform. *International Organization* 57 (2): 241–276.
- OECD. 2012. *Aid Effectiveness 2011: Progress in Implementing the Paris Declaration*. OECD Publishing.
- OECD. 2000. DAC Criteria for Evaluating Development Assistance Factsheet: 2.
- OECD. 2016. *OECD Development Co-operation Peer Reviews: United States 2016*. Paris: OECD Publishing.
- OECD. 1991. *The DAC Principles for the Evaluation of Development Assistance*.
- Oliver, C. 1991. Strategic Responses to Institutional Processes. *Academy of management review* 16 (1): 145–179.
- Pepinsky, Thomas B, Jan H Pierskalla, and Audrey Sacks. 2016. Bureaucracy and Service Delivery. Available at SSRN: <http://ssrn.com/abstract=2798912>: 1–47.

- Perakis, Rita, and William Savedoff. 2015. *Does Results-Based Aid Change Anything? Pecuniary Interests, Attention, Accountability and Discretion in Four Case Studies*. CGD Policy Paper.
- Pfeffer, Jeffrey, and Gerald R. Salancik. 1978. *The External Control of Organizations: A Resource Dependence Perspective*. Stanford University Press.
- Polanyi, Michael. 1966. *The Tacit Dimension*. University of Chicago Press.
- Prendergast, C. 2001. *Selection and Oversight in the Public Sector, with the Los Angeles Police Department as an Example*.
- Rasul, Imran, and Daniel Rogger. 2013. *Management of Bureaucrats and Public Service Delivery : Evidence from the Nigerian Civil Service*.
- Scott, James C. 1998. *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed*. Yale University Press.
- Shavell, Steven. 1979. Risk sharing and Incentives in the Principal and Agent Relationship. *Bell Journal of Economics* 10 (1): 55–73.
- Singh, JV. 1986. Performance, Slack, and Risk Taking in Organizational Decision Making. *Academy of management Journal* 29 (3): 562–585.
- Stein, JC. 2002. Information production and capital allocation: Decentralized versus hierarchical firms. *The Journal of Finance* LVII (5).
- Swedlund, Haley J. 2017. Can foreign aid donors credibly threaten to suspend aid? Evidence from a cross-national survey of donor officials. *Review of International Political Economy*. Taylor & Francis.
- Tirole, Jean. 1994. The Internal Organization of Government. *Oxford Economic Papers* 46 (1): 1–29.
- US Congress Committee on International Relations, and US Congress Committee on Foreign Relations. 2003. *Legislation on Foreign Relations Through 2002*.
- USAID. 2014. *Public Financial Management Risk Assessment Framework (PFMRAF) Manual: A Mandatory Reference for ADS Chapter 220*.
- Weijer, Frauke De. 2012. *Rethinking approaches to managing change in fragile states*.
- Williamson, Oliver E. 1983. *Markets and Hierarchies*. Free Press.
- Wilson, James Q. 1989. *Bureaucracy: What Government Agencies Do And Why They Do It*. Basic Books.
- Woods, Ngaire. 2006. *The Globalizers: The IMF, the World Bank, and their Borrowers*. Cornell University Press.
- World Bank. 2006. *Engaging with Fragile States: An IEG Review of World Bank Support to Low-income Countries Under Stress*. World Bank Publications.
- World Bank. 2017. World Bank Projects & Operations Database.
- Wynen, Jan, and Koen Verhoest. 2016. Why Do Autonomous Public Agencies Use Performance Management Techniques ? Revisiting the Role of Basic Organizational Characteristics 7494 (June).
2005. The Paris Declaration on Aid Effectiveness. Paris, France: Available Online at <http://www.oecd.org/dataoecd/11/41/34428351.pdf>.

Tables

Variable	Obs	Mean	Std. Dev.	Min	Max
Overall Project Success (6 pt scale)	9312	4.304	1.139	1	6
Environmental Unpredictability (State Fragility Index)	9312	12.522	4.992	0	25
Project Size (USD Millions)	7247	41.114	102.308	.004	4015
IDO Autonomy (from Paris Declaration monitoring survey)	9312	.659	.075	.559	.799

Table 1: Summary Statistics of Key Variables

DV: Project Success (6-pt scale)	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Environmental Unpredictability	-0.170*** (0.0307)	-0.171*** (0.0328)	-0.149*** (0.0403)	-0.147*** (0.0414)	-0.112*** (0.0351)	-0.107*** (0.0351)	-0.0868** (0.0391)
Env Unpred*IDO Autonomy	0.205*** (0.0464)	0.206*** (0.0467)	0.187*** (0.0583)	0.180*** (0.0599)	0.113** (0.0547)	0.104** (0.0515)	0.107* (0.0590)
Project Size (USD Millions)		0.000585*** (0.000162)		0.000413*** (0.000135)		0.000566** (0.000218)	
Constant	4.423*** (0.118)	4.372*** (0.125)	3.807*** (0.204)	3.789*** (0.224)	5.764*** (0.115)	5.780*** (0.120)	4.489*** (0.215)
IDO Fixed Effects	Y	Y	Y	Y	Y	Y	Y
Recipient Fixed Effects	N	N	Y	Y	N	N	Y
Sector Fixed Effects	N	N	N	N	Y	Y	Y
R^2	0.099	0.114	0.147	0.165	0.154	0.184	0.207
Observations	9312	7247	9312	7247	7370	5446	7370

Standard errors in parentheses, clustered by recipient country

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 2: IDO Autonomy Mediates the Relationship Between Environmental Predictability and IDO Project Success. While all IDOs see performance decline as environments become less predictable, more autonomous (less constrained) IDOs have substantially smaller declines. Ordinary least squares (OLS) regression.

DV: Project Success (6-pt scale)	(1)	(2)	(3)	(4)
Environmental Unpredictability	-0.169*** (0.0316)	-0.167*** (0.0314)	-0.0904* (0.0482)	-0.0843* (0.0495)
Env Unpred*IDO Autonomy	0.204*** (0.0475)	0.200*** (0.0471)	0.145** (0.0664)	0.137** (0.0681)
Constant	4.401*** (0.146)	4.222*** (0.205)	3.953*** (0.347)	3.783*** (0.345)
IDO Fixed Effects	Y	Y	Y	Y
Year Fixed Effects	Y	Y	N	N
Year*IDO Fixed Effects	N	Y	N	N
5-yr 'bin' Fixed Effects	N	N	Y	Y
Recipient Fixed Effects	N	N	Y	Y
Recipient* 5-yr bin FEs	N	N	Y	Y
IDO*5-yr bin FEs	N	N	N	Y
R^2	0.101	0.116	0.207	0.211
Observations	9312	9312	9312	9312

Standard errors in parentheses, clustered by recipient country

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 3: Expanding Fixed Effects for Robustness. Controlling for time, or time interacted with recipients or IDOs, does little to change the main effects.

	(1)	(2)	(3)	(4)
	6pt scale	Z-score	6pt scale	Z-score
Environmental Unpredictability	-0.165*** (0.0323)	-0.133*** (0.0308)	-0.145*** (0.0418)	-0.117*** (0.0390)
Env Unpred*IDO Autonomy	0.199*** (0.0489)	0.159*** (0.0479)	0.177*** (0.0602)	0.138** (0.0572)
Internal Evaluator	-9.763** (4.319)	-13.36 (18660.3)	-8.928* (5.280)	-12.88 (3337.9)
Independent Eval Office	3.441*** (1.284)	-2.361 (14334.5)	3.883*** (1.301)	-2.244 (3218.9)
Internal Eval*IDO Autonomy	14.94** (6.691)	20.28 (25267.8)	13.75* (8.130)	19.60 (3705.2)
Independent Eval*IDO Autonomy	-5.522*** (2.005)	3.169 (26193.4)	-6.160*** (2.042)	3.014 (5635.5)
IDO Autonomy		-4.665 (18067.1)		-5.015 (5003.6)
Constant	4.529*** (0.110)	3.679 (12722.8)	4.140*** (0.213)	3.647 (3073.5)
IDO Fixed Effects	Y	N	Y	N
Recipient Fixed Effects	N	N	Y	Y
R^2	0.103	0.029	0.154	0.084
Observations	7722	7722	7722	7722

Standard errors in parentheses, clustered by recipient country

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4: Controlling for Evaluation Type. The third, omitted, category is externally contracted evaluators. Models 2 and 4 take an IDO-specific z-score of the dependent variable to allow the IDO fixed effect to be dropped, and thus the base term of IDO Autonomy to be added to the models.

DV: # of observations by IDO-country-sector-year	(1)	(2)	(3)	(4)
Environmental Unpredictability	-0.000102 (0.000491)	-0.000847 (0.000475)	-0.000102 (0.000491)	-0.000847 (0.000475)
Env Unpred*IDO Autonomy	0.000594 (0.000666)	0.000594 (0.000666)	0.000594 (0.000666)	0.000594 (0.000666)
Constant	0.00192 (0.00129)	0.0174*** (0.00411)	-0.00474*** (0.00118)	0.0107* (0.00416)
IDO Fixed Effects	Y	Y	Y	Y
Recipient Fixed Effects	N	Y	N	Y
Sector Fixed Effects	N	N	Y	Y
R^2	0.007	0.014	0.015	0.021
Observations	957096	957096	957096	957096

Standard errors in parentheses, clustered by recipient country

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

Table 5: IDO Project Selection. IDOs of different levels of autonomy do not differentially select into more or less unpredictable recipient country environments.

Figures

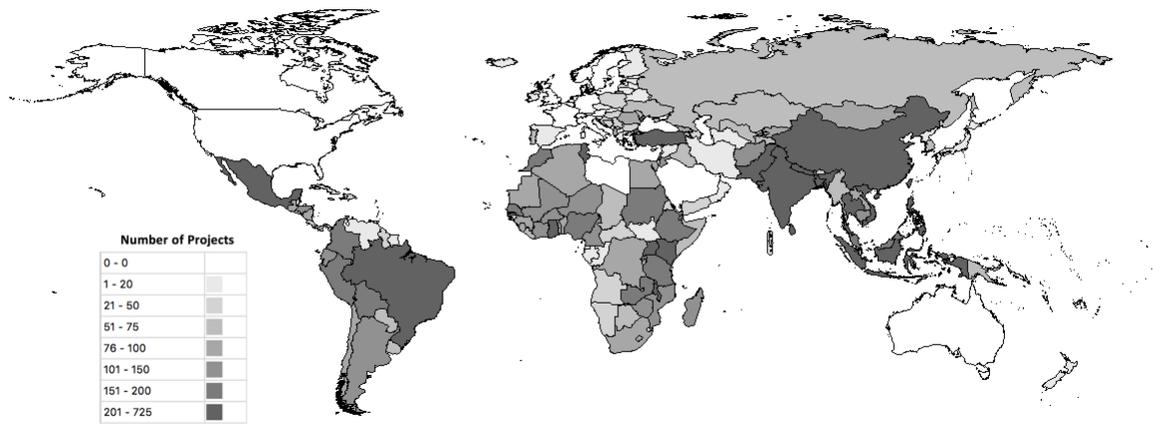


Figure 1: Overview of Projects in Dataset

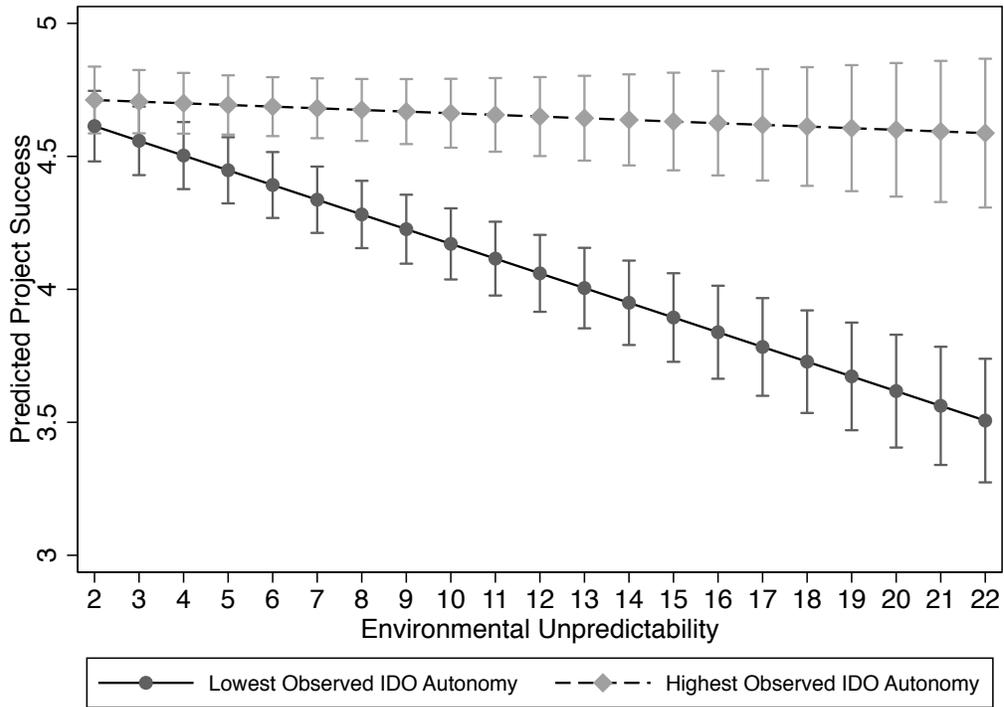


Figure 2: Returns to Autonomy in Countries of Differential Predictability. More autonomous (less constrained) IDOs see much more consistent performance than do less autonomous (more constrained) IDOs as environmental predictability varies. Bars around each point estimate represent 95% confidence intervals. The “lowest observed” autonomy score is .56 on a zero to one scale, the “highest observed” is .80. These represent the extremes of autonomy in the sample data. See the online appendix for a full list of autonomy scores.