

International Bureaucrats and the Formation of Intergovernmental Organizations: Institutional Design Discretion Sweetens the Pot

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Abstract

Bureaucrats working in international intergovernmental organizations (IGOs) regularly help states design new IGOs. Sometimes international bureaucrats possess only limited discretion in institutional design; at other times, they enjoy broad discretion. In fact, they gain discretion even when they openly oppose state preferences. This contravenes conventional thinking about delegation: discretion should decrease as preference divergence between states and international bureaucrats increases. We develop a principal-agent theory of how much discretion states grant to international bureaucrats in the design of new IGOs. This is novel: while principal-agent theories of international delegation are common, scholars have not analyzed principal-agent relationships in the creation of new IGOs. We argue that even an international bureaucracy that disagrees with states' design preferences may enjoy substantial design leeway, due to states' need for bureaucratic expertise. In developing this argument, we employ a formal principal-agent model, case studies, and an original dataset.

1 Introduction

The early 1990s witnessed a bizarre interaction between states and international bureaucrats. In response to the global HIV/AIDS pandemic, the World Health Organization (WHO) and five other international bureaucracies had set up proprietary programs dealing with the problem. Large amounts of money were at stake. In just one year, for example, the WHO alone raised \$37 million in extra-budgetary funds for its in-house AIDS program. The United Nations Development Program, the World Bank, and other organizations strove for similar fund-raising for their own AIDS projects. But the demands of six bureaucracies, each running its own AIDS program, eventually angered wealthy donor countries. In 1993, these states declared that a new international intergovernmental organization (IGO) must be created, to take over all AIDS-related work. The six international bureaucracies openly condemned the idea, and vowed to thwart any attempts to launch such a body. And yet, wealthy donor states did something puzzling: rather than creating the IGO themselves, they handed the task to bureaucrats in the six organizations. This resulted in the formation of the Joint United Nations Program on HIV/AIDS (UNAIDS).

This contravenes the predictions of conventional principal-agent (P-A) theories: as preference divergence between agents and principals increases, agent discretion should decrease.¹ Standard principal-agent theories suggest that states delegate policy formation to international bureaucrats for informational gain but limit the bureaucrats' discretion in order to prevent agency slippage. If states and international bureaucrats disagreed, why did states allow so much agent discretion in the creation of UNAIDS? Why did states depend on the very people who had threatened to undermine any new IGO? More generally, *why would agents who openly oppose their principals nevertheless gain broad discretion?*

The question has general relevance to IGO research for two reasons. First, approximately two-thirds of the IGOs that exist today were created with involvement by international bureaucrats employed in pre-existing IGOs.² Sometimes their involvement is circumscribed, with international bureaucrats simply supplying secretariat services for states' negotiations. Other times, their dis-

¹Nielson and Tierney 2003; Hawkins et al. 2006.

²Shanks, Jacobson, and Kaplan 1996.

cretion is more substantial: they may participate in design negotiations, initiate conferences that bring states' attention to the need for new designs, or even develop design plans of their own.

Second, international bureaucrats can exert considerable influence in IGO design. The case of UNAIDS provides an example. Granted substantial discretion by states, international bureaucrats from the WHO and five other secretariats implemented an unusual element when they crafted UNAIDS. In addition to rotating seats for states' representatives, the new IGO's Program Coordinating Board (PCB) includes permanent seats for bureaucrats from the WHO and the other relevant IGOs. Even more notable, the PCB reserves seats for five civil society representatives from various regions.³ The international bureaucrats designing UNAIDS discarded a longstanding norm in UN organizations against third-party representation, and this institutional design feature has afforded an extraordinary amount of clout to intergovernmental and non-governmental organizations.

Our theory encompasses this and offers more generalizable insights about IGO creation. We develop a formal model in which a coalition of states first decides between working within the status quo or launching a new IGO. If the coalition of states chooses to discard the status quo, it next shapes how much discretion the staff of an existing IGO has in the design of the new body. Our model implies that *when states need expertise held by an international bureaucracy, the international bureaucracy may operate with considerable design leeway regardless of whether its design preferences diverge from those of the states*. Discretion is a way for states to "sweeten the pot" and thus secure costly design effort from international bureaucrats. This, we show, explains why states delegated the design of UNAIDS to bureaucrats with very different preferences.

To examine the generalizability of the argument, we employ an original dataset that covers the origins of randomly selected IGOs. If our theoretical model is empirically relevant, we should not only see international bureaucrats regularly participating in IGO design, but a positive association should exist between states' need for expertise and the depth of bureaucratic discretion in the design process – regardless of whether bureaucrats' design preferences mirror those of states. In line with previous work,⁴ we find that only a minority of the universe of intergovernmental organizations was created by states alone. For 65 percent, international bureaucrats participated in the design

³See <http://www.unaids.org/en/aboutunaids/unaidsprogrammecoordinatingboard/>. Accessed April 26, 2011.

⁴Shanks, Jacobson, and Kaplan 1996.

process.⁵ Cross-tabulations also indicate that international bureaucrats' institutional design leeway increases as the need for expertise increases. More starkly, we uncover a distinctive characteristic of the minority of intergovernmental organizations that were launched by states without international bureaucrats: these organizations tend to be political forums, bodies that serve largely as "talk shops" for states and do not require much bureaucratic expertise.

This article contributes to several strands of the cooperation literature. For one thing, we advance the literature on institutional design by theorizing about the role of international bureaucrats. Previous research emphasizes that cooperation problems affect institutional design,⁶ and we draw attention to the neglected question of whose cooperation problems are important. If states need bureaucratic expertise, and the bureaucracy expects a high cost from expending design effort, then relevant cooperation problems involve not only states but also international bureaucrats.

Furthermore, we contribute to the literature on principal-agent relations by showing that the scope of P-A models in international politics is broader than previously recognized. Extant P-A studies have focused largely on policy implementation,⁷ but we show that the very process of designing IGOs also can be modeled fruitfully as a principal-agent problem. To facilitate future research along these lines, we provide a series of model extensions that allow us to derive predictions regarding the effects of multiple principals and competing agents.

Finally, we provide new insights into the factors that determine the effects of IGOs on state behavior. If international bureaucrats exert considerable influence on IGO design, a principal-agent model of IGO design can help scholars explain variation in the effects that IGOs ultimately have on policies and outcomes. International bureaucrats' design preferences shape IGO design, and IGO design is an important determinant of IGO effects.

⁵Shanks, Jacobson, and Kaplan (1996) and other works sometimes refer to such organizations as "emanations." Such organizations are not mere subsidiaries of pre-existing organizations. And in fact, numerous prominent IGOs were created in this manner, as demonstrated in the case studies.

⁶Keohane 1984; Abbott and Snidal 1998; Koremenos, Lipson, and Snidal 2001.

⁷Nielson and Tierney 2003; Hawkins et al. 2006.

2 Theory and Hypothesis

To shed light on the role of international bureaucrats in IGO creation, we develop a model that builds on principal-agent theories.⁸ In our model, a state is faced with a new cooperation problem that extant IGOs are not equipped to handle well.⁹ This “state” can be regarded as a leading state, or alternatively as a coalition comprising multiple states.¹⁰ The state considers the possibility of establishing a new IGO.

The state holds preferences over design outcomes. It prefers an IGO that effectively responds to the new cooperation problem. Effectiveness depends on the design and structure of the new IGO. For example, the rational design literature emphasizes that voting rules and dispute resolution rules influence cooperation outcomes.¹¹ The state would prefer to align the design of the IGO with the demands of the cooperation problem at hand. To do so, it could try to design the new IGO on its own, or it could enlist the help of international bureaucrats working within extant organizations.

The new cooperation problem is assumed to stem from an exogenous shock. Such shocks come in many forms: surging commodity prices, environmental degradation, the outbreak of a communicable disease, etc. This exogenous shock, which may itself pertain to a technical issue, creates demand for cooperation, which in turn requires policy coordination, pooling of resources, enforcement, bargaining, delegation of authority, and so on. States are assumed to benefit from designing an IGO that can facilitate cooperation.¹² To illustrate, we can foreshadow our case study of the International Energy Agency (IEA). Following the 1973 oil shock, industrialized countries faced a completely new economic context, and there was a clear need for coordinating policies, such as the use of strategic petroleum reserves. The Organization for Economic Cooperation and Development (OECD), which would have been a natural organization for cooperation, was paralyzed because some industrialized countries used the organization’s unanimity rule to block initiatives for

⁸The supplementary appendix contains a formal analysis of this issue. To verify the robustness of the findings, we also examined a variety of model extensions. Some of the most interesting ancillary implications, such as multiple competing agents and bureaucratic agenda-setting, are discussed in the concluding section.

⁹We assume the demand to address the new cooperation problem stems from states. In the conclusion, we discuss the possibility that international bureaucrats exploit their expertise to create or publicize new cooperation problems for states.

¹⁰Nielson and Tierney 2003.

¹¹Abbott and Snidal 1998; Koremenos, Lipson, and Snidal 2001.

¹²Abbott and Snidal 1998; Koremenos, Lipson, and Snidal 2001.

policy coordination. Thus, a subgroup of OECD member-states demanded a new IGO to address the cooperation problems created by the oil shock.

The IEA example shows the need for further commenting on our assumption that the “state” may be a coalition of states. In practice, states often have diametrically opposed preferences. In such circumstances, our model’s assumptions hold if there is a leading state, or a coalition of states, with the ability to act despite other states’ objections. As in the IEA case, a subgroup of states could seek a new IGO in spite of the opposition of another subgroup of states, and our theory would shed light on this subgroup’s incentives and choices. This argument applies to the IEA case, as the opponents of energy policy coordination could not prevent the majority of industrialized countries, led by the United States, from moving their cooperation to the newly created IEA. However, our model is not applicable if vocal opponents of a new IGO can effectively block the proponents from acting. In this case, with the opponents of a new IGO having more bargaining power, states could not enlist international bureaucrats for IGO design in a mutually profitable fashion.¹³

2.1 First Stage: Choosing Whether To Delegate

Our model has two stages: 1) choosing whether to delegate to an agent, and 2) conditional on delegation, choosing agent discretion. In the first stage, the state decides whether to delegate institutional design tasks to international bureaucrats in pre-existing IGOs.

If the state chooses not to delegate, it has two alternative strategies. For one thing, the state can choose to retain the status quo and not create a new IGO at all.¹⁴ However, retaining the status quo is costly for the state. This is because changed circumstances call for a new policy that is difficult to implement without functions such as centralization and coordination, which are more effective if based on formal rules and structures in a new IGO.¹⁵ The status quo is also costly for

¹³See the supplementary appendix for a formal treatment. Technically, some states would have ideal points on one side of the bureaucrat’s ideal point while other states would have ideal points on the other side of the bureaucrat’s ideal point. If the distance between these ideal points is too large, delegation is impossible. In the concluding section, we also discuss the possibility that the international bureaucrat with expertise plays different states against each other to achieve its own goals in the creation of the new IGO.

¹⁴The “status quo” can encompass any of several situations that do not entail the creation of a new IGO: simple inaction, an attempt by states to cooperate without a formal organization, or reliance on an existing IGO.

¹⁵Abbott and Snidal 1998. See Jupille and Snidal (2006) for conditions under which states prefer institutionalized cooperation.

the bureaucrat because it cannot reap the benefits from designing a new IGO according to its own preferences.

Even if the state does opt to create a new IGO, it does not have to delegate design tasks to international bureaucrats in pre-existing IGOs. It can undertake unilateral action and create a new IGO without external assistance. This allows the state to design the IGO according to its own preferences. However, because the creation of a new international intergovernmental organization requires a detailed understanding of how an IGO is operated under international anarchy, the state cannot easily rely on its national bureaucrats or scientific institutions for solutions.¹⁶ In other words, because the management of the cooperation problem itself requires delegation to a new IGO, we assume that not all of the needed information is available at the national level, and therefore the state lacks expertise on how the new IGO should be designed. Consequently, on its own the state may unintentionally design a dysfunctional IGO. The magnitude of this risk depends on how complex the IGO design problem is. This complexity may reflect both technical difficulty and the novelty of the cooperation problem at hand, as well as a combination of the two.

But another option is delegation: making use of international bureaucrats in pre-existing IGOs, the state can become a principal and hand institutional design tasks to a bureaucrat-agent.¹⁷ Because the bureaucrat-agent has operated an intergovernmental organization, it has valuable expertise. For example, a bureaucrat-agent who has operated a regional economic organization for years probably has a good understanding of the implications of institutional design for a new economic organization. Consequently, the bureaucrat-agent can more effectively design a new IGO to match the demands of the cooperation problem at hand.

If an extant international bureaucracy possesses useful expertise, then why would states ever opt to create a new IGO? Why not minimize transaction costs by relying on the extant IGO to address the new cooperation problem itself? States turn to the costlier approach of creating a new institution when the existing constellation of institutions offers no suitable venue¹⁸ But it is

¹⁶See the appendix for a formal extension allowing for national bureaucratic expertise.

¹⁷While we assume the state-principal is a unitary actor, the basic insights from the theory can also be applied under preference divergence among multiple states. See the supplementary appendix for a formal demonstration. In the concluding section, we also discuss the possibility that state-principals strategically enlist bureaucrat-agents in order to enhance their bargaining power in design negotiations.

¹⁸Jupille and Snidal 2006.

important to avoid conflating the lack of a suitable venue with a lack of useful expertise. For one thing, expertise may be dispersed across existing institutions. In the case of UNAIDS, for example, the new cooperation problem did not fit neatly within a single extant IGO and yet, six different agencies possessed expertise about the pandemic’s medical, economic, and other facets. Furthermore, an existing institution may suffer from handicaps (e.g., institutional capture) that are unrelated to expertise.¹⁹ This is what prompted the design of the IEA, an IGO that was created instead of expanding the OECD. While OECD bureaucrats had expertise in managing energy supplies, a minority of member-states used the organization’s unanimity rule to prevent OECD bureaucrats from actually releasing those supplies in response to the oil crisis. Both the UNAIDS and IEA examples illustrate a key point: an international bureaucracy can possess valuable expertise for the institutional design process, even if its own organization is not well equipped to handle the new cooperation problem itself.

2.2 Second Stage: Choosing Design Discretion, Conditional on Delegation

If the state-principal delegates, it must select how much discretion to grant. Low levels of discretion imply that the bureaucrat-agent has limited influence on the design outcome, whereas high levels of discretion imply the opposite. Discretion allows the state-principal to capitalize on the bureaucrat-agent’s expertise. So, why would the state-principal not allow full discretion? The reason is that the bureaucrat-agent has independent preferences over IGO design, and these may diverge from those of the state-principal. For instance, the bureaucrat-agent may prefer to design the IGO in ways that privilege itself with influence over future policy formation.²⁰ Thus, a principal-agent tension exists: the state-principal needs the expertise of the bureaucrat-agent, but the state-principal also worries about possible abuse of discretion.

Generally, international bureaucrats would rather participate in institutional design negotiations than be excluded. To be sure, the bureaucrat-agent may be hesitant because the new IGO is a

¹⁹Mansfield 1995. Existing IGOs may prove dysfunctional if they are “captured” by particular subgroups of states with little interest in cooperation. These hostile subgroups would not be part of the state-principal in our theory.

²⁰The subsequent IEA case illustrates this. Bureaucrats from the Organization for Economic Cooperation and Development (OECD) were not highly revisionist, yet even they used the IEA design negotiations to ensure that their own organization would have influence in the new IGO. For example, they won the right for the OECD Secretary-General to nominate the Executive-Director of the International Energy Agency.

potential competitor: any new IGOs will draw from the same pool of resources and responsibilities that pre-existing IGOs do. Nevertheless, international bureaucrats also have a stake in institutions with which they will work. They understand that if a new IGO is created, it begins to operate even without their input. Therefore, international bureaucrats from pre-existing IGOs would rather be inside than outside of design negotiations, so that they are better positioned to shape institutional designs to be more favorable to their own interests.²¹

However, the bureaucrat-agent's incentive to participate does not ensure that it has an incentive to exert *costly effort* on behalf of the state-principal's interests. In other words, international bureaucrats would rather participate than be excluded from design negotiations – but they are not automatically inclined to expend effort to collect information, conduct analyses, and implement the new IGO design for the principal. Thus, an important feature of our model is that the bureaucrat-agent can choose to “shirk” by not fully investing its expertise in the IGO design process. It may choose to do so because competent IGO design requires costly effort. For one thing, working to design an effective new IGO comes at an opportunity cost: the resources and expertise expended in resolving the state-principal's new cooperation problem could have been conserved to address other problems or improve the operation of the bureaucrat-agent's home IGO. But sometimes effort entails an even greater cost: the new organization may wrest responsibilities away from the bureaucrat-agent's own IGO. International bureaucrats pay close attention to this possibility, which would make their design costs high.

But if the bureaucrat-agent fails to exert costly effort, then the new IGO will function no better than if the state simply had undertaken design on its own, without delegating at all.²² How, then, can the state-principal prompt the bureaucrat-agent to employ its useful expertise and invest in IGO design? By increasing discretion, the state-principal can make design efforts more beneficial

²¹The subsequent Caribbean Environment Program case illustrates this. Even when the Reagan administration in the United States attempted to curtail the design discretion of revisionist bureaucrats from the United Nations Environment Program (UNEP), UNEP personnel continued to insist on participating in the creation of this new IGO for the Caribbean region.

²²Note, therefore, that in the institutional design process we perceive more incentive for an international bureaucracy to shirk, rather than to vindictively try to design the new IGO to fail. After all, the latter approach would require costly effort, be more easily traceable and punishable, and run a serious risk of getting the international bureaucracy excluded from institutional design negotiations for other new IGOs well into the future. Pre-existing international bureaucracies do *not* always wish a new IGO to be dysfunctional – but if they did, then shirking would be a less costly and risky approach for pursuing this wish.

to the bureaucrat-agent, who has greater leeway to design the new IGO in ways that privilege itself over future policy formation.²³ According to our theory, discretion thus has a dual rationale: not only allowing states to benefit more from the bureaucrat-agent’s expertise, but also increasing the bureaucrat-agent’s expected payoff from exerting costly effort in IGO design.²⁴

It is worth noting that our theory emphasizes the state-principal’s *ex ante* regulation of discretion. We assume the state-principal can select the level of discretion but does not punish the bureaucrat-agent *ex post* for shirking. However, our theory can readily accommodate the possibility of *ex post* punishments and rewards.²⁵ For example, the state-principal could punish or reward the bureaucrat-agent through incentives such as promotions, or opportunities with national administrations. Conversely, shirking bureaucrats are deprived of these lucrative rewards. As the state-principal’s ability to administer *ex post* punishments and rewards increases, the need to constrain discretion decreases.

2.3 Empirical Expectations

The theory presented above has two stages: the decision to delegate and, conditional on delegation, the choice of discretion. We begin by summarizing the logic of delegation and then discuss our main hypothesis concerning the level of discretion.

In the initial stage, how does the state choose whether or not to delegate? One important determinant is state-bureaucracy preference divergence. The preferences of the state are unlikely to be mirrored exactly by international bureaucrats, and therefore three broad types of preference divergence are possible. Figure 1 shows these three preference constellations in a unidimensional IGO design space. In each, the ideal point of the state (STATE) and the bureaucracy (BUR) diverge from the status quo (SQ).

[Figure 1 about here.]

²³The subsequent UNAIDS case illustrates this. By endowing “co-sponsoring” organizations with permanent seats in the new IGO’s Program Coordinating Board, bureaucrats from the World Health Organization and five other pre-existing IGOs privileged their own organizations with institutionalized influence in the formation of future UNAIDS policies.

²⁴For simplicity, we assume the state-principal has accurate information about the bureaucrat-agent’s cost. In the conclusion, we discuss the possibility that international bureaucrats strategically exaggerate this cost to gain additional discretion.

²⁵See the appendix for a formal analysis.

The first constellation portrays diametrically opposed preferences: the state and the bureaucracy prefer design outcomes on opposite sides of the status quo. Here, any shift away from the status quo in either direction is harmful to one of the two players, so a mutually profitable delegation act is impossible. The state must either retain the status quo or act unilaterally. Without delegation, the state never proceeds to the second stage of selecting an agent’s discretion level.

In contrast, a mutually profitable delegation act is possible under two other types of preference divergence. The second preference constellation in Figure 1 portrays “conservative bureaucrats”: both actors have a common interest in a leftward shift away from the status quo, but the state-principal prefers a more radical shift than the bureaucrat-agent does. The third preference constellation portrays “revisionist bureaucrats”: both actors have a common interest in a leftward shift away from the status quo, but the bureaucrat-agent prefers a more radical shift than the state-principal does. In short, barring diametrically opposed preferences, delegation is possible regardless of whether the potential bureaucrat-agent is conservative or revisionist.

In the initial stage, if the state chooses not to delegate, how does it select between undertaking unilateral action and retaining the status quo? The pivotal factor, as shown in Figure 2, is the level of specialized expertise needed to design a new and effective IGO. If the need for specialized expertise is low, then the state may be equipped to act unilaterally to design a new IGO. Empirically, this scenario would play out when an exogenous shock creates a new cooperation problem for which extant IGOs do not provide a suitable venue, and yet there is little uncertainty about how a new IGO should be created (perhaps because states themselves have designed very similar organizations in the past).²⁶ However, if the need for specialized expertise is high, then the state may need to retain the status quo, without creating a new IGO. In other words, when the need for specialized expertise is high, states would either enlist the help of international bureaucrats if delegation is possible, or retain the status quo if delegation is not possible. This suggests an observable implication: *when*

²⁶For example, consider the Commonwealth of Independent States (CIS), an IGO that former Soviet republics created in 1991, following the shock of the Cold War’s end. While the Soviet Union remained intact, there had been little need for a distinct intergovernmental organization to provide a general forum for the Soviet republics to discuss various policy areas. However, following the Soviet Union’s rapidly dissolution into several independent states, such an IGO became necessary. A coalition of states – Russia, Belarus, and Ukraine – took the lead in creating the new IGO, for these republics already had experience coordinating with one another. Little other specialized expertise was required to create an institutionalized forum for themselves.

looking at IGOs that actually have been created, we expect to see that states create IGOs unilaterally only when the need for specialized expertise is low. Below, we employ quantitative data to evaluate this implication.

[Figure 2 about here.]

In fact, the need for expertise also is an important consideration when mutually beneficial delegation is possible. Figure 2 plots state-bureaucracy preference divergence versus the bureaucracy's design cost, highlighting the "zone" in which delegation is expected to occur. The left graph depicts this zone when the need for specialized expertise is *low*, while the right graph depicts this zone when the need for specialized expertise is *high*. Note how the zone of delegation expands as the need for expertise increases: if the state is in great need of the expertise possessed by the international bureaucracy, then delegation is expected even when the bureaucracy's design cost and the state-bureaucracy preference divergence are fairly high.

Having explained the logic of delegation, we can now focus on our primary research question: what explains variation in discretion conditional on delegation? The following is our primary hypothesis:

Hypothesis. Consider the case of conservative bureaucrats, and suppose the bureaucrat-agent's design cost is high. As the bureaucrat-agent's ideal point shifts *away* from the state-principal's preference and toward the status quo, discretion *increases*.

This hypothesis initially seems counterintuitive, because conventional principal-agent theories predict that increases in principal-agent preference divergence result in decreases in agent discretion. But here, design discretion increases with preference divergence, because the state-principal has to *entice* the bureaucrat-agent to invest in the design of a new IGO. Additional design discretion is an inducement that sweetens the pot for the bureaucrat-agent, and thus secures the bureaucrat-agent's effort in the design of the new IGO. Increasing discretion has a dual rationale: it allows the state-principal to benefit more from the bureaucrat-agent's expertise, but it also increases the bureaucrat-agent's expected payoff from exerting costly effort in IGO design.

Figure 3 shows how equilibrium discretion (y -axis) varies with preference divergence (x -axis). Our hypothesis pertains to the conditions on the right side, where the bureaucrat-agent's design cost is high. The relationship between discretion and preference divergence starts out negative, because the bureaucrat-agent agrees with the state-principal that the status quo is bad. But as the bureaucrat-agent's ideal point moves towards the status quo, the negative relationship is replaced by a positive relationship: a high level of discretion is needed to induce effort. The state-principal must thus select between high discretion or no delegation at all.

[Figure 3 about here.]

If either of the conditions outlined in the hypothesis do not hold, the counterintuitive association between discretion and preference divergence disappears. Conventional principal-agent wisdom – that discretion is negatively correlated with principal-agent preference divergence – again would hold. To see this, suppose first that the bureaucrat-agent remains conservative, but its design cost is low rather than high. The left side of Figure 3 captures this difference. In such a situation, the bureaucrat-agent cannot credibly threaten to shirk, so the state-principal can easily secure the bureaucrat-agent's design effort. In contrast to the high-cost scenario, in the low-cost scenario there is now only a single rationale for discretion: it is not necessary for increasing the bureaucrat-agent's expected payoff from exerting costly effort, but it still enables the state-principal to capitalize on the bureaucrat-agent's expertise. Thus, *for a conservative bureaucrat-agent with a low design cost, discretion increases as the bureaucrat-agent's ideal point shifts toward the state-principal's preference and away from the status quo.*²⁷

Next, suppose that the bureaucrat-agent is revisionist rather than conservative. That is, compared to the state-principal, it is more interested in moving away from the status quo. In this case, we again expect conventional principal-agent wisdom to hold: *for a revisionist bureaucrat-agent, discretion decreases as the bureaucrat-agent's ideal point moves away from both the state-principal's preference and the status quo.* Since the bureaucrat-agent has a keen interest in avoiding the status quo, the state-principal need not sweeten the pot to induce the bureaucrat-agent to exert costly

²⁷Empirically, cases in which much expertise is needed but the bureaucrat-agent's design cost is low may prove infrequent. When detailed expertise is needed, the opportunity cost of offering such expertise is probably high.

design effort.

3 Case Studies

We predict that, for a conservative bureaucrat-agent with a high design cost, institutional design discretion increases as the bureaucrat-agent's ideal point shifts away from the state-principal's preference and toward the status quo. In other words, contra conventional wisdom, the *less* the bureaucrat-agent's design preference mirrors that of the state-principal, the *more* discretion the agent enjoys. To test this hypothesis – and to demonstrate reversion to conventional wisdom when either the bureaucrat-agent is not conservative or its design cost is not high – we turn first to case studies.

The three cases probe the hypothesis both directly and indirectly. The *direct* test occurs in the case of the Joint United Nations Program on HIV/AIDS (UNAIDS). In the UNAIDS case, both of the hypothesis' conditions hold: the bureaucrat-agent's design cost is high, and the bureaucrat-agent is conservative. We show that even if international bureaucrats hold a design preference that differs markedly from states', states may grant them substantial discretion in designing a new organization. This supports our hypothesis. Wealthy donor states demanded a new IGO to take over all AIDS-related programs within the United Nations system. However, international bureaucrats in the World Health Organization and five other UN agencies opposed this idea. They sought to protect their own turf and also make sure that the fight against the pandemic was driven by victims' needs rather than funders' interests. But despite these conspicuous divergences from states' preferences, states invited the six secretariats to take a central institutional design role. International bureaucrats did so – for although they faced a high cost in organizational creation, states had compensated them by offering significant discretion in the institutional design arena.

The *indirect* tests of the hypothesis involve relaxing each of its two conditions in turn. The second case deals with the origins of the IEA, and it exhibits what happens if the high-cost condition of our hypothesis is relaxed. Unlike in the UNAIDS case, the relevant international bureaucracy faced a low design cost: while exerting effort in design negotiations imposed an opportunity cost on staff from the Organization of OECD, these bureaucrats knew that the new IGO would not wrest

responsibilities and resources away from their own organization. Both OECD staff and certain states were genuinely alarmed by the status quo and recognized the need for a new organization, so they collaborated in designing it. States, needing specialized expertise to create the new IEA, welcomed participation by like-minded international bureaucrats facing a relatively low design cost.

The third case deals with the origins of the Caribbean Environment Program (CEP), and it exhibits what happens if the conservatism condition of our hypothesis is relaxed. If states want to move away from the status quo, but international bureaucrats want to move even further, states may move to limit the institutional design discretion of these “revisionist” bureaucrats. Bureaucrats from the United Nations Environment Program (UNEP) drew attention to marine pollution, and states agreed that new organizations should be constructed to deal with this problem. Yet once UNEP personnel had set up new bodies in areas such as the Mediterranean and the Persian Gulf, their revisionist nature became clear to states. The United States sought to dampen such activism in its own region, the Caribbean. By hamstringing UNEP bureaucrats financially, the United States curtailed their institutional design discretion.

3.1 Conservative Bureaucrats, High Costs: The Joint United Nations Program on HIV/AIDS

The disease Acquired Immunodeficiency Syndrome (AIDS) was first identified in the early 1980s in the United States and western Europe. Initially, it was presumed a “rich country” problem. But by 1985, there were 17,000 reported cases across 71 countries.²⁸ Many more went unreported.

The new disease confounded even the most powerful states. For one thing, medical and scientific knowledge was spotty. It took years, for example, to debunk the widely held view that the ailment was confined to homosexuals and intravenous drug users. In addition, states were reluctant to deal transparently with AIDS, because admitting the scale of the problem was risky. For instance, in many countries the disease was prevalent within the military, and states understandably did not wish to advertise this vulnerability. Furthermore, government officials had little experience or inclination to deal with the matters brought up by AIDS. The disease signified “sexuality and

²⁸Merson et al. 2008, 475.

death, not the stuff that politicians... gravitate toward.”²⁹ Even if government officials could have surmounted their uneasiness with topics like drug use and prostitution, the thorniness of the pandemic extended beyond its “unsavory” modes of transmission. More than just a medical problem, it brought up contentious social issues such as poverty, reproductive rights, illiteracy, and discrimination.

In the mid-1980s, the World Health Organization’s Director-General, Danish doctor Hafdan Mahler, recognized a need and opportunity for his staff to take a leadership role – not only to guide the organization’s weakest member states, but also the strongest ones. “Political sensitivities and inadequate knowledge, expertise, experience, and financial and human resources” had plagued states’ efforts to combat AIDS on their own.³⁰ In 1986, Mahler established an in-house AIDS initiative under the direction of American physician Jonathan Mann. This initiative, which would come to be known as the Global Program on AIDS (GPA), reported directly to the Director-General and was authorized to conduct external fundraising.

Under Mahler and Mann’s guidance, the WHO bureaucracy became a global authority on the pandemic. Few states could match the organization’s health policy know-how, medical expertise, and worldwide connections. Even the most advanced states had trouble gleaning health data from other countries in the way that WHO staff did. World Health Organization statements and recommendations “provided a form of higher authority to which governments could refer as a benchmark of appropriate policies.”³¹ Powerful and weak states alike came to rely on the organization’s bureaucrats.

In 1987, the United Nations General Assembly officially designated the WHO the “lead agency” in the global response to AIDS. That same year, the GPA garnered US\$ 37 million in extra-budgetary contributions and organized an unprecedented conference, bringing together ministers of health from more than 110 states to discuss the pandemic. It also formed relationships with dozens of non-governmental organizations, thereby gaining access to civil society networks and in-country operations. By 1990, the GPA had concluded agreements to establish AIDS programs within 155

²⁹Behrman 2004, 12.

³⁰UNAIDS 2008, 14.

³¹Berridge 1996, 160.

of the World Health Organization's 166 member-states.³²

The efforts of WHO bureaucrats focused on their area of expertise, the pandemic's health aspects. Further AIDS programs were launched by five other organizations within the United Nations family: 1) the United Nations Educational, Scientific, and Cultural Organization (UNESCO); 2) the United Nations Children's Emergency Fund (UNICEF); 3) the United Nations Development Program (UNDP); 4) the United Nations Population Fund (UNFPA); and 5) the International Bank for Reconstruction and Development (World Bank). They established programs tailored to their own areas of expertise, such as education, children, social work, family planning, or economic growth.

Initially, states supported the proliferation of programs. But the end of the Cold War changed things. "Victorious" Western states began to muse whether the United Nations was still needed – or at least, whether it needed to be so large. The new or democratizing states of eastern Europe now required foreign aid as well. Among the traditional donor states, many were experiencing economic recessions of their own. Meanwhile, past contributions to fighting AIDS appeared to have a perverse effect: because improved information and surveillance had facilitated greater data collection, the pandemic seemed to be growing rather than abating.

In this context, wealthy Western donor states grew disgruntled with the status quo of six UN agencies running distinct AIDS programs. "What we wanted at the global level," explained a high-level Swedish official, "was one voice [saying] where is the pandemic, what is happening, what are the main avenues for treatment, what are the numbers we're talking about."³³ By 1993, donor states such as the Netherlands, the United States, and Sweden had concluded that the AIDS-related activities of the six IGOs ought to be amalgamated into a single body dedicated to the pandemic. This was "a shot across the bow" – particularly for the World Health Organization, the UN's lead agency for AIDS.³⁴

Bureaucrats within the WHO, UNDP, UNESCO, UNFPA, UNICEF, and World Bank recognized the need to avoid overlap, yet they opposed this push for amalgamation. As things stood,

³²Okie 1987.

³³UNAIDS 2008, 22.

³⁴Behrman 2004, 95.

each agency controlled the part of the AIDS effort that dealt with its respective area of expertise. Each managed its own financial and human resources, developed its own on-the-ground connections, and maintained its own notions of appropriate policy responses. The current state of affairs involved occasional overlap and competition over resources, but it permitted all six parties to focus on their individual areas of expertise without being forced to fight one another every time a decision needed to be made. And in this, the international bureaucrats were united. They wanted to continue carrying out their work as they saw fit, without states' meddlesome push for a new intergovernmental organization. For the bureaucracies, the cost of creating a new IGO was high: not only would it take them away from their own work in the short term, but the new organization would also subsume their own organizations' programs in the longer term.

Thus began an intricate power struggle between wealthy donor states and the international bureaucrats. International bureaucrats' resistance to the change, griped one American diplomat, was like "trying to turn around the Queen Mary."³⁵ States first tried coercion. They threatened to cut off funds for the AIDS programs of the six IGOs. The message to international bureaucrats was stark: "If you want us to continue to fund multilaterally, you will get together and [work through] a cosponsored agency."³⁶

But the threat was not credible. Even if states could create a new body on their own, they would have grave difficulties forcing international bureaucrats to collaborate with it. AIDS was a complex problem, plagued by scientific uncertainty, stigma, politically awkward topics, and worrisome social issues. The pandemic had stymied even the most powerful states, prompting them to defer to WHO bureaucrats in the first place. The six agencies had spent years developing invaluable expertise, experience, and in-country networks for dealing with global AIDS. Excluding any agency from the institutional design negotiations was infeasible, because each had a different, needed specialization: health, economic growth, children, social work, education, family planning. International bureaucrats could withhold their information and connections, or even use them to undermine anything states imposed on them. Cutting the IGOs' funding would antagonize the employees, not win them over.

³⁵UNAIDS 2008, 70.

³⁶UNAIDS 2008, 22.

The international bureaucrats saw the donor states' determination to move away from the current state of affairs and realized they would be better off if they had a say in how it was done. The donor states recognized that, without the buy-in of the bureaucrats, any new body would be doomed. And so states shifted from sticks to carrots. A new IGO, called UNAIDS, would be established by 1996. But personnel of the six agencies would determine its design, via a Committee of Cosponsoring Organizations (CCO). For the WHO bureaucracy, which until then had been the UN's lead agency for AIDS, there was a special carrot. Peter Piot, a Belgian doctor and WHO employee, would be UNAIDS' first director and the chair of the CCO in the interim.

Such institutional design leeway for international bureaucrats was a "compromise," admitted a Swedish diplomat. A high-level Dutch official agreed, complaining that the employees of the intergovernmental organizations simply proved "too powerful."³⁷ IGO staff did not shy away from taking advantage of their leeway. Bitter about the donor states' "meddling," they agreed that the new organization should be protected from similar incursions. Condemning governance and control by member states, their initial design inclination was to "set up a board, selected by themselves, that would make all the decisions about expenditure and hiring people... It would have been a matter of [their being] judge and jury."³⁸ The eventual design was toned down, but it still contained some radical aspects. For instance, UNAIDS is governed by a Program Coordination Board (PCB) consisting of states, international bureaucrats, and non-governmental organizations. It is the first United Nations body with governing board seats set aside for civil society representatives. Furthermore, states must rotate in and out of the mere 22 spots allotted to them, while every one of the cosponsoring IGOs possesses a permanent spot.

The case of the Joint United Nations Program on HIV/AIDS reveals states and international bureaucrats with very different preferences. Donor states believed a new all-encompassing IGO was needed. International bureaucrats in the WHO, UNDP, UNESCO, UNFPA, UNICEF, and World Bank did not. States realized they needed these IGO personnel. The six agencies had expertise, experience, and on-the-ground operations. These resources were indispensable, not only for designing a new AIDS body, but for helping it to operate effectively. To secure their help, states

³⁷UNAIDS 2008, 22, 30-31.

³⁸UNAIDS 2008, 33-34.

agreed to abide by their institutional design proposals. IGO employees were blunt about their opposition to a new organization and their resentment of states' interference, so this leeway for international bureaucrats was chancy for states. It was clear that the two groups had very different design inclinations. Yet international bureaucrats enjoyed substantial design discretion.

Conventional wisdom suggests that agent discretion would decrease as principal-agent preference divergence increases. But the UNAIDS case demonstrates conditions – agent conservatism and high design costs – under which the opposite is true. Next, in two shorter case studies, we show how the conventional wisdom once again applies if the bureaucrat-agent does not have high design costs (as in the origins of the International Energy Agency) or is not conservative (as in the origins of the Caribbean Environment Program).

3.2 Conservative Bureaucrats, Low Costs: The International Energy Agency

In late 1973, the Organization of Arab Petroleum Exporting Countries (OAPEC) announced a total ban on oil exports to the Netherlands and the United States. The Netherlands and other states called on the Organization for Economic Cooperation and Development (OECD) to ease the crisis by releasing oil from a stockpile it administered. But the OECD Secretary-General, Dutch national Emiel van Lennep, was hamstrung. Tapping the stockpile required unanimous approval by member states. France and the United Kingdom withheld their approval, immobilizing the Secretariat's response.

This was not the first time that the unanimity rule had frustrated organizational activities. Earlier in 1973, OECD personnel had held informal discussions on the “need to create a stronger institutional basis to manage a wider range of energy problems.”³⁹ Even before the oil fiasco, international bureaucrats were dissatisfied with the status quo.

States came to share this displeasure. Stymied within the OECD, they first tried to handle the embargo on their own. However, they “did little collectively but argue among themselves, while scrambling for oil supplies individually, thus serving to bid up the price of oil.”⁴⁰ Next, they pondered a change to the OECD's unanimity rule for decision-making. That proved impossible,

³⁹Scott 1994, 36.

⁴⁰Hubbard and Weiner 1986, 93.

since changing the rule would also require unanimity. Eventually, member-states realized they needed a more drastic shift from the status quo: a new IGO.

But they needed help. The embargo was squeezing the United States, the natural leader. The U.S. also faced an ongoing war in Vietnam, a government embroiled in the Watergate scandal, Congressional pushback against abuses of power in the executive branch, and a weak economy.⁴¹ Moreover, the federal Office of Emergency Preparedness (which had possessed the major responsibility of emergency planning) had been dismantled, undermining a pool of expertise within the U.S.'s national bureaucracy.⁴²

The OECD Secretariat saw the opening. Secretary-General Van Lennep and other staff pointed out that building on the expertise and legal legitimacy of an existing organization would speed the institutional design process and appear less provocative to the Arab countries.⁴³ They argued that their organization was exactly the foundation that states needed. Even though the OECD had been unable to address the oil crisis directly, its staff had valuable experience with energy shortages and stockpiles. Moreover, the OECD offered a better institutional framework than other IGOs. The varied interests of the global membership of the United Nations would be too unwieldy for a rapid reaction. Meanwhile, the nascent supranational bodies of the European Economic Community excluded important players such as Australia, Canada, Japan, New Zealand, and the United States.⁴⁴

With the notable exception of France, most member states concurred. Characterizing the situation as “the economic equivalent of the sputnik challenge,” U.S. Secretary of State Henry Kissinger invited OECD employees, as well as officials from 13 countries, to a February 1974 conference in Washington, D.C.⁴⁵ Then, between March and November 1974, representatives of the OECD and 17 of its 24 member states met in Brussels and sketched out the design of a new intergovernmental organization called the International Energy Agency (IEA).⁴⁶

The OECD secretariat's design costs were relatively low. Design negotiations temporarily took

⁴¹Hurwitz 1976, 4.

⁴²McKie 1975, 81.

⁴³Scott 1994, 41-42.

⁴⁴Lantzke 1975, 225; Prodi and Clo 1975, 91.

⁴⁵Kissinger 1973, 8.

⁴⁶Kohl 1976, 248; Scott 1994, 45-46.

staff away from other responsibilities, but the new organization's mandate would not permanently wrest tasks away from the Organization for Economic Cooperation and Development itself. Moreover, OECD personnel proposed and obtained several design elements ensuring their own influence in the new body. For instance, they secured the permanent right of the OECD Secretary-General to nominate the IEA Executive-Director.

The origins of the IEA shows states and international bureaucrats that were united in their dissatisfaction with the status quo. Moreover, the international bureaucrats offered valuable expertise and experience with energy stockpiles, and they were determined to be involved in the design negotiations. True, their goals included institutionalizing the influence of the OECD secretariat within the new body, and this was not a priority that states shared. But overall, the aims of states and international bureaucrats coincided.

In contrast to the UNAIDS case, the IEA case demonstrates reversion to conventional principal-agent wisdom: a negative correlation between discretion and preference divergence. The OECD bureaucracy was a conservative bureaucrat-agent with low design costs and low divergence from the state-principal's preferences. Unsurprisingly, then, it enjoyed substantial design discretion when states welcomed them as partners in design negotiations. Had preference divergence been greater, agent discretion probably would not have been so high.

Thus, if a bureaucrat-agent is conservative but its design cost is not high, greater preference divergence between principal and agent no longer prompts greater discretion. A similar reversion to conventional wisdom occurs if a bureaucrat-agent is revisionist rather than conservative. Facing bureaucrats who seek to move even further from the status quo than states do, states try to curb design discretion. The origins of the Caribbean Environment Program (CEP) is such a case.

3.3 Revisionist Bureaucrats: The Caribbean Environment Program

The United Nations Environment Program (UNEP) began operating in 1972, and within four years it launched its first regional seas program, the Mediterranean Action Plan (MAP). Marine pollution was a priority for the new organization and its energetic Executive-Director, Egyptian

microbiologist Mostafa Tolba.⁴⁷ After all, the vast majority of the world's population lives within 80 kilometers of a coast, and almost half of the cities with more than one million inhabitants lie at the mouths of tidal rivers.⁴⁸

To launch the Mediterranean Action Plan, UNEP bureaucrats and their allies had pursued a revisionist agenda, herding acrimonious states into cooperation. “The ecological epistemic community,” wrote one scholar, “has been able to use the administrative base provided by environmental ministries to effectively promote its own preferred vision of pollution control, which is broader in scope and more clearly delineated than the vague, formal missions assigned to the ministries in various countries.”⁴⁹ The outcome was remarkable. “There was hardly any big international organization that could have brought together Arab countries and Israel to sign a treaty as we did,” boasted Stjepan Keckes, the director of UNEP’s Regional Seas Program.⁵⁰ Executive-Director Tolba was equally triumphant: “In the face of the belief that the Mediterranean was beyond saving, the UNEP decided to go forward.”⁵¹

Exhilarated by their success in one region, UNEP bureaucrats envisioned a dramatic departure from the status quo: they would launch new marine pollution bodies in all regions of the world. Plans for new institutions dealing with the Red Sea and the Persian Gulf were drawn up almost immediately. Then, in 1979, UNEP staff turned their attention to their next goal: they sounded the alarm about huge spills at a Gulf of Mexico oil well and massive amounts of untreated human waste in the Caribbean Sea.⁵²

Developing countries, which comprise the majority of the states bordering the wider Caribbean, sought the UNEP’s expertise to create a new organization to deal with the region’s environmental woes. UNEP bureaucrats readily agreed. They declared that their initiative in the Caribbean would surpass the economic and social scope of their earlier initiative in the Mediterranean.⁵³ They developed a document called the “Caribbean Action Plan,” which outlined over 60 proposed

⁴⁷Hinrichsen 1990, 24.

⁴⁸Tolba and Rummel-Bulska 1998, 35.

⁴⁹Haas 1989, 389.

⁵⁰Hulm 1983, 13.

⁵¹Tolba and Rummel-Bulska 1998, 38.

⁵²Hinrichsen 1990, 52-54.

⁵³Ember 1980, 16.

projects of a new “Caribbean Environment Program (CEP).” The draft was presented to Caribbean states in 1980, modified by government-appointed experts from the region, then formally adopted by 23 of 27 states in early 1981.⁵⁴

The United States recognized the need for the CEP, but it was leery of bureaucrats’ grand ideas. U.S. leaders sensed that earlier regional seas programs had “put the foxes in charge of the chicken coop.”⁵⁵ Moreover, they worried about the ease with which UNEP personnel collaborated with socialist governments in Cuba and elsewhere in the Caribbean.

In 1981, just before the UNEP bureaucracy finalized the CEP, Ronald Reagan assumed the U.S. presidency. His administration decided to curtail UNEP revisionism as part of a broader plan of fiscal belt-tightening. The U.S. had been contributing about one-third of UNEP’s \$40-million budget, but the U.S. Office of Budget and Management proposed a complete elimination of all U.S. contributions. According to U.S. Under-Secretary of State James Buckley, this aimed to curb the UNEP bureaucracy’s tendency to exceed the merely “catalyst role” that states had specified for the organization in 1972.⁵⁶ International bureaucrats understood the implications. “We could not survive if the biggest donor suddenly cuts to zero,” stated UNEP’s deputy executive director.⁵⁷

In the end, the United States reduced (but did not completely eliminate) its financial contributions. The ensuing budget crisis permitted UNEP personnel to continue participating in ongoing design negotiations for a CEP, but with less discretion than they had enjoyed in earlier initiatives in other parts of the world. Their suggestions were thoroughly vetted by the U.S. and other states.

In 1983, the CEP did come to fruition, with a formal convention signed by the United States and 12 other countries. However, it lacked the specific targets and standards advocated by UNEP personnel. Thus, the convention indeed moved away from the status quo, but not as much as the UNEP bureaucracy initially envisioned. “But at least,” declared Executive-Director Tolba, “we have taken a long stride in the right direction.”⁵⁸

⁵⁴Ember 1980, 15.

⁵⁵Haas 1989, 389.

⁵⁶Shabecoff 1982.

⁵⁷Omang 1981.

⁵⁸Nossiter 1983.

3.4 Summary of Case Studies

Our theory moves beyond the conventional view that agent discretion will necessarily be low when there is substantial preference divergence between agents and principals. Instead, it shows that preference divergence is not the only determinant of discretion: design costs and expertise matter too. Our theory produces testable implications about international bureaucrats' institutional design discretion in various scenarios.

For one thing, state-principals will afford low discretion to *revisionist* bureaucrat-agents. This is out of fear that the revisionist agent will produce worse designs for the principal, and also out of confidence that the revisionist agent's aversion to the status quo will ensure its investment in forming a new IGO. The Caribbean Environment Program case illustrates.

Furthermore, state-principals will afford high discretion to *conservative* bureaucrat-agents with *low* design costs only if preference divergence is not high. This is because the conservative agent's low design cost already secures its costly effort in forming a new IGO. The IEA case illustrates.

On the other hand, state-principals will also afford high discretion to *conservative* bureaucrat-agents with *high* design costs, even if preference divergence is high. This is out of fear that the conservative agent's high design cost will deter its investment in forming a new IGO, unless state-principals "sweeten the pot" by permitting greater discretion. The UNAIDS case illustrates.

4 Statistical Analyses

The case studies are indispensable for investigating particular sets of international bureaucrats, in terms of their conservative or revisionist nature, or their high or low design costs. Doing the same investigation quantitatively would be less compelling, since it is very difficult to find a valid way to operationalize the complex concepts of preferences or design costs across a large number of observations. The relevant preferences and costs depend on highly specific characteristics of any given case, so they are best explored in comparative qualitative analyses. Nevertheless, a complementary statistical approach is possible – one that probes the generalizability of our argument without risking a simplistic operationalization of complex arguments. That possibility arises from

the role of expertise in our theory.

The case studies address our primary research question, which pertains to the second stage of our model: what explains variation in agent discretion, given that delegation is chosen. Next, we use statistical analyses to consider the first and second stages together. Recall that specialized expertise is important in both stages. In the first stage, if the state chooses not to delegate, it must select between retaining the status quo (i.e., not creating a new IGO) or creating a new IGO unilaterally. It is more likely to choose unilateral action if the need for specialized expertise is low. In the second stage, once the state has chosen to delegate, it must select the level of agent discretion. Preference divergence and all other factors equal, the discretion afforded to the agent should increase as the need for specialized expertise increases.

Specifically, as the need for specialized expertise increases, we should see 1) the state delegates to a bureaucrat-agent rather than acting unilaterally, and 2) the state affords high rather than low discretion to the bureaucrat-agent.⁵⁹ We can test this with statistical analyses, looking at IGOs that actually have been created.

Next, we discuss our general research design, presenting background on the data and the coding. Then, we present the simple cross-tabulations and difference-in-means calculations that constitute evidence in support of our argument. Finally, we employ a matching design to account for the fact that states' need for expertise is non-randomly distributed across issue areas and over time. Our main empirical findings are robust to this matching exercise.

4.1 Research Design

We employ a new and original dataset. The dataset covers 180 intergovernmental organizations, randomly selected from the universe of existing IGOs as determined by the Union of International Associations (UIA), the publisher of the 2007-2008 online edition of the *Yearbook of International Organizations* (YIO). The unit of analysis is a randomly selected IGO in the year 2008. See the appendix for a list of the intergovernmental organizations included in the dataset.

⁵⁹As noted earlier, when the need for specialized expertise is high, in the first stage states would either enlist the help of international bureaucrats if delegation is possible, or retain the status quo (i.e., no new IGO is created) if delegation is not possible.

To check intra-coder replicability, each observation was coded at two different points in time, in a different random order each time. This resulted in coding differences for less than 10 percent of the sample. Moreover, that portion was generally due to the second-round attainment of previously unavailable information from the IGO’s website. A second coder also spot-checked a random sub-sample of the dataset – this check of inter-coder reliability produced no major changes to the data.

We seek to explain variation in the institutional design roles of staff from extant IGOs. This is operationalized with *Depth of International Bureaucrats’ Design Discretion*, an ordered variable. Similar to earlier research,⁶⁰ we find that only about one-third of existing IGOs were created by states alone.

Personnel from pre-existing IGOs may serve an information-providing and administrative function in institutional design negotiations, without wielding substantial discretion. Therefore, we distinguish the organizations that diverge from this in either direction: a) those that were created by states alone (i.e., with below-average discretion of international bureaucrats), and b) those that were created with significant input by staff of extant IGOs (i.e., with above-average discretion of international bureaucrats).⁶¹ This yields a three-category ordering for the variable *Depth of International Bureaucrats’ Design Discretion*, with higher values indicating more substantial institutional design roles. Specifically, for each intergovernmental organization in the sample, the variable takes on the following values: 0 if it was launched by states alone; 1 if it was created through inter-state negotiations for which IGO staff merely provided support services; and 2 if it was designed with input from international bureaucrats from a pre-existing IGO. About 65 IGOs fall into the first category, about 80 fall into the second, and about 35 fall into the third.

The *Yearbook of International Organizations* provides brief narratives of the manner in which organizations were created. These generally indicate whether states designed alone, or in what way the staff of pre-existing IGOs participated in the process.⁶² To construct the dataset, the

⁶⁰Shanks, Jacobson, and Kaplan 1996.

⁶¹This scale permits us to unite the first and second stages of our model. “Below-average discretion” translates to the state’s decision not to delegate in the first stage, but rather to act unilaterally to create a new IGO. In contrast, if the state did opt to delegate in the first stage, then “average” and “above-average” discretion capture whether the state afforded low or high discretion to the bureaucrat-agent in the second stage.

⁶²For example, the entry for the International Monetary Fund reads: “Founded 22 July 1944, Bretton Woods

information from the Yearbook was verified and supplemented with numerous other sources, such as the organizations' individual websites and the Register of United Nations Bodies. Nevertheless, for some observations the YIO and supplementary sources indicate that international bureaucrats were involved in institutional design, but the sources do not provide enough detail to determine the depth of that involvement. Process-tracing unravels this in case studies – but it is infeasible in a large-n context. In such circumstances, to avoid overstating the extent of IGO discretion in the institutional design process, *Depth of International Bureaucrats' Design Discretion* is set equal to 1. That is, international bureaucrats are assumed to have provided only support services for negotiations among states.

Based on 180 observations, the mean value of *Depth of International Bureaucrats' Design Discretion* is 0.83, indicating that the average observation was created with international bureaucrats in a support role within institutional design negotiations. The most frequently occurring value is 1, indicating likewise. Thus, *Depth of International Bureaucrats' Design Discretion* is coded conservatively: the variable receives a value higher than 1 only if the information sources provide specific evidence of more intensive participation by IGO staff.⁶³ This understates the depth of their role, thereby making it more challenging to find evidence in support of the argument advanced here.

Next, we code each of the 180 randomly sampled observations in terms of the expertise needed for its activities. Intergovernmental organizations generally need *some* form of specialized knowledge.⁶⁴ Therefore, we distinguish the organizations that stand out in this regard: a) those that deal with highly technical or scientific issues and therefore are likely to require above-average expertise, and b) those that serve largely as mere forums for states and therefore are unlikely to require much specialized expertise. The resulting ordered variable is *Need for Expertise*. Higher values indicate

NH (USA), by representatives of the 45 countries who negotiated the details of the Articles of Agreement/Charter. Came into being on 27 Dec 1945, with a membership of 29 of these countries, after acceptance of the Charter for ratification.” In contrast, the entry for the Advisory Group on Greenhouse Gases reads: “Founded 1985, by World Meteorological Organization, International Council for Science, and United Nations Environment Program, to ensure adequate follow-up of the recommendations of the International Conference on the Assessment of the Role of Carbon Dioxide and Other Greenhouse Gases in Climate Variations and Associated Impacts, held in Oct 1981.” The first entry would warrant a 0, while the second would warrant a 2, for *Depth of International Bureaucrats' Design Discretion*.

⁶³Note that this is not missing data: it is clear whether international bureaucrats were involved. Therefore, the coding should not be 0, but there is not enough substantiation to code as 2. Consequently, such observations are coded as 1.

⁶⁴Barnett and Finnemore 2004; Hawkins et al. 2006.

greater levels of specialized knowledge needed for organizational activities. Specifically, for each intergovernmental organization in the sample, the variable takes on the following values: 0 if it is a forum for states, requiring below-average expertise; 1 if it is an ordinary organization, requiring some expertise; and 2 if it is a highly technical organization, requiring above-average expertise. About 100 observations fall into the middle category, while each of the other two categories contain about 40 observations.

The coding of *Need for Expertise* is kept objective and replicable by employing a keyword search of each IGO's description in the *Yearbook of International Organizations*.⁶⁵ "Expert" organizations are those for which the IGO name itself, the YIO entry on organizational aims, or the YIO entry on organizational classification contains at least one of the following keywords: data, expert, expertise, informatics, innovation, Internet, invention, measurement, patent, research, satellite, science, scientific, statistics, technology, technological, telecommunications. "Forum" organizations are those for which the IGO name itself, the YIO entry on organizational aims, or the YIO entry on organizational classification contains at least one of the following phrases: forum, legislature, minister, no permanent secretariat, officials, parliament, secretariat rotates. Based on 180 observations, the mean value of *Need for Expertise* is 1.00, indicating that the average observation requires ordinary expertise levels for its activities. The most frequently occurring value is 1, indicating likewise.

4.2 Correlations and Cross-Tabulations

We leave an in-depth, cause-and-effect probe of the determinants of IGOs' institutional design discretion for further research. After all, international bureaucrats' participation in the creation of new organizations has received little attention. The first task, therefore, is to examine whether correlations and cross-tabulations align with the theory and case studies. This provides a valuable check on whether our argument offers a promising foundation for more detailed work.

The correlation between *Need for Expertise* and *Depth of International Bureaucrats' Design Discretion* indeed is positive, as our theory predicts. The correlation coefficient is 0.27. The cross-

⁶⁵The case studies and large-N analyses provide alternative but complementary ways of identifying expertise. The detailed approach of case studies captures the reality that international bureaucrats can possess expertise that goes beyond a merely scientific or technological nature. The large-N analyses here, however, rely on a narrower definition of expertise, which facilitates an objective and replicable approach across a large number of observations.

tabulations in Table 1 permit a richer picture, albeit one that is almost certainly dampened by the conservative coding of *Depth of International Bureaucrats' Design Discretion*. Note that where the new institution's need for expertise is "below average," staff of extant IGOs tended to have "below-average" design discretion – that is, states did not delegate to bureaucrat-agents at all, but instead created the institution on their own. In contrast, where the new institution's need for expertise is "average" or above, design discretion also tends to be "average" or above for staff of extant IGOs.⁶⁶

[Table 1 about here.]

For comparisons, the cross-tabulation figures also can be examined as percentages rather than frequencies. First, consider the 39 randomly sampled organizations that require "below-average" expertise to carry out their institutional activities. Of these, an overwhelming 64 percent were created by states alone, while a mere 3 percent were created with significant discretion by the staff of a pre-existing IGO. This closely adheres to our expectations. Next, consider the 39 randomly sample organizations that require "above-average" expertise to carry out their institutional activities. Of these, only 23 percent were created by states alone, while the percentages created with "average" or "above-average" IGO discretion are 56 and 21, respectively. While not strictly linear, the cross-tabulations provide preliminary evidence in support of the prediction: new bodies dealing with issues requiring specialized expertise do seem to be more likely to have been created with participation by international bureaucrats working in a pre-existing IGO and wielding significant institutional design discretion.

An alternative way of thinking about this is by focusing on scenarios in which states opt to conduct institutional design on their own, without delegating to international bureaucrats. In Table 1, these scenarios are found in the first column. Of the 65 cases in which international bureaucrats were not involved at all, 25 cases (or 38 percent) featured a new IGO with below-average need for expertise. By contrast, only nine cases (or 14 percent) produced a new IGO with above-average need for expertise. Exactly the opposite pattern can be found when international bureaucrats had substantial discretion in IGO design, as shown in the third column of Table 1. Only one of the 34

⁶⁶Conservative coding usefully avoids overstating international bureaucrats' design roles, but it does result in nearly twice as many observations in the "below-average discretion" category, compared to the "above-average discretion" category – this stands in the way of seeing a strictly linear relationship.

organizations created in such as fashion featured below-average need for expertise, whereas eight of the 34 featured above-average expertise.

Finally, note that the minority of intergovernmental organizations that were launched by states without any delegation to international bureaucrats, as shown in the first column of Table 1, share a distinctive characteristic: such organizations tend to be political forums. This holds for randomly sampled bodies such as the Commonwealth of Independent States (CIS), Indian Ocean Commission (IOC), League of Arab States (LAS), and Pacific Islands Forum (PIF). As “talk shops” for states, little bureaucratic expertise is required, and states are much more likely to design them on their own. However, many intergovernmental organizations are more than political forums and thus require greater expertise for their operation. For these, international bureaucrats are likely to have had a role in the creation process.

4.3 Difference-in-Means Calculations, with Matching

The cross-tabulations in Table 1 support our expectation that the depth of institutional design discretion by international bureaucrats increases as the need for specialized expertise increases. Further support is provided by the difference-in-means calculations in Table 2. Rows 1 and 2 show the mean value of *Need for Expertise*, broken down by “Untreated” versus “Treated” sub-groups. The first row takes a conservative approach: it defines as “treated” only those IGOs that were created with above-average design discretion by international bureaucrats, and it defines other observations as “untreated.” With this definition, the mean value of *Need for Expertise* for the Treated IGOs exceeds the mean value for the Untreated IGOs by 0.25. With *Need for Expertise* ranging in value from 0 to 2, this is a substantive difference.

A similar result appears in the second row, which uses a less conservative approach: it defines as “treated” those IGOs that were created with average or above-average design discretion by international bureaucrats, and it defines as “untreated” those IGOs that were created by states alone, without any delegation to international bureaucrats. With this less conservative definition, the mean value of *Need for Expertise* for the Treated IGOs exceeds the mean value for the Untreated IGOs by 0.39. Both differences are statistically significant at standard levels.

[Table 2 about here.]

Difference-in-means calculations can be misleading if there is imbalance – that is, dissimilarity between the multivariate distributions of the treated and untreated units.⁶⁷ Because observational data lacks random assignment, treated and untreated groups are not necessarily identical before treatment.⁶⁸ Therefore, we also incorporate matching estimators to control for pre-treatment covariates. Specifically, we use coarsened exact matching (CEM) software⁶⁹ to account for differences in the issue area or the timing of creation between Treated and Untreated IGOs. The timing of each IGO’s creation is captured with the continuous variable *Creation Year*, which ranges from 1902 to 2006 for the 180 randomly sampled organizations. The issue area covered by each IGO is captured with the categorical variable *Issue Area*, which takes on the following values: 0 if the IGO addresses only political issues (e.g., security, governance); 1 if it addresses both political and economic issues; 2 if it addresses only economic issues (e.g., trade, banking); 3 if it addresses both economic and social issues; and 4 if it addresses only social issues (e.g., health, education).

In line with previous work,⁷⁰ we use the L1 statistic as a comprehensive measure of imbalance. This statistic ranges from 0 (i.e., identical distributions for Treated and Untreated observations) to 1 (i.e., complete imbalance and no overlap between the densities). Prior to matching, the dataset’s imbalance measure with *Creation Year* and *Issue Area* is 0.4. After matching on these variables and pruning unmatched observations, the dataset’s imbalance measure drops to practically 0, indicating extremely well-balanced data. Since matching has ensured that treatment is now unrelated to the issue area and timing of creation, it is unnecessary to further control for these variables. Instead, a simple difference-in-means on the matched data is sufficient.⁷¹

This is shown in Rows 3 and 4 of Table 2. As before, we start with a conservative approach: in the third row we define an IGO as “untreated” unless it was created with above-average design discretion by international bureaucrats. With this definition, the mean value of *Need for Expertise* for the Treated IGOs exceeds the mean value for the Untreated IGOs by 0.16. An even larger

⁶⁷King et al. 2011.

⁶⁸Blackwell et al. 2009.

⁶⁹Iacus, King, and Porro 2011*b*.

⁷⁰Blackwell et al. 2009; Iacus, King, and Porro 2011*b,a*.

⁷¹Blackwell et al. 2009, 2.

difference appears in the fourth row, which reverts to the less conservative approach of defining an IGO as “treated” by international bureaucrats unless it was created by states alone. With this less conservative definition, the mean value of *Need for Expertise* for the Treated IGOs exceeds the mean value for the Untreated IGOs by 0.45. After matching and under alternative definitions of treatment, we consistently find substantively and statistically significant differences between the two groups. As predicted, the depth of institutional design discretion by international bureaucrats increases as the need for specialized expertise increases.

5 Conclusion

Although the received literature focuses on states’ institutional design activities, international bureaucrats also participate quite frequently in the creation process. To delve into why this is so, we have developed a new theory and tested it using qualitative and quantitative data. Our approach builds upon principal-agent theories to make sense of the institutional design arena on a larger scale. Such P-A theories are increasingly applied to the relationships between states and international bureaucrats, but because scholars often overlook the role of international bureaucrats in creating new IGOs, our application to institutional design is novel. A distinguishing feature of our study is the demonstration of bargaining and principal-agent dynamics that complicate the IGO creation process. The institutional design literature has focused on potential conflicts among states,⁷² without recognizing potential conflicts between states and international bureaucrats in the creation of new IGOs.

5.1 Discussion of Findings

We show that while there are advantages to states if international bureaucrats participate in institutional design negotiations, there are potential drawbacks as well. Our theory produces a counter-intuitive hypothesis: for a conservative bureaucrat-agent with a high design cost, discretion will *increase* as the bureaucrat-agent’s ideal point shifts *away* from the state-principal’s preference and toward the status quo. The surprising implication is that as principal-agent pref-

⁷²Abbott and Snidal 1998; Koremenos, Lipson, and Snidal 2001

erence divergence increases, the principal affords more rather than less agent discretion. That is, an international bureaucracy may possess substantial discretion in institutional design, *even if the state-principal recognizes that the bureaucrat-agent prefers that the new institution not be designed at all*. Here, increasing discretion has a dual rationale: it allows the state-principal to benefit more from the bureaucrat-agent's expertise, but it also increases the bureaucrat-agent's expected payoff from exerting costly effort in IGO design. So, discretion serves as a way of "sweetening the pot" and overcoming the agent's high design costs, in order to secure the agent's costly investment in designing a new IGO.

Our counterintuitive hypothesis sheds light on the UNAIDS case. Conventional wisdom does not explain why states would concede institutional design leeway to hostile IGO secretariats,⁷³ but our theory proposes the necessity of this for securing costly effort. As the case study shows, states found themselves dependent on international bureaucrats for expertise relating to the design of UNAIDS.

Conventional principal-agent wisdom – that discretion is negatively correlated with principal-agent preference divergence – returns if either of the conditions of our hypothesis are relaxed. First, if the bureaucrat-agent remains conservative but has a low rather than high design cost, then discretion increases as the bureaucrat-agent's ideal point shifts toward the state-principal's preference and away from the status quo. In contrast to the high-cost scenario, in the low-cost scenario there is now only a single rationale for discretion: it still enables the state-principal to capitalize on the bureaucrat-agent's expertise, but it is no longer necessary for increasing the bureaucrat-agent's expected payoff from exerting costly effort. This is demonstrated in the case of the International Energy Agency.

Second, if the bureaucrat-agent is revisionist rather than conservative, then discretion decreases as the bureaucrat-agent's ideal point moves away from both the state-principal's preference and the status quo. This is demonstrated in the case of the Caribbean Environment Program. Even though states were unwilling to grant substantial discretion to international bureaucrats with "revisionist" preferences, states were nonetheless able to coax these bureaucrats to invest heavily in IGO creation.

⁷³Hawkins et al. 2006; Nielson and Tierney 2003

Given that the bureaucrats' interest in IGO creation exceeded the states' interest, states could select their preferred level of discretion without worrying about shirking or other principal-agent problems. In this regard, and somewhat surprisingly, revisionist bureaucrats can be rather useful for states.

In sum, bureaucratic expertise helps to explain the burgeoning role of international bureaucrats in creating new IGOs, even if bureaucrats do not share states' design preferences. To verify the generalizability of this underlying logic and unite the two stages of our model, we examined a new and original dataset that characterizes the origins of 180 randomly sampled intergovernmental organizations. This provides preliminary support for the formal model's implications. International bureaucrats' institutional design leeway is positively related to the need for expertise, and the minority of intergovernmental organizations that states opted to create through unilateral action tend to be political "talk shops" with little call for bureaucratic expertise. These findings survive a matching analysis that allows us to account for the non-random distribution of states' need for expertise across IGO creation events.

Our study refines, links, and extends received scholarship. It advances the literature on institutional design by theorizing about the role of international bureaucrats, and we advance the literature on principal-agent issues by showing that the scope of P-A models in international politics is considerably broader than previously recognized. Work on IGO creation has had little to say about how states and international bureaucrats interact in the creation process. Meanwhile, work on principal-agent relationships has had little to say about how the complexities of delegation apply to the institutional design realm. By highlighting connections between these bodies of work, we elucidate international bureaucrats' involvement in the creation of new IGOs.

In addition, our study advances the literature on international organization by helping scholars explain variation in the effects that IGOs ultimately have on policies and outcomes. International bureaucrats influence how new IGOs are designed, and design elements shape what new IGOs do. Consider the UNAIDS case, in which international bureaucrats discarded a longstanding norm against third-party representation in UN organizations and instead installed permanent seats for civil society representatives in the new IGO's Program Coordinating Board. This empowers non-governmental activists, who recently have been criticized of using "inflated HIV numbers effectively

in their aggressive struggle for an increasing share of the limited international health budget.”⁷⁴ If systematic variation exists in the importance of bureaucratic preferences for the broad contours of IGO design, and the resulting design influences IGO operations in the long run, then IGO effects cannot be fully understood without a strategic analysis of bureaucratic discretion in IGO design negotiations.

5.2 Extensions and Future Research

Our theory can be extended to scrutinize the robustness of the analytical findings and gain additional insight into the principal-agent politics of IGO design. The appendix summarizes results from eleven different formal extensions. Here, we discuss the most important findings.

One extension looks at multiple state-principals, whose preferences diverge from one another. In such circumstances, the bureaucrat-agent may play them against each other to increase its own bargaining power. In particular, high levels of discretion are required to induce relatively conservative states to participate, and this means that the bureaucrat-agent can secure higher discretion levels than in the absence of these conservative state-principals. Overall, one would thus expect more design discretion.

Other extensions consider scenarios in which international bureaucrats’ bargaining power is curtailed. Perhaps states themselves are able to generate the needed expertise – for example, by learning from the design of an existing IGO with similar functions. Or perhaps any of several international bureaucracies possess the expertise that the state-principal seeks. In such circumstances, the principal-agent problem is mitigated as the state-principal can act unilaterally or select the “friendliest” bureaucrat-agent. But if multiple bureaucracies with complementary expertise are needed, this effect again disappears and the bargaining logic of the baseline model holds.

These extensions unearth several important questions for future research. One pertains to the state-principal’s ability to apply sanctions to discipline the bureaucrat-agent. If career inducements and similar incentives are powerful enough, the state-principal may induce the bureaucrat-agent to exert costly effort even without substantial discretion. Empirical research is needed to identify

⁷⁴“UNAIDS, Beware of Crying Wolf.” *Straits Times* July 14, 2007.

the factors that determine the state-principal's ability to sanction, and theoretical models can shed light on the possibly complex strategic consequences of this ability.

One might also consider the possibility that international bureaucrats are strategically deployed as “pawns” in a bargaining game between states. International bureaucrats' expertise provides them with leverage and authority in negotiations, so they are valuable allies for states who worry about their inability to influence a new IGO's design.⁷⁵ For example, states with preferences that are closely aligned with the bureaucrat-agent's preferences would like to give the bureaucrat-agent considerable design discretion. But states whose preferences starkly diverge from those of the bureaucrat-agent would like to limit discretion, unless such discretion were absolutely necessary to ensure costly design effort. Under these conditions, the relative bargaining power of different states shapes the collective state-principal's choice regarding discretion.⁷⁶

Another promising question involves the bureaucrat-agent's incentive to misrepresent its expertise and design cost to the state-principal. If the bureaucrat-agent's discretion depends on these factors, then bureaucrat-agents should exploit their private information to gain additional discretion. A second-order principal-agent problem ensues, because the state must somehow distinguish between different types of bureaucrat-agents without having their expertise. Future research could examine the consequences of this form of asymmetric information.

A final new avenue for research pertains to the demand for new organizations. While much of the literature, this article included, focuses on states' incentives to cooperate, international bureaucrats' expertise plausibly provides them with agenda-setting power. If international bureaucrats' are the leading experts on a problem, they may form an “epistemic community” that creates political demand for new organizations.⁷⁷ And if international bureaucrats push the process of IGO creation, they may be able to select their own design discretion – a possibility that further complicates our existing notions of how principals and agents interact.

⁷⁵Barnett and Finnemore 1999.

⁷⁶Nielson and Tierney 2003.

⁷⁷Haas 1989.

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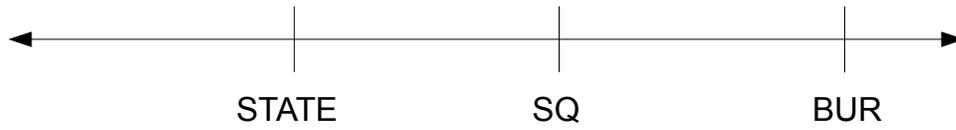
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PREFERENCE CONSTELLATIONS

DIAMETRICALLY OPPOSED



CONSERVATIVE BUREAUCRATS



REVISIONIST BUREAUCRATS



Figure 1: Preference constellations.

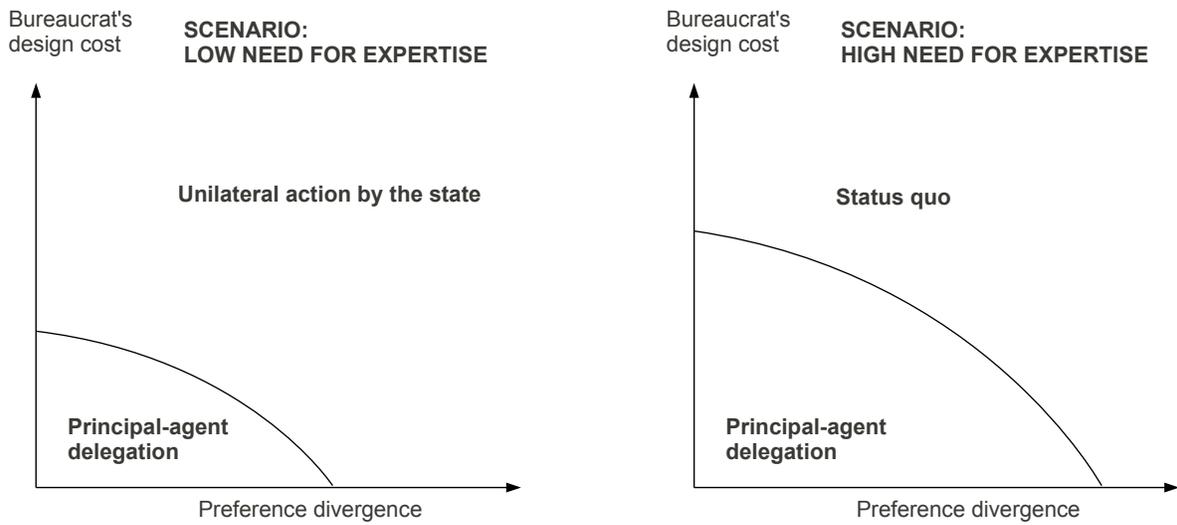


Figure 2: When the need for specialized expertise is high rather than low, the state becomes increasingly willing to delegate even when international bureaucrats' design cost and the state-bureaucracy preference divergence are fairly high.

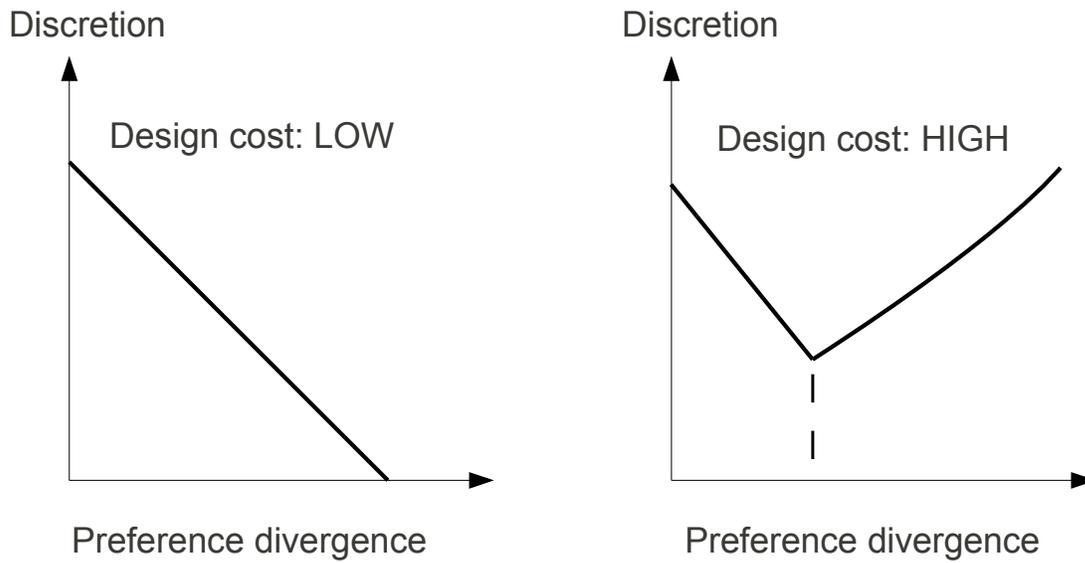


Figure 3: Equilibrium discretion as a function of preference divergence, given conservative bureaucrats. The horizontal axis measures preference divergence, while the vertical axis measures equilibrium discretion. On the left, the state-principal selects an optimal level of discretion without worrying about securing costly effort from the bureaucrat-agent. On the right, as soon as preferences diverge enough to cross the vertical dashed line, the state-principal affords extra discretion to secure the bureaucrat-agent's costly effort.

		DEPTH OF INTERNATIONAL BUREAUCRATS' DESIGN DISCRETION			
		Below Average	Average	Above Average	Total
NEED FOR EXPERTISE	Below Average	25	13	1	39
	Average	31	46	25	102
	Above Average	9	22	8	39
	Total	65	81	34	180

Table 1: A cross-tabulation of expertise versus discretion as frequencies in the random sample. It supports our prediction: the greater the need for expertise in the new IGO, the greater the design discretion afforded to international bureaucrats working in a pre-existing IGO. And unilateral action, in which states create a new IGO on their own without delegating to international bureaucrats (i.e., instances of below-average discretion), tends to occur when the need for specialized expertise is quite low. A chi-squared test and a Fisher's exact test confirm that the relationship between expertise and discretion is statistically significant.

Untreated Treated Difference and significance

		Mean of <i>Need for Expertise</i>, Before Matching		
Treatment	Above Average	0.95 (N=146)	1.20 (N=34)	0.25**
	Average or Above	0.75 (N=65)	1.14 (N=115)	0.39***
		Mean of <i>Need for Expertise</i>, After Matching		
Treatment	Above Average	1.04 (N=93)	1.20 (N=34)	0.16*
	Average or Above	0.71 (N=56)	1.16 (N=107)	0.45***

Table 2: A difference-in-means analysis before and after coarsened exact matching. *Need for Expertise* ranges from 0 to 2. “Treatment: Above Average” means *above-average* design discretion by international bureaucrats. “Treatment: Average or Above” means *average or above-average* design discretion by international bureaucrats. * significant at 10 percent; ** significant at 5 percent; *** significant at 1 percent.

Supplementary Appendix to “International Bureaucrats and the
Formation of Intergovernmental Organizations”

June 17, 2012

Appendix A: Formal Analysis

This appendix provides a rigorous characterization of the formal model and the equilibrium concept. It also contains proofs for the propositions that form the basis of our primary hypothesis, the prediction of what happens when either of the hypothesis' conditions is relaxed, and proofs for several extensions of the main model.

Model

We have argued that strategic interactions between states and international bureaucrats are an important element of IGO creation. In the context of a principal-agent relationship, such strategic interactions comprise asymmetric information and various incentives. To capture the effect of asymmetric information and strategic incentives, we next construct a formal model of IGO creation. In our model, a state (or coalition of states) can either maintain the status quo or create a new organization. If the state decides to create a new organization, it may turn to the bureaucracy of an extant international intergovernmental organization for assistance. If the state chooses to delegate design tasks, then the state-principal chooses how much design discretion to offer the bureaucrat-agent. The bureaucrat-agent then chooses whether or not to exert costly design effort on behalf of the state-principal's interests.

To simplify, the analysis in the main text focuses on a single state that is considering the possibility of creating a new IGO. This simplification is empirically plausible for two reasons. First, in many cases, such as that of the IEA, it is possible to identify a hegemonic leader, such as the United States. Second, even if multiple powerful states participate in IGO creation, they often negotiate a common position so that they can operate as a collective principal (Nielson and Tierney, 2003).¹

In modeling delegation, we follow Epstein and O'Halloran (1994) and assume that if the state grants a bureaucrat in an existing IGO the authority to participate in the design of the new organization, the bureaucrat *implements* a design (policy) subject to constraints imposed by the state. For example, the bureaucrat could create voting rules or recruiting policies for a new IGO.

¹As an extension, we also demonstrate that our main results remain intact with multiple principals.

An alternative view of delegation emphasizes *information provision*, so that the bureaucrat would only recommend a policy, perhaps by publishing an advisory report (Lupia and McCubbins, 1998). We rely on the implementation model because it more accurately encompasses the variety of ways in which international bureaucrats participate in creating new organizations.

We begin with a presentation of the model, and then provide a summary of the equilibrium analysis. Next, we summarize the primary empirical implications of our theory. Finally, we list results from model extensions, robustness tests, and sensitivity analyses. These additional analyses (i) demonstrate that our main findings are robust to variation in assumptions, (ii) offer additional insights that help understand the nuances of bureaucratic discretion in IGO creation, and (iii) provide a foundation for future formal theorizing.

Suppose a powerful state is deciding whether to create a new IGO. The state's preferences are defined over outcomes on the real line, \mathbb{R} . The state's ideal point is normalized to zero without loss of generality. If the outcome of the game is X , the payoff to the state is therefore $-X^2$. This simple quadratic loss function is commonly used in formal models of delegation (Epstein and O'Halloran, 1994, 1999; Johns, 2007).

Sequence of moves. The state chooses between three possible actions: retaining the status quo, creating the new organization independently, or offering the bureaucrat a level of discretion in creating the new organization $d \in [0, \infty)$.² In case the state turns to the bureaucrat for assistance, the bureaucrat next chooses whether to exert design effort or not. A game tree is shown in Figure A1.

[Figure 1 about here.]

Payoffs. If the state chooses *not* to create a new organization, the status quo produces an outcome $SQ > 0$. Thus, the payoff to the state is $-SQ^2$. One may interpret SQ as the maintenance of a current policy produced by an existing organization, such as the IEA. The assumption that SQ is determinate is unnecessary for the results, but it reduces notation. It is also realistic if the existing organization has already implemented similar policies in the past, as the historical record

²The "status quo" can encompass any of several situations that do not entail the creation of a new IGO: simple inaction, an attempt by states to cooperate without a formal organization, or reliance on an existing IGO.

reduces the uncertainty surrounding policy formation. Finally, it stacks the deck against new IGO creation, as our quadratic loss function entails the standard assumption of risk aversion. Thus, the state holds a status quo bias.³

If the state creates a new organization but opts not to involve the bureaucrat, it selects independently a policy P on the real line. The final outcome is stochastic. Suppose nature draws an exogenous shock parameter ϵ that is distributed uniformly on the closed interval $[-R, R]$. Here, R can be thought of the uncertainty surrounding the consequences of establishing a new organization. In the empirical analysis, for instance, we operationalize R as the technical difficulty or scientific complexity of an issue.

How is the choice of policy P interpreted? Since we focus on the creation of a new organization, one plausible interpretation is that policy P refers to personnel selection or rule formulation. The uncertainty surrounding it might stem from “agency slippage” in the new organization – a development that is difficult to control (Nielson and Tierney, 2003; Martinez-Diaz, 2009; Vaubel, 2006).

The final payoff to the state is $-(P + \epsilon)^2$. Thus, the state would set the policy P to its ideal point, $P^{**} = 0$, and obtain an expected payoff of $-\frac{R^3}{4}$. Unsurprisingly, this payoff decreases with uncertainty R . As the uncertainty surrounding the consequences of creating a new organization worsens, the payoff from doing so decreases.

If the state opts to involve the bureaucrat, it does so by selecting a level of discretion $d \geq 0$. In substantive terms, the discretion variable d describes how much leeway the bureaucrat has in the design of the new organization. In response to the state’s offered level of discretion, the bureaucrat either expends costly design effort or does not do so. If the bureaucrat does not expend effort, the status quo SQ prevails. If the bureaucrat expends effort, it learns new information and selects the policy P on the real line subject to the restriction that $P \in [-d, d]$. The payoff to the state continues to be $-(P - \epsilon)^2$.

As d increases, the range of admissible policies P expands, so that the bureaucrat can better use their informational advantage to design the new organization in ways that are favorable to their own

³We also show how the status quo can be derived endogenously in a bargaining setting within an existing IGO.

interests. The case studies illustrate this logic. OECD staff gained seats at the negotiating table and worked as full partners with states to design the IEA. They used this position to install their own avenues of influence, for instance by securing the OECD Secretary-General’s right to nominate the Executive-Director of the IEA. And in the origins of UNAIDS, the institutional design discretion of international bureaucrats from pre-existing IGOs was even greater. Employees of the WHO, World Bank, UNDP, UNICEF, UNESCO, and UNFPA hammered out a design among themselves, then presented it to states. The resulting design included several innovative elements – such as permanent governing board positions – ensuring that the co-sponsoring organizations would wield influence over the new body.

The assumption that the bureaucrat’s refusal to expend effort prompts a reversal to the status quo, as opposed to independent action by the state, is not necessary for the results. As a model extension shows, the main findings would also hold even if the state could subsequently create a new organization on its own. Additionally, it is not implausible to assume that if the state focuses efforts on collaboration with the bureaucrat, and the bureaucrat does nothing in response, the status quo will survive for prolonged periods of time. Indeed, this occurred in the UNAIDS case, wherein states were simply unable to coerce the existing organizations to design an optimal institutional apparatus without offering a “carrot.” Similarly, the assumption that $P \in [-d, d]$ is innocuous: it is easy to verify that the state’s preferred policy is zero. We could have allowed the state to also select a reference point REF different than zero, so that $P \in [REF - d, REF + d]$, but $REF = 0$ would continue to be the optimum regardless. Intuitively, if the state for some reason needs to offer concessions to the bureaucrat, it is optimal to do so by increasing discretion d .

To capture the standard notion that information collection is costly, we use the following payoff structure for the bureaucrat. It has an ideal point, BUR , defined over the outcome space. We suppose $0 < BUR$, so that both the state and the bureaucrat potentially have a common interest in moving away from the status quo.⁴ The bureaucrat obtains $-(BUR - SQ)^2$ from the status quo. If the state independently creates a new organization, the bureaucrat obtains $-(BUR - P - \epsilon)^2$.

If the bureaucrat agrees to expend effort, it pays a cost $c > 0$ to learn the value of ϵ . The

⁴This simplifying assumption is relaxed, so that $BUR < 0$, in a model extension with “revisionist” bureaucrats.

bureaucrat incurs an opportunity cost, such as foregoing work in other issue areas, by expending effort in the creation of a new IGO. Subsequently, the bureaucrat selects the policy $P \in [-d, d]$. This produces a payoff of $-(BUR - P - \epsilon)^2 - c$. To simplify, we assume that the c is not so high as to completely prevent participation in all circumstances: if the state offers $d \geq BUR + R$, so that the bureaucrat can implement its ideal point BUR , the bureaucrat is willing to expend effort, as $-(BUR - SQ)^2 \geq c$.

The substantive interpretation of participation by the bureaucrat relates to expending effort – not merely being present. By investigating actual cases of how new organizations are created, we found that extant IGO bureaucrats are generally present somehow, even if equipped only with minor responsibilities and competencies. Therefore, the formal model captures more than the bureaucrat’s mere presence.

As the case studies illustrate, international bureaucrats’ involvement may be compelling for both the state and the bureaucracy itself, yet it nevertheless entails costs. The IEA, for instance, emerged after a year’s worth of institutional design negotiations in the United States and Belgium – negotiations that took OECD staff away from other tasks and away from their Paris headquarters. The origins of UNAIDS provide an example of even higher opportunity costs for pre-existing IGOs: international bureaucrats from six UN agencies spent several years negotiating with states and with one another in order to craft a new institution. Their time and effort was diverted from the agencies’ own in-house AIDS initiatives. Moreover, there was an additional cost: the new IGO wrested responsibilities away from the pre-existing bureaucracies.

We leave the cost c exogenous to maintain analytical tractability. In reality, the cost c depends on the mandate that a state gives to the bureaucrat, and the mandate is endogenously determined. However, the cost is also largely determined by the characteristics of the international cooperation problem at hand, such as the degree of scientific uncertainty or technical complexity. Our formulation is intended to capture such variation in the simplest possible fashion.

The structure of this spatial model is illustrated in Figure A2. Intuitively, we observe two basic tradeoffs here. First, the state benefits from involving the bureaucrat, which has expertise that can improve policy formation. However, such involvement entails a loss of control. Second, the

bureaucrat benefits from control at the expense of exerting costly effort.

[Figure 2 about here.]

Equilibrium

In this game, the state moves first and the bureaucrat only learns the value of ϵ upon choosing to expend effort. Thus, it is easy to verify that we may solve the game using the subgame-perfect equilibrium, as extended to games with stochastic moves by nature. For the state, a (pure) strategy comprises a choice between the status quo, unilateral action, and delegation to the bureaucrat; conditional on delegation, it also includes a choice of a discretion level d . For the bureaucrat, a (pure) strategy comprises a mapping from the discretion level d into the decision to expend design effort or not, as well as a mapping from the shock ϵ into a policy P . In a subgame-perfect equilibrium of the game, the bureaucrat expends effort for a given discretion d if and only if it expects a higher payoff than from the status quo, $-(BUR - SQ)^2$, and the choice of ϵ is given in expression 1, as shown in Epstein and O'Halloran (1996, 380). The state's choice of d must be such that the bureaucrat is willing to expend effort, because $d \rightarrow \infty$ strictly dominates non-effort given that $0 < BUR < SQ$. The state's choice between the status quo, unilateral action, and delegation must be optimal given the expected payoffs $-SQ^2, \frac{R^3}{4}$ and the subgame equilibrium conditional on delegation. As usual, we investigate each of the three subgames (status quo, unilateral action, delegation to international bureaucracy) separately and then compare the resulting payoffs.

Status quo. To begin with, recall that the payoffs from the status quo to the state and the bureaucrat are $-SQ^2$ and $-(BUR - SQ)^2$, respectively. Thus, the state selects the status quo if and only if $-SQ^2$ exceeds the value of creating a new organization.

Unilateral action. Since the state sets $P^{**} = 0$ when it acts independently, the expected payoff from independent action is $-\frac{R^3}{4}$. A uncertainty R increases, the payoff from independent implementation decreases.

Delegation to International Bureaucrat. The most interesting possibility is joint action. This is only possible in equilibrium if (i) the state prefers to delegate to the bureaucrat and (ii) the bureaucrat is willing to pay the design cost c , in order to to avoid the status quo SQ . Given

discretion d , it is easy to verify, following Epstein and O'Halloran (1996, 380), that the bureaucrat selects P so that the following condition for the outcome, $P + \epsilon$, holds:

$$P + \epsilon = \begin{cases} \epsilon + d & | -R \leq \epsilon \leq BUR - d \\ BUR & | BUR - d \leq \epsilon \leq BUR + d \\ \epsilon - d & | BUR + d \leq \epsilon \leq R \end{cases} \quad (1)$$

The interpretation is straightforward, as shown in Figure A3. In the first case, the exogenous shock ϵ shifts the outcome to the left, so that the bureaucrat selects a high policy P to implement the outcome $\epsilon + d$. It would select an even higher policy P , but limited discretion prevents it from doing so. In the second case, the exogenous shock ϵ conveniently allows the bureaucrat to implement its ideal point. In the third case, the exogenous shock ϵ is so high that the bureaucrat would rather implement a low policy as a countervailing measure; alas, limited discretion prevents this course of action.

[Figure 3 about here.]

How should the state set the discretion d ? Recall that the bureaucrat must agree to pay the design cost c . Consider first the unconstrained optimum for the state: if the bureaucrat was somehow forced to pay c , how would the state select discretion d ? Following Epstein and O'Halloran (1996, 380), the expected payoff is

$$EU_S(d) = \frac{-R^3 - 3BUR^2d + 3R^2d - 3Rd^2 + d^3}{3R}. \quad (2)$$

It is maximized over d by $d^{max} = \max\{R - BUR, 0\}$. As the bureaucrat's ideal point, BUR , moves away from the state's ideal point, discretion d decreases. But if uncertainty R increases, so does discretion.

If d^{max} is enough to induce the bureaucrat to expend effort, this is what the state selects. If not, recall that we have assumed that the bureaucrat will expend effort given a high enough discretion, $d \geq BUR + R$. Since the payoff to the bureaucrat increases with d , a minimal discretion level that

induces effort, \bar{d} , must exist for the bureaucrat. With the expected payoff to the state decreasing in discretion d beyond the unconstrained optimum d^{max} , this level \bar{d} , if any, is chosen as the second best by the state. The state is increasing agency discretion to compensate for the bureaucrat's high design cost. Let $d^* = \max\{d^{max}, \bar{d}\}$. Thus, d^* is the choice of discretion d assuming that the state does profit from involving the bureaucrat.

In sum, the generically unique equilibrium of the game has the following structure. If the state decides to delegate to the bureaucrat, it selects discretion d^* in view of the bureaucrat's design cost c . The bureaucrat uses the policy P to shift the outcome towards her ideal point BUR . By backward induction, the state selects between the status quo, unilateral action, and delegation based on the expected payoffs.

Empirical Implications

Given this equilibrium, we are in a position to investigate three empirical issues that are integral to understanding IGO creation. First, does the state have any incentive to create a new organization? Second, if the state has an incentive to create a new organization, will it do so unilaterally or in conjunction with the pre-existing bureaucrat? Finally, if the state delegates to the bureaucrat, how is policy discretion chosen? We present propositions that answer these questions, and the formal proofs are provided later in the appendix.

Proposition 1. *If the state and the bureaucrat have diametrically opposed preferences, so that $0 < SQ < BUR$, the state retains the status quo or acts unilaterally.*

When the state and bureaucrat have diametrically opposed preferences, delegation for IGO creation cannot be mutually profitable. The bureaucrat will always try to shift the policy away from the status quo towards her ideal point, and such a shift is inevitably harmful to the state. Thus, a mutually beneficial delegation act is impossible, and there exists no range for bargaining between the state and the bureaucrat.

Suppose now that $0 < BUR < SQ$, so that both the state and the bureaucrat prefer to move

leftwards from the status quo. Now delegation for IGO creation is possible as long as the design cost c is not prohibitively high.

Proposition 2. *Suppose $0 < BUR < SQ$, so that the state and the bureaucrat have a common interest in a policy shift away from the status quo. If the design cost c is low enough, the state delegates. The highest admissible design cost c decreases as preference divergence BUR increases.*

Even if the state and the bureaucrat have similar interests, they must somehow distribute the gains from new IGO creation. In the model, changes in the discretion level achieves this. As their preferences begin to diverge, with BUR shifting away from zero, the state's expected payoff from delegation decreases. The state is therefore less willing to increase policy discretion, so the range of design costs that allow mutually profitable delegation shrinks. An integrated picture of the equilibrium outcome was given in Figure 2 in the main text.

We now have an understanding of the covariates of delegation, but what about the optimal discretion level? The relationship between state-bureaucrat preference divergence BUR and optimal discretion d^* turns out to be contingent on the bureaucrat's design cost c .

Proposition 3. *Let SQ, R be so high that the state prefers to delegate. If the design cost c is low enough, discretion d^* decreases as preference divergence BUR grows. If the design cost c is high enough, discretion d^* increases as preference divergence BUR shrinks.*

This proposition underpins our primary hypothesis. It also pertains to the main text's general discussion of conservative bureaucrats. In clear contrast to the extant literature, the relationship between agent preferences and discretion is not monotonic. First, if the design cost is low for the bureaucrat, discretion increases as the bureaucrat's ideal point shifts towards zero (and away from the status quo). As the extant literature has it, principals rely more extensively on reliable agents. But, second, if the design cost is high for the bureaucrat, the state must allow enough discretion, or the bureaucrat is unwilling to expend effort. Thus, as the bureaucrat's preferences move towards

the status quo (and away from zero), the state must offer more extensive concessions to compensate the bureaucrat for its costly efforts.

To understand this logic, it may be useful to consult Figure 3 in the main text. On the left, we have graphed the linear decrease in equilibrium discretion d^* , given that the extant bureaucrat's design cost c is so low that extra concessions are unnecessary. On the right, instead, the design cost c is set so high that as the bureaucrat's ideal point BUR moves towards the status quo SQ , the state must at some point begin to give more, not less, discretion to the bureaucrat to secure costly effort.

Consider finally the case of revisionist bureaucrats.

Proposition 4. *Let SQ, R be so high that the state prefers to delegate. Suppose $BUR < 0 < SQ$. Discretion d^* increases as BUR decreases.*

This proposition pertains to the main text's discussion of revisionist bureaucrats. Together, the propositions also suggest reversion to conventional principal-agent wisdom – that discretion is negatively correlated with principal-agent preference divergence – when either of the conditions in the primary hypothesis does not hold.

Extensions and Robustness

To maximize accessibility, we presented above a simple baseline model. In this section, we demonstrate that the main insights from the formal analysis are robust to a wide variety of generalizations and variations in the assumptions. In total, we consider eleven different variants of the main model. We summarize the intuition here, and the full formal details are provided later in the appendix.

Competing Bureaucrats. In the main model, the state only has access to one bureaucrat. What if the state can select among two bureaucrats? For example, staff in either of two different extant IGOs may possess the necessary expertise for designing a new IGO. We find that the state (i) selects the bureaucrat with more closely aligned preferences and (ii) the substantive logic of bureaucratic delegation remains unchanged. Thus, the existence of multiple competing bureaucrats

improves the state's equilibrium payoff from delegation.

Complementary Bureaucrats. Even if multiple bureaucrats exist, the state may nonetheless need them all to successfully create a new organization. In this case, we find that the bureaucrat whose preferences are located the closest to the status quo determines equilibrium discretion. If this bureaucrat can be induced to participate, then any other bureaucrat who is more averse to the status quo will also participate, *ceteris paribus*.

Multiple States, Similar Preferences. In reality, an IGO cannot work unless multiple states join it. How do the model implications change if we assume that the state creating a new organization must obtain the consent of other states, or delegation to the bureaucrat is not possible? As long as all states have ideal points lower than BUR , this constraint has no implications for equilibrium delegation: if the bureaucrat agrees to the discretion offer d^* , so do all other states with a veto over it. The reason is that these states are more averse to the status quo than the bureaucrat, so it these states have a strong preference for delegation.

Multiple States, Different Preferences. If multiple states exist but some of them are less averse to the status quo than the bureaucrat, the originating state may have to increase equilibrium discretion to secure participation by other states. This obviously benefits the bureaucrat as well. By playing the states against each other, the bureaucrat can increase discretion and thus create a new organization closer to her ideal point BUR .

Bureaucratic Agenda Setting. In the main model, we have assumed that the state selects the discretion level d . What if the bureaucrat has agenda setting power? In this case, the bureaucrat proposes so much discretion that she can implement her ideal point BUR with certainty. The state accepts as long as the bureaucrat's ideal point is better than the status quo, $0 < BUR < SQ$.

Shadow of the Future. In the main model, we assumed that the state and the bureaucrat play the game only once. What if a "shadow of the future" exists, perhaps manifested in the bureaucrat's career concerns, so that the state can threaten to stop cooperating with the bureaucrat in the future? In an infinitely repeated game, we find that both the state and the bureaucrat can benefit from an agreement that increases discretion but requires the bureaucrat to select some intermediate institutional design Y between zero and BUR . As long as both value the future enough, such an

agreement is enforceable. Thus, we expect that a shadow of the future can reduce the distributional conflict between states and bureaucrats in regard to new IGO creation.

Organizational Templates. In the main model, we assumed that the state cannot use extant organizations as a “template” for institutional design. This extension can be easily modeled simply by assuming that the availability of a template results in a decrease in uncertainty R . This reduces equilibrium discretion and the value of delegation relative to unilateral action. Empirically, increased state experience with IGO creation should reduce the bureaucrats’ bargaining power.

National Bureaucrats. What if the state can also delegate to a national bureaucrat with a closely aligned ideal point but less information than the international bureaucrat? In this extension, the state’s expected payoff improves because it can either use national officials or the international bureaucrat. Nonetheless, the state continues to rely on the international bureaucrat as long as information is sufficiently valuable and her ideal point BUR and design cost c remain tolerable.

Varying Status Quo Payoffs. What if the state and the bureaucrat obtain different outcomes from the status quo, so that $SQ_{state} \neq SQ_{bureaucrat}$? This has no effect on the state’s equilibrium payoffs, except that the minimal requisite discretion required to induce costly effort by the bureaucrat now depends only on $SQ_{bureaucrat}$. As $SQ_{bureaucrat}$ diverges from BUR , the bureaucrat’s ability to threaten to not expend effort for a low level of discretion diminishes.

Alternative Threat Point. For simplicity, in the main model we have assumed that if the bureaucrat fails to expend effort for a given discretion level, the outcome is the status quo. What if the state could also engage in unilateral action given non-effort? If the state really prefers unilateral action to the status quo, the bureaucrat’s willingness to not expend effort for any given discretion level declines. Thus, the bureaucrat becomes increasingly complacent.

Endogenous Status Quo. In the main model, the status quo SQ is assumed to be exogenous. In the proof, we show how it can be derived from a bargaining model.

Proofs

Proof of Proposition 1

Let $0 < SQ < BUR$. For bureaucratic implementation, both the state and the bureaucrat must expect in equilibrium a payoff higher than from the status quo, $-SQ^2$ and $-(BUR - SQ)^2$ respectively. Towards a contradiction, suppose that for some discretion level d^* this is the case. Let $E(\epsilon + P^*)$ denote the expected outcome $\epsilon + P^*$. First, suppose $E(\epsilon + P^*) \geq SQ$. While the expected payoff to the bureaucrat may or may not be higher than from the status quo, the expected payoff to the state must be lower than from the status quo. To see why, recall that the state's utility representation is strictly concave. Thus, it must prefer outcome SQ to any expected outcome $E(P)^* \geq SQ$. Second, suppose $E(\epsilon + P^*) < SQ$. By similar logic, the bureaucrat must prefer the status quo to this expected outcome. ■

Proof of Proposition 2

Let $0 < BUR < SQ$. First, suppose $c \rightarrow 0$ so that the bureaucrat's design cost is sufficiently low. By selecting maximal discretion, $d \geq R$, the state could induce the bureaucrat to automatically implement $\epsilon + P^* = BUR$. With $-BUR^2 > -SQ^2$ under $0 < BUR < SQ$, the state would prefer this option to the status quo. The optimal discretion level $d^{max} = \max\{0, R - BUR\}$ must produce an even higher payoff, so the state delegates in equilibrium.

Second, consider the claim that as BUR increases, the maximal design cost \tilde{c} that allows delegation decreases. To do this, fix $\overline{BUR} > \underline{BUR} > 0$. Let \underline{c} be the highest design cost that admits delegation for \underline{BUR} . This implies that for $d^* = \underline{d}$, we have

$$-E(BUR - \underline{P} - \epsilon)^2 - \underline{c} = -(SQ - \underline{BUR})^2, \quad (3)$$

where E is the expectation operator induced by the equilibrium distribution of $\epsilon + P^*$. The state's payoff is locally decreasing in d^* because $d^* \geq d^{max}$. With \underline{c} being the highest admissible design cost, we must also have

$$-E(-\underline{P} - \epsilon)^2 = -\frac{R^3}{4}. \quad (4)$$

To see why, consider the following. First, the state always prefers some high enough level of discretion to the status quo given that $0 < BUR < SQ$, so the state's willingness to delegate must be defined in terms of the alternative of unilateral action. Second, the bureaucrat's "participation constraint" (substantively, payoff threshold for expending effort) must bind with equality or the state could increase the bureaucrat's equilibrium payoff by increasing discretion.

Replace now BUR by \overline{BUR} . For any given level of discretion \tilde{d} , the bureaucrat's equilibrium payoff must decrease because $\overline{BUR} > BUR$ and ϵ is distributed uniformly on $[-R, R]$. Given \tilde{d} , the state's equilibrium payoff must also decrease by differentiation of expression 2 with respect to BUR . Thus, the design cost c must decrease or delegation can no longer be mutually profitable. ■

Proof of Proposition 3

With SQ, R high enough, it is optimal for the state to delegate. Thus, it suffices to consider the optimal choice of d . With $c \rightarrow 0$, the unconstrained optimum d^{max} induces the bureaucrat to expend effort given that SQ is assumed to be high enough. To see why, note that in equilibrium $P + \epsilon$ will fall on $[-BUR, BUR]$ given discretion level d^{max} . With $d^{max} = \{0, R - BUR\}$, discretion increases linearly with BUR .

With c high enough, we have $d^* > d^{max}$ and

$$-E(BUR - P - \epsilon)^2 - c = -(SQ - BUR)^2. \quad (5)$$

As BUR increases, the payoff on the right side increases whereas the payoff on the left side decreases for any given d^* . Thus, d^* must increase with BUR . ■

Proof of Proposition 4

Suppose $BUR < 0 < SQ$, so that the bureaucrat is a "revisionist" who is even more averse to the status quo than is the state. The payoffs from the status quo and unilateral action remain unchanged, so we focus on the delegation subgame and examine the relationship between BUR and d^* . To ensure comparability with the main model, let $-BUR > SQ$. First, suppose design cost c is low enough. With $BUR < 0$, the state's preferred discretion level d^{max} clearly induces the

bureaucrat to expend effort. Thus, as BUR shifts away from zero, equilibrium discretion decreases linearly.

Second, suppose the design cost c is high enough so that the bureaucrat is exactly indifferent between IGO creation and the status quo. As BUR now shifts away from zero, equilibrium discretion also decreases. To prove this, it suffices to show that for any given equilibrium discretion d^* , a leftward shift in BUR increases the payoff difference between IGO creation and the status quo. First note that the equilibrium outcome must fall on $[BUR, -BUR]$ given that $d^* \geq d^{max} = R + BUR$. Thus, in equilibrium the outcome $\epsilon + P^*$ always meets $\epsilon + P^* \in [BUR, -BUR]$. Next note that the status quo payoff for the bureaucrat decreases by exactly $2(BUR - SQ) < 0$. For any given ϵ , the equilibrium delegation cannot decrease more than by $2(BUR - \epsilon - P^*) \leq 0$. With $BUR - \epsilon - P^* < SQ$ regardless of ϵ , the decrease in the equilibrium delegation payoff is always of strictly lower magnitude than that from the status quo. ■

Extensions and Robustness

For each of the eleven model variants, we provide a concise formal analysis here.

Competing Bureaucrats

Suppose the state can select between two bureaucrats, labeled A and B . Formally, suppose the state now has four options at the first node of the game: status quo, unilateral action, A delegation, B delegation. Given delegation to either bureaucrat, the subgame is identical to that in the main model except that the bureaucrat's ideal point is BUR_A or BUR_B , respectively. Assume $0 < BUR_A, BUR_B < SQ$ and suppose the design cost is c for both bureaucrats. Investigating expression 2, it is immediate to see that the state prefers bureaucrat A to bureaucrat B if and only if $BUR_A \leq BUR_B$. Other than this preference for a given bureaucrat, all results continue to hold.

Complementary Bureaucrats

Suppose two bureaucrats, labeled A and B , exist. Assume the state needs both of them to create a new organization in an informed fashion. Formally, suppose that if the state decides to delegate,

both bureaucrats A, B must expend effort given the discretion offer d , or the status quo SQ prevails. Further assume the induced ideal point for policy implementation is a weighted average of the two bureaucrats' ideal points, $w_A BUR_A + w_B BUR_B$, where $w_A, w_B \in (0, 1)$ and $w_A = 1 - w_B$. Again, assume $0 < BUR_A, BUR_B < SQ$. The weights w_A, w_B could for example reflect the bureaucrats' relative importance in institutional design.

We prove that only the more recalcitrant bureaucrat's threat to not expend effort (formally, participation constraint) is relevant. To see this, suppose without loss of generality that $0 < BUR_A < BUR_B$. For any ϵ and discretion level $d \geq d^{max}$, the equilibrium outcome falls on $[-w_A BUR_A - w_B BUR_B, w_A BUR_A + w_B BUR_B]$ by expression 1. With $BUR_A < BUR_B < SQ$, regardless of ϵ we have $-(BUR_A - \epsilon - P^*)^2 - (BUR_A - SQ)^2 > -(BUR_B - \epsilon - P^*)^2 - (BUR_B - SQ)^2$. In other words, regardless of the random draw ϵ , the "willingness to pay" for delegation is higher for bureaucrat A than B . Integrating over $\epsilon \in [-R, R]$, if bureaucrat B expends effort given d , so does bureaucrat A . ■

Multiple States, Similar Preferences

Suppose the state with ideal point zero must secure participation of other states $2, \dots, N$ with different ideal points, or alternatively the status quo prevails. Here we first suppose these ideal points S_i are all below BUR . Recalling that $BUR < SQ$, we note that the final outcome falls on $[-BUR, BUR]$ given that $d^* \geq d^{max}$. It follows that $\epsilon + P^* < SQ$. For any state with an ideal point S_i less than BUR , the payoff difference to the status quo is thus strictly higher than for the bureaucrat regardless of the design cost $c \geq 0$. ■

Multiple States, Different Preferences

Consider the above model with multiple states but suppose now some state i has a higher ideal point than the bureaucrat, $BUR < S_i$. If S_i is high enough, equilibrium delegation is clearly impossible because state i prefers the status quo to the expected delegation payoff for any level of discretion d . If S_i is close enough to BUR , however, state i is always willing to accept equilibrium delegation as long as the level of discretion d is high enough: for a high enough d , the equilibrium

delegation outcome is arbitrarily close to BUR with probability one. However, note that the required discretion level may be higher than that needed to induce the bureaucrat to participate. If the design cost c is low enough, the bureaucrat participates whenever state i accepts equilibrium delegation, so that state i 's participation constraint is the relevant one.

Bureaucratic Agenda Setting

Consider now the original model (one state, one bureaucrat) and a reversal in the sequence of moves: the bureaucrat first selects a discretion level d and the state accepts or rejects, with rejection prompting the status quo. With $0 < BUR < SQ$, the bureaucrat's preferred discretion level d^* is so high that $\epsilon + P^* = BUR$ with probability one. The state always prefers this outcome to the status quo, so it accepts.

Shadow of the Future

Consider a repeated game with an infinite time horizon $t = 0, \dots, \infty$ whereby the state and the bureaucrat contract as follows. The stage game is given in the main text, and both the state and the bureaucrat discount the future by $\delta \in (0, 1)$. During the *cooperation phase*, which is initially played at time $t = 0$, the state selects $d^* = R$ and the bureaucrat implements some fixed outcome $Y \in (0, BUR)$ through a choice of P . A grim trigger punishment is used. If the bureaucrat or the state deviates at any time t , they begin to play the non-cooperative Nash equilibrium of the stage game from $t + 1$ and do so forever.

For this equilibrium to exist, the choice of Y must be such that both the state and the bureaucrat prefer it to the unique Nash equilibrium of the stage game (characterized in the main text). As long as SQ, R are high enough, at least one such a $Y \in [0, BUR]$ is guaranteed to exist given strictly concave utility presentation. By the Folk Theorem for infinitely repeated games, as long as the discount factor δ is high enough, this equilibrium indeed exists.

Organizational Templates

Suppose the state can observe the operation of an existing organization, and use this information to improve institutional design. Given that the bureaucrat also observes this outcome, this possibility can be easily modeled as a simple reduction in the prior uncertainty R . The state's payoff from unilateral action and delegation to the bureaucrat increase, as expression 2 shows. As long as BUR, c are low enough, the state continues to delegate. Thus, the substantive insights from the main analysis remain intact.

National Bureaucrats

Suppose the state has a fourth option: to delegate to a national bureaucrat. Assume the national bureaucrat has an ideal point NA that falls between zero and BUR – that is, the state's preferences are more aligned with the national bureaucrat than with the international bureaucrat. The design cost of the national bureaucrat is also assumed to be lower than that of the international bureaucrat. However, suppose also that with some probability $\rho \in (0, 1)$, the national bureaucrat does not learn the value of R prior to institutional design, so that the outcome is equivalent to unilateral action, with a state expected payoff $-\frac{R^3}{4}$.

How does the use of a national bureaucrat compare with the three other options? Clearly, the use of a national bureaucrat dominates unilateral action as long as NA, c are low enough. Similarly, the comparison with the status quo is straightforward: as long as NA, c are low enough, the status quo is inferior. What about the international bureaucrat? With probability $1 - \rho$, the payoff from offering any given discretion level \tilde{d} to the national bureaucrat produces a strictly higher expected payoff than the international bureaucrat, with $0 < NA < BUR$ and a similarly lower design cost. With probability ρ , however, the payoff is $-\frac{R^3}{4}$ and thus lower than from optimal delegation to the international bureaucrat (assuming BUR, c are not prohibitively high). Thus, the (inter)national bureaucrat dominates if and only if ρ is low (high) enough.

Endogenous Status Quo

Suppose the status quo SQ is defined as a bargaining outcome between the state and another state with an ideal point $W > 0$. For example, this bargaining could reflect policy implementation within an extant organization. If the bargaining game is played under complete information, the Nash Bargaining Solution induces $SQ^* = W/2$. Substituting $W/2$ for SQ , all results continue to hold.

Varying Status Quo Payoffs

Suppose the status quo values are different, SQ_{state} and $SQ_{bureaucrat}$. This change obviously has no effect on the state's payoff from any given outcome. The only difference is that the bureaucrat now fails to expend effort for discretion d if and only if $-(SQ_{bureaucrat} - BUR)^2$ obtains a lower value than the expected payoff from institutional design.

Alternative Threat Point

Suppose the outcome from the bureaucrat's decision not to expend effort is unilateral implementation by the state. Now the only change is that the bureaucrat always prefers any discretion d to unilateral implementation as long as the design cost c is low enough. But as the design cost c grows, the state must begin to increase the discretion.

Appendix B: 180 Randomly Sampled Intergovernmental Organizations

Need for Expertise: “Above-Average” (39)

African Information Society Initiative (AISI)

African Regional Cooperative Agreement for Research Development and Training related to Nuclear Science and Technology (AFRA)

African Telecommunications Union (ATU)

Anna Lindh Euro-Mediterranean Foundation for the Dialogue between Cultures (ALF)

Asia and Pacific Commission on Agricultural Statistics (APCAS)

Asian-African Legal Consultative Organization (AALCO)

Association of Agricultural Research Institutions in the Near East and North Africa (AARINENA)

BioNET INTERNATIONAL Consultative Group (BICG)

Budapest Union for the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (Budapest Union)

Caribbean Information System for the Agricultural Sciences (CAGRIS)

Central American Corporation for Air Navigation Services (COCESNA)

Commission for Inland Fisheries of Latin America (COPESCAL)

Commission for the Scientific and Technological Development of Central America and Panama (CTCAP)

Euro-Mediterranean Legal Metrology Forum (EMLMF)

European Health Committee (CDSP)

Galileo Satellite Navigation Project

Inter-American Center for Development and Environmental and Territorial Research (CIDIAT)

International Commission for the Protection of the Rhine (ICPR)

International Council for the Exploration of the Sea (ICES)

International Energy Agency (IEA)

International Hydrological Programme (IHP)

Internet Governance Forum (IGF)
Nordic Committee for Nuclear Safety Research (NKS)
Nuclear Energy Agency (NEA)
Organization of Arab Petroleum Exporting Countries (OAPEC)
Pan American Institute of Geography and History (PAIGH)
Permanent Committee on Cadastre in the European Union (PCC)
Regional African Satellite Communications Organization (RASCOM)
Regional Centre on Urban Water Management, Teheran (RCUWM)
Regional Information System (SIRI)
Regional Network for the Chemistry of Natural Products in Southeast Asia
SAARC Network of Researchers on Global Financial and Economic Issues
Six Countries Programme (6CP)
United Nations African Institute for the Prevention of Crime and the Treatment of Offenders (UN-
AFRI)
United Nations Institute for Training and Research (UNITAR)
United Nations Population Fund (UNFPA)
United Nations Programme on Space Applications (PSA)
United Nations Statistical Commission
World Health Organization (WHO)

Need for Expertise: “Average” (102)

AVRDC - The World Vegetable Center
Action Plan for the Protection of the Marine Environment and the Sustainable Development of the
Mediterranean (MAP)
African Development Bank (ADB)
African Economic Community (AEC)
Agency for International Trade Information and Cooperation (AITIC)

Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL)

Allied Command Transformation (ACT)

Andean Community

Arab Industrial Development and Mining Organization (AIDMO)

Arab Investment Company (TAIC)

Asia Pacific Fishery Commission (APFIC)

Black Sea Action Plan (BSAP)

Caribbean Community (CARICOM)

Caribbean Environment Programme (CEP)

Caribbean Festival of Creative Arts (CARIFESTA)

Caspian Environment Programme (CEP)

Central American Council on Housing and Human Settlements (CCVAH)

Collective Security Treaty Organization (CST)

Committee on the Protection of the Rights of All Migrant Workers and Members of their Families (CMW)

Consultative Committee on Industrial Change (CCMI)

Cospas-Sarsat

Council of Legal Education (CLE)

Council of Regional Organizations in the Pacific (CROP)

Court of Justice of the Common Market for Eastern and Southern Africa (COMESA Court of Justice)

ECA Subregional Office for Eastern Africa (SRO-EA Kigali)

Environmental Crime Prevention Programme (ECPD)

European Commission

European Environment Information and Observation Network (EIONET)

European Forestry Commission (EFC)

European Nuclear Energy Tribunal (ENET)

European Sub-Regional Aviation Security Training Centre (AVSEC)

European Youth Foundation (EYF)

FAO/WHO Coordinating Committee for the Near East (CCNE)

Financial Action Task Force (FATF)

Food and Agriculture Organization of the United Nations (FAO)

Global Information and Early Warning System on Food and Agriculture (GIEWS)

Gulf of Guinea Commission (GGC)

Ibero-American Social Security Organization (OISS)

Inter-Agency Network on Women and Gender Equality (IANWGE)

Inter-American Center for Crafts and Popular Arts

Inter-American Commission on Human Rights (IACHR)

Inter-American Committee on Social Development (CIDES)

Inter-American Court of Human Rights (CIDH)

Inter-American Defense Board (IADB)

Inter-American Development Bank (IDB)

Intergovernmental Committee for the Application of the International Convention on the Recognition of Studies, Diplomas and Degrees in Higher Education in the Arab and European States bordering on the Mediterranean

Intergovernmental Coordination Group for the Indian Ocean Tsunami Warning and Mitigation System (ICG IOTWS)

Intergovernmental Organization for Marketing Information and Technical Advisory Services for Fishery Products in the Asia and Pacific Region (INFOFISH)

International Bank for Reconstruction and Development (IRDB)

International Centre for Promotion of Enterprises (ICPE)

International Commission of the Schelde River (ICS)

International Commissions for the Protection of the Moselle and Saar (ICPMS)

International Court of Justice (ICJ)

International Criminal Tribunal for Rwanda (ICTR)

International E-Road Network

International Seabed Authority (ISBA)
International Tropical Fruits Network (TFNet)
Joint ILO/WHO Committee on Health of Seafarers
Maritime Organization of West and Central Africa (MOWCA)
Mekong-Ganga Cooperation Scheme (MGC)
Multinational Force and Observers (MFO)
Near East Forestry Commission (NEFC)
Network of Aquaculture Centres in Asia-Pacific (NACA)
Nile Basin Initiative (NBI)
Nordic Film and Television Fund (NFTF)
Office of the Special Coordinator in the Occupied Territories (UNSCO)
Organization for Economic Co-operation and Development (OECD)
Pan American Health Organization (PAHO)
Programme on Institutional Management in Higher Education (IMHE)
Regional Centre on Agrarian Reform and Rural Development for the Near East (CARDNE)
Regional Marine Pollution Emergency Information and Training Centre - Wider Caribbean (REMPEITC-Carib)
Regional Maritime Academy, Accra (RMA)
SADC Electoral Commissions Forum (SADC-ECF)
Secretariat of the Convention on the Conservation of Migratory Species of Wild Animals (UNEP/CMS)
Sistema Regional de Informacion sobre Formacion Profesional (SIRFO)
South Centre
South-South Cooperation WIDE (SSC WIDE)
Southern Africa Postal Operators Association (SAPOA)
Standing Committee for Economic and Commercial Cooperation (COMCEC)
Supreme Headquarters Allied Powers Europe (SHAPE)
Trade and Investment Council
Trans-European North-South Motorway Project (TEM)

UNESCO Regional Office for Education in the Arab States (UNEDBAS)
UNRWA/UNESCO Institute of Education (IUNRWA/UNESCO IE)
United Nations (UN)
United Nations Civilian Police Force (UNCIVPOL)
United Nations Committee on Negotiations with Intergovernmental Agencies
United Nations Development Group (UNDG)
United Nations Development Programme (UNDP)
United Nations Economic Commission for Europe (UNECE)
United Nations Economic Commission for Latin America and the Caribbean (ECLAC)
United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)
United Nations Industrial Development Organization (UNIDO)
United Nations Organization Mission in the Democratic Republic of Congo (MUNOC)
United Nations Special Committee on the Situation with Regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples (Special Committee of Twenty Four)
United Nations Standby Arrangements System (UNSAS)
Venice European Centre for the Trades and Professions of the Conservation of Architectural Heritage
West-Nordic Foundation (Vestnordenfonden)
Western European Union (WEU)
World Food Programme (WFP)
YOUTH Community Action Programme
ZEP-RE - PTA Reinsurance Company

Need for Expertise: “Below-Average” (39)

ASEAN Central Bank Governors Forum (ACBGF)
Amazonian Parliament

Baltic Council

Baltic Sea Region Energy Cooperation (BASREC)

Berne Club

Board of Governors of the European Schools

Committee of Ministers of the Council of Europe

Commonwealth Heads of Government Meeting (CHOGM)

Commonwealth of Independent States (CIS)

Commonwealth Youth Programme (CYP)

Conference des ministres de la jeunesse et des sports des pays d'expression française (CONFESJES)

Conference of the European Regional Legislative Parliaments (CALRE)

Conferencia de las Fuerzas Armadas de Centroamerica (CFAC)

Council of Arab Ministers for Social Affairs

Council of Arab Ministers for Youth and Sports

Council of Europe (CE)

European Network on Teacher Education Policies (ENTEPE)

Group of Eight (G8)

Group of States Against Corruption (GRECO)

Indian Ocean Commission (IOC)

Joint Force Command South (JFC Naples)

League of Arab States (LAS)

Ministerial Conference on the Protection of Forests in Europe (MCPFE)

Multilateral Organizations Performance Assessment Network (MOPAN)

NATO Airborne Early Warning and Control Force Command (NAEW&C FC)

Niger Basin Authority (ABN)

Non-Aligned Movement (NAM)

Nordic Contact Agency for Agricultural and Forestry Affairs (NKJS)

Nordic Council (NC)

Nordic Council of Ministers (NCM)

Pacific Islands Forum (PIF)

Parliamentary Commission of the Central European Initiative

SECI Regional Centre for Combating Trans-Border Crime (SECI Center Bucharest)

South Asian Association for Regional Cooperation (SAARC)

Standing Committee of Parliamentarians of the Arctic Region (SCPAR)

Transit Transport Coordination Authority of the Northern Corridor (TTCA)

United Nations Security Council (UNSC)

Standing Committee on Commonwealth Forestry

Visegrád Group

Supplementary Appendix: References

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POLICY SPACE (REAL LINE); IDEAL POINTS (0, BUR);
UNCERTAINTY (-R,R); AND THE STATUS QUO (SQ)

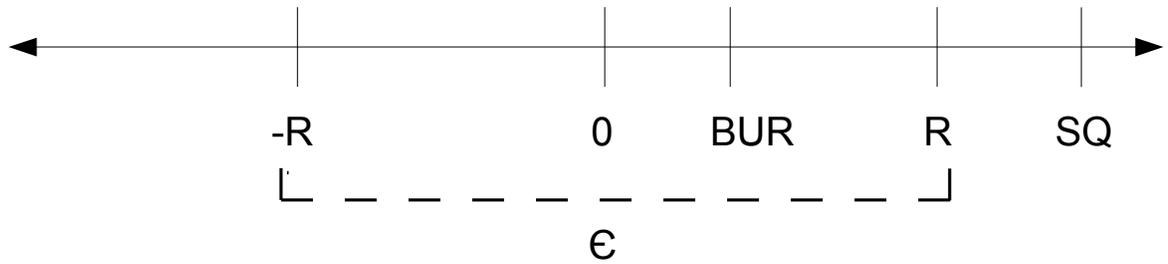


Figure A2: The structure of the spatial model.

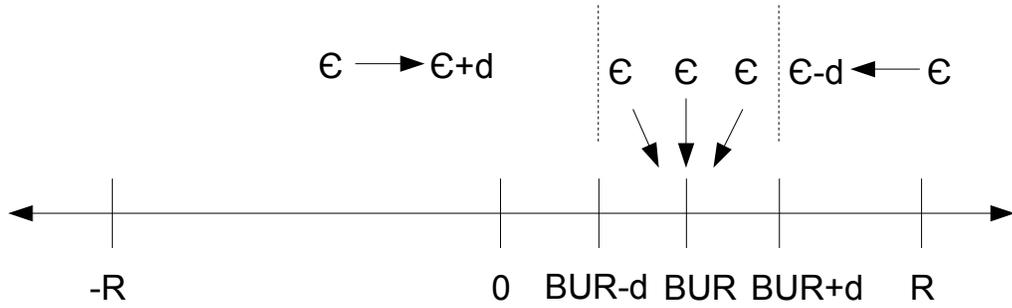


Figure A3: IGO creation by the international bureaucrat. If the shock ϵ is low enough, the bureaucrat selects the highest admissible policy, $P = d$. If the shock ϵ is high enough, the bureaucrat selects the lowest admissible policy, $P = -d$. For intermediate values close to the ideal point BUR , the bureaucrat selects the policy P to implement the ideal point BUR .