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Lead or Follow? Participation Decisions in Collective Development Initiatives

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ABSTRACT

When and how do donors cooperate? While a growing literature emphasizes the importance of donor coordination for aid effectiveness, little is known about when and why donors join forces to advance common causes. We leverage the proliferation of special-purpose trust funds at multilateral organizations to cast light on this issue. We argue that not only the decision *whether* to engage but also *when* to engage—either as "lead donor" or as "follower" after other donors already contributed—carries important (yet overlooked) informational value. We develop expectations about how donors engage with trust funds building on theories of competitive regime creation and bureaucratic politics. We test these expectations using a novel data set of time-stamped funding commitment decisions by 30 OECD/DAC donors in 190 World Bank trust funds established between 1990 and 2020. We find that a donor is more likely to serve as lead donor if it is engaged in similar sectors as its peers. In addition, a donor is more likely to contribute to a fund already controlled by a group of donors if its own policy preferences are aligned with those of the existing members. The results have important implications for our understanding of donor coordination in an increasingly crowded multilateral development architecture.

1 | Introduction

States often cooperate through international organizations to address global challenges. While much research examines why states cooperate through international organizations, we lack an understanding of the dynamics of such cooperative endeavors. When and how donors cooperate can have important consequences for the success of these organizations. For example, the admission of new members that are different from the existing members can paralyze organizations (Gray et al. 2017). We therefore need to better understand the determinants of membership dynamics. Cross-organization research on membership growth in international organizations is rare given the challenge to control for the changing context across organizations, leading some scholars to study membership growth of individual organizations (Davis and Wilf 2017).

In this study, we leverage the proliferation of trust funds in international development organizations to circumvent these challenges. Trust funds are quasi-multilateral institutions, established not through intergovernmental treaties but through administrative agreements between donor governments and an international bureaucracy. Trust funds normally reside under the institutional law of a legacy organization, such as the World Bank, inheriting its operational rules. While their governance structures vary, trust funds have secretariats to support their operations. Programmatic activities are carried out by the staff of the legacy organization, sometimes supplemented by consultants paid directly from the trust fund. A few trust funds, like the Global Partnership on Education, have established their own legal personality, while benefiting from close operational ties to their (former) host organization.

Existing research documents the growth of trust funds over the past two decades and provides important insights into their determinants. Trust funds have become a predominant vehicle of multilateral development cooperation. According to recent estimates, donor contributions to trust funds and other earmarked funding mechanisms equal about $40 billion—tantamount to 22 percent of the total budget for official development assistance (Reinsberg et al. 2024). Trust funds support significant portions of multilateral development operations. For example, at the World Bank, trust funds account for about 30 percent of concessional financing (Eichenauer and Reinsberg 2017). Trust funds involve considerable benefits. For their host organizations, they involve additional resources to support development programs (Heinzel et al. 2023). At the same time, they enhance the clout of those units that successfully raise funds with donors (Reinsberg 2017a). From a donor perspective, trust funds are a mechanism to pool resources with other donors around shared policy priorities, drawing on the host organization's expertise and accountability mechanisms for effective aid delivery (Dietrich et al. 2022). Thus, trust funds hold promise to increase donor cooperation and harmonization of development practice. At the same time, the voluntary nature of trust fund contributions implies that donors can selectively choose how and when to cooperate, potentially undermining these goals. As drivers of trust fund usage, scholars have identified efforts to improve aid effectiveness (Dietrich 2013; Dietrich and Winters 2021; Reinsberg et al. 2024), and as a way to manage differences in state preferences regarding policy substance, burden-sharing, as well as voter concerns about efficient aid allocations (Bayram and Graham 2017; Eichenauer and Hug 2018; Graham 2023; Reinsberg 2017b).

While this literature successfully ties donor objectives to specific features of aid provision through trust funds, providing answers to the question *why* donors use trust funds in the first place, it fails to explain leadership dynamics in trust fund creation. Successful trust fund creation requires (a) negotiating an administrative agreement between a lead donor country and the host institution, and (b) attracting other donors to the new fund to unlock benefits of scale and coordination. Who leads, who follows, and which trust fund succeeds are important questions to understand the emerging institutional landscape of aid provision through trust funds. To fill this gap, we draw on two theoretical paradigms, *regime politics* and *bureaucratic politics*. Through the lens of regime politics (Morse and Keohane 2014), trust fund creation is driven by a quest to further the policy interests and influence of donors, in an attempt to create an institutional setup that better reflects the interests and provides greater control than existing funds to the founding donor or group of donors. Power relations are central to this perspective, and it puts a premium on the ability of lead donors to attract like-minded contributors to create a successful vehicle for their shared interests. A separate, but complementary mechanism for trust fund creation is found in bureaucratic self-interest of donor agencies (Frey 1984; Kilby 2011; Vaubel 2006). Trust fund creation can increase the visibility of donor activities to domestic audiences, either political principals or the public, benefiting the careers of aid agency staff as well as political principals. From this perspective, success still depends on mobilizing contributions by other donors, but shared policy outlook matters less. At the same time, aid agency staff might be wary of relinquishing control over program implementation to trust fund host institutions. Which effect wins should depend on the degree of autonomy enjoyed by the aid agency.

Although trust funds are important in their own right, they provide a unique segway into the dynamics of international cooperation. Because they are established under the institutional law of the host organization, contextual features are constant. Moreover, the low-cost nature of these funds alleviates concerns about selection bias, given that few trust funds remain unobserved. Finally, participation decisions in trust funds reveal donor preferences on aid policy through a behavioral proxy (Reinsberg et al. 2017). We argue that existing trust funds form a dynamic institutional landscape that is the result of attempts of founding donors to create vehicles that further their interests. At the same time, not all such attempts are successful, as only some trust funds attract other donors and greater contributions. Success and failure of trust fund creation matters because it shapes an institutional structure which in turn determines a menu of policy choices for donors (and in some cases private actors). The options on this menu are easily accessible. In contrast, creating a new trust fund has costs in terms of binding institutional capacity and carries the risk of failure. The institutional structure of existing trust funds also matters because it depicts the potentially messy array of interests and principles that is giving rise to the contemporary multilateral aid landscape.

We leverage detailed temporal data on the founding donor, the sequence in which other donors join a fund, aid commitments, and the sectoral portfolio of donors' existing trust fund engagements to answer the questions who forms funds, which funds succeed and why. To our knowledge, our paper is the first to answer these questions. We construct datasets based on the exact commitment dates of 30 OECD/DAC donors in 190 World Bank trust funds established between 1990 and 2020. For each trust fund, we identify the lead donor and record the sequence of any other subsequent donors. This allows us to examine determinants of both lead donorship and donor followership. At the trust funds level, we measure whether any donor(s) other than the founding donor join the fund, along with the total amount of funding mobilized.

Our results provide some support for theories of competitive regime creation and limited support for bureaucratic politics. We find that a donor is more likely to serve as a lead donor if it is heavily engaged in the same sectors as its peers. In other words, donors become lead donors and establish new trust funds if they want more control over aid modalities and policy choices in crowded sectors where preferred policies are not easily implemented. In addition, a donor is more likely to contribute to a fund already controlled by a group of donors if its own policy preferences are aligned with those of the existing members. This undergirds our argument that trust fund creation is not entirely cost-free and without risks to the donors. Donors that do not want to shoulder these costs indeed are more likely to join an already-established fund, provided it aligns with their own preferences. Donors whose aid agencies have political clout—as measured by whether foreign aid interests have independent representation in the government cabinet—are more likely to join trust fund initiatives with other donors but are not more likely to create new trust funds on their own. These patterns highlight the role of elite norms and preferences over governance modalities.

Our paper contributes to debates about the determinants and effectiveness of international cooperation, as well as the dynamics of institutional change in the multilateral system. First, we contribute to a literature that uses the lens of contested multilateralism to explain the timing of joining international organizations more generally (Davis and Wilf 2017; Gray et al. 2017; Vieira 2018). By characterizing the drivers behind the institutional landscape of trust funds, our approach also speaks to wider debates on causes of aid fragmentation (Fuchs et al. 2015; Knack and Rahman 2007; Steinwand 2015) and the aid effectiveness debate (Keijzer et al. 2020; Lundsgaarde and Engberg-Pedersen 2019; Mawdsley et al. 2014). Finally, we provide a novel angle to studies on the effectiveness of international organizations (Gutner and Thompson 2010; Lall 2017; Tallberg et al. 2016). Complementing existing approaches that examine policy outputs, policy outcomes, and policy impacts, we consider effectiveness as "policy support"—through the mobilization of additional contributors.

2 | Theory

The study of international regimes and IO governance emphasizes the central role that preference constellations and institutional design play for the ability of states to pursue their goals through IOs (for regimes, see, Haggard and Simmons 1997; for formal governance rules, see, Hawkins et al. 2006; for informal governance rules, see, Stone 2013). For the provision of foreign aid through multilateral institutions, common agency problems affect the extent to which donor governments can affect alignment between their policy goals and the institution's actions (Lyne et al. 2006). Where donor governments have conflicting preferences, decision-making power shifts to the multilateral aid agency (Schneider and Tobin 2013).

There are several strategies to tackle this loss of agency. Donor governments of course can provide aid bilaterally. But this entails higher transaction costs and may strain the bureaucratic capacity, especially of smaller donors. It also means foregoing the advantages that multilateral institutions have to offer, such as technical expertise, better data on recipient countries and the ability to isolate aid programs from political pressures (Rodrik 1995), which in turn can help to assure domestic audiences that aid money is well spent (Milner 2006).

One possible way to preserve the advantages of multilateral institutions without having to bow to existing institutional structures is to create a new IO that better reflects the founder's preferences. The China-led creation of the Asian Infrastructure Investment Banks (AIIB) in 2015 is widely understood as an attempt by China to challenge the dominance of the US-dominated Asian Development Bank. This effort was a success, as the new bank's membership grew from initially including mainly countries that were politically distant from the US, to a much wider membership also including countries aligned with the US (Vieira 2018). This example is an instance of what Morse and Keohane (2014) have called *competitive regime creation*. However, the example also illustrates the main obstacle to a wider adoption of the strategy. Creating a new full-fledged IO such as the AIIB is very difficult in political terms. It is no coincidence that a major regional power such as China did lead the way in this and succeeded. Most smaller or mid-sized donor countries have neither the resources nor the pool of dissatisfied potential followers to create a similar large organization from scratch.

This is where trust funds offer an important alternative. A lead donor can create a trust fund by negotiating an administrative agreement with the host organization. The agreement covers the fund's policy and geographic scope and governance aspects relating to implementation and reporting. The fund operates outside the direct control of the formal governing bodies of the host. Despite legal differences to other international institutions, trust funds can be understood as "low-cost international institutions" (Abbott and Faude 2021). They do not require domestic ratification and are therefore easy to establish (Eilstrup-Sangiovanni 2015; Reinsberg and Westerwinter 2021; Westerwinter et al. 2021). Joining an existing trust fund is even cheaper, as doing so is governed by standard contracts, giving rise to copy-pasting behavior that has been documented for preferential trade agreements (Allee and Elsig 2019). We argue that trust funds provide a viable alternative to competitive regime creation. Under traditional multilateral governance, creating new intergovernmental organizations was a costly endeavor, plagued with great uncertainties. Therefore, states rarely chose to create new organizations, but instead joined existing organizations even if their preferences were poorly aligned (Jupille et al. 2013). Rapid growth of these large heterogenous organizations led to increasing gridlock (Faude 2020; Hale et al. 2013). In contrast, trust funds preserve most of the advantages of aid provision through multilateral institutions, but they are relatively cheap to create. Importantly, they offer enough flexibility to encode the preferences of a donor who seeks to create a new trust fund, since trust fund governance does not reflect the structures of the fund's host organization (Eichenauer and Hug 2018; Graham and Serdaru 2020), but is based on separate, contractual agreements between the donors and the multilateral host. The founding member(s) of a trust fund therefore enjoy(s) wide latitude on how the fund is set up. Yet, donors can still draw on the expertise, administrative capacity, and informational advantages of the multilateral host, as well as being able to unlock scale effects if other donors join the new funding vehicle. Trust funds also tend to attract like-minded other donors, avoiding problems of preference heterogeneity and gridlock.

There are two stages of trust fund creation as part of the competitive regime creation. The *lead donor* is the founding member who initiates a new trust fund's creation. This means choosing a host organization, negotiating with the host the terms of the new fund, and codifying the result in an administrative agreement. Yet, to unlock all benefits of multilateral cooperation through trust funds, especially regarding the impact the fund has in terms of scale and prestige, other donors need to join. We call those donors who join the new fund but are not founding members *followers*. Entry barriers are low. Followers simply sign a standard contract. Importantly though, followers are typically not able to reshape scope and procedures of trust fund activities that are set out in the administrative agreement. Accordingly, followers will choose to join trust funds if they offer a good fit with their own policy goals.[1]

Lead donorship is not a new idea, but has been addressed in the literature in two ways. Starting from the empirical observation that during the Cold War aid flows to many recipient countries were dominated by a single donor, Steinwand (2015) shows that such dominance rests on strategic collusion between donors to create exclusive spheres of influence, shifting power from recipient governments to the lead donor. Fuchs and Siewers (2021) use a similar logic to demonstrate that donors are quicker to mobilize humanitarian emergency aid flows in response to a major donor moving first, if they share similar export patterns with the lead donor. The notion of lead donorship we develop here is related in that the creator of a new trust fund effectively treats the trust fund as a power resource that allows better alignment between its preferences and its multilateral aid spending. Lead donorship is essential in shaping the rules by which the new trust funds are governed, thus institutionalizing the lead donor's advantage.

The second strand of the literature in which lead donorship has been addressed also starts with a lead donor acting as biggest donor to a country or sector. However, this strand emphasizes that because of their size lead donors have incentives to internalize the costs associated with collective action problems (Olson and Zeckhauser 1966), such as lack of coordination in aid delivery or duplication of reporting requirements. Accordingly, lead donors act to coordinate smaller aid providers and provide collective goods (Gehring et al. 2017). Trust fund creation through lead donors inherits some parts of this logic, as successful new funds (i.e., those that manage to attract further members) are vehicles of multilateral development cooperation. In addition, though trust fund creation is relatively low cost, the lead donor spends political capital and administrative capacity on the creation of the new fund, therefore providing a public good to followers.

The competitive regime creation perspective helps to explain the dynamics of trust fund creation. In the following, we derive testable implications of this theoretical perspective. Lead donors create new funds because existing trust fund arrangements do not align sufficiently closely with its preferences and they want to embed their preferences in the institutional structures of the new fund. We conceptualize preferences in terms of aid allocations across different sectors (education, health, governance, infrastructure, and so forth). Therefore, donors should lead the creation of trust funds in sectors that are important to them and avoid doing so in relatively less important sectors. Hypothesis 1 summarizes the first part of this observation:

Hypothesis 1. *A lead donor is more likely to engage in sectors of high salience.*

The hypothesis highlights that donors not only care about certain sectors, but they also are not willing to face the risks associated with trust fund leadership in sectors that are of little interest to them.

As a second step, donors should also engage in trust fund leadership more frequently in sectors in which existing institutional arrangements do not represent their interests well. The relevant counterfactual here is sectors in which a donor can get what they want simply by directly giving bilateral aid. This approach is likely to fail in sectors in which other donors are also active and where there is competition for policy influence (Fuchs et al. 2015; Steinwand 2015). Trust fund lead donorship affords the ability to lock in the donor's preferred governance approach in these sectors. What is more, by attracting aid flows from other donors to the new trust fund, the lead donor can amplify the impact of its preferred approach. Therefore, we would expect donors to be more active in trust fund creation if their sectoral bilateral aid engagement overlaps more strongly with that of other donors.

Hypothesis 2. *A donor is more likely to act as a lead donor if its sector portfolio overlaps more strongly with other donors.*

The competitive regime creation perspective highlights how donor governments can use trust funds to design principle-agent relationships that preserve donors' preferences, while allowing to unlock some of the benefits of aid provision through multilateral institutions. However, delegation chains are longer than this, as the main actors involved in trust fund creation are not high-level donor government representatives, but government aid agencies. Donor governments pursue specific aid policies, but they rely to varying degrees on aid agencies to put these policies into practice. Principal-agent problems therefore are not limited to the relationship between donors governments and implementing institutions, but also operate within donor governments. Opening up this black-box, we explore what implications the *bureaucratic politics* of aid agencies has for the dynamics of trust fund creation. This results in a distinct logic and generates additional, testable hypotheses for who leads and who follows into new trust funds.

To understand incentives and constraints of actors within donor governments, we need to distinguish between political principals (heads of ministries where aid agencies are part of a larger entity, cabinet level ministers responsible for the aid portfolio, the government as a whole) and agents (aid agency workers, heads of aid agencies where these are independent). Creating a new trust fund is prestigious and can be presented to domestic audiences as evidence of international leadership. It might also serve to increase legitimacy of a government's development policies if domestic audiences are concerned that their government uses aid for objectives not related to development (Milner 2006), or if they value burden-sharing with other donor countries (Milner and Tingley 2013). Political principals and donor aid agencies both can benefit from an increase in legitimacy. In addition, agency staff will benefit from increased career opportunities (Vaubel 2006) associated with extending the agency's activities through trust funds. Trust funds allow aid agencies to do more within given resources constraints because they leverage administrative resources of the host organization and unlock scale effects through additional contributions from other donors. In addition, aid agency staff can benefit from the prestige of having set up a new trust fund that is successful in attracting other donors, as it demonstrates successful policy leadership.

Set against the benefits are the potential costs of giving up control over administering aid programs directly. Agency staff may hold elite norms, for example ideas about accountability for program outcomes and other best practices (Honig and Weaver 2019). Staff might also be skeptical of governance principles of trust funds, especially that funds typically operate with a focus on performance indicators (Dietrich et al. 2022). While lead donors can negotiate with the host organization over a wide range of aid modalities for the new trust fund, the leeway is not unlimited, and host organizations will maintain their own implementation procedures. Agency staff also might see their in-house expertise as superior to that of the trust fund's host institution or fear successful outsourcing of program implementation as undermining their own institutional position (especially in the context of shrinking aid budgets).

These concerns have the potential to drive a wedge into the support for trust fund engagement between agency staff and political principals. We argue that the consequences of this misalignment will vary with the degree of independence of the aid agency. Aid agencies with greater political independence and organizational capacity are isolated from political pressures and do not have to concern themselves with the approval of domestic audiences. While this often allows such agencies to increase their organizational footprint, as reflected in higher aid budgets (Fuchs et al. 2014), it also gives agency staff the freedom to avoid trust funds if they disagree with the governance model or have other concerns. We cannot directly observe if the benefits of trust-fund creation outweigh their costs for agency staff. However, staff in aid agencies that have less autonomy are more closely bound by the interests of political principals and on average will be less able to resist the use of trust funds. We therefore expect that aid agency independence is associated with a lower propensity to lead the creation of new trust funds. Empirically, we draw the dividing line between aid agencies that are led by a minister with cabinet rank and those with lower ranking leadership. Cabinet level representation puts a premium on political leadership over technical knowledge.

Hypothesis 3. *A donor is more likely to act as a lead donor if it has a cabinet level aid agency.*

We now turn to mechanisms that motivate donors to act as a followers—joining newly created trust funds. Starting with the logic of competitive regime creation, we saw that new trust funds are created to lock in the preferences of the lead donor. This raises the question why other donors should follow into the new fund, since the new fund's setup will almost certainly not perfectly match their own preferences. Why be a follower if creating a new fund for themselves offers a perfect preference match? The answer lies in the costs and risks associated with creating new funds. Negotiations with host organizations regarding new governance structures bind bureaucratic capacities of the lead donor. Failure to agree on terms badly reflects on the competencies of an aid agency. In addition, the risk of not being able to attract other donors to the new fund means that some of the benefits from multilateral cooperation are not guaranteed to materialize, such as scale effects, lower transaction costs and increased donor coordination. In this regard, trust fund creation represents a collective action problem, as benefits only are unlocked if enough donors join the leader. Joining a newly created trust fund is attractive to a donor only if the costs and risk associated with lead donorship are sufficiently high to outweigh the imperfect match between the donor's preferences and the fund's structures. Since the costs of trust fund creation are relatively low, this means that donors will only join trust funds that are closely aligned to their own preferences.

There is evidence in the literature that donors engage in this kind of forum-shopping in other contexts. Schneider and Tobin (2016) show that donor governments contribute to a large number of international development organizations, and that they allocate more aid to those organizations that provide greater overlap of their aid portfolio in terms of recipient countries and development sectors. Dietrich et al. (2022) differentiate between co-financing trust funds, which prioritize efficient implementation of development projects, and technical assistance funds, which seek to transfer skills to developing countries. They demonstrate that donors follow their preferences for performance-based governance versus a more state-centric approach in choosing which type of fund to support. In line with this literature, we reason that donors will be more likely to follow into a newly established trust fund if its own preferences in terms of sector allocation more closely align with the lead donor and other donors who have already joined.

Hypothesis 4. *A donor is more likely to act as a follower if its sectoral portfolio is more similar to existing donors in a new trust fund.*[2]

One competing mechanism why donors with similar sector portfolios follow each other into a newly established trust fund is to act as spoiler, i.e. to undermine the efforts of the lead donor, and to alter the institutional setup that is aligned with the lead donor's preferences.[3] *We believe that this is highly unlikely. Contrary to international organizations, trust fund membership is not subject to veto of existing members. However, the governing principles enshrined in the lead donor's contract with the host institution are not easily changed and can be sufficiently unattractive or even make it impossible for other donors to join. One example is rules about family planning policies pursued by the US (with regard to abortion and sexual education) which directly clash with principles enshrined in the aid program of, say, the Nordic countries. Neither of these different groups of donors could join a trust fund on family planning set up by the other side.*

Next, we look at how a donor's decision to follow into a new trust fund is affected by bureaucratic politics in the donor agency. As we have argued above, creating a *new* fund can serve to enhance legitimacy among domestic audiences, benefiting both agency staff and political principals. Agency staff also might appreciate enhanced career opportunities associated with more agency activities. However, this might be offset and even counteracted by concerns about trust fund governance and other professional norms, making donors with independent aid agencies less likely to act as lead donor. The decision to *follow* into a fund is affected by similar considerations. It is less prestigious to follow into a new fund than to create it. Therefore, followership should affect legitimacy less than lead donorship. However, to the extent that domestic audiences value burden-sharing in aid provision, followership still might increase domestic support for a country's aid program. Regarding incentives of aid agency staff, the logic of followership mirrors that of lead donorship. Joining a new trust fund increases the agency's range of activities, just as creating a new trust fund does. Both should be welcome from the perspective of career prospects. At the same time, elite ideas held by agency staff about trust fund governance, as well as concerns about outsourcing and competency differences, can make joining existing funds unattractive. Since the new fund was created by a different donor, it will be geared even less towards the agency staff's preferences (an interaction with the competitive regime creation mechanism). The more independent agency staff is from political principals, the more it will be able to act on such concerns. Thus, as with lead donorship, donors without cabinet level leadership should be less likely to follow into newly created trust funds and vice-versa.

Hypothesis 5. *A donor is more likely to act as a follower if it has a cabinet level aid agency.*

In this theory section, we drew on competitive regime creation and bureaucratic incentives to derive hypotheses about why donors act as lead donor and why they join new trust funds as followers. In the next section, we put these hypotheses to empirical test.

3 | Data and Methods

3.1 | Data

To test our hypotheses, we draw on a new data set of 5522 aid activities from 30 OECD/DAC donors with 122 unique (named) multi-donor trust funds administered by the World Bank. Activity-level data are from the OECD/DAC Creditor Reporting System (OECD 2021), which reports the bilateral aid activities of OECD/DAC donors. We focus on aid activities routed through trust funds, based on a positive-list approach. Through keyword searches and manual activity coding, we identify aid activities channeled through the World Bank, which are tied to one of 190 unique World Bank trust funds. We identified these trust funds based on the World Bank's fund directories, official websites, and staff interviews. In doing so, we extend earlier data on earmarked funding activities through World Bank trust funds (Eichenauer and Reinsberg 2017). Given our interest in leader-follower patterns in collective development initiatives, we only retained funding vehicles legally established as multi-donor trust funds (MDTFs). For these 122 funds, donor intent to mobilize other donors can be assumed, although in practice MDTFs may not command any followers beyond the founding donor(s).

Our research data set is at the fund–donor–year level and has over 30,000 observations based on the multiplication of 122 MDTFs, their years since the first contribution in the data until the last sample year, and all 30 OECD/DAC donors. This assumes that any donor could have participated in any fund in a given year. We dynamically adjust the set of potential donors for each year of the trust fund, considering which donors are already members of the trust fund and excluding those donors from the list of potential donors. In other words, we have all 30 OECD/DAC donors in the first year of a trust fund, whereas subsequent years are adjusted for any existing donor members in the fund. The result is an unbalanced panel based on realized histories of trust fund participation. We assume membership in trust funds is an absorbing state as we lack information about the timing of subsequent phases of trust-funded programs. A key consideration is how to address the partial observability of trust funds. Obviously, we only observe the funds that came into existence. Assuming the World Bank would always be willing to accommodate requests for trust funds, this implies that there must have been demand to establish a trust fund from at least one donor. We do not observe leader–follower patterns for funds that do not come into existence, which are likely the ones for which donors expect to be unable to mobilize significant followership. Our analysis therefore represents a best-case scenario for the (unobservable) conditions under which trust funds are successful in terms of mobilizing donor support.

3.2 | Dependent Variables

We capture the engagement patterns of specific donors with specific trust funds. A key outcome of interest is whether a donor is a Lead donor. In our context, a lead donor is the donor that makes the first contribution to a trust fund. Theoretically, this may also be a coalition of donors, although such constellation is rare: 114 funds were established by one donor, five funds by two donors, and three funds by three donors. Lead donorship can be measured only in the first year of the trust fund, involving a unique strategic context whereby the lead donors are unconstrained in their choices as they do not face any existing donors in the fund. Another outcome of interest, Follower, measures whether (and when) a donor joins a given trust fund, as a function of existing donors. Followership can be measured at any point in time after at least one lead donor has engaged in a given trust fund. This changes the strategic context in that potential donors will now consider whether to engage in a trust fund that already has a given set of initial donors.

A key issue is how to determine the temporal ordering of donor participation decisions. We can track contributions to trust funds at high temporal resolution using information on the exact (initial) commitment dates as provided in the CRS source data. As the data indicate the exact day of a contribution, we can identify lead donor(s) by the earliest date of contribution to a given trust fund in the data. In case of multiple donors being first contributors to the same trust fund on the same day, we consider them as lead donors which are part of a lead donor coalition. In fact, we do not consider the date of the actual disbursement to the World Bank but the date of the commitment as per the funding agreement, which should eliminate errors due to different processing lags across the donors. Donors are followers if their contribution date is after the date of the lead contribution. For practical purposes, we are often interested in existing donors and new donors. The former are the donors that at any given point in time have already committed to contribute to the fund. As these commitment decisions are common knowledge, new donors will make participation decision knowing about the existing set of donors.

Through these variables, we gain novel descriptive insights into the dynamics of trust fund participation decisions among OECD/DAC donors. First, we seek to understand to what extent new trust funds command any followers once a donor has made an initial contribution. This is important because trust funds can be considered instances of institutionalized cooperation that entail some degree of commitment for the donors. As an ad-hoc form of institutionalized cooperation, trust funds involve a higher degree of commitment than noninstitutionalized cooperation. At the trust-fund level, we find that 62 funds remain 'isolates', supported only by the initial donor(s). This is a remarkably high number, considering that selection logic would suggest that we face a best-case scenario for mobilization success. Because donors will normally only establish a MDTF if they expect to attract followers, these 62 funds therefore seem to be cases of unanticipated leadership failure in commanding followership.

Second, we seek to understand which donors are driving the creation of new funds and which donors tend to follow them. Table 1 shows the number of trust funds in which a donor acts in such roles, as well as its frequency compared to the other donors. We find that the Nordic donors along with the United Kingdom are dominant lead donors in comparison to their peers, followed by Australia, Canada, the Netherlands, and Switzerland. Large donors like France, Germany, Japan, and the United States do not act as lead donors in World Bank trust funds. Looking at within-donor variation of engagement patterns, we find that Spain—even though it engages very little in trust funds—is leader in more than 30 percent of the trust funds in which it is a member. A sizable group of donors leads about one-fifth of the funds in which it is a member, including Austria, Belgium, Canada, Iceland, Italy, the Netherlands, Norway, New Zealand, and Sweden.

In the appendix, we disaggregate these numbers across time periods (Table A1). Until the turn of the Millennium, there were only a handful of lead donors, featuring the three Nordics

TABLE 1 | Leaders and followers in World Bank trust funds.

Donor	Leader	Follower	Leader frequency across donors	Leader frequency within own funding portfolio
AUS	12	49	8.8%	19.7%
AUT	5	16	3.6%	23.8%
BEL	2	8	1.5%	20.0%
CAN	14	37	10.2%	27.5%
CHE	10	53	7.3%	15.9%
CZE		1	0.0%	0.0%
DEU	6	38	4.4%	13.6%
DNK	3	25	2.2%	10.7%
ESP	4	9	2.9%	30.8%
EST		2	0.0%	0.0%
EU	1	34	0.7%	2.9%
FIN	6	29	4.4%	17.1%
FRA		7	0.0%	0.0%
GBR	18	76	13.1%	19.1%
HUN		1	0.0%	0.0%
IRL		7	0.0%	0.0%
ISL	2	8	1.5%	20.0%
ITA	2	7	1.5%	22.2%
JPN		6	0.0%	0.0%
KOR		3	0.0%	0.0%
LUX	1	9	0.7%	10.0%
LVA		1	0.0%	0.0%
NED	11	44	8.0%	20.0%
NOR	18	68	13.1%	20.9%
NZL	1	3	0.7%	25.0%
POL		2	0.0%	0.0%
PRT		1	0.0%	0.0%
SVK		1	0.0%	0.0%
SWE	19	59	13.9%	24.4%
USA	2	24	1.5%	7.7%

Note: Raw cell entries show the number of World Bank trust funds in which the donor fulfilled the stated role. This visualization associates higher values with darker colors.

and Australia, Belgium, Italy, Switzerland, and the United Kingdom. Between 2001 and 10, the group of lead donors further expanded, adding Austria, Canada, Denmark, Finland, Germany, New Zealand, Spain, and the United States. The remainder follows in 2011–19. Donors appear to enter as both leaders and followers in the same time period, with the exception of some small donors which only enter as followers.

Another way to explore the data is to count the annual frequency with which donors establish new funds and join existing ones. Figure 1 shows the results. The creation of new funds appears to have occurred in two waves. The first wave loosely corresponds to the Millennium Development Goals, with a peak of around five new funds established. The second wave took off after the Paris Declaration, peaking at 16 new funds at the height of the Global Financial Crisis before levelling off thereafter.

In the appendix, we enlist all the trust funds included in our sample. We also provide information on their sectors, geography, number of donors, total volume of donor contribution, and the earliest year and most recent year of any recorded donor contribution (Table A2). In terms of fund size, the five largest trust funds are the Afghanistan Reconstruction Trust Fund ($4.9 billion in 2002–18), the Global Agriculture and Food Security Program ($1.35 billion in 2009–19), the Global Partnership on Education ($1.33 billion in 2008–19), the Forest Carbon Partnership Facility ($816 million in 2008–19), and the Clean Technology Fund ($614 million in 2008–11).

3.3 | Key Predictors and Control Variables

Our theoretical discussion highlighted two primary drivers of donor funding decisions to multilateral cooperative endeavors. On the one hand, *contested multilateralism* would expect donors to create new trust funds that address development issues that are salient to them and to a large number of other donors. On the other hand, *bureaucratic politics* would lead us to expect that aid bureaucracies are reluctant to delegate to trust funds in areas in which they have expertise, even if political principals could benefit from visibility gained with domestic audiences.

We operationalize contested multilateralism using three sets of proxy variables. For any given donor, we construct the average similarity of its bilateral sector activities with all other donors in the sample in the previous year. Here we use the 40 sectors of the DAC typology at three-digit level, excluding non-allocable sectors such as administrative expenditure (Table A3 enlists all sectors). This measure of bilateral sector preferences is a valid proxy for donor competition to the extent that donors pursue similar interests multilaterally as they do bilaterally, which is indeed true (Schneider and Tobin 2016). Furthermore, we compute the average squared ideal-point distance with all other donors in the sample, based on UN General Assembly votes (Bailey et al. 2017). We invert this quantity to construct a measure of ideal-point similarity. This provides an alternative measure of preference alignment, going beyond preferences in aid but considering broader foreign policy preferences. Importantly, we can always compute these two proxies because they consider all donors—not just the donors who are also members of the trust fund.

In addition, we compute dynamic similarity measures that consider the evolving set of members in a given trust fund. In particular, we compute the preference similarity of a given donor with all the donors that are already members of the trust fund, based on their bilateral sector allocations in the previous year. If a trust fund has more than one existing donor, we take the simple average of the sector similarity scores. We compute sector similarity scores in two steps. First, we source the amounts of bilateral aid that donors spent in the previous year in all sectors. Second, we compute the cosine similarity between any two vectors of sector spending, which falls between zero (indicating orthogonal spending patterns) and one (indicating identical spending patterns). Aid amounts do not need to be adjusted for donor size because the cosine similarity essentially controls for the 'length' of the vector in its denominator. Similar to our above measurement, we also compute the average squared ideal-point distance between a given donor and the existing donors of the fund. If a fund only has one donor, this is simply the squared ideal-point distance

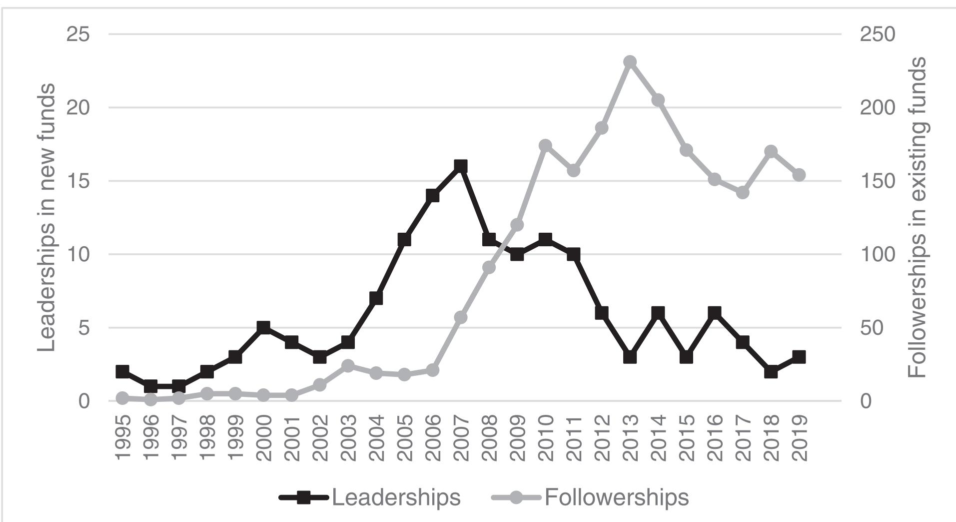

FIGURE 1 | Leadership and followership over time.

between the potential donor and the existing donor. Taken together, these two measures allow us to test whether joint membership in trust funds depends on the unique preference constellation of (potential) trust fund donors, as opposed to the degree of preference alignment in the multilateral system more generally.

For a measure of regime density, we compute the average similarity of a given trust fund with respect to all previously established trust funds based on their sector profiles. The measure does not vary across donors and is generated in three steps. First, we draw on our own coding of trust fund sectors (Table A2). Second, we compute the pairwise cosine similarities over the forty-dimensional binary sector profiles between a trust fund and the previously established trust funds. Third, we take the average of these similarities.

To capture how salient a trust fund's issue area is to a donor, we first code the principal sector(s) in which the trust fund is active using the CRS three-digit classification (Table A2). We then compute the share of these sectors in the bilateral aid portfolio of that donor in the previous year. Higher shares indicate greater salience to the donor. This measure is valid to the extent that donors have stable preferences over aid that they seek to implement across various channels.[4]

To operationalize bureaucratic politics, we encode an indicator of political influence on aid agencies. Specifically, we measure whether foreign aid agencies have cabinet representation (Honig and Weaver 2019). The intuition for this measure is that cabinet representation insulates foreign aid against other political interests, broadly construed, but also subordinates the agency to increased political direction, compared to a technocratically led agency. We expect that agencies with cabinet representation therefore are more susceptible to domestic political incentives and are more likely to both lead in the creation of trust funds and to join newly created funds.

We include a set of control variables. We control for trust-fund fixed effects, which capture any time-invariant characteristics of a new trust fund and the broader environment that do not vary across donors. In our models for followership, we also control for donor-fixed effects, which capture any time-invariant donor characteristics and thus exploits only within-donor variation to explain whether a donor joins a given fund. Leading the creation of a trust fund involves institutional learning. We therefore include prior leadership, defined as the share of times in which a donor was a lead donor before. In addition, we include prior experience, defined as the relative frequency with which a donor previously contributed to new trust funds. Our substantive controls are informed by the existing literature. These variables are associated with the general incidence of trust fund usage or aid allocation patterns. They have not been tested in the dynamic context of trust fund leadership and followership before, but they represent plausible confounders. As measure of burden sharing (Addison et al. 2004; Graham 2017; Milner and Tingley 2013; Reinsberg et al. 2017), we include the logged GDP per capita, the logged total aid budget, and the share of aid a donor has provided to the International Development Association (the concessional financing facility of the World Bank i.e. the main alternative to trust fund support). Capturing strategic priorities that could have an impact on aid provision and cooperation with other donors (Reinsberg et al. 2017), we measure the extent of economic openness using the KOF index of economic globalization (Gygli et al. 2018), progressiveness in terms of gender equality (Dahlberg et al. 2021), a dummy for whether the donor is the host of a G7 summit in a given year (Kirton 2004) and alignment of UNGA voting (Bailey et al. 2017). We present variable definitions and descriptive statistics of all variables in the appendix (Table A4).

3.4 | Methods

Our data structure is uniquely positioned to study leader–follower patterns in trust funds (and other international institutions) under a common framework. To examine the determinants of lead donorship, we focus on who made the first contribution to the trust fund. To that end, we estimate the following linear model:

$y_{ij}^{L} = \mathrm{a} + X_{ij}'\mathrm{b} + c_j + \varepsilon_{ij}$ for $t = T_0^j$ where i indexes donors and j trust funds,

y^L is binary and captures whether the donor is the lead donor,

X_{ij} collects the main predictors and control variables,

c_j are fund-fixed effects,

T_0^j is the start year of the trust fund j. The analysis is over all donors and all trust funds.

To examine the determinants of the decision to join a trust fund with existing donors, we estimate the following linear probability model, defined only for annual observations of the trust fund after the realization of an initial set of donors:

$$y_{ijt}^{F} = \mathrm{a} + X_{ijt}'\mathrm{b} + [W_{ik} \cdot Z_{kj}]'\mathrm{c} + d_i + f_j + \varepsilon_{ijt} \text{ for t} > \mathrm{T}_0^j$$

where y^F captures whether donor i is a member of trust fund j in year t (through making a contribution to the fund in that year), X_{ijt} is a matrix of covariates, W_{ik} is a spatial weights matrix which in our case boils down to y_{ijt-1} (collecting all the donors engaged in fund j in t-1), and Z_{ijt-1} is a matrix of covariates of the existing donors that we deem relevant to inform the decision of other donors to become a member of the trust fund.

Compared to the above model, this model includes a spatial lag that measures the covariates of those donors that are already members of the trust fund at a given point in time. In line with our hypotheses, these covariates include the similarity of the bilateral sector portfolios and the ideal-point similarity with the would-be donors.

4 | Results

4.1 | Determinants of Lead Donorship

We proceed by examining the determinants of lead donorship in trust funds using linear probability models with trust fund fixed

TABLE 2 | Determinants of lead donorship.

	(1)	(2)	(3)	(4)
Donor competition	0.178***	0.087***	0.089**	0.094**
	(0.029)	(0.030)	(0.036)	(0.044)
Sector salience	0.080	−0.006	0.026	0.019
	(0.068)	(0.069)	(0.084)	(0.087)
Cabinet representation	0.008	0.002	−0.001	−0.004
	(0.010)	(0.010)	(0.013)	(0.014)
UNGA alignment		0.006	0.010	0.010
		(0.005)	(0.007)	(0.007)
TF experience		0.363***	0.359***	0.368***
		(0.059)	(0.075)	(0.082)
GDP per capita			0.011	0.023
			(0.014)	(0.020)
Total aid			0.003	−0.001
			(0.005)	(0.005)
IDA share			0.016	−0.012
			(0.047)	(0.061)
Economic globalization				−0.001
				(0.001)
Gender equality				0.157
				(0.170)
G7 host				0.031
				(0.028)
Observations	2420	2404	2120	2078
Trust funds	116	116	116	114
R-squared	0.020	0.043	0.056	0.058

Note: OLS regression with trust fund fixed effects. Standard errors clustered on trust funds in parentheses. Significance levels: *$p < 0.1$ **$p < 0.05$ ***$p < 0.01$.

effects. Table 2 shows the results. We find that donors that engage in similar sectors as other donors are more likely to act as lead donor. In substantive terms, a typical change in preference similarity (by a standard deviation) is related to at most a 2.2% (95% CI: 1.4%–3.1%) higher likelihood of lead donorship (the sample mean is 5.0%). The result is in line with our expectation that donors will make more use of trust funds if they seek to lock in their preferences in an otherwise crowded field. The finding is remarkably consistent across different model specifications. We have no evidence for the bureaucratic politics hypothesis, as the effect of cabinet representation is estimated with too much uncertainty and changing signs across specifications.

In the appendix, we probe whether our results hold under a more flexible specification that removes the trust fund fixed effects and augments the equation with the between-effects of all predictors (Bell and Jones 2015). This allows us to include a key control variable: the similarity of the sectoral trust fund portfolio with respect to all trust funds that have been existing in the year before the trust fund was established. Our measure of similarity is the average cosine similarity over the vector of aid sectors. We find that overlap with the existing trust fund regime is unrelated to the probability of lead donorship. Importantly, our key predictors remain strongly robust. Their variation concentrates within trust funds—between donors—as we would have expected (Table A5).

In another robustness test, we use an alternative measure of donor competition that is based on the similarity of all donors with respect to how salient the sectors of the trust fund are in their bilateral aid portfolios. This variable varies across both donors and funds and is constructed as an inverse distance: large negative values indicate less intense competition, whereas values closer to zero indicate more intense competition. We find a generally positive relationship between the sector-specific donor competition measure and the likelihood of lead donorship. This relationship becomes statistically insignificant when controlling for donor characteristics, suggesting that competition is not necessarily only confined to the sectors (Table A6).

An alternative approach is to allow for the relationship of donor competition to vary with the salience of the sector to the donor when examining its likelihood to be a lead donor. To that end, we interact donor competition with the sector salience. We do not find a significant interaction coefficient, which is consistent with the weaker results measuring donor competition directly based on sector similarities. In further analysis, we also show that the relationship between donor competition and lead donorship is not moderated by how similar a trust fund is to all previous funds with respect to the issues it supports (Table A7).

4.2 | Determinants of Followership

To explain why donors join an existing trust fund with a given set of donors, we expect that preference alignment between would-be donors and existing donors should matter.[5] For potential followers, we can compute similarity metrics to the existing donor(s) and use them as our key predictors, alongside the variables that capture the preference alignment among all DAC donors as introduced before. To maximize comparability with the leadership analysis, we use fixed effects on trust funds. However, given repeated (annual) observations for each donor−fund combination, we probe different combinations of fixed effects in robustness checks. We cluster standard errors on trust funds, the more numerous fixed effects.

Table 3 shows the results. The alignment in sector profiles between a given donor and the existing donors of a trust fund has a significantly positive relationship with the likelihood of followership. Substantively, an increase in preference similarity by one standard deviation is related to an increase in the likelihood of followership by 5.5% (95% CI: 4.1%–6.9%). This effect size is slightly larger than the mean incidence of followership in the sample. The coefficient estimate is also highly robust across model specifications, even when controlling for the alignment

TABLE 3 | Determinants of followership in multi-donor trust funds.

	(1)	(2)	(3)	(4)
Sector similarity	0.179***	0.217***	0.210***	0.211***
	(0.020)	(0.027)	(0.026)	(0.027)
Sector salience	0.200***	0.111	0.105	0.134*
	(0.075)	(0.070)	(0.075)	(0.078)
Cabinet representation	0.029***	0.009	0.005	0.008
	(0.006)	(0.006)	(0.007)	(0.007)
Donor competition		−0.205***	−0.178***	−0.182***
		(0.028)	(0.026)	(0.031)
UNGA alignment		−0.004	−0.045**	−0.045**
		(0.006)	(0.017)	(0.017)
TF experience		0.577***	0.552***	0.544***
		(0.071)	(0.071)	(0.072)
TF similarity		−0.629**	−0.587*	−0.638*
		(0.312)	(0.316)	(0.345)
UNGA alignment with existing TF donors			0.054***	0.054***
			(0.016)	(0.016)
GDP per capita			−0.009	−0.021**
			(0.007)	(0.010)
Total aid			0.005*	0.008***
			(0.002)	(0.003)
IDA share			0.040	0.069
			(0.032)	(0.042)
Economic globalization				0.001*
				(0.001)
Gender equality				−0.038
				(0.090)
G7 host				−0.007
				(0.006)
Observations	24539	23591	20918	18859
Trust funds	117	117	117	116
R-squared	0.139	0.186	0.190	0.195

Note: OLS regression with trust fund fixed effects. Standard errors clustered on trust funds in parentheses. Significance levels: *$p < 0.1$ **$p < 0.05$ ***$p < 0.01$.

in general foreign policy preferences between a given donor and the existing donors of a trust fund. Furthermore, we find that a donor tends to be more likely to engage in a trust fund as a follower if it has salient preferences in the sector(s) in which the fund is active. Cabinet representation performs better than in the lead donorship equation. The effect is consistently positive but loses statistical significance once we add control variables. However, when replacing fixed effects with the Bell-Jones decomposition, the effect is statistically significant and positive across all models (Table A9). We therefore have some support for our theoretical expectation that aid agencies with cabinet level leadership are more likely to follow into newly created trust funds.

Donor competition—in terms of the overlap of sectoral activities in the bilateral portfolios of all donors—seems to have a negative relationship with followership, which is consistent with our earlier result where lead donorship had a positive relationship with donor competition. Substantive overlap between trust funds—in terms of the similarity of their sectoral orientation—tends to have a dampening effect on followership, although the relationship is only weakly significant. Finally, some covariates at the country level appear to be significant correlates of followership, indicating that more generous donors and donors with more progressive gender norms have a higher probability of followership.

In robustness tests, we verify that the key results hold for different modeling choices. We guard against omitted-variable bias using various sets of fixed effects. For example, fixed effects on donors control for arbitrary time-invariant determinants of followership. Our most demanding specifications control for donor–year effects, which remove the confounding effect of domestic policy decisions, such as aid budgets, common economic shocks, joint deliberations among potential donors, and policy changes that apply beyond specific trust funds. None of these various sets of fixed effects affects our core results. We find that greater alignment of preferences between a potential donor and the existing donors of a fund is significantly positively related to the likelihood of joining the trust fund. Likewise, if the sector of the fund becomes more salient to the donor, its likelihood of joining the fund increases (Table A8).

In further robustness tests, we perform the Bell-Jones decomposition to explain out the donor-fixed effects (Bell and Jones 2015). We compute the predictor means within each donor and include them alongside the de-meaned predictors as well as trust fund fixed effects. We present the results in the appendix (Table A9). Importantly, we corroborate the results of the main analysis and show that the within-variation (which uses over-time variation in trust funds for the same donor) is responsible for most of the significant findings. For example, if the sector preferences of a donor with the existing trust fund donors become more aligned, the likelihood of participation in this trust fund increases, compared to a fund in which the sector preferences are less aligned.

We also probe a narrower measure of preference similarity that is based only on the sectors in which the trust fund is active. The measure used in the main analysis was based on all sectors. Using the narrower measure, we find a significantly positive relationship between preference alignment and the likelihood to join an existing fund, even when controlling for the salience of the supported issue to the donor and the political clout of its aid agency in the government. In line with our earlier analysis, we also find that competition in the sector of the fund is significantly negatively related to the likelihood of followership (Table A10).

Finally, we explore conditional relationships. In particular, we test whether preference alignment with the trust fund donors affects followership depending on the salience of the supported issue to the donor. We confirm that this is indeed the case, given the significant interaction term between preference alignment and the sector salience. In contrast, the relationship between preference alignment and followership of a donor is unaffected by how similar the fund is to the existing funds with respect to the issues that it supports (Table A11).

In sum, we have found that donor competition is a robust correlate of lead donorship but negatively related to followership. We also found that preference alignment with existing fund donors is positively related to the decision to contribute to an existing fund. Donors tend to be more likely to join an existing fund when it operates in a sector that is salient to them, but only if the existing donors have similar preferences. Taken together, these results are consistent with competitive regime creation arguments. In contrast, the evidence for bureaucratic politics is more mixed. Political leadership of an aid agency does not matter for lead donorship but tends to be positively related to followership.

5 | Discussion and Conclusion

We examined the determinants of participation decisions in special-purpose trust funds—ad-hoc mechanisms of institutionalized cooperation in international development. We distinguish between two strategic contexts—*lead donorship*, where a donor decides to establish a trust fund, and *followership*, where other donors decide whether to join an existing fund with a given set of donors. In the IR literature, these decisions are analyzed by two rather disconnected strands, respectively examining when states create new organizations and when states join existing organizations. Due to the low cost of establishing (and dissolving) trust funds, these decisions are qualitatively similar in our context, although the strategic context differs. When a donor can create a trust fund from scratch, it can model it according to its own preferences but faces the risk of failing to mobilize additional donors. When a donor joins an existing fund, it is less likely to assert its own preferences but contributes to a positive dynamic to membership growth.

To study leader–follower patterns in trust funds, we used an unbalanced panel of the contribution decisions of 30 OECD/DAC donors in 190 World Bank trust funds, measured from the year in which the fund was established to the present. We found that the average similarity of a donor with the other donors with respect to its sectoral aid preferences is positively related to "lead donorship"—the probability of making the initial contribution. Furthermore, we found the preference similarity between a would-be donor and the existing donors of a fund to predict "followership"—the probability of joining a fund after an initial contribution was made. In contrast to the lead donorship scenario, preference alignment among all donors was no longer positively related to followership. We also obtained a positive alignment effect between would-be donors and existing donors with respect to their foreign policy preferences revealed through UN General Assembly voting behavior. Independent aid agencies, as a bureaucratic source of preferences for visibility and expanded scope of activities, were not systematically associated with increased lead donorship. However, aid agencies with cabinet level representation were more likely to follow into newly established trust funds.

Taken together, our results provide suggestive evidence of a long shadow of contested multilateralism: As donor preferences become more heterogenous, multilateral cooperation increasingly takes the form of special-purpose trust funds whose self-selected members have mutually aligned preferences. As we showed in this paper, donor preferences may not just be about how to approach development (Dietrich et al. 2022), but also reflect sensitivity to competition with other donors in increasingly crowded development sectors. Our theoretical framework enhances our understanding of institutional dynamics in low-cost institutions, casting light on the different rationales for lead donorship and followership. Timing is crucial: A given trust fund may no longer be attractive to a given donor depending on which other donors have already joined. While the ease with which trust funds can be created has arguably led to a more (politically) efficient global governance architecture whereby like-minded donors come together in club-like structures to advance issues of common concern and break existing gridlocks, it has also raised concerns about fragmentation, as emphasized by regime complexity scholars (Drezner 2009). In short, trust funds help states address some problems of cooperation but also confront them with new challenges, ultimately posing a governance trade-off.

While trust funds may be an efficient instrument to help like-minded donors coordinate their development cooperation efforts, this conclusion may not hold for other forms of cooperation, notably formal international organizations, given the higher cost of establishing these organizations. We would expect new IGOs to emerge only around high-salience issues and under the leadership of powerful states. The implications for global governance are clear: The proliferation of trust funds to address global development challenges may be a politically efficient solution to the growing heterogeneity of the donors. At the same time, this trend furthers the fragmentation of the international development system, which poses a cost to be borne by international organizations that need to administer the growing variety of trust funds, and recipient countries who are faced with an ever-increasing range of aid modalities. Political efficiency thus appears to come at the price of economic efficiency.

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Conflicts of Interest

The authors declare no conflicts of interest.

Data Availability Statement

Replication data for this study is available from the Harvard Dataverse: https://doi.org/10.7910/DVN/OSVQCK.

Endnotes

[1] For a comprehensive overview of procedures of trust fund creation and legal structures see the primer in the appendix.

[2] Note that this is different from expectations about lead donorship. Incentives for lead donorship are measured in terms of bilateral portfolio similarity to capture possible areas of competition with other donors *prior* to the creation of a new trust fund. For followership, preference alignment is measured conditional on trust fund creation, with only donor members.

[3] Gray, Lindstädt, and Slapin (2017) for example argue that accession candidates to international organizations have incentives to misrepresent their preferences to ensure existing members vote in favor of admitting them.

[4] There could be concerns that bilateral aid activity understates how important a sector is for trust fund activity. The resulting measurement error would induce a conservative bias into the coefficient estimates and therefore does not represent a threat to inference. We are thankful to an anonymous reviewer for pointing this out.

[5] Ideally, we would measure specific contractual details of trust funds to identify features that attract followers. Unfortunately, this data does not exist.

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Supporting Information

Additional supporting information can be found online in the Supporting Information section.