Bureaucratic Structure and Compliance with International Agreements

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Abstract

Why do some states comply with international agreements while others flout them? In this paper, I introduce a previously unconsidered explanation: bureaucratic structure. I develop a rational-choice model examining the impact of bureaucratic structure on compliance, suggesting that the existence of several distinct bureaucracies can mute compliance with an international agreement by insulating some bureaucrats from pressure to comply. I examine this theory through newly coded data on a 2001 OECD agreement designed to decrease the percentage of aid that is "tied" to donor-state products and services—a practice that is popular among special interests but which decreases foreign aid's effectiveness. I find that non-development-oriented bureaucracies, such as departments of interior, labor, and energy, were significantly less likely to comply with the agreement than traditional development bureaucracies. This aggregates to the state level as well, where states with many aid agencies were less compliant than states with a streamlined bureaucracy.

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1 Introduction

Recent attacks on international institutions have led some to question their efficacy in guiding state behavior. Many international agreements, in such diverse issue areas as human rights, the environment, trade, and security, provide little in the way of monitoring and enforcement. Yet many states expend resources and effort complying with apparently toothless international agreements. Just as puzzling, many states *fail* to comply with international agreements that they joined voluntarily. It is clear that domestic institutions play a role in state compliance (Von Stein 2016; Cole 2015; Simmons 2009). For example, consolidated democracies are significantly more likely to adhere to their international commitments due to strong domestic institutions (Hathaway 2005, page 520). This is because these institutions empower domestic actors to enforce compliance even when other domestic actors do not wish to comply.

In this paper, I consider the role of an often-ignored institution: the domestic bureaucracy. I argue that a state's bureaucratic structure can impact the relative power of pro-compliance and anti-compliance domestic constituencies. Specifically, the number of discrete bureaucracies that a state empowers to carry out policy impacts the state's compliance with international agreements. This is because siloing of bureaucracies can insulate anti-compliance interests from the effects of an international agreement. Many treaties are neither agreed to nor carried out by national leaders (Simmons 2010), but are instead the realm of bureaucrats. To my knowledge, this is the first paper that considers compliance with international agreements at a domestic bureaucratic level.

I develop a rational choice model outlining how the structure of the bureaucracy can encourage compliance with an international agreement. International agreements increase the resolve of domestic bureaucrats whose reputations and careers depend on compliance. These reputational concerns explain why many states are so compliant with international commitments despite low levels of external enforcement (Honig and Weaver 2019; Simmons 2000). However, reputationally concerned bureaucrats do not act alone: their preferences are aggregated through the bureaucracy itself. I find that the existence of multiple distinct agencies can insulate parts of the bureaucracy from the external shock of the international agreement. This creates a floor effect, in which even very resolved bureaucrats are powerless to change policy in other bureaucracies, over which they have little control. The more fragmented the bureaucracy, the more muted the international agreement's effects, and the less compliant a state will be.

I test these theoretical mechanisms, on two separate levels of analysis, using new data from a 2001 OECD foreign aid agreement. In 2001, 25 states within the OECD Development Assistance Committee (DAC) agreed to restrict aid "tying," a practice in which donors require that foreign aid funds be spent on donor-state products and services. Aid tying can be useful in domestic politics, as it provides an opportunity to offer side payments to domestic constituencies (Easterly and Pfutze 2008). However, it decreases the effectiveness of foreign aid by 15-30% (Clay et al. 2008). Aid tying therefore tends to be popular among exporters but unpopular within the development community. In a 2001 "High-Level Meeting," DAC members agreed to discontinue aid tying to the least-developed countries (LDCs), beginning in 2002. As promised, aid tying to LDCs plummeted from nearly 13% in 2001 to 5% by 2004. However, after a few years of success, rates of aid tying began to creep up, once again hitting 16% by 2010.

To understand why, I employ a novel dataset matching records from OECD meeting minutes to a novel coding of agency-level aid spending data. I find that lack of compliance with the 2001 agreement was disproportionately driven by non-traditional foreign aid bureaucracies. Traditional development-oriented bureaucracies continued to decrease their aid tying well into the 21st century. In contrast, bureaucracies with domestic agendas, such as departments of agriculture, labor ministries, and interior departments, *increased* tied aid to make up the difference.

This bureaucratic variation led to systematic variation in compliance at the state level. A state's pattern of aid tying following the 2001 commitment depends upon the structure of its foreign aid bureaucracy. States with a single development-oriented bureaucracy continued to comply with the agreement. However, states with many bureaucracies were less likely to comply. The global increase in aid tying after 2004 is driven almost entirely by non-traditional foreign aid agencies in states with a fragmented bureaucratic structure.

This phenomenon is not unique to foreign aid. The theory outlined in this paper should be relevant to other types of international agreements, under three conditions. First, multiple agencies are involved in the issue. Second, the international agreement conflicts with special interest preferences.[1] And third, the agreement is difficult to externally monitor and enforce. A clear example is trade agreements, which involve many regulatory agencies tasked with environmental, labor, health, and other standards. Even very strong international organizations, like the WTO and European Union, often struggle with enforcement (Fjelstul and Carrubba 2018; König and Luetgert 2009). Therefore, enforcement of trade agreements often comes down to bureaucracies themselves. For example, Tan (2021) finds that bureaucratic incentives have shaped Chinese domestic actors' WTO adjustment strategies. Special interests can also play a role in investor-state arbitration agreements; Lee (2019) notes the convergence between states and firms in much of this enforcement.

Another applicable area is in environmental treaties, where special interests often promote non-compliance. Indeed, Peterson and Skovgaard (2019) find that the particular bureaucracy charged with climate finance policy can determine a state's behavior. The theory could also be relevant to human rights agreements in cases where special interests have economic ties to sanctioned human-rights abusers. For example, Fariss (2010) shows how non-traditional agencies can skirt human rights sanctions laid out by Congress, and Swedlund (2017a) shows how organizational imperatives can shape bureaucrats' ability to sanction bad behavior.

This work speaks to a long literature on compliance with international agreements. Many

[1] On page 33 of the Appendix I describe some cases in which this assumption may be relaxed.

scholars have noted the clear effects of legislative and judiciary institutions on states' compliance with international commitments of all types.[2] Scholars of international organizations have long debated whether compliance is driven by state capacity (Chayes and Chayes 1993) or strategy (Downs et al. 1996). However, little work has attempted to distinguish between states with similar levels of capacity, such as established democracies with strong judicial systems and well functioning bureaucracies. I find that even internally stable states can vary in their adherence to international commitments, due to differences in their bureaucratic structures.

This work also contributes to literature on bureaucratic politics in foreign policy. Much of that literature uses a single-country perspective to explain bureaucratic infighting and policy choices (e.g. Allison 1969; Zegart 1999). More recent work on foreign policy bureaucracies considers delegation constraints (Arel-Bundock et al. 2015), ability to exercise judgment (Honig 2018), and bureaucratic missions (Peterson and Skovgaard 2019; Swedlund 2017a). Much of this work highlights the role of traditional foreign policy bureaucracies, such as foreign ministries, defense departments, and foreign aid bureaus. However, globalization has witnessed an expansion of foreign policy roles into new types of bureaucracies, such as labor, health, and finance ministries. The impact of these non-traditional agencies remains unclear,

[2]Much of this work falls in the realm of human rights agreements, due to the difficulty of enforcing them through reciprocity and other transnational mechanisms (see Conrad and Ritter 2019; Von Stein 2016; Cole 2015; Lupu 2015; Conrad 2014; Neumayer 2013; Simmons 2009; Powell and Staton 2009; Vreeland 2008; Hafner-Burton and Tsutsui 2007; Landman 2005; Neumayer 2005; Moravcsik 2000). However, scholars have also noted the role of domestic institutions in financial, trade, environmental, and other types of agreements (e.g. Fjelstul and Carrubba 2018; Peritz 2018; Karreth and Tir 2018; Gray 2014; Börzel et al. 2012; Rickard 2010; Leeds et al. 2009; König and Luetgert 2009; Hathaway 2005; Leeds 2003; Tsebelis 2002; Simmons 2000; Chayes and Chayes 1993).

and this paper suggests sources of variation.

In the following sections, I first introduce the case that I will be using to test the theory, a 2001 aid-tying agreement. Next, I describe the theory and formal model and draw two hypotheses regarding bureaucratic structure and compliance with international agreements. I describe the data and methods and, finally, present the statistical results. I find evidence that bureaucracies differ in their adherence to international commitments, which in turn shapes state compliance. I conclude with a consideration of the external validity and limitations of this work and areas for future research and policy.

2 The 2001 DAC Recommendation to Untie Aid

Throughout this paper, I focus on a 2001 agreement among members of the OECD Development Assistance Committee (DAC). The DAC is a working group within the OECD dedicated to cooperation among major foreign aid donors. It is usually chaired by a member of the aid community, appointed by the United States.[3] DAC member states have latitude in selecting their own representatives; most states select career diplomats who are concurrently working as representatives in other OECD committees.[4] The 2001 agreement was negotiated at a senior-level meeting, which included DAC representatives as well as representatives from various aid agencies.

This case is a useful venue to study the question of bureaucratic-level compliance for two reasons. First, the OECD agreement was not binding and required no ratification or enforcement. It is therefore a classic example of so-called soft international law (Hathaway

[3]The DAC Chairman in 2001 was the first non-American chair, but like all chairs, he was approved and chosen by the head of USAID.

[4]In 2001, the only states with dedicated DAC representatives from the aid community were the US, Australia, and Canada (Kammerer 2016).

2005, Abbott and Snidal 2000), and compliance with the agreement is even more puzzling given its voluntary nature. Testing the theory on a form of soft law allows for a hard test of international institutions.

A second advantage of the DAC case is the availability of bureaucracy-level data. While domestic bureaucracies play a role in many areas of foreign policy, foreign aid policy is one of the easiest to measure precisely. Foreign aid data provides a clear delineation of bureaucratic activities and a more direct test of the theoretical mechanisms. Below, I describe the case in further detail and provide summary statistics.

Aid-tying is important to policymakers due to its perceived wastefulness and trade distortions (see, e.g. Jepma 1991). Economists estimate that at least 15-30% of aid money is lost to aid tying (Clay et al. 2008). Aside from the development implications, tied aid is also important for its role as a non-tariff trade barrier (La Chimia and Arrowsmith 2009).[5] The decrease of trade barriers following the implementation of the GATT/WTO led many countries to new, creative means of protecting their domestic industries. One common solution was to "tie" foreign aid by limiting aid contracts to donor-state products and services (Hall 2011; Michaelowa 1997).

As the practice of aid tying became increasingly prevalent throughout the 1960s and 70s, governments began complaining about trade distortions that arose from the practice. In 1991, the OECD negotiated the Helsinki Disciplines, a "gentlemen's agreement" prohibiting tied aid for the wealthiest recipients, beginning an incremental process of untying (OECD 1991). However, aid tying continued to distort trade and decrease the effectiveness of foreign aid. In 1998, the DAC mandated the creation of a set of recommendations for untying aid. In 2001, after three years of intensive negotiations (Carbone 2014), the DAC finally came to a

[5] Indeed, similar to work on non-tariff trade barriers, there may be benign reasons for states to aid. However, following that literature, I make the assumption that at least *some* aid-tying is correlated with special-interest influence (Rickard 2012).

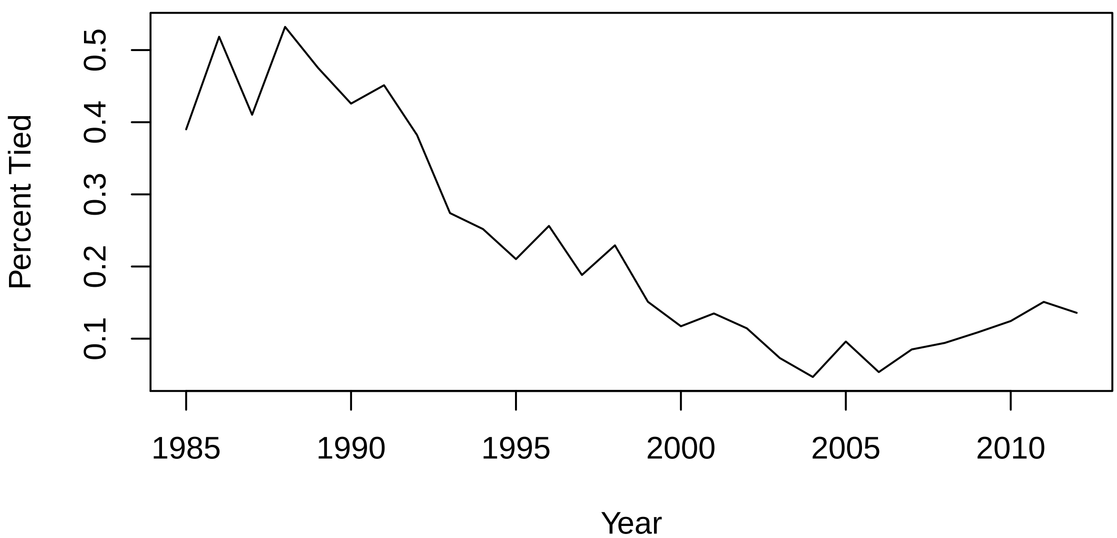
unanimous agreement to untie nearly all foreign aid to the least-developed countries (LDCs) beginning in 2002.[6] Implementation was voluntary, but leaders, and especially development professionals, faced pressure to adhere to their commitments.

Aid tying to LDCs was already on a downward trajectory before the 2001 agreement, and it decreased even more afterward. However, as is clear in Figure 1, the decrease was short-lived. Within a decade, aggregate tied aid was back to its pre-2001 levels. Although states initially complied with the agreement, their behavior quickly reverted. In some ways, this is unsurprising: like all development-related norms (Swedlund 2017b), global expectations around aid tying have shifted over time. Much of this is due to the fact that aid advocates and NGOs moved on to other issues in the late 2000s (Carbone 2014). Also, with the rise of China as a global donor, special interests were able to frame aid tying as an issue of national security and great-power competition, which caught the attention of increasingly populist governments (Thrush 2018).

However, a closer look at the data provides another clue to how pro-tying interests regained control of their countries' aid budgets. Instead of aggregating all DAC members, Figure 2 displays separate trend lines for two types of states. The solid red line tracks aid tying for states with only a single foreign aid bureaucracy, and the dashed blue line tracks the trend for states with more than one bureaucracy. The aid tying trajectories of these two groups began to differ around 2004. At this point, states with more fragmented bureaucracies increased their aid tying, while those with only a single development agency kept aid tying at low levels. A state's ability to continue withstanding interest-group pressure depended on its bureaucratic infrastructure.

[6]The original mandate required that states "untie their ODA to the countries and territories covered by the Recommendation to the greatest extent possible" (page 2).

Figure 1: Mean Percentage of Tied Aid by DAC Members, 1985-2013



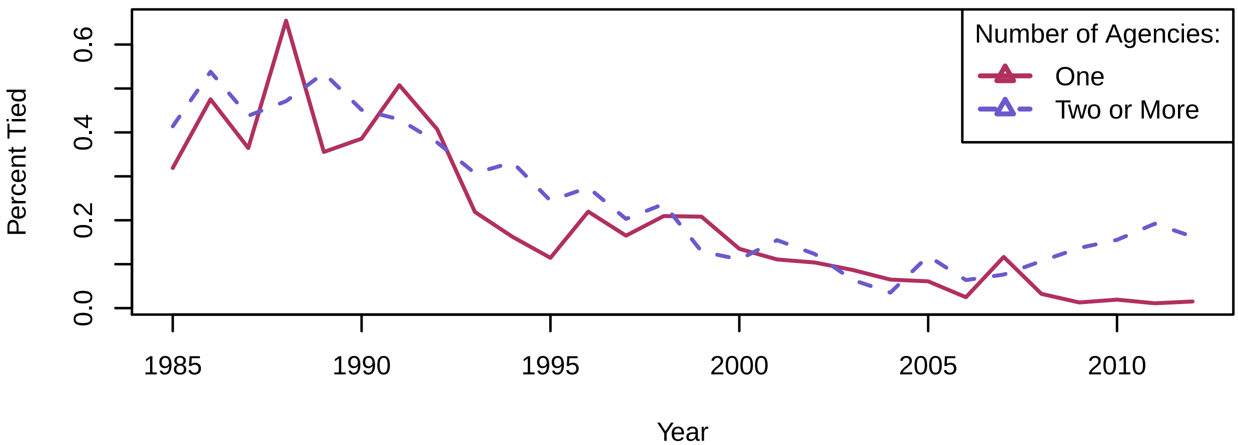
Note: Mean percentage of tied aid to LDCs by major donors. Note the decreases in aid tying following the 1991 Helsinki Disciplines and the 1998 and 2001 OECD DAC agreements. Aid tying decreased after the agreements, but compliance began drifting upward within a few years. Source: AidData.

How do we know that this is due to bureaucracies, and not states or leaders themselves? Figure 3 further disaggregates the data to the bureaucracy level. Not all bureaucracies responded identically to the 2001 agreement. Development-oriented agencies decreased their aid tying and kept it at low levels.[7] In contrast, other agencies, whose mandates often include domestic policies such as agriculture, environment, and health, did not maintain low levels of aid tying. Instead, these agencies appear to be responsible for the increase in tied aid in the years following the 2001 agreement. Special-interest pressure, it appears, gained traction largely through non-traditional aid agencies.

Note that the divergence in bureaucratic behavior did not *immediately* follow the 2001 agreement. Instead, there is evidence of a few years' lag between the international agreement

[7]The Data section and page 32 of the Appendix provide detailed explanations and coding rules for "development-oriented" versus "non-development-oriented" bureaucracies.

Figure 2: Mean Percentage of Tied Aid, 1985-2012, by Number of Agencies



Note: Disaggregated LDC aid tying percentages for states employing one versus many foreign aid bureaucracies. States with only a single aid agency kept LDC aid tying to minimal levels well after the 2001 agreement. In contrast, states with many agencies increased their aid tying in the second half of the decade. Source: Self-coding of AidData.

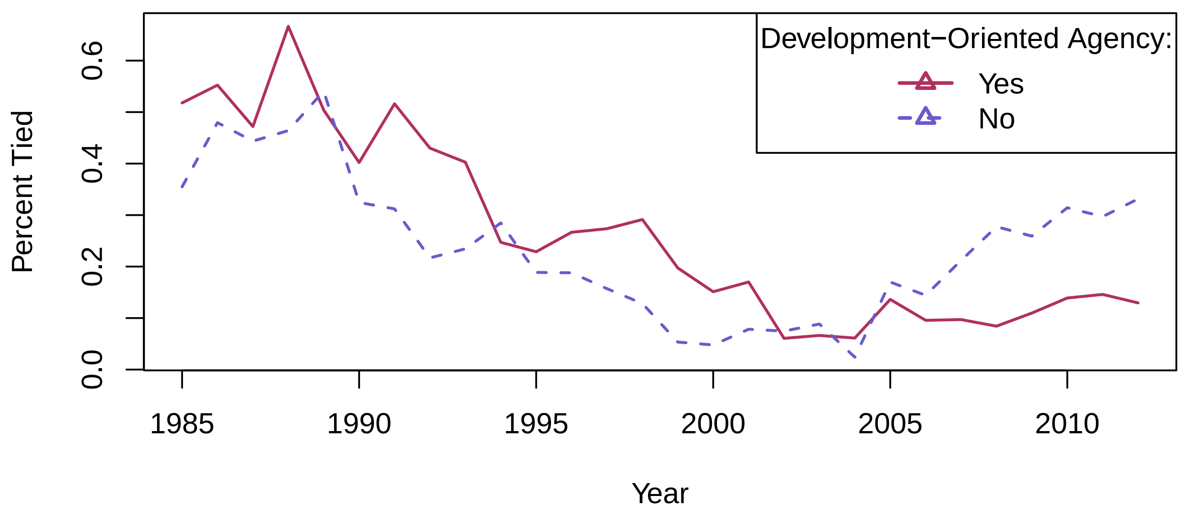
and non-compliance. This lag suggests that pro-aid-tying interests required an adjustment period. While special interests were not initially able to overcome the global momentum working against aid tying, they eventually found a way to tie aid again with new bureaucratic partners. Re-negotiating aid contracts takes time, so the time lag is consistent with a special interest explanation. A better understanding of the phenomenon requires more systematic theory and empirics, which appear below.

3 Theory

While states are often credited with negotiating and signing on to international agreements, the reality is that many on-the-ground decisions come from bureaucracies themselves. This includes decisions that contribute to compliance with international agreements. For example, aid agencies develop contracts, make ultimate funding decisions, and choose project partners. All of these decisions can help determine the on-the-ground realities of foreign aid.

The theory presented in this paper, therefore, is a theory of bureaucratic preferences and behavior. Bureaucratic preferences draw from at least two sources: organizational imperatives and the bureaucrats themselves. The organizational incentives of bureaucracies are

Figure 3: Mean Percentage of Tied Aid, 1985-2012, by Agency Type



Note: Mean percentage of LDC tied aid by major DAC donors' bureaucracies, disaggregated by agency type. Agencies that served as their state's primary aid delivery agency decreased their tied aid following the 1998 and 2001 agreements and remained at low levels, while other agencies' tied aid levels crept up through the late 2000s. Source: Self-coding of AidData.

straightforward. Since before Allison (1969), scholars have known that organizations' standard operating procedures and institutional incentives can drive foreign policy behavior. It should come as no surprise that bureaucracies might follow their organizational imperatives, such as defense agencies prioritizing national defense and development agencies pursuing international development. Past work has already considered how international institutions can work through standard operating procedures of the domestic bureaucracy to shift state behavior (Cortell and Davis 1996). The theory I develop below suggests further micro-mechanisms for this common generalization, but it is consistent with the simple idea that "where you stand depends on where you sit" (Allison 1969, p. 711).

However, bureaucrats themselves can also be powerful forces in shaping foreign policy when they have some policy autonomy. For example, Honig and Weaver (2019) highlight the role of peer pressure among bureaucrats in the decision to increase aid transparency, noting that more independent bureaucracies are the most responsive to global performance indicators. This fits with other work by Honig (2018) that suggests autonomous bureaucrats are more responsive to the needs of aid recipients. Similarly, Arel-Bundock et al. (2015), and Fariss (2010) highlight the variation in limitations that bureaucrats face from political principals.

A bureaucracy-level theory fits with recent work on foreign aid delivery tactics. Dietrich (2021) argues that the decision to bypass the recipient government is driven by preferences baked into bureaucratic organizations; Swedlund (2017a) notes the importance of bureaucratic capability in withholding aid; and Carcelli (2023) finds that bureaucratic missions are correlated with openness to special interests.

Bureaucrats almost certainly vary in their autonomy, and the precise mechanisms leading to bureaucratic behavior varies by state and by bureaucracy. Fortunately, both levels of analysis—the bureaucracy level and the level of bureaucrats themselves—point to the same theoretical predictions. The micromechanisms I develop below refer to a bureaucrat-level theory, but the findings are consistent with a bureaucracy-centric explanation. The truth is almost certainly a combination of the two: when bureaucrats have considerable autonomy, they follow their personal incentives; but when they lack autonomy, organizational imperatives require bureaucracies to respond to international agreements in certain ways.

Below, I develop a rational choice model to derive predictions about the decisions of autonomous bureaucrats. The model involves a few assumptions about bureaucratic behavior. I assume that autonomous bureaucrats have (often diverse) preferences over policy and are willing to pay certain costs to realize their preferred policies. Although other political actors—notably, legislators and executives—hold policy preferences as well, those preferences can become a part of bureaucrats' cost functions. The more resolved an individual bureaucrat is, the more willing he or she will be to pay the costs—including any political costs associated with overriding political principals—to create their preferred policy. This allows me to abstract away from the principal-agent framework that often drives thinking about bureaucracy and consider bureaucrats as independent actors.[8]

3.1 Bureaucratic Motivations: Costs and Benefits of Compliance

Compliance begins with a cost-benefit analysis (Keohane 1984). This is no less true at the sub-state level. Domestic actors will only comply with an agreement if the benefits of complying outweigh the costs. In the decision to tie foreign aid after 2001, policymakers faced a familiar trade-off: they must balance the reputational costs of violating the agreement against pressure from domestic interests to continue tying aid. Crucially, domestic actors, such as bureaucrats, vary in the costs they pay and benefits they enjoy from compliance.

In short, the bureaucrats paying the *costs* of treaty compliance are often not the same ones who reap the *benefits*. In aid tying, the actors benefiting from compliance are often bureaucrats working in aid agencies, whose professional reputations require a commitment to development and international cooperation.[9] The practice of aid tying creates costs for these bureaucrats. Breaking an international agreement to untie aid makes a state seem less trustworthy on a global level. This can be harmful to sub-state actors who value reputation.

However, a state's "reputation" is not a monolith. Reputation costs are most important to domestic actors with a stake in the policy in question—in this case, international

[8]Examples of principal-agent theories of bureaucracy include seminal works by Kiewiet and McCubbins (1991), as well as more recent work by scholars like Miller and Whitford (2016) and Potter (2019). While these scholars provide excellent descriptions of interbranch relations, my focus in this paper is more geared toward interactions *within* the executive branch.

[9]As in many fields, the professional reputation for aid bureaucrats can be driven by the "private, public, or semi-public sectors" (Alcañiz 2016, page 8). Bureaucracy is not the final career trajectory for every bureaucrat, and aid bureaucrats with a strong reputation have many career options within the aid community.

development. Tying aid in defiance of an international agreement, therefore, creates disproportionate reputation costs for bureaucrats who traditionally work in the field of foreign aid and development. Finally, aid bureaucrats are often either selected or socialized to believe in the norms of global development (Honig and Weaver 2019), leading them to support practices that maximize those goals. When aid tying becomes a popular topic in the aid community, it is likely that it will receive more attention from aid bureaucrats (Swedlund 2017b).

In contrast, many domestic bureaucrats actually *benefit* from the practice of aid tying, especially those with relationships to special interests working in export markets. Bureaucrats in traditionally domestic agencies, such as agricultural, labor, and transportation ministries, may be more concerned about the costs—to domestic industries—of complying with an aid-tying agreement. For example, agricultural ministries often serve a supporting role to a country's agricultural industry. They create foreign aid programs that directly help the industry, such as in-kind food aid that allows agricultural interests to sell off excess food stock (Ahmed et al. 2016). Similarly, trade bureaus tend to favor foreign aid that also boosts trade (Lankester 2013). Aid sectors as diverse as health (Suzuki 2020) and climate finance (Peterson and Skovgaard 2019) can benefit domestic interests through specific bureaucratic channels. When donors ban aid tying, the industries that rely on those domestic subsidies will suffer, as will the bureaucracies with close ties to those industries.

Bureaucrats of all types are often willing to pay costs for their preferred policies. These costs may come in the form of late nights in the office, willingness to dip into social networks to find allies, or deciding to forgo other policy goals to work toward the policy preference in question. They might also involve risking the ire of political principals in order to carry out a preferred policy. The motivations of bureaucrats, as well as their willingness to pay political and other costs, partly determine a state's total level of tied aid.

However, as I show in the following pages, bureaucratic preferences do not exist in a vacuum. Bureaucrats' preferences are aggregated through the domestic bureaucracy. How those preferences are aggregated—that is, the structure of bureaucratic institutions—plays an important role in determining compliance. In the following section, I introduce a simple rational actor model to examine the role of bureaucratic structure in compliance with international agreements.

3.2 Model of Bureaucracies and International Agreements

Policy shocks, like the signing of an international agreement, are more impactful in some bureaucratic structures than others. Specifically, the effects are more muted when policy-making is performed through *several specialized domestic bureaucracies.* This is because specialization within one bureaucracy insulates other parts of the bureaucracy from the effects of the agreement. To understand why, I begin by outlining the model assumptions and then continue with a model description. I finish by deriving two main hypotheses, at the state and bureaucracy level, which I will test later in the paper.

I begin with a very simple model in which two bureaucrats struggle for a preferred policy in a single bureaucracy. One bureaucrat, b_1 works in the international development community. Socialization and career incentives have led this bureaucrat to prefer low levels of tied aid. For simplicity, let's assume that b_1 prefers a tied aid level of 0. In contrast, b_2 comes from the export community. Her social and career incentives are best met through higher levels of tied aid. Again, for simplicity, let's assume that b_2 prefers a tied aid level of 100%. The resulting aid tying level can be calculated by a weighted average of the two bureaucrats' preferences. Bureaucrats' resolve, or the costs that bureaucrats are willing to pay in order to ensure their preferred levels of tied aid, determine the relative weight of their preferences. In this first example, we can assume that each bureaucrat is equally resolved; therefore, we can calculate the level of tied aid as the mean of 0 and 100: 50%.

The signing of an international agreement changes the development bureaucrat's resolve, giving him new reasons to be concerned with the issue of aid tying. First, reputation is important to development bureaucrats. The fact that his organization promised to untie aid enhances his incentive to do so. Second, the international agreement suggests that aid tying has become a higher priority within the development discourse. As Swedlund (2017b) notes, shifting discourses can change the preferences of aid bureaucrats. When a specific development objective becomes popular, the development community will work especially vehemently toward that objective. This is likely to lead to a shift of resources away from other development priorities toward the goal of untying foreign aid. A generalized measure of the outcome level of aid tying can be calculated as

$$TA = \frac{\sum_{n}^{i=1} R_i b_i}{\sum_{n}^{i=1} R_i} \tag{1}$$

or, in this simplified case,

$$TA = \frac{R_1 * b_1 + R_2 * b_2}{R_1 + R_2} \tag{2}$$

Where R_1 and R_2 equal the resolve for b_1 (the development-motivated bureaucrat) and b_2 (the export-motivated bureaucrat), respectively.

As long as R_1, relative to R_2, is greater than it was before the agreement, then tied aid will decrease as b_1 works harder to steer the bureaucracy his way. For example, if the agreement doubled the resolve of the development bureaucrat, then the tied aid level after the agreement was signed can be calculated at 33%, a marked decrease in aid tying. As long as the agreement increases the relative resolve of development-oriented bureaucrats to untie foreign aid, it will result in a decrease in aid tying. This mechanism, which I call the "reputation shock," is one way that international agreements can impact policy.

However, this unitary-state model is a poor description of many states' foreign aid infrastructures. Instead of just one bureaucracy controlled by two interests, many states split up their foreign aid authority into many competing bureaucracies, themselves controlled by many interests. I now expand the model to a case of two bureaucracies, each controlled by a single bureaucrat. One bureaucrat, b_1, controls Bureaucracy 1; the other, b_2, controls Bureaucracy 2. Because Bureaucracy 1 is controlled by the development-motivated bureaucrat, I call it a "development-oriented bureaucracy." In contrast, Bureaucracy 2 is a "non-development-oriented bureaucracy." In reality, a variety of interests control all government agencies. However, it is reasonable to assume that some agencies (those with international development mandates) are more heavily controlled by development-motivated bureaucrats than other agencies (such as commerce and agricultural departments, which often have export motivations).

The tied aid level of a two-bureaucracy state is the average of the two agencies' tied aid levels, weighted by the budget share of each agency. Agency allocations, of course, are not exogenous. In fact, it is quite possible that a strategic leader might shift agency allocations to reflect their own aid-tying preferences. This complication to the model is worth considering in future work, and I consider it on pages 4-9 of the Appendix. However, for now I simply consider the level of aid tying based on given allocation levels. This is calculated by

$$TA = \frac{\sum_{n}^{i=1} R_i b_i}{\sum_{n}^{i=1} R_i} * A_1 + \frac{\sum_{n}^{j=1} R_j b_j}{\sum_{n}^{j=1} R_j} * (1 - A_1) \tag{3}$$

Where A_1 represents the percentage of the total aid budget provided to Bureaucracy 1, the development-oriented bureaucracy. In this simple example, with only one bureaucrat in each agency, the relative resolve is irrelevant because the bureaucrat does not have anyone within the agency to negotiate against. The equation can be simplified to

$$TA = (b_1) * A_1 + (b_2) * (1 - A_1) \tag{4}$$

In this case of perfectly siloed bureaucracies, the "reputation shock" of the international agreement does not affect policy. Assuming the same change in R_1 (doubling) and equal budget allocations to the two agencies, the outcome level of tied aid in this case will once again be the mean of 0 and 100, or 50%. Needless to say, this is a higher level of tied aid than in the single-bureaucracy case, which was 33%. When bureaucratic types are perfectly siloed into specialized bureaucracies, the international agreement does not change the overall level of tied aid. This suggests that there is a floor effect for a development-motivated bureaucrat. No matter how resolved the bureaucrat is, he is only able to change outcomes within his own bureaucracy.[10]

This is generalizable to agencies with multiple bureaucrats as well. For example, consider a state with eight bureaucrats: four development-motivated and four export-motivated. If all eight bureaucrats are working within the same bureaucracy, then their preferences can be reduced back to the two-bureaucrat example in Equation 2. After the signing of the international agreement, the weighted average of their preferences will lead to an aid-tying level of 33%. Additionally, if they are perfectly siloed into development-oriented and non-development-oriented bureaucracies, their interactions reduce back to the two-bureaucracy example in Equation 4. The international agreement will have no affect on tied aid, which will remain at 50%.

However, if these bureaucrats are imperfectly sorted into two bureaucracies, the situation changes. Say that Bureaucracy 1 contains three development bureaucrats and one export bureaucrat. The weighted average of those bureaucrats—and therefore the tied aid rate of Bureaucracy 1—will be equal to

$$TA_1 = \frac{b_1 R_1 + b_1 R_1 + b_1 R_1 + b_2 R_2}{R_1 + R_1 + R_1 + R_2} \tag{5}$$

[10]It is important to note that this floor effect is most pronounced when development-oriented bureaucrats are assumed to prefer the minimum level of tied aid. If, instead of 0%, development bureaucrats preferred 15% aid tying before the agreement and shifted their preferences afterward, aid-tying in the single-bureaucracy case would begin at 57.5% (the mean of 15 and 100), rather than 50%. In this case, insofar as the international agreement shifted that bureaucrat's preferences to zero, the agreement would in fact be effective at decreasing aid tying (to 50%) in the two-bureaucracy case. However, the single-bureaucracy case would be significantly *more* effective, moving aid-tying down to 33%.

This comes out to a tied aid level of 14%. The tied aid of Bureaucracy 2, which contains one development bureaucrat and three export bureaucrats, can be calculated in a similar way, to 60%. Assuming the two bureaucracies have equal budget share, the state's total level of tied aid is the mean of the two bureaucracies, or 37%.

The exact same bureaucrats, with the same preferences and resolve, collectively decide on different levels of aid tying depending on how they are divided among bureaucracies. Again, this is because the increased resolve of development-oriented bureaucrats is only relevant insofar as these bureaucrats have someone to negotiate against. The more that bureaucrats are siloed into specialized bureaucracies, the less the reputation shock will impact the total level of aid tying.

This finding provides two hypotheses, one at the bureaucracy and one at the state level. First, at the bureaucracy level, agencies that employ a higher percentage of development-motivated bureaucrats are more likely to untie aid following an international agreement than agencies employing more export-motivated bureaucrats. These agencies can be differentiated as "development-oriented" and "non-development-oriented" bureaucracies.

Hypothesis 1: Development-oriented bureaucracies are more likely than non-development-oriented bureaucracies to decrease tied aid levels following an international aid-tying agreement.

This also aggregates to the state level, as is clear from the differential levels of aid tying in the three examples. When bureaucrats were perfectly siloed, the international agreement had no effect on a state's compliance, and aid tying remained at 50%. When bureaucrats were partially sorted, aid tying decreased to 37%. And in the case of a single aid bureaucracy, aid tying decreased to 33% after the signing of the international agreement.

Although there are many conceivable ways to test the state-level implication, one prediction involves the number of aid agencies. All else equal, an increase in the number of discrete foreign aid bureaucracies should be associated with greater siloing of bureaucrats. This siloing serves to insulate some of the bureaucracy from the reputation shock of the international agreement. Therefore, I hypothesize that the shock in resolve resulting from an international agreement should be muted when states employ more, and more specialized, foreign aid bureaucracies.[11]

Hypothesis 2: States with a higher number of foreign aid bureaucracies should be less responsive to an international agreement than states with fewer foreign aid bureaucracies.

Note that the theory is agnostic about the *determinants* of bureaucratic structure. It is possible that leaders purposefully fragment their own bureaucracies in order to allow more points of entry for special interests.[12] Such behavior, however, would be consistent with the theory: regardless of the reasons for bureaucratic structure, I expect that it should play a role in state behavior following an international agreement. These two main hypotheses require testing on two units of analysis. Together, patterns of between-country and within-country variation provide insight into the process of state compliance with international agreements.

4 Data and Methods

I test these two hypotheses using the case of the 2001 DAC agreement to untie aid. The dependent variable in all tests is the percentage of aid to LDCs that is tied. Like much of the tied aid literature, AidData draws nearly all of its aid-tying data from the OECD Credit Reporting System (OECD nd). Aid tying status is reported at the project level, which I aggregate to the agency and state levels for the analysis. Aid is defined as "untied" if recipients were unrestricted in where they could procure goods and services. It is defined as "tied" if recipients were contractually obligated to procure goods and services from the donor

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[11]See pages 10-14 of the Appendix for alternative measures that are also compatible with the theoretical model, along with an alternative specification based on bureaucracy-level data on page 2 of the Appendix.

[12]This is an argument forwarded by Carcelli (2023). See page 6 of the Appendix for a two-stage analysis that models the determinants of bureaucratic structure following that work.

state. I calculate tied aid by dividing the tied aid levels reported in a given country-year or agency-year, by the total aid reported. Because data are self-reported, and reporting is far from perfect, I only include data from 1980 and onward to maximize data quality.[13] I located meeting minutes from OECD archives and recorded the names and affiliations of participants (OECD 2001). Twenty-five states were present at the negotiations of the agreement, with a total of 34 domestic bureaucracies sending representatives.

The state-level hypothesis requires a count of foreign aid agencies. I developed this variable by counting the number of discrete agencies named as a "financing agency" in a given country-year, according AidData (Tierney et al. 2011). The number of agencies varies from 1 to 18. The United States had the highest mean number in this period, at 7.5, while Australia had the lowest, 1.06. Figure 4 reports the mean number of agencies throughout the time period for each donor state in the dataset.

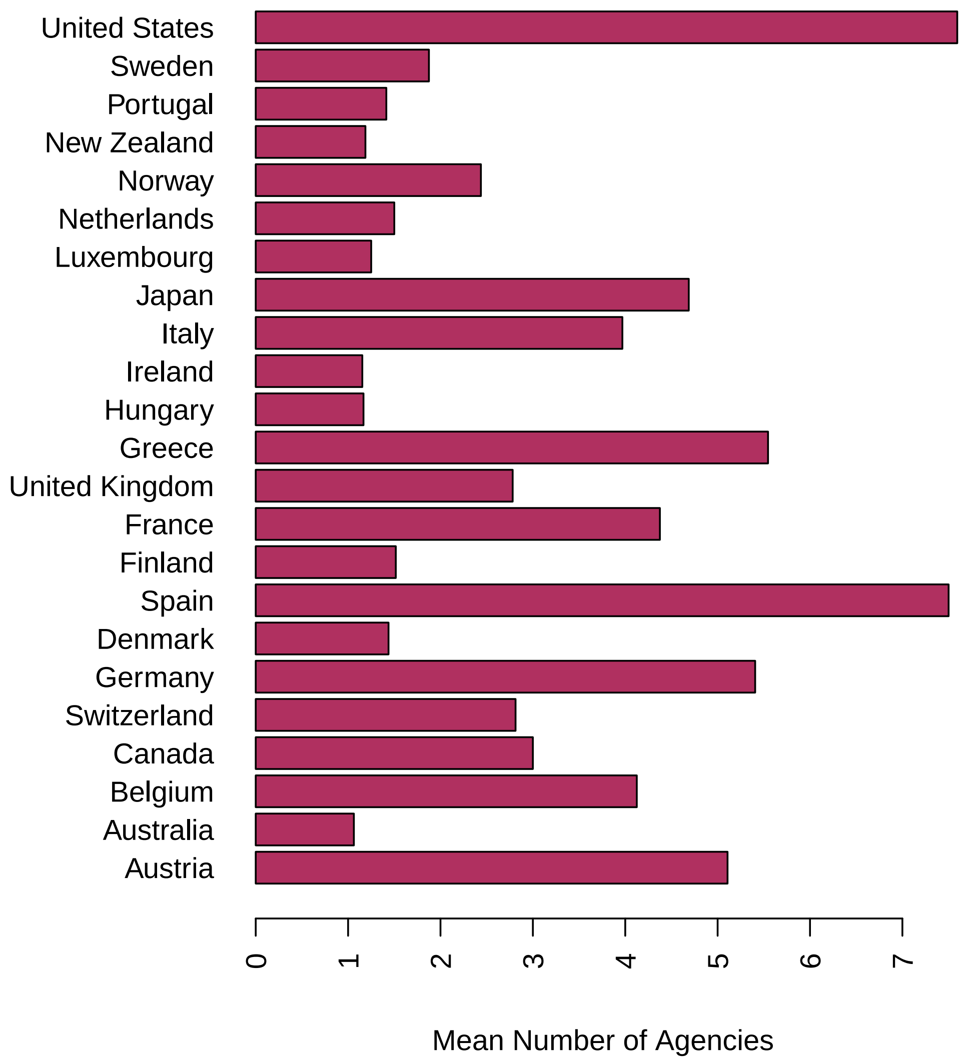
The agency count is not normally distributed: there are many country-years with small numbers of agencies and a few very large ones. Therefore, I calculated the natural log of the number of agencies. I expect an increase in aid agencies to have a larger impact at low numbers than at high ones. Moving from one aid agency to two should make a bigger difference in the ability of special interests to forum-shop than moving from 17 agencies to 18 agencies. The logged number of agencies allows me to study differences in states without assuming linear trends.[14] I include a battery of economic and political controls.

I then disaggregate the same dataset to calculate bureaucracy-year aid-tying levels. I also code bureaucracy "types" to differentiate development-oriented versus non-development-

[13]According to Ganga and Girod (2019) and La Chimia (2013), non-reporting is uncorrelated with aid tying. However, on pages 19-25 of the Appendix, I include a battery of tests to ensure that the results are not driven by missingness or gaps in reporting.

[14]On page 14 of the Appendix, I find similar results using the raw number of aid agencies.

Figure 4: Mean number of aid agencies reporting in AidData in 1980-2012, by donor country.



oriented agencies.[15] The variables of interest and controls for all models are summarized on page 1 of the Appendix.

4.1 Statistical Models

Because I am investigating the impact of a discrete event, I employ an interaction model to compare state and bureaucracy behavior before and after the event. All empirical tests use

[15]See pages 26-32 of the Appendix for agencies and coding rules.

ordinary least squares regression, clustering standard errors at the donor level.[16]

Hypothesis 1 predicts that some bureaucracies (those with traditional foreign aid agendas) will respond to a treatment (the 2001 agreement) differently from other bureaucracies (those with traditionally domestic agendas). This is a standard set-up for a difference-in-differences design. I therefore model the interaction between the treatment (development orientation) and the time of treatment (2001). Essentially, I am measuring the difference between pre-treatment and post-treatment differences in development versus non-development bureaucracies. Although I do not necessarily expect practices to depart precisely in 2001, due to the lag in policy change, I do expect post-2001 and pre-2001 aid-tying practices to differ between the two bureaucracy types.

The dependent variable of interest is $Tied.Aid_{b,t}$, a measure of the percentage of LDC aid tied by a given bureaucracy (b) in a given year (t). The coefficient of interest is β_3, which represents the post-2001 change in aid tying for development-oriented bureaucracies. I expect it to be negative: development-oriented bureaucracies should be less likely to tie their aid following 2001. In contrast, I expect non-development-oriented agencies (β_2) to either maintain or even increase their levels of tied aid to make up for the decrease. Various models include fixed effects for year, donor, bureaucracy type, and bureaucracy.

$$\begin{aligned} Tied.Aid_{b,t} &= \alpha + \beta_1 Development_b + \beta_2 Post - 2001_t \\ &\quad + \beta_3 Development_b * Post - 2001_t + \beta_3 Controls_{b,t} + Year_t + Bureaucracy_b + \epsilon \end{aligned}$$

The second set of models test the state-level hypothesis, that a state's compliance with the 2001 agreement depends on the structure of its foreign aid bureaucracy. I model the interaction between the 2001 agreement and the logged number of foreign aid bureaucracies within the state. I expect an increase in the number of bureaucracies to limit a state's

[16]Because the dataset includes a low number of units, I use wild bootstrap clustering with the R 'sandwich' package (Lumley et al. 2015).

compliance with the agreement.

Once again, the dependent variable of interest is the percentage of LDC aid that is tied by a given donor (i) in a given year (t). The coefficient of greatest interest is β_2, which represents the post-2001 change in aid tying for states with *only a single foreign aid bureaucracy.*[17] I expect this coefficient to be negative: states with a streamlined foreign aid bureaucracy should decrease aid tying after the agreement. β_3 represents post-2001 changes in aid tying as a state's number of bureaucracies increases. I expect it to be positive: as aid bureaucrats become more siloed, development-oriented bureaucrats have less policy sway. Some models include state and year fixed effects.

$$Tied.Aid_{i,t} = \alpha + \beta_1 Log(Number.of.Agencies)_i + \beta_2 Post - 2001_t$$
$$+ \beta_3 Log(Number.of.Agencies)_i * Post - 2001_t + \beta_4 Controls_{i,t} + Year_t + Country_i + \epsilon$$

5 Empirical Findings

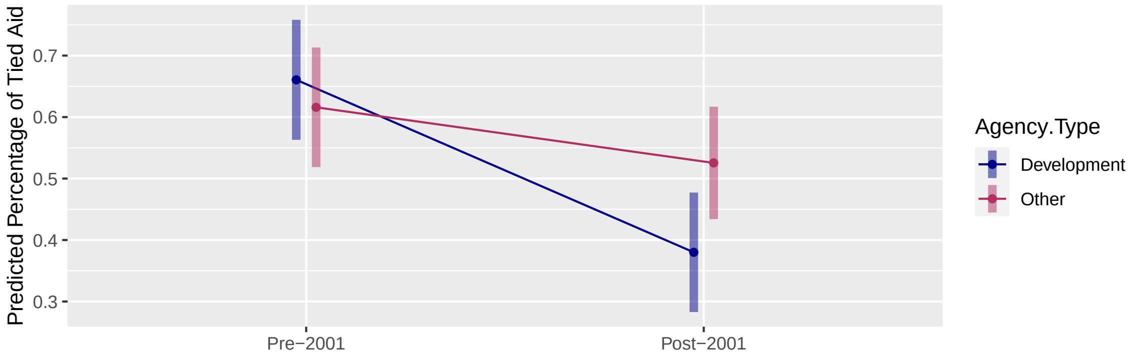
As a whole, the empirical findings align with the hypothesized trends. Bureaucratic infrastructure matters, and it largely matters because of differences between bureaucracies themselves. This is true regardless of many other factors that may be important in determining foreign aid practices and compliance with international commitments. I begin by explaining bureaucracy-level outcomes and then move on to the state-level findings.

5.1 Bureaucracy-Level Results

Table 1 displays statistical results from the bureaucracy-level models. As expected, development-oriented bureaucracies were more likely to untie foreign aid following the 2001 agreement.

[17]Recall that the natural log of 1 is 0. The coefficient on β_2 represents the relationship between the agreement and aid tying in states for whom log(number of agencies) = 0.

Figure 5: Predicted Tied Aid by Agency Type, Pre- and Post-2001



Note: Graphical representation of the main results in Model 3. Before the 2001 agreement, the mean development agency was predicted to tie around 65% of its aid. After the agreement, this decreased to 40%. Aid tying among other bureaucracy types did not significantly change.

First, Model 1 shows the coefficients without an interaction term. The high standard error on *Post-2001* indicates that the 2001 aid tying agreement did not have much overall effect on bureaucracies as a whole. The other models, however, show differing trends between different types of bureaucracies.

Models 2-5 consistently show that development-oriented bureaucracies decreased aid tying following the 2001 agreement. This is even true controlling for attendance at negotiations: regardless of their presence at the 2001 OECD meeting, development-oriented bureaucracies complied with the agreement more than non-development-oriented bureaucracies did. The positive coefficient on the election-year dummy suggests that when legislators are up for re-election, they work harder to please special interests, resulting in an increase in tied aid. There is also some evidence that presidential democracies are more likely to tie aid than parliamentary systems, although this finding cannot be confirmed in models with state- or agency-level fixed effects.

Because coefficients on interaction models are difficult to interpret in a vacuum, Figure 5 provides a graphical representation of Model 3. It shows separate trends for development and non-development bureaucracies. Prior to the 2001 agreement, the mean development bureaucracy tied around 65% of its aid, quite similar to other agency types. After the 2001

Table 1: Change in Aid Tying by Development and Non-Development-Oriented Agencies

	Tied Aid Percent				
	(1)	(2)	(3)	(4)	(5)
Development Agency	0.39	11.88*	3.28	−2.87	18.64
	(2.62)	(5.16)	(8.51)	(6.93)	(15.94)
Post-2001	−5.16	1.42	−10.06*	−18.85*	−12.89
	(4.89)	(6.07)	(4.31)	(7.90)	(8.04)
Development x Post-2001		−23.18**	−19.48*	−16.50*	−12.00†
		(7.00)	(8.11)	(8.31)	(6.38)
GDP (billions)			−7.24**	−0.09	−1.58
			(1.78)	(1.64)	(1.53)
Agency Budget (billions)			−4.93	−6.42†	−15.50**
			(3.80)	(3.82)	(2.92)
Donor Budget (billions)			8.44*	5.50*	8.84**
			(3.47)	(2.79)	(2.67)
Attended Meeting			4.48	9.40†	
			(5.58)	(5.09)	
% to LDCs			−5.68	−4.53	0.31
			(5.99)	(4.06)	(4.81)
Conservatism			−1.39	−3.71*	−3.60**
			(2.62)	(1.62)	(1.36)
Populism			5.03	7.20	4.02
			(4.60)	(4.67)	(5.06)
Presidential			76.66**		
			(16.96)		
Majority Vote-share			0.34†	−0.35	−0.35
			(0.19)	(0.25)	(0.24)
Election Year			4.82**	3.76*	3.72**
			(1.73)	(1.57)	(1.34)
Liberal Market			−6.90†		
			(4.16)		
Bureaucratic Effectiveness			0.02	10.65	11.95
			(7.75)	(8.28)	(7.69)
Constant	24.20**	20.19**	24.38	24.05	18.18
	(3.81)	(3.77)	(36.69)	(37.34)	(31.10)
Fixed Effects			Type	Donor, Type, Year	Agency, Year
Observations	2109	2109	1727	1727	1727
Mult. R-2	0.004	0.024	0.141	0.294	0.489

† $p < 0.1$; * $p < 0.05$; ** $p < 0.01$

Note: Results from ordinary least squares regressions with wild bootstrap clustering on the donor level. Sample includes expenditures to least-developed countries from all aid bureaucracies in all states present at DAC meetings. The coefficient of interest is the interaction between a bureaucracy's development orientation and post-2001. A negative coefficient suggests that development bureaucracies decreased their aid tying after the 2001 agreement. Not all bureaucracies did so.

agreement, the agency types diverged. Bureaucracies that served as their state's primary aid delivery tool tied less than 40% of aid, while other agencies continued to tie over 50%. Although bureaucracy-level variation is important to on-the-ground foreign policy outcomes, the literature tends to focus on the state level, which I evaluate next.

5.2 State-Level Results

Table 2 suggests that bureaucratic structure also impacted compliance at the state level. Model 1 shows an overall impact of the 2001 agreement on states' aid tying. This provides some preliminary evidence that many states complied with the agreement. However, the overall impact of the 2001 agreement varies between states, as the rest of the models show.

Models 2-4 show a negative coefficient on the post-2001 time period for states with only one foreign aid bureaucracy. As the number of bureaucracies within a state increases, compliance with the 2001 agreement decreases. Additionally, states that send more of their budget to LDCs are less likely to tie their aid, suggesting that some good aid practices are correlated with other good aid practices. Similarly to the previous models, election years and presidential systems also correlate with aid-tying.

Once again, in order to better interpret the coefficients, Figure 6 displays a kernel smoothing estimator of the marginal effects of the 2001 agreement, following Hainmueller et al. (2019). The figure shows that states with only one aid bureaucracy (recall that the natural log of one is zero) complied with the agreement by decreasing the percentage of tied aid by around 25 percentage points. The mean percentage of tied aid in the dataset is 16%, so this represents a large substantive change. Once a state had eight foreign aid bureaucracies,[18] their aid-tying after 2001 was statistically identical to aid-tying before the agreement. These states did not comply with the agreement much at all.

[18]The natural log of 7 is approximately 1.94.

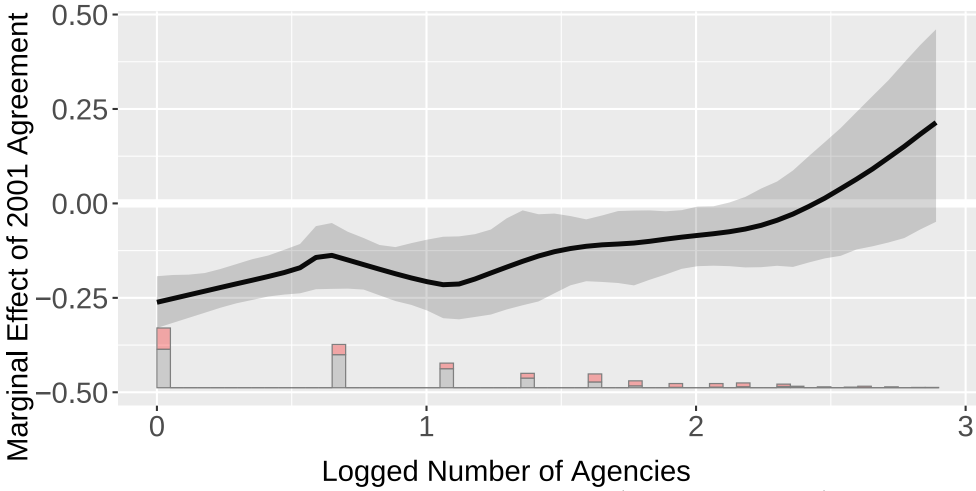
Table 2: Change in Aid Tying by States by Logged Number of Aid Agencies

	Tied Aid Percent			
	(1)	(2)	(3)	(4)
Logged Number of Agencies	−0.06	−4.71	−15.20**	−18.74**
	(3.19)	(5.55)	(5.31)	(4.16)
Post-2001	−18.35**	−25.36**	−37.93**	−36.47**
	(4.64)	(6.80)	(7.25)	(13.48)
Agency Number x Post-2001		7.94	17.42**	10.62**
		(5.36)	(5.14)	(3.69)
GDP (trillions)			−0.84	−5.61**
			(3.04)	(1.92)
Aid Budget (billions)			−1.00*	0.05
			(0.42)	(0.47)
% To LDCs			−54.10**	−33.08**
			(11.34)	(10.64)
Conservatism			−0.26	−2.96**
			(1.54)	(1.07)
Populism			−3.02	7.08
			(6.04)	(6.48)
Presidential			56.73*	
			(26.57)	
Majority Vote-share			0.24	−0.22
			(0.22)	(0.18)
Election Year			3.79*	2.51†
			(1.55)	(1.37)
Liberal Market			−1.79	
			(5.42)	
Bureaucratic Effectiveness			−11.63	13.96*
			(7.59)	(6.71)
Constant	28.20**	31.44**	91.58**	34.62
	(5.12)	(6.30)	(33.88)	(30.53)
Fixed Effects				Donor, Year
Observations	618	618	529	529
Mult. R-2	0.095	0.103	0.332	0.575

† $p < 0.1$; * $p < 0.05$; ** $p < 0.01$

Note: Ordinary least squares models with wild bootstrap clustering at the state level. Sample includes expenditures to least-developed countries from all states present at DAC meetings. States with only one foreign aid bureaucracy decreased aid tying after 2001, while other states did not.

Figure 6: Marginal Effect of 2001 Agreement, by Number of Aid Agencies



Note: The marginal effect of the 2001 DAC Agreement (based on Model 3) depends on a state's organizational structure. States with few foreign aid bureaucracies decreased their aid tying following the agreement, while states with more than seven bureaucracies displayed no discernible change in behavior.

6 Conclusion

In this paper, I find evidence that compliance with international agreements is not always the state's decision: substate actors such as bureaucracies also play a role. International agreements are increasingly questioned by nationalist movements around the world. Maximizing state compliance with these agreements is an important step for global cooperation. Many factors that states cannot control or predict can impact compliance. However, bureaucratic structure is one thing that states *can* leverage to maximize international compliance.

One weakness of this theory is the implicit assumption that bureaucratic structure is exogenously determined. It is possible that the structure of the bureaucracy is endogenous to a state's willingness to work with special interests.[19] Future work should consider the role of bureaucratic structure in governments' willingness to engage in international agreements, as well as the role of the development community in determining bureaucratic structure. The relationship between special interests and bureaucracy could go deeper than this paper

[19]This is the motivation for the two-stage model robustness tests on pages 6-7 of the Appendix.

suggests. Another intriguing idea is that bureaucrats with an interest in compliance could enter into agreements for the purpose of tying the hands of competing bureaucracies. The bureaucratic-level determinants of international agreements are worth considering in future research.

This work is generalizable beyond foreign aid. While the theory is most relevant to soft law, even hard-law agreements may fall victim to bureaucratic fragmentation. Compliance in the European Union is often related to bureaucratic capacity (Fjelstul and Carrubba 2018), and bureaucratic structure may also play a role. For example, Zubek (2005) find that institutions associated with power of the "core executive" were a factor in Poland's commitment to EU law prior to accession. Ministries with greater adherence to executive policymaking were more likely to implement the agreed-upon policy changes. It is easy to imagine how the structure of the bureaucracy itself might also be applied to compliance with various EU requirements.

The policy implications of this paper are mixed. On one hand, reshaping the bureaucracy could be an efficient strategy for improving compliance with international agreements. If states are able to streamline their bureaucracies, this research suggests that it might improve international relations. On the other hand, the sub-state actors who are most concerned about compliance often have very little power to reshape the bureaucracy on their own. The root of the problem is the power of anti-compliance interests in some states. Pro-compliance interests may have little power to streamline the bureaucracy. This may make it more difficult to reshape bureaucracies in the very places that need it the most.

Future research might also consider the role of domestic-level interagency cooperation in state compliance. In foreign aid, for example, many states allocate to several bureaucracies but choose one to serve as a bureaucratic leader, with the authority to punish and reward other agencies that misbehave. The usefulness of such a model for improving compliance is an open question. Additionally, many states imbue a legislative branch with strong oversight power. Whether legislative oversight matters in constraining wayward bureaucracies is unclear. Which *direction* that oversight might take—either toward or away from compliance—is another question for future work.

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