Tracking earmarked funding to international organizations: Introducing the Earmarked Funding Dataset

Bernhard Reinsberg, Mirko Heinzel, Christian Siauwijaya

Corresponding author: Bernhard.Reinsberg@glasgow.ac.uk, University of Glasgow, School of Social and Political Sciences, Adam Smith Building, Glasgow, G12 8RT, United Kingdom

Abstract: Over the past two decades, the funding of international development organizations such as the World Bank, the United Nations, and other multilateral implementing organizations has fundamentally transformed. On the one hand, core contributions—unearmarked resources that are pooled together and allocated under the purview of the main governing bodies—have stagnated. On the other hand, donors have provided increasing amounts of earmarked contributions, which receiving organizations must spend on specific themes, sectors, countries, or projects. Despite improvements in the official reporting on earmarked contributions, we lack systematic understanding of earmarked funding and the stringency of earmarking from the perspective of implementing organizations. This codebook introduces the Earmarked Funding Dataset, which extends the coverage of existing data in terms of sample years and multilateral institutions. In addition, the Earmarked Funding Dataset allows for comparisons of the stringency of earmarking across international organizations as well as within institutional sub-accounts. The data therefore are the primary choice for researchers who study the resourcing of IOs and its consequences for bureaucratic autonomy and organizational performance.

Acknowledgements: We are grateful to Emily Bosch, Abdoulaye Fabregas, and Jieun Kim from the OECD's Development Cooperation Directorate (DCD) for valuable feedback and constructive exchanges. Funding from a UK Research & Innovation Future Leaders Fellowship grant (MR/V022148/1) is gratefully acknowledged.

Data availability statement: The Earmarked Funding Data are freely available on Harvard Dataverse (https://doi.org/10.7910/DVN/WCS99H).

Contents

1. Purpose of this codebook……..3

2. What is earmarking? ……5

3. Component 1: List of organizations and their earmarked funding facilities……7

4. Component 2: Earmarked aid activities in the multilateral system……11

5. Component 3: Earmarked aid from a bilateral donor perspective……..17

6. Component 4: Earmarked funding from a multilateral agency perspective……...19

7. Key conclusions on earmarked funding……..21

References……24

Contents of the replication package

Data files

- Component 1.xlsx (MS Excel format)
- Component 2.dta (.dta format)
- Component 3.dta (.dta format)
- Component 4.dta (.dta format)

Do-files

- *Component builder*.do: This file builds the final data file for Component 2 and the derived Component 3 and Component 4, and produces the graphs in this codebook

We can make available upon request the do-files that re-produce the multi-bi aid datasets from the raw CRS data. They include commands to identify channel institutions, to algorithmically code earmarking stringency, correction of inconsistencies in the raw data, and manual correction of remaining issues.

Suggested citation:

Please always cite both data sources when using the multi-bi aid data.

- Reinsberg, B., Heinzel, M., & Siauwijaya, C. (2023). Tracking earmarked funding to international organizations: Introducing the Earmarked Funding Dataset. University of Glasgow.
- Eichenauer, V. Z., & Reinsberg, B. (2017). What determines earmarked funding to international development organizations? Evidence from the new multi-bi aid data. *Review of International Organizations,* 12(2), 171-197.

1. Purpose of this codebook

This codebook introduces the 'Earmarked Funding Dataset'—an original effort to track earmarked funding flows in the multilateral system and to assess their stringency from the perspective of international organizations (IOs).

Earmarked resources have become an important—if not the dominant—source of funding for IOs such as the UN Development Program, the World Food Program, and UN peacebuilding operations, tasked with promoting development, alleviating humanitarian needs, and promoting peace (Barder, Ritchie, and Rogerson 2019; Baumann and Weinlich 2020; UN 2022). Unlike core resources, earmarked funds provide donors with the opportunity to restrict the use of funds to specific themes and sectors, regions, countries, or projects (OECD 2020). The rise of earmarked funding has raised concerns about the ability of IOs to deliver on their mandates because earmarked resources have the potential to distort program priorities and increase transaction costs for IO staff (Baumann, Lundsgaarde, and Weinlich 2019; Reinsberg 2016; UN-MPTF 2019). However, not all earmarked resources are alike: While some restrict the autonomy of implementing IOs through small-scale narrowly-defined interventions, others leave IOs more flexibility to allocate funding as they see fit by leaving greater scope with respect to sectors of intervention, geographic focus, and cooperation modalities (Reinsberg 2017; UN-MPTF 2019; World Bank 2013). In short, earmarked funding has several 'shades of grey' (Baumann, Lundsgaarde, and Weinlich 2019).

Despite improvements in the official reporting on earmarked contributions, we lack systematic understanding of earmarked funding and the stringency of earmarking from the perspective of implementing organizations. The Creditor Reporting System (CRS)—the official data source maintained by the OECD/DAC Secretariat—records activity-level information on earmarked aid that is continuously updated (OECD 2021). However, the CRS has three key limitations. First, it under-estimates the number of earmarked aid activities because information on implementing channels are unavailable before the mid-2000s, which makes it difficult to understand longer-term trends in IO resourcing. Second, the CRS does not assess the stringency of earmarking, which prevents nuanced understanding of the differences in funding flows. Third, because it draws on donor-reported information, the CRS contains occasional errors and coding inconsistencies, especially in earlier years (Eichenauer and Reinsberg 2017). About a decade ago, researchers began to remedy these shortcomings, leading to the release of the 'multi-bi aid dataset' (Eichenauer and Reinsberg 2014). This dataset identified under-reported earmarked aid activities and introduced new variables that capture the stringency of earmarking along three dimensions. Moreover, the multi-bi dataset estimated earmarked outflows from pass-through multilaterals—global funds without implementing capacities established by donor governments to channel sectorally earmarked resources to implementing IOs. As a one-off effort, the multi-bi aid dataset covered 109,271 earmarked activities from over 30 donors from 1990 to 2012 but has not been updated since.

This codebook introduces the Earmarked Funding Dataverse. As a successor of the multi-bi aid dataset, it has the same conceptual underpinnings but extends the data on earmarked funding and adds an entirely new component to facilitate future research on IO resourcing. Our Earmarked Funding Dataverse includes four components, each incorporating unique features that improve upon existing data collection efforts in terms of validity, reliability, and versatility:

- Component 1 is a cross-sectional list of all IOs to which donors have provided earmarked funding in the past 30 years. Its unique feature is to provide the (to date) most extensive list of earmarked funding channels that also includes prominent institutional sub-accounts. Overall, we identify 728 institutional sub-accounts—typically agency trust funds—from 345 main IOs.
- Component 2 is an activity-level dataset on earmarked funding flows to IOs. It allows for the most fine-grained analysis of earmarked funding patterns. Based on the CRS dataset, it covers

342,812 earmarked aid activities from nearly 50 donors with over 340 IOs from 1990 to 2020. Its unique feature is to augment the CRS source data with several variables that allow researchers to systematically assess the stringency of earmarking across a thematic dimension, a geographic dimension, and an institutional dimension. In addition, the dataset improves upon CRS source data by identifying additional earmarked activities and correcting coding errors and reporting inconsistencies, especially in the earlier years when reporting quality was poorer.

- Component 3 records the aggregated contributions given by donors in each year. It will be most useful for researchers examining the aid allocations of donor countries. Its main innovation is to provide readily usable aggregates of earmarked aid. This includes separately the earmarked contributions that donor governments provide directly to implementing IOs, as well as the repatriated outflows of pass-through multilaterals in proportion to donor funding shares in these multilaterals. The component also includes allocations of bilateral aid and multilateral aid after any adjustments for multi-bi aid that are necessary in order to avoid double-counting of aid.
- Component 4 is at the IO-year level. It records the total earmarked flows to 315 IOs from 1990 to 2020. A unique feature of this component is that it allows researchers to assess the stringency of earmarking by tracking how much donors contributed across different earmarking dimensions. The component also includes CRS source data on core funding for a range of IOs. This component will be particularly useful for comparative IO researchers.

To further underscore the significance of our dataset, we illustrate how its use enriches our understanding of IO resources in an increasingly complex multilateral development system. For example, we find that while earmarked funding has been steadily growing, this trend is increasingly driven by pass-through multilaterals. Currently available data do not capture this pattern because they focus on the financial inputs into these pass-through multilaterals, which typically are unearmarked core resources. Considering that pass-through multilaterals have no capacity of their own to implement projects but need to contract legacy IOs for this purpose, it is more pertinent for most purposes to focus on the (earmarked) outflows of those pass-through multilaterals in overall aid accounting. Another finding from the updated multi-bi aid data is that levels of strictly earmarked funding are stable, even though the amount of softly earmarked funding has gradually increased. Avid readers of UN reports will already be familiar with this result in the context of the UN Development System, but for the first time, our data confirm this pattern to hold in the entire universe of IOs.

Overall, we aim to make researchers more familiar with earmarked funding as an important socio-political phenomenon. Acknowledging the existence of different data sources, our aim is to show that the choices that researchers make as to which data to use are consequential for their conclusions. Different conclusions are the result of methodological choices, which are legitimate and appropriate depending on which questions one wants to answer. We posit that our Earmarked Funding Data are best suited to study questions of IO resourcing from an IO perspective, and as such will find an audience in relevant social science disciplines.

By releasing the updated data as early as possible, we hope to expedite future research on IO resourcing. While we have carefully checked all datasets, there will be remaining errors. We are grateful for any feedback, comments, and suggestions for how to further improve the data. The remainder of this codebook reviews the conceptual foundations, introduces the database and its constituent components and variables in more detail, before illustrating the value-added using descriptive analysis.

2. What is earmarked funding?

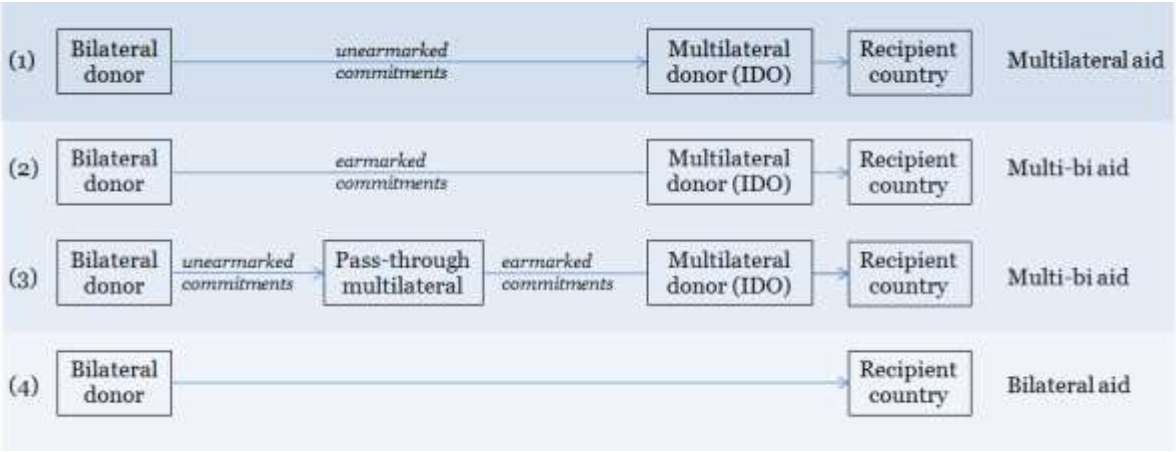
The chapter introduces the key terms necessary for understanding the database. Our focus is on earmarked funding, which has also been referred to as multi-bi aid. We use these labels interchangeably, noting that earmarked funding emphasizes the IO perspective and multi-bi aid emphasizes the donor perspective, as discussed below. Importantly, our interest is in donor funding that qualifies as Official Development Assistance, defined as "government aid that promotes and specifically targets the economic development and welfare of developing countries" (OECD 2022). For some IOs, only some of their activities may be ODA-relevant, for instance because ODA-relevant flows must be provided as grants (OECD 2005). In line with OECD/DAC statistics, we focus on these flows.

We distinguish between three main channels of foreign aid (Figure 1).

- **Multilateral aid** (line 1 of the figure) refers to unearmarked contributions to IOs. These flows are reported in Table DAC1a in the OECD/DAC reporting systems. The CRS does not include core contributions, with the exception of some unearmarked membership dues to smaller multilaterals that are not listed in Table DAC1a. The OECD/DAC cannot re-attribute unearmarked aid because their data do not have earmarking indicators.
- **Multi-bi aid** (lines 2−3) refers to earmarked contributions to IOs. The OECD defines earmarked funding as "resources channeled through multilateral organizations over which the donor retains some degree of control on decisions regarding disposal of the funds. Such flows can be earmarked for a specific country, project, region, sector or theme" (OECD 2020, 13). We follow this definition but consider that earmarked funds originate from two sources. First are direct contributions from bilateral donors to implementing IOs (line 2), typically received in the form of agency trust funds and donor-specific accounts. Second are contributions from pass-through multilaterals (i.e., GAVI, GEF, or GFATM), established by donor governments and themselves funded by multilateral contributions (line 3).
- **Bilateral aid** (line 4) refers to donor contributions to recipient countries not channeled multilaterally. This includes technical assistance provided by bilateral aid agencies as well as 'bypass aid' through non-governmental organizations (NGOs) (Dietrich 2013).

Because our approach focuses on the IO perspective, we include earmarked contributions from a static set of donors. In addition to the direct earmarked flows of bilateral donors, this includes the (sectorally) earmarked outflows of pass-through multilaterals. Our approach is in line with earmarked funding statistics from IOs but differs from OECD/DAC statistics which capture the perspective of bilateral donors. In the DAC statistics, donor contributions to pass-through multilaterals end up as multilateral aid, even though these multilaterals pass on their resources mainly as earmarked outflows to implementing IOs. As a result, our own estimates of multi-bi aid will be higher than the OECD/DAC figures. They may still differ from IO budget statistics, as IOs may mobilize additional resources from recipient countries, private donors, and own revenues (UN 2022).

Figure 1: Aid allocation channels from a donor perspective



Source: Reinsberg, Michaelowa, and Eichenauer (2015, 536).

3. Component 1: List of organizations and their earmarked funding facilities

Component 1 is a cross-sectional dataset of all international organizations that have received funding from DAC donors in 1990-2020. Building on the OECD/DAC methodology, we assign unique identifiers to each multilateral institution and measure key characteristics of these institutions, using the most recently available information on their official websites. Our dataset considerably extends the OECD/DAC list of ODA-eligible multilateral organizations (Annex 2) by covering the main institutional sub-accounts through which these organizations receive earmarked contributions.

3.1. Classifying multilateral institutions

Before discussing the dataset in more detail, we need to define key terms that informed our coding decisions. We distinguish between three types of multilateral institutions: operational international organizations and pass-through multilaterals—as two distinct types of international organizations—as well as institutional sub-accounts (Figure 2).

International organizations (IOs) can be defined as institutions established by at least three member states, holding regular plenary sessions, and having a permanent organizational structure, such as a secretariat (Rittberger et al. 2019). The requirement for such permanent structure is minimal and therefore includes treaty secretariats. Hence, we distinguish three types of multilateral institutions:

- **Operational IOs** are organizations with implementation capacity. Implementation involves the planning, appraisal, and execution of development projects. This typically requires a centralized bureaucracy with field offices and a professional staff corps. Examples include the UN agencies, multilateral development banks, and regional organizations. All these IOs have international legal personality. Due to their highly centralized organizational structures and long-term standing, operational IOs are the 'legacy organizations' in the multilateral development system.
- **Pass-through IOs** are organizations *without* capacity to implement development projects. While pass-through IOs are independently constituted—often through soft-law agreements—they have minimal support structures. Their secretariats only fulfill certain functions, such as providing policy guidance and issuing calls for proposals. Importantly, pass-through multilaterals rely on operational IOs for implementation of the activities funded.[1]
- **Institutional sub-accounts** are multilateral institutions that are either a sub-entity or a trust fund of an international organization. These multilateral institutions depend on IOs not only for implementation but rely on its financial management and are established under their law. Typically, this legal arrangement precludes the use of others than its hosting parent organization to implement projects.

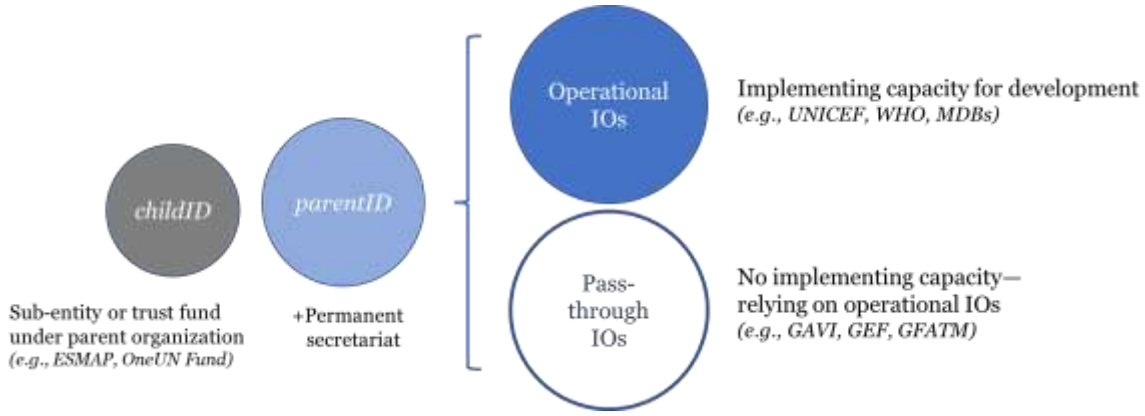
Reflecting this three-pronged typology of multilateral institutions, our dataset distinguishes between parent channels and child channels (Eichenauer and Reinsberg 2014). *Parent channels* are independent from other organizations in that they exist outside the institutional law of a host organization. They can be either operational IOs or pass-through IOs. *Child channels*—tantamount to institutional sub-accounts—are dependent from a host organization and established under their institutional law, which normally precludes the use of any organizations other than the host for program implementation.

Component 1 is a unique list of child channels that are nested within parent channels. To identify child institutions, we browsed the official websites of the associated parent organization and consulted the CRS database to derive inductively the institutions which recorded any donor contributions in the sample period. Because the dataset is organized at the level of child institutions, parent-level codes

[1] To identify pass-through IOs, researchers can use Component 1 of our data and look for entities that are parent-level organizations (*parentID==childID*) and that have no implementing capacity (*opio==0*).

appear multiple times, depending on the associated number of child institutions. All IOs have a parent-level channelcode because they are established by at least three sovereign members and have a permanent organizational structure. To distinguish both types of organizations, we code an additional variable for operational IOs, as shown below in the list of variables.

Figure 2: Taxonomy of multilateral institutions



Source: adapted from Eichenauer and Reinsberg (2014, 14). The left-hand side shows the coding hierarchy, which distinguishes between child institutions (*childID*) and parent organizations (*parentID*). Conceptually, these correspond to institutional sub-accounts and respectively pass-through IOs or operational IOs.

3.2. Variables

Component 1 includes several variables that go beyond the information included in the OECD/DAC list. An important function of these variables is to help inform systematic decisions about the stringency of earmarking at the activity level. The Excel version of the dataset provides hyperlinks to the official websites of all institutions. We also use hyperlinks to references key coding decisions, for example the year of establishment. We collect two types of variables, each corresponding to the type of multilateral institution. Parent-level variables apply to parent organizations and therefore do not vary across the child institutions belonging to a given parent organization. Child-level variables provide specific information on a given child institution, and therefore vary across the child institutions subsumed under a given parent organization. While most variables are the same as in the original multi-bi aid dataset (Eichenauer and Reinsberg 2017), we introduce additional variables.

Variables at the *parentID* level

Parent organization *parentID* (5-digit code): Any multilateral organization with permanent secretariat and at least three donors in a Board.

Child institution *childID* (5-digit code): De-facto affiliated institution that solely relies on the implementing capacity of the parent organization. Without a child institution being specified, *childID* equals *parentID*.

Acronym *acronym* (short string): Acronym of the parent organization.

Full name *name* (string): Full name of the parent organization.

Operational IO *opio* (binary variable): *parentID* with implementing capacity (*opio*=0 for pass-through IOs and *opio=1* for operational IOs).

Year of establishment *yestab_w* (4-digit number): Year of establishment of the parent organization, based on information on the official website (or other sources if website entails no information).

End year *yeend_w* (4-digit number): End year of operations, if applicable, based on website information (or other sources).

All-purpose organization *allpurpose* (binary variable): Organization covers several main sectors of ODA (equivalent to *parentSector*=998).

Sector *parentSector* (3-digit OECD code): Sector(s), separated by commas, that circumscribe the mandate of an organization. Information on actual contributions (from the CRS database) were considered in preparing this list. For example, *parentSector*=111 indicates an organization that only addresses "primary education".

Global organization *global* (binary variable): Organization has global mandate (equivalent to *parentRegion*=9998).

Geographical mandate *parentRegion* (OECD code up to four digits): Most general *recipientcode* that circumscribes the geographical scope of the parent organization. For example, *parentRegion*=625 for an aid institution that only operates in Afghanistan. OECD/DAC now uses 9998 for global IOs (formerly 998).

CRS donor *crsDonor* (binary variable): Is the parent organization a reporting donor in the CRS database?

COW IGO code *io_num* (number): COW IGO code corresponding to the parentID, to facilitate merging with the COW IGO dataset

Please note that parent-level variables are missing by default if an entity is a child-level institution.

Variables at the *childID* level

Year of establishment *yestab_child_w* (four-digit number): Year of establishment of the child institution, based on information from host IO websites (or other pertinent websites).

End year *yeend_child_w* (four-digit number): End year of operations, if applicable, based on information on relevant websites.

Year of first contribution *year_first* (four-digit number): Year of first contribution in the CRS database from any donor in 1990-2020.

Sub-division of parent organization *sub* (binary variable): *sub*=1 if *childID* is a sub-division of *parentID*; if *sub*=0 (and *childID* differs from *parentID*), the child institution may be a trust fund, or a named program housed at the parent organization. This variable helps to characterize the type of institutional sub-account.

Trust fund under parent organization *tf* (binary variable): Institution associated with *childID* is a trust fund housed at the parent organization; trust funds being managed by a specified sub-division also have *sub*=1.

Single-donor trust fund *sdtf* (binary variable): *sdtf*=0 if specified child institution is a multi-donor trust fund, otherwise *sdtf*=1.

Child-institution sector *childSector* (3-digit OECD code): Sector(s), separated by commas, that circumscribe the mandate of the institution associated with *childID*.

Child-institution region *childRegion* (OECD code up to 4 digits): Most general *recipientcode* that circumscribes the geographical scope of the institution associated with *childID*. OECD/DAC now uses 9998 for global IOs (formerly 998).

MPTFO *mptfo* (binary variable): Institution under the reporting of the Multi-Partner Trust Fund Office.

Previously listed on Annex 2 *annex*2 (binary variable): *annex*2=1 if child institution is listed on Annex 2 (version April 2021). OECD/DAC introduced the institutional hierarchy (parentID and childID) only after the first version of the multi-bi aid dataset, which is why *annex2* was a parent-level variable in the previous dataset.

Links *link1/link2* (string): Relevant hyperlinks for additional information on the child institution.

Please note that child-level variables are missing when an entity is a parent-level institution.

4. Component 2: Earmarked aid activities in the multilateral system

Component 2 is an activity-level database of earmarked activities by donors with operational IOs.[2] It extends the CRS on which it is based in at least two ways: tracking under-reported earmarked aid activities and assessing the stringency of earmarking (Eichenauer and Reinsberg 2014).

- **Tracking under-reported earmarked aid activities**: Especially in earlier years, the CRS misses earmarked aid activities because donors did not specify implementing channels. Through a machine-assisted keyword search and manual coding, we identified such under-reported earmarked aid activities. This also has the advantage of increasing reporting consistency, given that donors may use different channelcodes for the same organization.
- **Assessing the stringency of earmarking:** Closing a major gap in the CRS data, the original multi-bi aid dataset assesses the stringency of earmarking with respect to IO mandates in three dimensions and based on project descriptions. In our data, we draw on CRS information on aid types to assess earmarking stringency, as donors have reported this information more systematically, while using manual coding of project descriptions in a complementary fashion where aid type information are unavailable. In addition, we assess whether there is earmarking within institutional sub-accounts—a unique feature of the updated data.

4.1. Tracking under-reported earmarked aid activities

With increasing coverage of channelcode reporting, identifying under-reported earmarked aid activities has become somewhat less important. However, donors still report the same activities in different ways, leading to inconsistencies. The Global Agriculture and Food Security Partnership (GAFSP) provides a case in point. Some donors record their contributions as earmarked aid to the World Bank (*channelcode*=44000), while others report contributions as if they support an independent multilateral institution (*channelcode*=47000). As a result, we have no adequate picture of donor contributions to this initiative, which is difficult for donors to pin down conceptually. While the World Bank provides secretariat services, the GAFSP can be seen as politically independent because it can undertake its own allocation decisions that involve implementers beyond the World Bank, such as regional development banks. Therefore, it seems incorrect to subsume the GAFSP under the institutional auspices of the World Bank. Our data consistently code the GAFSP as an independent multilateral channel (*parentID*=47208).

These choices are consequential for at least two reasons. First, they affect conclusions about the amount of earmarked funding for different institutions. Associating contributions to quasi-independent multilaterals to the World Bank likely inflates the total earmarked budget reported for the World Bank, even though doing so is understandable in the absence of detailed information on the implementing IOs. Second, these choices affect conclusions about the stringency of earmarking. Form a World Bank perspective, GAFSP contributions are contributions earmarked for disaster risk reduction. From a GAFSP perspective, such contributions are unearmarked, unless the donor specifies sub-sectors.

4.2. The stringency of earmarking

A key advantage of the Earmarked Funding Dataset is to allow for capturing the stringency of earmarking at two levels. Earmarking can occur at the parent level, for example when a donor pays into a trust fund that supports certain parts of the overall IO mandate. Earmarking can also occur at the child level, for example when donor earmarks within a trust fund so that its contribution cannot support the full range of programmatic activities of the trust fund.

[2] Donors are governments, the EU, and reporting pass-through IOs, detailed further below.

4.3. Earmarking at the parent level

We track the stringency of earmarking across three dimensions. In each of these, activities can be strictly earmarked, softly earmarked, or not earmarked.

- **Thematic earmarking** indicates the (sub-)sector focus of an activity. No earmarking exists when the contribution can be used to support any activity within the IO mandate (*thm*=0 and *prj*=0 in the dataset). An activity is softly earmarked if it supports a broadly defined theme that is a subset of the overall mandate of the IO (*thm*=1 and *prj*=0). An activity is strictly earmarked if it supports a narrowly defined theme, typically in the form of a distinct project (*thm*=0 and *prj*=1). Note that *thm*=1 and *prj*=1 cannot hold at the same time.
- **Geographic earmarking** limits the geographic scope of an activity within the IO mandate. For example, for a global IO, an activity in a specific world region is softly earmarked (*reg=1*). A country-specific activity is strictly earmarked (*cty*=1). No earmarking exists when the geographical scope of a contribution exactly matches the IO mandate (*reg*=0 and *cty*=0). Note that *reg*=1 and *cty*=1 cannot hold at the same time.
- **Institutional earmarking** refers to donor restrictions that restrict IO autonomy in other ways. Soft forms of earmarking include that funds are directed to specific institutional units (*inst*=1), or specific institutional actors within the organization (*staffco*=1). Strictly earmarked activities involve bilateral secondment of donor staff into the IO administration (*staffbi*=1). Different types of institutional earmarking are not mutually exclusive, for instance if staff is seconded to a specific unit rather than the overall IO.

Table 1 shows the various ways in which globally operating general-purpose IOs may be earmarked. To combine the earmarking levels from different dimensions, we could simply add the number of earmarkers, as suggested in previous work (Eichenauer and Reinsberg 2014). Such an index of earmarking stringency would range from 1 (soft earmarking in one dimension) to 7 (extensive earmarking in all three dimensions). Of course, researchers may also aggregate individual earmarkers in different ways or use disaggregated data.

Table 1: Assessing the stringency of earmarking: an example of a global IO

Earmarking dimension	*Earmarking levels*
Geographic earmarking	0: Global scope
	1: If to a specific region
	2: If to a specific country
Thematic earmarking	0: No theme allotted
	1: If for a broad area of intervention
	2: If for a narrow area of intervention
Institutional earmarking	*Meso-level*
	0: No provision
	1: If for an organizational unit
	Micro-level
	0: No provision
	1: If for a specific institutional actor
	2: If involving staff secondment

Note: The total level of earmarking stringency is cumulative across all (sub-)dimensions, up to a maximum of seven points. Within each (sub-)dimension, earmarking levels are mutually exclusive.

Any activity that limits IO discretion in one of the above dimensions is earmarked. In the 'multi-bi aid dataset', earmarking could only be inferred from project descriptions given that no other variables were available (with the potential exception of aid types where this variable was indeed non-missing). This rendered assessments of earmarking stringency relatively subjective. The updated multi-bi aid dataset

draws on several sources of information to identify earmarking stringency, including aid type, aid geography, and project descriptions.

First, to assess the extent to which activities are thematically earmarked, we draw primarily on the CRS variable *aid type*. This variable explicitly distinguishes between core-like contributions (B02), and "funds managed autonomously by international organizations" (B03), which must be pooled funding mechanisms in order to fall into this category.[3] Where the donor retains control over the design of individual projects, donors should use the project-specific activity category (C01). The distinction between B03 and C01 is helpful in adjudicating whether an activity is strictly earmarked (C01), as opposed to softly earmarked (B03), although B03 may also include single-donor trust funds which may earmark restrictively (Reinsberg, Michaelowa, and Knack 2017). We only change this if the project description provides strong evidence against this interpretation. There are other aid types that do not allow for strong conclusions regarding the stringency of earmarking. In particular, donors may second their own staff to undertake activities within IOs (D01), provide other forms of technical assistance (D02), and support activities to raise development awareness (H01). Since it is *a priori* difficult to judge the extent of earmarking in all three dimensions based on this information, we review these activities manually.

Second, to assess the extent to which activities are geographically earmarked, we consider information in the variables *recipientcode, geography*, and the project description. In case of inconsistent information, we give priority to the project description, assuming that it describes the geographic scope of an activity the most accurately. This is plausible because donors occasionally seem to put *recipientcode*=9998 despite evidence of narrower aid geography.

Third, to assess the extent to which activities are institutionally earmarked, we perform a key word search for known institutional sub-accounts but also look for generic descriptors of organizational units. Staff secondment from bilateral aid agencies can be inferred from *aid type* (D01), complemented by key word search in the project description. We infer generic staff support, which seeks to build the capacity of specific institutional actors without bilateral secondment, from key word searches.

4.4. Earmarking at the child level

As many IOs have created larger multi-donor trust funds, incentives for donors to earmark within these earmarked funding facilities have increased. The Earmarked Funding Database is the first to make an attempt to capture the extent of such 'sub-earmarking'.

We can currently identify sub-earmarking across the thematic dimension and the geographic dimension. To that end, we rely on a fully algorithmic procedure that leverages the information in Component 1. The idea is to compare the actual focus of an earmarked activity against its potential focus enshrined in its administrative agreement and reflected in the totality of received contributions. For example, it a trust fund (which might sit within a general-purpose IO) could in principle support energy generation, but an activity only supports battery cell production, this activity would be thematically sub-earmarked (*emTHM*=1). Similarly, if the trust fund is for Africa, but the donor preferences contributions for the riparian states of the Great Lakes, these contributions are geographically sub-earmarked (*emGEO*=1). Hence, we can capture dichotomously whether sub-earmarking exists along these two dimensions.

The same approach could be used to identify earmarking at the parent level. However, we advise against this, because our earmarking indicators (introduced earlier) capture the stringency of earmarking in a more fine-grained way than a simple binary indicator could do. Moreover, the indicators obtained from

[3] We keep these unearmarked contributions because they are the only source of data for such contributions for operational IOs that are not explicitly shown in DAC1a. For analyses of earmarked funding stringency, however, we advise to drop these unearmarked contributions.

this algorithmic approach only cover two earmarking dimensions and will not have been manually verified against potential coding errors.

4.5. Variables

We provide a list of all variables included in Component 2. These include select variables from the CRS dataset, including donor information (*donorcode*, *agencycode*, and country abbreviation), recipient-related information (*recipientcode, flowcode, incomegroupcode*), project information (*projectnumber*, titles and descriptions, *sectorcode, purposecode*, aid type, commitment amount, disbursement amount, *geography*) and channel information (*channelcode, channelname, channelreportedname*). In addition, we collect our own variables, listed below.

Parent organization *parentID* (5-digit code): Equals *parentID* from Component 1, based on successful identification of the institution, otherwise missing. Where we can exactly identify IOs, we avoid using generic codes (even if those are reported by donors in *channelcode*). This is important because we cannot assess the stringency of earmarking for a generic channelcode.

Child institution *childID* (5-digit code): Equals *childID* from Component 1, based on successful identification of the institution, otherwise jointly missing with *parentID*.

Thematic earmark *thm** (binary variable): *thm*=1 if donor specifies a broad theme within the overall portfolio of activities of the parent organization, i.e., "improvement of infrastructure" (World Bank), "minorities protection" (International Organization for Migration); but *thm*=0 for "Mine clearance through UNMAS" (UNMAS has its own *parentID*). For earmarking variables to be defined, the *parentID* must be a specific identifiable IO.

Project earmark *prj** (binary variable): *prj*=1 if donor specifies a precise project (a clearly identifiable intervention) at the parent organization, e.g., "to revise the earlier UNCHS manual on solid waste vehicle and equipment" (UNCHS), "building the basis for a state statistical system".

Regional earmark *reg** (binary variable): *reg*=1 if donor specifies a region within the mandate of a global IO, e.g., "ICT4D in Sub-Sahara Africa" (ITC); for regional IOs, *reg*=1 if the donor specifies a sub-region, e.g. "Middle East" (EBRD), given that this IO can assist both the Middle East and Eastern Europe; departing from the original multi-bi aid database, we code *reg*=0 (and *cty*=1 instead) if the donor gives a list of 'priority' countries (typically in the CRS variable *geography*) in which the activity takes place.

Country earmark *cty** (binary variable): *cty*=1 if donor specifies a country within the mandate of the parent organization, e.g., "UNDP electoral assistance in Sudan", but *cty*=0 for a general contribution to the 3MDG fund.

Institutional earmark *inst** (binary variable): *inst*=1 if donor specifies a sub-entity of a parent organization, e.g., "support to UN Crime Prevention Center (UNODC)", "expert to the Global Water unit" (World Bank); "UNESCO Institute for Statistics" (there is a separate *childID* for this institute due to its frequent use, while *parentID* is UNESCO).

Bilateral staff exchange *staffbi** (binary variable): *staffbi*=1 if the donor sends its own personnel to the program, e.g., "Junior Professional Officer (JPO)", "Associate Expert Program", "funding for secondment at the UNESCO Institute of Statistics"; hand-coding assisted by key word search on "secondment", "JPO", and similar items.

Other staff support *staffco** (binary variable): *staffco*=1 for donor support to an existing position untied to nationality (e.g., "office of the Secretary-General", "ombudsmen", "tax exemption for employees"); demand for consultancy from the organization (e.g., "consultancies", "Globalkredit Sachverständige", "to support consultancy costs for the UN initiative...").

While the above variables provide the best-available basis to derive measures of the stringency of earmarking at the parent level, we code additional variables based on different approaches. The *em* and *unem* variables are based on donor descriptions. They are of limited value because donors may indicate earmarking at different levels (either the *parentID* or the *childID*). Moreover, donors do not indicate systematically whether their activities are (un)earmarked. An alternative is to code earmarking algorithmically by leveraging information from Component 1. We construct four binary earmarking variables indicating earmarking at the parent level and the child level.

Earmarked contribution *em** (binary variable): *em*=1 if donor explicitly states that the activity is earmarked, e.g., "contribution affectée", "specified activities in humanitarian action", "earmarked contribution to CGIAR"; hand-coding assisted by key word search in several languages.

Unearmarked contribution *unem** (binary variable): *unem*=1 if donor explicitly states that the activity is uneamarked, e.g., "World Food Program - core funding", but also, "unearmarked contribution to ILO-IPEC program" (even though *thm*=1); hand-coding assisted by key word search in several languages.

Parent earmarking into theme *emPTHM** (binary variable): *emPTHM*=1 if the activity has a *sectorcode* that is a subset of—or is strictly smaller than—the *parentSector* in Component 1, which proxies for the overall IO mandate; if this condition is fulfilled, we identify thematic earmarking because the activity narrows the discretion of the implementing IO in terms of its mandate. For example, if an IO could support sectors 111, 112, and 113, then an activity with *sectorcode*=111 is thematically earmarked; similarly, if an IO has *parentSector*=998, then an activity with *sectorcode*=151 is earmarked.

Parent earmarking into geography *emPGEO** (binary variable): *emPGEO*=1 if the activity has a *recipientcode* that is a subset of—or is strictly smaller than—the *parentRegion* in Component 1, which proxies for the IO's overall geographical scope; if this condition is fulfilled, we identify geographic earmarking because the activity narrows the IO's discretion in terms of its mandate. For example, if an IO could support any country (*parentRegion*=9998), an activity with *recipientcode*=89 is geographically earmarked.

Child earmarking into theme *emTHM** (binary variable): *emTHM*=1 if the activity has a *sectorcode* that is a subset of—or is strictly smaller than—the *childSector* in Component 1, which proxies for the overall thematic mandate of the sub-account; we identify thematic earmarking because the activity narrows the discretion in the use of funds allocated to the sub-account. For example, if a TF within the UN could support 111, 112, and 113, then an activity with *sectorcode*=111 is thematically earmarked at the child level.

Child earmarking into geography *emGEO** (binary variable): *emGEO*=1 if the activity has a *recipientcode* that is a subset of—or is strictly smaller than—the *childRegion* in Component 1, which proxies for the overall geographical scope of the sub-account; we identify geographic earmarking because the activity narrows the discretion in the use of funds allocated to the sub-account. For example, if a TF within the UN could support Africa (*childRegion*=298), then an activity for recipients around the Lake Victoria would be geographically earmarked at the child level.

The following variables were created to further characterize the institution form of donor contribution and the type of aid activity:

Trust fund *tf** (binary variable): *tf*=0 if no explicit reference to a trust fund (not necessarily listed under Component 1); *tf*=1 for explicitly mentioned SDTFs and MDTFs (e.g., "UNIDO IDF", "ARTF", "ESMAP TF"); *tf*=1 also for partnership agreements (see also, *sdtf*=1).

Single-donor trust fund *sdtf** (binary variable): Missing if *tf*=0; for *tf*=1, *sdtf*=1 if SDTF explicitly mentioned or for a partnership agreement between the donor and the IO, otherwise *sdtf*=0.

Humanitarian activity *hum* (binary variable): *hum*=1 for humanitarian interventions, e.g., "UN/APP Ethiopia Drought", "UN Flash Appeal Pakistan Floods". We identify this based on *sectorcode*==720 and manual verification.

Response to UN call *r*2*c* (binary variable): *r*2*c*=1 if donor contributed to an appeal, e.g., "Flash Appeal Pakistan Floods"; hand- coded variable assisted by key word search for "CAP" and "appeal".

Evaluation *ev** binary variable: *ev*=0 for operational activities (unless the only mandate of the agency is to do evaluations); *ev*=1 for evaluation activities (e.g., "evaluation of water irrigation project"), hand-coding partly assisted by key word search on "evaluation" or "assessment".

Capacity building *cap* (binary variable): *cap*=1 if donor supports institutional capacity of the multilateral institution (typically a partnership), but not institutional capacity building for the ultimate beneficiary; key word search and manual validation; key words: "capacity", "instit*strength*".

Co-financing *cof* (binary variable): *cof*=1 if donor supports an existing project for which the parent organization employs its own resources; key word search and manual validation; key words: "co-financing".

Conference *conf* (binary variable): *conf*=1 if donor supports workshops at IOs; key word search and manual validation; Key words: "workshop", "conference", "seminar", "curso", "roundtable", "debate", "meeting".

Recipient-country delegation *deleg* (binary variable): *deleg*=1 if donor assumes expenses related to participation of delegations at multilateral conferences; key word search and manual validation; key words: "representative", "particip*", "travel cost", "travel expen*", "deleg*".

Report *rep* (binary variable): *rep*=1 if donor support knowledge function of multilaterals through the preparation of reports; key word search and manual validation; key words: "report", "study", "human development report", "world dev* rep*" (and other pertinent publications).

Verification *verf* (binary variable): *verf*=1 for verification missions and other activities aimed at providing "evidence of impact"; key word search and manual validation; key words: "verif*", "audit".

Mission *mis* (binary variable): *mis*=1 if activity involves donor participation in a field mission; key word search on selected channel institutions, manual validation. key words: "mission", "observat*", "election", "police train*".

Window under a trust fund *wdw* (binary variable): *wdw*=1 if donor only contributes to a specific window in a larger programmatic trust fund (e.g., "private sector window of GFASP"); key word search and manual validation; key words: "window", "track" and known windows at TFs.

UN volunteers *unv* (binary variable): Always coded *channel*2=41135 and *channel*1 the receiving institution in the UN system (hence, *channel*1=*parentID*); key word search and use of channel information.

Variables with an asterisk are only coded when *parentID* and *childID* are not empty. For some variables, we used a pattern-matching algorithm *strmatch* in `Stata`, which allows searches with placeholders.

5. Component 3: Earmarked aid from a bilateral donor perspective

Component 3 is a donor-year dataset of earmarked contributions. This level of analysis is suitable for analyses of aid allocation decisions, which require repeated cross-sectional observations for donors. A key benefit of using our data compared to possible alternatives is to have longer time-series data on earmarked funding. Furthermore, because our earmarked aid figures include the pro-rata earmarked outflows of pass-through IOs, they better capture underlying motivations by donors to enhance their control over implementing organizations.

5.1. Approach

We follow three key steps to generate this component of the database.

- **Clean database from unearmarked activities**: Donors occasionally record unearmarked contributions such as membership dues to smaller IOs in the CRS database (typically identifiable via aid type equaling B01). Assuming that these amounts are not reported in the DAC1a table, we need to apportion these contributions to other multilateral aid in aggregate figures. To identify unearmarked contributions, we require that all earmarking variables are zero (*thm=prj=reg=cty=inst=staffco=staffbi*=0).
- **Aggregate earmarked flows by all reporting donors**: Using all activities that are earmarked in at least one dimension, we collapse all earmarked flows from reporting donors, which include DAC members and the reporting pass-through IOs. Because the pass-through IOs appear as donors in their own right in this step, the data would present earmarked flows as they would appear in OECD/DAC statistics (*mbi_bi*). It is still preferrable to use our data here as we have removed some coding inconsistencies.
- **Repatriating earmarked outflows of pass-through IOs**: Because we argue that the earmarked aid of DAC members should also include the earmarked outflows from pass-through IOs, we need to combine information on these outflows with the shares of DAC members held in these multilaterals.[4] While the former information comes from the Earmarked Funding Dataset, we draw donor shareholdings from the official websites of these multilaterals. We use the shareholding percentages for each DAC member, calculated by dividing the amount that a member paid in a given replenishment round by the total size of the replenishment. DAC members are the main donors of pass-through IOs, but they are not the only donors. We then multiply the earmarked pass-through outflows with the contribution shares from DAC members to obtain the pro-rata amount of earmarked funding of DAC members that is indirectly routed to operational IOs via pass-through multilaterals (*mbi_rep*).[5]

The choice of pass-through IOs for repatriation warrants further discussion. Repatriation requires two pieces of information—earmarked outflows of pass-through IOs *and* multilateral inflows into these pass-through IOs from DAC donors. There are only few IOs that meet both criteria. First, pass-through IOs that report (earmarked) outflows include the Global Environmental Facility (GEF) (2001-20), the Global Fund (2003-20), the GAVI Alliance (2007-20), the Nordic Development Fund (NDF) (2009-20), the Climate Investment Funds (CIFs), the Adaptation Fund (AF), and the Green Climate Fund

[4] Compared to the multi-bi aid dataset (Eichenauer and Reinsberg 2017), we no longer repatriate EU outflows for three reasons. First, the EU has now a fully integrated budget, co-decided by the European Parliament, and has further bolstered its implementation capacity. Second, it is a regional IO and as such we would inflate repatriated flows for EU member states, relative to non-EU donor governments. Third, the EU uses operational IOs much less than the three pass-through IOs.

[5] We use a dynamic set of pass-through IOs for which earmarked aid outflows to operational IOs are repatriated to the shareholding donors. In other words, we repatriate flows from pass-through IO to their shareholding donors as soon as they report outflows in the CRS data and if shareholding data are available to allow for repatriation.

(GCF) (2013-20).[6] Second, we draw information on multilateral inflows from the official websites of pass-through IOs and from the CRS table on the use of the multilateral system where no data are available on fund websites. For GAVI, GEF, and the Global Fund, replenishment data are available on their websites, our first go-to source. For AF, CIFs, GCF, and NDF, we use the CRS data.[7]

It is now up to the researcher to use the earmarked aid flows that best suit their research question. For most applications, we suspect that the combined earmarked aid flows are the most appropriate choice (*mbi=mbi_bi+mbi_rep*). Where researchers use this concept of 'multi-bi aid', the relevant aggregates for the remaining aid channels need to be adjusted in order to avoid double-counting. As a service to the research community, our dataset includes the amounts of bilateral aid and multilateral aid adjusted for the relevant flows of earmarked funding that should no longer be included in these aggregates. Specifically, bilateral aid should exclude the earmarked funds that a given donor directly delegates to operational IOs. Multilateral aid should exclude the donor-repatriated earmarked outflows of pass-through IOs.

5.2. Variables

Donor *abbreviation* iso3 (3-letter string)

Year *year* (4-digit number)

Multi-bi aid commitment *mbi_bi* (float number): Multi-bi aid commitments (via direct delegation to operational IOs)

Multi-bi aid disbursement *mbi_bid* (float number): Multi-bi aid disbursements (via direct delegation to operational IOs)

Repatriated multi-bi aid *mbi_rep* (float number): Pro-rata multi-bi outflows from pass-through multilaterals repatriated to donor

Bilateral aid *bi* (float number): Bilateral aid commitments, adjusted for multi-bi aid (*mbi_bi*), based on originally reported data in DAC1a

Multilateral aid *ml* (float number): Multilateral aid commitments, adjusted for repatriated multi-bi aid to pass-through multilaterals (*mbi_rep*), based on originally reported data in DAC1a. These flows also include any other multilateral commitments flagged as core funding in the CRS data but not otherwise reported in DAC1a (thereby correcting reporting errors on the part of donors)

[6] We disregard pass-through IOs under UN governance, such as the Central Emergency Response Fund and the UN Peacebuilding Fund, even if they started reporting outflows through the CRS dataset.

[7] As contribution data were patchy for the CIFs and the NDF, we used average donor contribution shares. For AF and GCF, we used the same year on contributions as for the outflows.

6. Component 4: Earmarked funding from a multilateral agency perspective

Component 4 is an IO-year dataset which records the earmarked contributions from all DAC members and reporting pass-through multilaterals to these IOs in 1990-2020. The panel is unbalanced as some IOs did not receive any contributions in certain years.

6.1. Approach

We obtain the Component 4 dataset in three steps.

- **Parent-level channelcode adjustment**: Some organizations have two parent-level channelcodes. These duplicate entries are not useful for analytical purposes and must first be combined. The list of IOs with two parentcodes includes the International Atomic Energy Agency (IAEA), the International Labor Organization (ILO), the World Health Organization (WHO), and the UN Peacebuilding Fund. We also consolidate concessional funding windows that so far have their own code (but that donors do not appear to use consistently) under the main IO number. For example, the World Bank (excluding the non-sovereign lending facilities) considers all its trust funds as IBRD/IDA trust funds, even though donors sometimes use a specific parent channel. The same applies to the European Commission, the African Development Bank, and the Asian Development Bank. We keep the private-sector windows and non-grant facilities as separate entities, as they are government by their own boards and have different purposes. These include the European Investment Bank (an independently constituted public development bank) (EIB), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA).
- **Construction of earmarking index:** We create an index measuring the stringency of earmarking at the activity level. For earmarked activities, the index takes a value between 1 and 7. This value represents a weighted count of the number of earmarks in the aid activity.
- **Aggregation to IO-year level:** For each parent-level organization, we aggregate the number of projects, earmarked commitments, and earmarked disbursements in a given year. We also compute these figures disaggregated for the seven unique levels of the earmarking index, for example to show how much earmarked funding an organization received at different levels of earmarking stringency.

6.2. Variables

Parent code *parentID* (five-digit number)

Acronym *acronym* (Short string)

Year *year* (four-digit number): Year in which contributions were made (either commitments or disbursements)

Number *n* (number): Number of earmarked projects

Earmarked commitments *mbi_com* (float number): Earmarked funding commitments received from all DAC members (including the EC) and reporting pass-through IOs (see section on Component 3)

Earmarked disbursements *mbi_dis* (float number): Earmarked funding disbursements received from all DAC members (including EC) and reporting pass-through IOs (see section on Component 3)

Core commitments *core* (float number): Core funding commitments received from all DAC member countries (EC and pass-through IOs do not provide core funding); the data are drawn from the CRS (reporting category “Member’s total use of the multilateral system”—"Core contributions to”) and cover the period 2011-2021

For earmarked flows, the dataset also provides a breakdown across the seven possible levels of earmarking stringency, separately for project numbers, commitments, and disbursements. Table 1 (shown earlier) provides an overview of the different earmarking dimensions and earmarking levels within each dimension. While our proposed weighted-additive earmarking index ranges from 1 to 7, a specific level of earmarking stringency can be due to different combinations of earmarks across the three dimensions. For example, one earmarker indicates soft earmarking in one out of three dimensions.

The variables *{i0, ..., i7}* now gauge the total number of contributions to an IO that fall within a specific level of earmarking stringency. We keep the zero-th category for completeness, reflecting the extent to which donors have included completely unearmarked resources in the CRS data. For analysis of earmarking patterns, however, it should be dropped. Similarly, variables *{mbi0, ..., mbi7}* and *{mbid0, ..., mbid7}* capture the commitments and disbursements, respectively, with these earmarking index values.

7. Key conclusions on earmarked funding

In our concluding chapter, we highlight some key figures from the Earmarked Funding Data. These figures show that earmarked funding has become a significant source of funding and that an increasing portion of such earmarked aid comes from pass-through IOs. We also find evidence of increasing earmarking stringency, with a parallel trend toward less-earmarked contributions at smaller scale.

Figure 3 shows the evolution of earmarked funding, separately for the earmarked aid that bilateral donors directly provide to implementing organizations (black bars) and the earmarked aid that can be attributed to them through their shares in pass-through IOs (grey bars). Two findings stand out. First, earmarked aid has continued to increase over the past decade, albeit more linearly rather than exponentially. In 2020, earmarked aid from all DAC members was $33.0 billion, which is similar to the amount reported in the DAC1 table of about $31.5 billion (thereof $27.1 billion by DAC governments and 4.4$ billion from the European Commission). Second, an increasing portion of earmarked DAC aid comes 'through the backdoor', from major pass-through IOs. In 2020, the earmarked outflows of these institutions that were made possible by DAC replenishments reached $5.4 billion. In this figure, we underestimate the amount of earmarked funding from the pass-through IOs because we disregard their earmarked outflows that could be attributed to non-DAC donors. Moreover, the true amount of indirect multi-bi aid is higher because we do not have earmarked outflows from pass-through IOs that do not report outflows or do not publish data on shareholdings, like the Global Partnership on Education. Our pass-through IOs also do not include inter-agency funds of the UN system, like the Peacebuilding Fund. Future iterations of our data should expand the set of pass-through IOs to obtain more accurate estimates of earmarked funding, which however will require further improvements in reporting coverage.

Figure 3: Evolution of aid channels

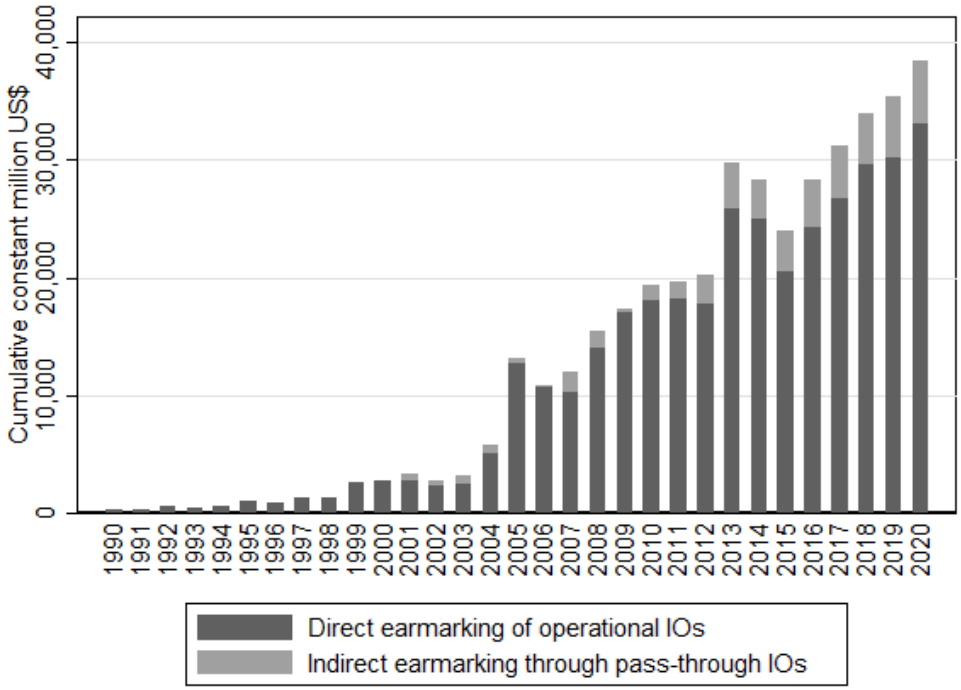


Figure 4 shows the evolution of earmarked funding to the five IOs that received the most earmarked funding in 1990-2020—UN Development Program (UNDP), UN High Commissioner for Refugees (UNHCR), UN Children's Fund (UNICEF), World Bank (excluding IFC), and World Food Program (WFP). Two findings stand out. First, all major IOs increased their earmarked budgets, albeit at different paces and with different trends. While all UN agencies show a clear growth trend, the World Bank

seems to have reduced its intake in earmarked funding. WFP had the largest short-term increase in the past few years, which is explained by exceptional crises such as the Covid-19 pandemic and the global food price crisis. Second, the large year-to-year fluctuations in earmarked funding commitments suggest that earmarked contributions are relatively volatile. This high level of volatility is surprising given that total contributions would be expected to look more stable for such globally-operating multi-sector organizations.

Figure 4: Top-5 IOs in terms of earmarked funding

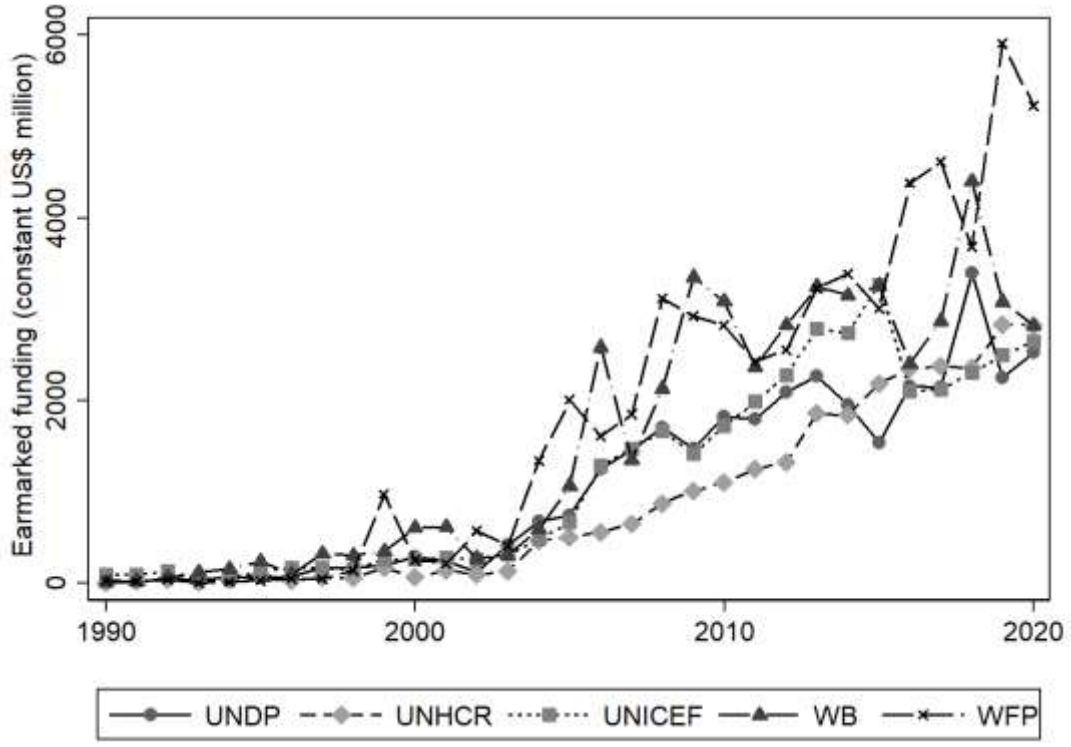
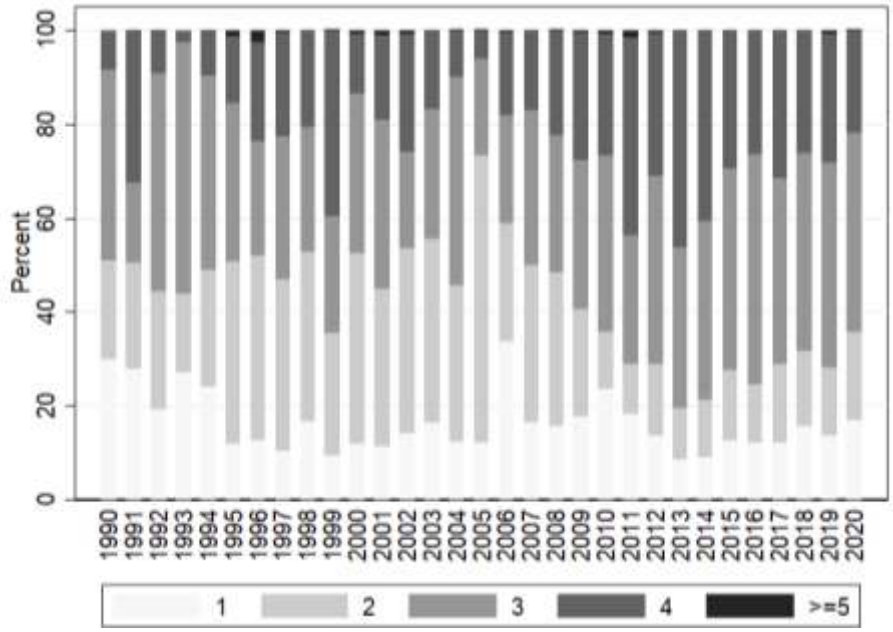


Figure 5 presents the relative breakdown of the total earmarked funding in the entire multilateral system across different levels of earmarking stringency. Three findings stand out. First, the most stringent kinds of earmarking with at least five earmarkers play virtually no role as they cannot be meaningfully plotted in the high resolution of the figure. However, this still means that many activities have four earmarks, like country-specific project-type interventions. Second, the number of earmarkers where most of the funding concentrates differs over distinct periods. For example, in 2009-13, nearly the same amount of earmarked funding went to activities with three earmarks and activities with four earmarks, following a sub-period of progressively stricter earmarking after the phase of (lightly-earmarked) debt relief after the Millennium turn. In 2014-20, the amount of funding with four earmarks has declined relative to the amount with three earmarks, roughly returning to the proportions seen in 1990-99. Third, while the category with three earmarks has expanded in recent years, activities with just one earmark have consistently expanded, too, since their relative low in 2013. This could be interpreted as evidence that efforts to pool earmarked funds in larger thematic facilities have come to bear fruit, although the pace of growth is slow.

Figure 5: Distribution of earmarking stringency



Note: Earmarking stringency ranges from 1 (soft earmarking in one dimension) to 7 (strict earmarking in all three dimensions). The highest three levels are infrequent and have thus been combined in one bin.

These conclusions go beyond what we know from other data sources, notably the CRS data (OECD 2021) and the UN system data (UN 2022). The unique features of our data are twofold. First, we measure the stringency of earmarking systematically for all IOs in the dataset. This has so far been possible only for the UN entities. Second, we make it possible to capture full amount of earmarked resources that donor governments provide (and with the explicit intention to do so) by repatriating to them the earmarked outflows of the three most important pass-through IOs. To accomplish this task, we divvy up these earmarked outflows to bilateral donors according to their replenishment shares in these multilaterals.

Without delving into any calculations, we provide some indication as to how our data will differ from alternative sources. Compared to the CRS data, ours will indicate higher amounts of earmarked funding. This is because we remedy coding errors and count the resources of pass-through IOs as earmarked outflows—at the point of entry to legacy IOs with implementing capacity—not as unearmarked multilateral inflows from bilateral donor governments. For analyses on IO performance, this methodological choice is preferrable. For analyses of donor aid allocation decisions, a focus on multilateral inflows to pass-through IOs may be adequate. Our datasets provide sufficient flexibility for either choice, which is an advantage over the CRS data.

Compared to the UN Data Cube, our data will likely underestimate the amount of earmarked funding. This is because we restrict the set of reporting donors to DAC members, which include governments and the European Commission. However, UN agencies draw on a wider support base, including private donors, recipient countries, and own revenue, for instance from patent licensing.

Ultimately, which dataset is most appropriate depends on the questions that researchers want to answer. However, for a broad range of questions, ours is the most extensive, reliable, and versatile source of data.

References

Barder, Owen, Euan Ritchie, and Andrew Rogerson. 2019. "Contractors or Collectives? Earmarked Funding of Multilaterals, Donor Needs, and Institutional Integrity: The World Bank as a Case Study." *CGD Policy Paper* 153(July). www.cgdev.org.

Baumann, Max-Otto, Erik Lundsgaarde, and Silke Weinlich. 2019. "Shades of Grey: Earmarking in the UN Development System." In *Financing the UN Development System: Time for Hard Choices*, New York: UNDP, 106–9.

Baumann, Max-Otto, and Silke Weinlich. 2020. "Funding the UN: Support or Constraint?" In *Routledge Handbook on the UN and Development Funding the UN Support or Constraint?*, eds. Stephen Browne and Thomas G. Weiss. Taylor & Francis Group, 151–64.

Dietrich, Simone. 2013. "Bypass or Engage? Explaining Donor Delivery Tactics in Foreign Aid Allocation." *International Studies Quarterly* 57(4): 698–712.

Eichenauer, Vera Z., and Bernhard Reinsberg. 2014. *Multi-Bi Aid: Tracking the Evolution of Earmarked Funding to International Development Organizations from 1990 to 2012*. Zurich.

———. 2017. "What Determines Earmarked Funding to International Development Organizations? Evidence from the New Multi-Bi Aid Data." *Review of International Organizations* 12(2): 171–97. http://dx.doi.org/10.1007/s11558-017-9267-2.

OECD. 2005. "Managing Aid: Practices of DAC Member Countries."

———. 2020. *Earmarked Funding to Multilateral Organisations: How Is It Used and What Constitutes Good Practice?* Paris.

———. 2021. "Creditor Reporting System (CRS)." stats.oecd.org (October 20, 2021).

———. 2022. "Official Development Assistance (ODA)." https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm.

Reinsberg, Bernhard. 2016. "The Implications of Multi-Bi Financing on Multilateral Agencies: The Example of the World Bank." In *The Fragmentation of Aid: Concepts, Measurements and Implications for Development Cooperation*, eds. T Mahn, M Negre, and S Klingebiel. Basingstoke: Palgrave Macmillan, 185–98.

———. 2017. *Five Steps to Smarter Multi-Bi Aid: A New Way Forward for Earmarked Finance*. London.

Reinsberg, Bernhard, Katharina Michaelowa, and Stephen Knack. 2017. "Which Donors, Which Funds? Bilateral Donors' Choice of Multilateral Funds at the World Bank." *International Organization* 71(4): 767–802.

Rittberger, Volker, Bernhard Zangl, Andreas Kruck, and Hilke Dijkstra. 2019. *International Organization*. London: Bloomsbury Publishing.

UN-MPTF. 2019. *Financing the UN Development System: Time for Hard Choices*. Uppsala.

UN. 2022. "UN Data Cube." https://unsceb.org/data-standards-united-nations-system-wide-reporting-financial-data (May 1, 2022).

World Bank. 2013. "2012 Trust Fund Annual Report."