

# The Patronage Function of Dysfunctional International Organizations

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*This paper also serves as the basis for an empirical chapter of my book manuscript.*

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# 1 Introduction

Every country in the world is a member of at least one international organization (IO) — or, more frequently, several. Many of these organizations have similar mandates and overlapping memberships (Alter and Meunier, 2009). Furthermore, many researchers have noted that these organizations fail to be effective at achieving their goals (Ravenhill, 2008; Gutner and Thompson, 2010) And at the same time, exit from international organizations is somewhat rare (Vabulas and von Borzykowski, 2013). Why do states stay in ineffective IOs?

One might initially think that states stay in international organizations because it is costless to do so. This may be somewhat true of bilateral treaties, which usually do not require annual fees or maintenance. But of organizations that have a permanent secretariat with staff, it is less obviously the case. Secretariats carry with them the mundane operating expenses involved in keeping an organization afloat. Especially for small countries, membership costs can be substantial; a quarter of the budget of Seychelles is devoted to membership contributions to various IOs.<sup>1</sup> In 2013 Azerbaijan spent nearly three times as much on membership in IOs as it did on its own domestic transport and communications expenses.<sup>2</sup> Indeed, one government official in Tanzania charged that the country should withdraw from some of the international organizations of which it was a member, specifically citing the membership dues. “These obligations are overwhelming ... in some organizations, we are required to pay as much as \$300,000 as annual contribution.”<sup>3</sup> Moldova, Europe’s poorest country, spends on average \$26 million a year on its IO commitments.<sup>4</sup>

Given these costs, why would member states continue to prop up international organizations? What benefit do they receive from maintaining, rather than disbanding or exiting from, those organizations? This paper proposes a new theory to explain the con-

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<sup>1</sup>“Seychelles Pulling Out Soon,” *The Indian Ocean Newsletter*, 12 July 2003.

<sup>2</sup>“Public Budget of Azerbaijan,” *Trend Daily Economic News*, 12 April 2013

<sup>3</sup>“Tanzania to Quit More International Bodies,” *Africa News*, August 31, 1999

<sup>4</sup>“Moldova’s Debt to International Organizations Amounts to About \$26 Million,” *Ria Novosti*, 20 February 2002

tinued existence — and, indeed, the growth — of numerous international organizations despite their limited effectiveness.<sup>5</sup> I draw on the literature in bureaucratic politics to argue that international organizations can serve valuable patronage functions for their member states. Leaders benefit from pooling resources at the supranational level and utilizing those resources to enrich themselves or their cronies. This is particularly true in countries where diplomatic passports can offer a substantial boost from home-country passports.

This argument is general to a wide variety of international organizations, but for evidence I draw on international economic organizations, a category of IOs among which many have noted substantial mission overlap. Using original budget data from 11 international economic organizations across the world, I show that many of these organizations support high levels of patronage — here defined as salaries that are disproportionate to average public-sector salaries in member states, as well as per diems, bonuses, and perks that are a high share of overall operating costs. I demonstrate that countries are most likely to be members of patronage organizations where domestic corruption is high and possibilities for international travel are low.

Whether or not they increase trade, the bureaucracies surrounding international organizations can offer substantial private rents for member state governments.<sup>6</sup> As principal-agent logic tells us, international organizations are particularly subject to patronage because they are distant from voter oversight.

This paper makes two important contributions to the literature on international co-

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<sup>5</sup>The goal of this paper is not to explore what makes some organizations effective at meeting their goals; other work examines this phenomenon in detail (Gutner and Thompson, 2010). Rather, it seeks to establish the ways in which ineffective organizations — in this case, economic agreements among countries with few factor complementarities — are likely to adapt for patronage purposes. There are of course inefficiencies and waste in any type of bureaucracy, even organizations that overall might be effective. I argue, though, that the incentive to use organizations for patronage is especially acute when organizations might seem to be ineffective in the first place.

<sup>6</sup>The term “private rents” refers not to the benefits accrued by domestic interest groups, lobbyists, or sectors, as described by Tullock (1967) and Krueger (1974). Rather, it designates the private benefits that politicians can squeeze out of thickly institutionalized organizations. The bureaucracy of an intergovernmental agreement can provide politicians with several forms of private rents: for example, the opportunity to engage in clientelistic behavior, by rewarding their cronies with posts; the ability to secure lavish per diems at conferences and meetings; and diplomatic passports, as just a few examples.

operation. The first is a theory that explains the puzzling persistence of international organizations that are not effective. The second contribution is itemized, historical budget data from a variety of international organizations. The budget data gathered in this paper offer valuable insights into the priorities of these organizations. Many important studies across all subfields of political science center on budget data as a way of examining efficiency and prioritization in governments (Alt and Lowry, 1994; Krause, 1996). Indeed, many scholars in international relations (IR) have called out for the use of budget data in the study of IOs as a way of systematically comparing organizations across regions (Nye, 1968; Hooghe, Marks and de Vries, 2006; Volgy et al., 2008; De Lombaerde et al., 2010). However, organizations' budgets are often not readily . The budget data gathered in this paper offer valuable insights into the priorities of these organizations, the contributions of each member, and their day-to-day operations. Most of these organizations keep highly detailed records, and access to their itemized annual budget items gives us a means of making comparisons across organizations in like units. Additionally, I draw on archival work along with firsthand interviews with the staff of eleven different international economic organizations — as well as policymakers and private-sector actors — in Europe, Latin America, Africa, Asia, and the Caribbean. This level of on-the-ground insight from IOs across regions is rare in studies of international organizations, which tend to focus either on one particular organization or, at the other extreme, employ a large-N approach without much consideration of the variation across agreements.

This paper proceeds as follows. The next section discusses the gaps in the extant literature on international economic agreements and their effectiveness. I bring in insights from the literature on comparative bureaucracies and pork-barrel politics to present an original theory that explains the persistence of IOs that seem ineffective in terms of promoting trade: these agreements survive because they allow member governments to exercise patronage. I propose hypotheses concerning the types of countries and member-state arrangements that would be more conducive to patronage politics at the international level. The third section describes the budget data, gathered firsthand from international

economic organizations. The subsequent section offers preliminary tests of those hypotheses, and the final section concludes.

## 2 IO Persistence Despite Poor Performance

Although this paper does not intend to explore the determinants of agreement effectiveness per se, it is necessary to point out that many others have argued that the majority of economic agreements do not meet their goals (Jetschke and Lenz, 2013). For example, in Asia, only 24 percent of the region's free-trade agreements are actually utilized (Takahashi and Urata, 2009). Even the best-performing of the Latin American trade agreements — Mercosur, an intended customs union — has been accused of poor performance even as a free-trade area by GATT definition (Bouzas, 2002). The courts and dispute-settlement procedures are almost never invoked, as countries instead choose to seek recourse at the WTO (Jo and Namgung, 2012). Especially in developing parts of the world, countries tend to be members of several international economic organizations at the same time, many of which have overlapping and occasionally contradictory rules; this is particularly common in Asia (Baldwin, 2008) and in Africa (Bourenane, 2002).

If these organizations are ineffective or inefficient, why do their signatory countries continue to pay membership dues to support the persistence of their bureaucracies? On the one hand, institutionalization can be an important part of the functioning of an agreement. Secretariats should collect and make available information on the activities of member states (Keohane, 1984). A secretariat that has both expertise and independence can play a valuable role in monitoring and arbitration (Koremenos, Lipson and Snidal, 2001; Grigorescu, 2010; Haftel, 2012) as well as adding legitimacy to an organization (Donno, 2010).

But bureaucracy has a downside as well. Even if they do not have the intended consequence in terms of effectiveness, some scholars have already pointed out that such levels of bureaucratization inevitably afford opportunities to inefficiency at best (Olson, 1984;

Wilson, 1989; Peters, 1978) and corruption and pathology at worst (Bryant and Lindeberg 2001, Dijkzeul and Beigbeder 2003, Barnett and Finnemore 2006). Weber (1978) notes that even the most minimal bureaucracy holds authority of providing public goods such as infrastructure. Control over that process means that public goods can be exploited for private profit. Thus, as intergovernmental organizations, organizations can potentially create private rents through a well-staffed secretariat that provides jobs, prestige and other perks to member state nationals.<sup>7</sup> There may be incentives to provide private rents through organizations when a general environment of corruption and the personal exploitation of public office exists at home. This view is supported by Vaubel (1986) — who discusses how politicians can use opportunities for international coordination in a collusive manner, to increase their prestige and to stifle criticism of policy — and extended by Vaubel, Dreher, and Soylu (2007), who show that international organizations have fewer employees when member states have more oversight capacity. This implies that domestic law-makers who scrutinize government spending would frown upon joining a high-cost international organization that lavishes bureaucrats with perks. These arguments support a discussion of the benefits of international organizations is incomplete without an awareness of the ability of those organizations to reward not just member states, but also individual politicians.

One class of arguments in the international organizations literature states that the persistence of ineffective agreements is a type of principal-agent problem, where bureaucratic drift results from principals' inability to monitor their agents (Dreher, Sturm and Ursprung 2008; Finnemore 2005; Thompson 2009). These arguments treat international organization as a dysfunction that has somehow slipped beyond the control of the governments that created them. However, particularly in developing countries, leaders are

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<sup>7</sup>Debate surrounds the role that corruption plays in economic development. Some argue that corruption can actually be useful in circumventing bureaucratic and rigid state structures (Bates, 1981; Huntington, 1968). Others claim that bloated bureaucracies can impede development in the long term (?). In this context, I argue that it is possible to have an organization whose bureaucracy generates private rents, but that does not necessarily preclude an effective organization. Rather, the process driving the creation of an organization that is broad in scope differs from the process that drives the creation of an effective organization.

actually very involved with the workings of these agreements. Summits and diplomatic working groups occur several times a year, and the activities of the agreements are often above-the-fold news items in member countries' periodicals. Thus, it seems improbable that leaders are unaware of or unable to control these agreements.

There exists a substantial literature in comparative and American politics on patronage and pork in bureaucracies, along with a wide variety of definitions of patronage and many descriptions of different types of patronage systems<sup>8</sup> However, many of the hypotheses in these works are concerned with explaining the overall effectiveness of policy, not on the motivations for making ineffective appointments. For example, Lewis, Krause and Douglas (2006) examine the relationship between political appointments and policy effectiveness. Ting's bureaucratic redundancy theory (2008), building off Landau (1969), argues that principals choose multiple agents in a bid to increase the effectiveness of an organization. His setup, however, assumes that principles always want to attain "good" policy outcomes, and that appointments are never an end inof themselves.

Some scholars, however, have focused on how policy can be used to accomplish political goals for both the patron and the client, rather than on the impacts of patronage on policy effectiveness. McGillivray (2004) argues that industrial policy can serve as a means of redistribution from one group to another that is politically efficient. Lewis (2008), in a book that extensively reviews patronage in American politics, points out that "the vast majority of federal [patronage] jobs were located outside of Washington, D.C. They were an important political resource and were viewed proprietarily by congressmen who sought to distribute patronage to local and state machines that brought them to power" (13-14). He also notes that "federal patronage has also historically been a means by which Congress secured control over federal administration locally. ... Appointed positions also

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<sup>8</sup>Patronage and clientelism exist in both the developed and developing world alike (Roniger, 1981, 1994), and though some draw distinctions between patronage and clientelism, most acknowledge them as being part of the same phenomenon (Piattoni, 2001). This paper operates from definitions that are more general: for example, Putnam (1993) defines patronage as any system that promotes particular interests at the expense of general interests. Eisenstadt and Roniger (1980) define patronage as any distribution of governmental largesse (a spoils system). Verdier (1995) centers on the rents extracted from patronage, as a situation where a holder of public office draws extra profits from what should be simply a performance of duties.

help members to the extent that they help their party or individual election prospects.” These works give clues as to how outcomes that seem inefficient from a policy standpoint but that are efficient — and even irreplaceable — to individual politicians. Many models (Stokes, 2005, 2007; Magaloni, Diaz-Cayeros and Estevez, 2007) focus on how patronage can help the patron consolidate political support among constituents.<sup>9</sup>

Drawing from these theories, we can identify many features that might make international organizations permeable to being used as patronage vehicles. Because the secretariats are often located in cities that split the difference between most member states; indeed, they tend not to be situated in the largest economies.<sup>10</sup> Ineffective organizations may be particularly prone to exploitation for patronage, since the agreements might be unable to provide goods for the general interest. That is, because economic agreements among countries with fewer factor complementarities are not in a position to supply many public goods through trade, they are particularly susceptible to being turned into vehicles for extracting private goods in the form of higher salaries for workers. Piattoni (2001) also notes that when bureaucracies lack independence, they are more susceptible to partisan pressures. Thus, organizations are an administrative system that is especially susceptible to the appropriation of public resources for private ends.

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<sup>9</sup>Indeed, patronage is often defined as the distribution of administrative posts to a given constituency in exchange for electoral support, and many of the arguments in American politics tie patron-client relationships to the acquisition of benefits for the patron, including votes or political support from the client, or the control of an arm of policymaking that is important to the patron. However, these arguments are difficult to apply directly to trade agreements. While it is plausible that putting cronies in organization offices shores up support for patrons, most organizations do not keep detailed records of staff appointments, which makes it empirically impossible to trace individual hires and their party IDs or other affiliations. This makes the argument about patronage and political support difficult to test. In turn, the argument about policy control presupposes that the bureaucracy is actually empowered to be effective in policymaking. The cases here, for the most part, are agreements that are ineffective at policymaking, so it would not make much sense for patrons to try to appoint loyal people there for the end of ensuring their preferred policy.

<sup>10</sup>This is often the case for political reasons, as in the designation of capitals separate from the largest cities; placing an agreement’s headquarters in relatively remote locations tend to be an attempt to signal that the agreement will not be controlled by the most powerful state. For example, Mercosur is headquartered in Montevideo, Uruguay rather than in Buenos Aires or Sao Paulo; SADC’s headquarters are in Gaborone, Botswana instead of Johannesburg, and so on.



### 3 A Theory of Patronage in International Organizations

How can we explain the disproportionate operating costs or infrastructure that surround what are widely agreed to be ineffective agreements? It should be noted that the baseline for the amount of extra maintenance — in terms of a support staff or other bureaucracy — that a trade agreement needs is practically zero. For 14 years the Washington, DC-based secretariat for NAFTA — the largest of the three secretariats, with the other two in Ottawa and Mexico City — consisted of three full-time staff, which only increased to five staff members in 2009.<sup>11</sup> The GATT took over office space that had been allocated by the UN to house the failed ITO and had very few staff members at the outset. (Hudec 1998). The myriad preferential trade agreements negotiated by Washington DC and Brussels, for example, are administered out of the USTR and the Directorate General for Trade, respectively — no one rents separate buildings. Similarly, Mercosur’s staff consists primarily of legal experts and economists, and the organization exists in rent-free space provided by the United Nations.

By contrast, bloated bureaucracies seem to be a hallmark of ineffective organization. One report — commissioned by CARICOM itself to address its deficiencies, noted the problem as follows:

CARICOM meetings seem to have become the last refuge of officials uncertain how to take regional integration forward. The substitution of the activity of meetings for actions focused on implementation has also contributed to CARICOM’s increasing weakness and its apparent inability to get anything done. ... These problems are exacerbated in a Secretariat that is long on traditional civil service and technical skills, but exceedingly short of modern management skills. ... We recognise that, to some extent, such formality persists throughout the Caribbean in noticeable contrast to the rest of the

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<sup>11</sup>Interview, Marsha Iyomasa, NAFTA secretariat, March 8 2010.

English-speaking world. Nevertheless, the degree of formality in the way CARICOM conducts its business appears excessive even by Caribbean norms. It is maintained at an enormous cost in terms of efficiency and effectiveness, making it much harder to reduce the “implementation deficit.”<sup>12</sup>

This was echoed by an independent report, which stated that “CARICOM as an institution has traditionally been too focused on creating policy and bureaucratisation rather than actually implementing policy, or driving forward the decisions that the Heads take.”<sup>13</sup>

Why would this excessive bureaucracy be an outcome that member states tolerate — and, indeed, pay into? The answer lies in thinking about the other benefits that secretariats with broad scope in issue areas and numerous staff members might provide to governments. Whether or not they increase trade, the bureaucracies surrounding organizations can offer substantial private rents for member state governments. It should be noted that our discussion of private rents refers not to the benefits accrued by domestic interest groups, lobbyists, or sectors, as described by Tullock (1967) and Krueger (1974). Rather, it designates the private benefits that politicians can squeeze out of thickly institutionalized organizations. The bureaucracy of an intergovernmental agreement can provide politicians with several forms of private rents: for example, the opportunity to engage in clientelistic behavior, by rewarding their cronies with posts; the ability to secure lavish per diems at conferences and meetings; and diplomatic passports, as just a few examples.

Leaders will have an incentive to support the existence of international organizations if those organizations give them access to sources of patronage and rents that extend beyond what is available to them at the national level. Countries that have high domestic environments of corruption, then, will be more likely to feed into supranational

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<sup>12</sup>“Consultancy to Conduct an Organisational Restructuring of the Caribbean Community Secretariat,” Landell Mills consultancy report, January 2012.

<sup>13</sup>“Caribbean Regional Integration: A Report by the UWI Institute of International Relations (IIR)” April 2011.

organizations that also serve this function.

International organizations can extend private rents to individuals in several ways, though at present this paper will only examine one of these causal mechanisms empirically. First, through salaries and per diems, they can generate significant sources of funds for those involved in their activities. For example, in 1997, COMESA's secretary general, Bingu Mutharika, was fired for misappropriation of funds. An internal report stated that "there is ample evidence of financial malpractices. The Secretary General has used COMESA funds to finance missions which cannot be confirmed to be official and beneficial to COMESA. The Secretary General has also used COMESA resources for personal activities." These included misappropriating COMESA funds for "on such items as air tickets, daily subsistence allowances, office furniture, motor vehicle repairs and spare parts etc."<sup>14</sup> Mutharika also in 1996 tried to hire one of his cronies in the post of Executive Secretary of the Clearing House in a manner that "ignor[ed] the laid down procedures. This attempt was made notwithstanding the fact that several other applicants from various Member States had applied for the job. The applications were retained in the custody of the Secretary General and [the candidate] was not even one of the applicants."<sup>15</sup>

These benefits can trickle down to staff as well. One expert describes SADC programs by saying that on the books, "senior economists took home \$30 per months, but pocketed a flat per diem of something like \$280 per day when they were traveling, regardless of actual expenses – even if their expenses were fully covered. One colleague attended a six-week [training] course and used his per diems to go into the minibus business."<sup>16</sup> These funds can be proportionally huge, particularly in environments where private-sector opportunities are low. For illustration, annual salaries for drivers of SADC were around three times the average local salary; upper-level officials at COMESA received housing

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<sup>14</sup>"Report of the Special Committee on the Operations of COMESA, 1992 to date." 04 March 1997

<sup>15</sup>The committee also confirmed the "There is no mechanism in place to ensure the effective implementation of the decisions of the policy organs. Since 1992, several major decisions remain unimplemented because of the Secretary General's failure to find time to address the critical areas that need attention."

<sup>16</sup>Author interview, Bruce Bolnick, chief economist at Nathan Associates, 30 January 2009.

allowances of 84 percent of their base salaries (which were already around four times greater than average local salaries); and upper-level secretaries at SADC were allocated Mercedes Benz S320s in 2003.

Similarly, in a February 1989 paper, the internal documentation of the OECS explicitly refers to the opportunity for the secretariat to generate employment, and the importance of compensation:

The regional OECS bureaucracy should be seen as an extension of the national bureaucracies, providing an extended career path for public servants of all the participating territories. On the one hand, the establishment of the OECS is so small that career mobility viewing the institution as a complete unit will pose a severe problem. If this is the case, motivation will have to come from the challenges of the work itself *and the material rewards provided* [emphasis added]. The national bureaucracies on the other hand cannot sustain the interest and enthusiasm of individuals who join straight from university ... [and stay] in the same national office for 30 years until retirement. These prospects are not very exciting for our young people and the OECS should be seen as part of the administrative structures of the group so that personnel can move there on a permanent basis or be seconded for periods at a time.<sup>17</sup>

In addition to highlighting the crucial role of “material rewards” for staff, this quote points to a second way in which bureaucracies can provide rents to member states. Particularly in developing countries, when opportunities for travel and compensation are limited, and where domestic passports may not get their holders very far, organizations can provide the chance for nationals to receive diplomatic passports and postings abroad, either in the secretariat location or in a commission office abroad. The latter comes with an overseas allowance, and in at least one case, a “warm clothing” allowance for

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<sup>17</sup>From OECS’s Revision of Allowances for Secretariat and Mission Staff, Paper 3 Aut 2/89, February 1989.

Caribbean nationals in residence in the Geneva office.<sup>18</sup>

This view has much anecdotal support in the countries in question. In the Caribbean, for example, many joke that the best place to find high-ranking staff in CARICOM is “in the business-class lounge in the region’s airports.”<sup>19</sup> Similarly, in lamenting the frequency and expense of meetings, a CARICOM consulting report noted that “small Caribbean countries simply cannot afford having some of their key officials tied up for several days doing virtually nothing, especially Consultancy to Conduct an Organisational Restructuring of the Caribbean Community Secretariat when it involves expensive travel and hotels. It also does little for CARICOM’s reputation that outside visitors are made to hang around for a couple of open sessions and for the off chance of meeting Heads of Government.”<sup>20</sup> This shows that the benefits of frequent international meetings can extend to member-state policymakers as well as employees of the Secretariat itself.

How might we know a patronage administration when we see it? States where the environment is more conducive to the use of public office for private rents would tend to be more likely to use supranational organizations as another form of patronage. Similarly, states that experience a high degree of visa restrictions under normal circumstances might be more inclined to keep afloat inefficient international organizations. Thus, we could expect that international agreements would serve as likely repositories for patronage agreements as follows:

- **H<sub>1</sub>** States with higher levels of corruption are more likely to be involved in IOs with high levels of patronage.
- **H<sub>2</sub>** States whose citizens have fewer international opportunities are more likely to be involved in IOs with high levels of patronage.

Those categories only have to do with the domestic environments that might be con-

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<sup>18</sup>From OECS’s Revision of Allowances for Secretariat and Mission Staff, Paper 3 Aut 2/89, February 1989.

<sup>19</sup>Author interview, Debbie Mohammed, UWI, 9 March 2012

<sup>20</sup>“Consultancy to Conduct an Organisational Restructuring of the Caribbean Community Secretariat,” Landell Mills consultancy report, January 2012.

ductive to using IOs as extraction of rents. But there are organization-level attributes that should influence variation in the rents extraction that is available in IOs as well. The principal-agent literature predicts that more autonomous organizations will be *more* likely to be abused for patronage due to the lack of monitoring and oversight. However, I argue that in the IO context, when states grant autonomy and cede sovereignty to an IO, that organization is more likely to be effective and less likely to slump into a state where it exists only to be extracted for rents. This leads to the third hypothesis:

- **H<sub>3</sub>** Organizations with higher levels of bureaucratic autonomy will be less associated with patronage.

The following sections tests these arguments using different sources of original data on international economic agreements.

## 4 Budget Data from 11 organizations

Between 2009 and 2012, I collected data from the secretariats of the Asia-Pacific Economic Cooperation (APEC) in Singapore; the European Union (EU) in Brussels, Belgium; the World Trade Organization (WTO) and the European Free Trade Association (EFTA) in Geneva, Switzerland; the Association of Caribbean States (ACS) in Port-of-Spain, Trinidad; the Caribbean Community (CARICOM) in Georgetown, Guyana; the Organization of Eastern Caribbean States (OECS) in Castries, St Lucia; the Common Market for Eastern and Southern Africa (COMESA) in Lusaka, Zambia; the South African Development Community (SADC) in Gaborone, Botswana; the Latin American Integration Association (LAIA) and the Common Market for the South (Mercosur), both in Montevideo, Uruguay; and the Andean Community (AC) in Lima, Peru. I obtained annual data on budget allocation for each of these organizations since its inception, or where available. These data include both income and expenditures at the yearly level.<sup>21</sup>

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<sup>21</sup>A visit to NAFTA was also conducted, but since NAFTA has three “secretariats” in three different cities and is funded through the national budgets of each country, independent budget data were not available.

To avoid selection on the dependent variable, this sample includes organizations whose membership comprises developed (APEC, EU, EFTA, WTO) as well as developing countries; additionally, there are multilateral (WTO), regional (Mercosur, LAIA, and COMESA, for example) and more inclusive (ACS, APEC) organizations represented here. That said, this is not a random sample of agreements. Even though budget data for most organizations are technically public, since they are approved by member-states, there was a wide degree of variation in the ease of acquiring these budgets. These data had to be acquired in person (not one organization responded to email or telephone requests to send the budgets by mail, fax or email). Organizations varied widely in the orderliness of their record-keeping, as well as in their reluctance to pass these data along. Even when they did so, they did not always release all years; CARICOM, for example, would only release budgets from at least 20 years prior, claiming that the budgets were declassified, while officials at ASEAN only released three recent years.

Organizing these data into comparable, aggregate variables made it necessary to collapse many subcategories that were not consistent across organizations. This is a regrettable loss of detail, as many of these organizations keep extremely extensive records of their programs and budget line items. In 2001, SADC, for example, spent \$250,00 on calendars, \$30,000 on an essay competition,<sup>22</sup> and nearly \$60,000 on the commissioning and recording of a SADC pan-national anthem. In 1992, COMESA spent \$7,000 providing ministers who attended a meeting on the PTA with leather briefcases. The Andean Community also had a provision for “opportunity costs” between 1997 and 2004. But for the purposes of comparison across regions, some level of generalization across categories is inevitable.

Nonetheless, these budgets show several consistencies across organizations — including slush funding for employees and consultants. Between 2004 and 2008, the Andean Community routinely granted bonuses to personnel in its court of around 38 percent of the base salaries. In 2003, the Latin American Integration System routinely spent \$13,500

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<sup>22</sup>The topic was, “What has SADC achieved and what more would you like it to do to bring the economies and the people of southern Africa together?”

for the participation of governmental experts and up to \$10,000 for consultants in its seven intergovernmental meetings, along with around \$8,000 each on consultants and temporary staff for the production of various studies.<sup>23</sup> The organization also recorded consultant expenses of \$68,000 for each of a set of programs for Bolivia, Ecuador, and Paraguay. Salaries across all categories of employee tend to be high: for example, the three gardeners at SADC, headquartered in Gaborone, had an average salary of around \$3,600 — nearly twice the Botswanan national average salary of \$1,746.97.

Table 1 lists averages of the budget data across the most mutually compatible categories; table 2 lists the budget breakdowns across organization.

#### TABLE 1 AND 2 ABOUT HERE

Although COMESA has the highest operating budget overall, at an average \$14 million per annum, it is also an organization with a relatively large number of members. The average annual costs per member are the highest for the Andean Community, at \$1,031,241.80; COMESA and SADC are the next most costly, at \$647,826.09 and \$610,369.00 per member, respectively; LAIA's average costs are \$396,797.92 per member; and Mercosur's run \$248,293.85 per member. Of course, these costs are not distributed equally across members. It is usually the case that the member states' contribution are proportional to their income — and external organizations tend to foot a portion of the bill as well. Nonetheless, this gives a sense of the costs of the organizations relative to the number of member states included.

For organizations such as COMESA, the Andean Community, and LAIA, salaries and personnel expenses occupy the majority of the budget. SADC spends the bulk of its resources on personnel as well as programs. But for EFTA, an organization which is generally perceived to be more effective, costs are split much more evenly across categories.

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<sup>23</sup>These included, for example, "Study on information technology and the demands of the productive sector, especially targeted to SMEs"; "Perfecting the Management System of the General Secretariat," and "Survey, cataloging, classification, indexing and scanning of documents of the LAFTA and LAIA."



## 5 Testing Hypotheses on Budget Data

This section examines the hypotheses established above with the use of budget data. To analyze these data with respect to the theory outlined above — that groups of countries where public corruption is already widespread are more likely to use these organizations as forms of patronage — I use a primary measure of rents extracted from an organization. All organizations list personnel expenditures in a minimum of two categories: salaries and non-salary compensation. Some organizations are very specific about the personnel expenditures that constitute non-salary compensation: these can include housing benefits, schooling allowances, drivers, education, and bonuses along with medical and social benefits. Other organizations do not break this category down (it is simply listed as “other”). Some of these categories could at face value be considered as rents. However, it is also possible that some member states are simply in the practice of giving generous benefits to their employees and that their IOs would reflect this practice. To account for this, I construct a ratio of the percentage of nonwage compensation as overall personell expenditures, to that same percentage in member states (averaged across member state). In other words, this metric, which I call *benefits ratios*, compares nonwage compensation in the IO to that in the member states. If the IO compensates its employees through nonwage benefits at the same rate as it does at home, the ratio should be close to 1, and there should be no added incentive for a bureaucrat to take a job at the IO rather than a job at home. If it is greater than 1, the IO offers more perks than do standard jobs in the member states. Figure graphically depicts these ratios for the organizations in the sample.

FIGURE ABOUT HERE

Working at the EU, for example, offers the same ratio of nonwage compensation as an average job in the member states. By contrast, working at the South African Development Community, for example, affords a better deal in terms of nonwage compensation than taking a job in the member states. In turn, working at Mercosur actually offers less nonwage compensation than average jobs at home. It is also important to note that there

is variation in the benefits ratios within region — the Organization of Eastern Caribbean States offers far more nonwage compensation than does CARICOM, for example. Thus, this measure does give an indication of the variation in potential rents both across organization and within region.

For robustness checks, I also use two additional variables to operationalize organizations that have high levels of patronage, although both of these variables have some problems as comparative measures. The first is average salaries in the organization as a ratio to local salaries for central government employees. The higher this number, the better-paid are employees in the organization relative to government workers at home; smaller numbers mean that the discrepancy between local salaries and organization salaries is less. I obtained local salary data from the International Labor Organization's database. Collapsing the IO data into average salaries misses some important levels of detail; some organizations (LAIA and SADC) record the different salary levels at different levels of seniority among staff, but the others do not. Aggregating these data into yearly averages also is deceptive; Mercosur, for example, tends to employ fewer support staff and more expert staff, so their salaries seem higher; COMESA employs more support staff than senior staff; and SADC is the opposite. Thus, higher salaries for experts (such as economists and lawyers) offset the lower salaries of support staff, but these extremes are unfortunately lost in the averages. Additionally, this level of detail tends not to exist in national-level statistics. Because coverage for many of the countries in question was erratic, I used averages for all available countries in the organization. If anything, we can anticipate that this might be biased in favor of countries that pay their local employees better, since poorer countries tended to have more missing data. Thus, this is likely a conservative estimate of the gap between local and regional pay. In general, salaries in Mercosur are only slightly higher than those in central governments in member states; COMESA salaries are twice as high; salaries in the Andean Community are three times as high; in LAIA, nearly twice as high; and 50 percent more in SADC. Thus, it is highly possible that these organizations are a cushier job than those at home, and are more

probably associated with patronage appointments.

The second is program costs, per diems, and personal expenses as a share of the overall budget. Program expenditures can be significant sources of revenue. For example, a 1996 SADC program on illicit cross-border drug trafficking and crime cost a total of \$237,571. The program hired out four local consultants, along with honoraria of \$300/day for 150 days, \$18,000 in travel costs, and subsistence funding of \$48,124. Administrative costs for the program (including secretarial services, stationery, distribution of reports, and local transportation) ran \$30,000, with \$30,000 in printing costs for the document, along with “contingency” funding of \$23,974. Higher ratios of these expenses to the overall budget indicate greater amounts of patronage.

Turning to the independent variables, I first two separate variables that model the exogenous environment for private rents, as described in Hypothesis One above. The first is the level of transparency in member states, as gathered by Transparency International. States where obfuscation persists would be expected to partake in agreements where the opportunities for rent-extraction were high. I invert this scale to reflect this argument: high levels of obfuscation (that is, low levels of transparency in the original scale) should be associated with inefficient organizations (that is, high values on the dependent variable), so the expectation is positive. As a robustness check, I also include a variable recorded from the International Country Risk Guide (ICRG) on corruption levels in the country. Again, higher levels of corruption should be associated with inefficient agreements – another expectation for a positive relationship. For Hypothesis Two, I include data on international visa restrictions, taken from Neumayer (2011). This measure is imperfect, since it only includes the number of visa restrictions that a country imposes on others, not the amount that it receives. However, since most visa regimes are reciprocal, this serves as a reasonable proxy for the restrictions that nationals might ordinarily face.

For Hypothesis Three, I use data from Haftel (2012), who codes international organization on the degree of autonomy that they possess. The coding ranges from zero for an organization that has no independent authority to craft or enact policy, to 3 for an

organization that enjoys supranational status, such that its policies automatically hold in domestic settings within the member states. These data are coded on five-year increments.

I also include several variables to control for rival explanations. One is the average level of development among member states, logged to normalize the distribution (*GDP*). We can expect that states with higher domestic economic capacity would have less need to resort to supranational patronage, so the expectation is negative. I also examine *public employment* as a percentage of total employment among member states, averaged across organizations for the year at the time of organization formation (or the first year of available data, if missing). These data were collected from the International Labor Organization. Higher levels of public employment should indicate that the government is in the habit of providing relatively more opportunities for its citizens than are available in the private sector. However, such opportunities are not necessarily sources of corruption in and of themselves; thus, we must examine these effects while controlling for levels of corruption. Holding corruption constant, we might expect no independent effect of public employment.

An alternate hypothesis would be that these organizations spend the amounts of money that they do not as a means of enrichment or patronage, but as necessary expenditures to promote a well-functioning organization. I capture this argument by including variables for yearly changes in the volume of trade of the states within the organization, relative to the total that those states trade externally (*intra-organization trade*), as well as yearly changes in tariff levels. If these variables were significant, it would indicate that the relative efficiency of these organizations was simply a justifiable function of extensive their trade-promoting activities.

I also look at the level of legalization in the treaties, as coded by McCall Smith 2000 (*legalization*). Many have argued that the level of legalization determines a treaty's overall effectiveness; thus, higher levels of legalization would be associated with more efficient secretariats, according to this logic. This helps proxy for the rational-design school of

thought; more extensively institutionalized treaties should function better and thus be less likely to be used for patronage, according to this line of thinking.

The sample covers eleven organizations over time; data actually range from 1971 (for the Andean Community) to 2009, but since Mercosur budgets only extend back to 1997, the year coverage in practice is from 1997 to 2009. I use similar independent variables as those described in the first sets of models. McCall Smith's legalization variable does not vary over time, but the level of legalization of a treaty does not change, and thus this variable is included as a constant value for all years in the specification, so as to preserve the number of observations.

Table 3 shows the results of an OLS regression. The variables that have the strongest association with rents extraction are corruption as well as visa restrictions in the member states. On the organizational front, bureaucratic autonomy is associated with a lesser likelihood of patronage, which provides evidence in support of Hypothesis Three. Legalization, overall trade and tariffs in the organization, and the overall levels of income in the organization have less of an effect.

TABLE 3 ABOUT HERE

For robustness checks, Tables 5 and 4 depicts the result of OLS regressions on the two alternate measures of patronage described above: program expenditure and average salaries.

TABLES 4 AND 5 ABOUT HERE

Both sets of specifications indicate that the trade-promoting activities of the organizations (as represented by the changes in tariffs and trade levels) have little to do with the amount of patronage. Both measures of corruption are associated with higher staff salaries relative to local salaries, as well as with higher amounts of slush funding in the organization, as represented by the program and other expenses. Restrictive travel, as is

indicated by the variable for visa restrictions, is positively associated with patronage at the IO level. None of the other variables are statistically significant — including the levels of income in a country. This is perhaps surprising, since higher levels of patronage are to be expected in the poorer countries.

These preliminary results indicate that the design of organizations (as captured by the legalization variable) cannot shield against organizations being used for patronage. Furthermore, the two measures of trade-promotion within organizations — that is, annual changes in trade volumes and tariff levels — are not statistically significant, which offers further support to the idea that these organizations spend money on activities that have little to do with the stated goal of trade expansion.

Interestingly, simply controlling for the level of public employment in member states also does not account for high levels of patronage. This implies that bureaucratization in organizations is not just a reflection of member state tendencies to create large public bureaucracies at home. Rather, the lack of international opportunities — as captured by the visa restrictions variable — and a tendency for corruption at home are related to membership in organizations with high slush funding and disproportionate salaries.

## 6 Conclusion

This paper has introduced a novel theory to explain the persistence of what appear to be dysfunctional trade agreements. Furthermore, I have tested this theory with new sources of data. As social scientists struggle to find ways to compare international agreements, budget data offer considerable leverage, providing levels of detail and perspective where none previously existed, and giving us the tools to evaluate agreements across regions. I have demonstrated that member states that have high levels of corruption tend to be associated with agreements that provide considerable opportunities for patronage. The levels of inefficiency in these organizations cannot be explained by the level of legalization of the agreement — an explanation that has gained considerable purchase in political science

— or by levels of development in the organization. Instead, countries with higher levels of corruption tend to be associated with more inefficient organizations, in terms of their scope in relation to the quality of their secretariats, as well as in how well-paid its staff are with respect to local salaries, and the amount of slush funding in their budgets.

Taken together, this contributes a significant advance in our understanding of international agreements. Employing insights from the literature on bureaucratization — with traditions in both American and comparative politics — I argue that international organizations can provide patronage opportunities for bureaucrats in member states, particularly where corruption is high and local opportunities for advancement are low.

There are other mechanisms by which organizations can serve as efficient means of political and private non-trade benefits for the countries involved, though this paper does not examine these mechanisms in detail. They can offer opportunities for prestige and recognition abroad, and an assertion of their place in the international system (Chayes and Chayes, 1993; Joliffe and Jupille, 2011). By offering extensive travel opportunities (SADC’s average annual travel budget is around \$3 million, which includes trips not only for staff members but also for ministers of member countries), these organizations can help legitimize politicians and even countries in the eyes of domestic publics. Third, organizations can serve as havens for political figures who have fallen out of favor. Every one of Argentina’s deposed presidents following the 2001 financial crisis subsequently left the country to take up posts in either Mercosur or the Andean Community, where they could collect salaries and remain active in political life outside of the country for a few years. For the moment, however, I leave these propositions aside, since testing them is beyond the scope of this paper.

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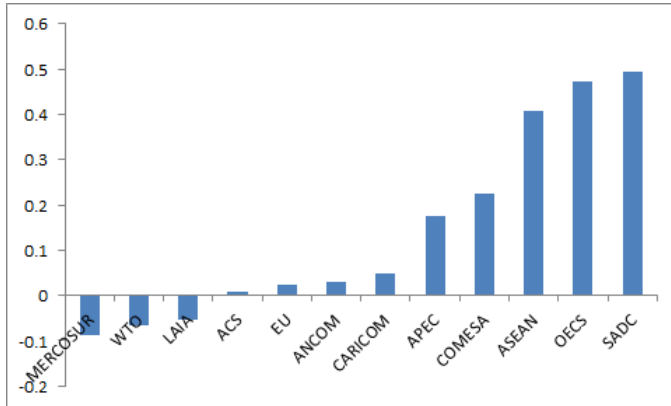


Figure 1: Ratio of Perks in IOs to perks at home

Table 1: Budget Data: Main Categories of organization Expenses

Organization	Personnel	Operating Expenses	Administrative Expenses	Miscellaneous Expenses	Program Expenses	Total
Andean Community	1,360,965.00	466,776.50	244,628.30	215,543.00	218,331.90	2,433,852.00
APEC	416,608.90	511,149.40	656,361.80	177,777.80	18,850.79	1,783,342.00
ASEAN	4,558,103.00	2,428,757.00	1,908,527.00	20,000.00	.	8,947,079.00
Association of Caribbean States	257,256.80	79,737.25	68,714.25	3,970.75	.	409,679.00
CARICOM	5,590.05	10,460.23	11,300,000.00	3,632,985.00	.	14,900,000.00
COMESA	408,320.10	349,792.50	2,697,681.00	4,023,210.00	15,413.97	6,292,802.00
LAIA	2,358,420.00	633,954.10	519,047.10	533,643.80	.	8,798,440.00
Mercosur	766,015.40	114,986.50	149,369.30	146,534.20	.	1,145,505.00
WTO	71,900,000.00	2,829,710.00	7,696,641.00	3,492,916.00	.	91,900,000.00

Table 2: **Budget Data: Descriptive Statistics for organizations**

	Andean Comm	COMESA	LAIA	Mercosur	SADC
No. of Members	5	23	12	4	15
No. of Staff	130	110	45	18	117
Salaries	2,348,111.00	1,122,580.00	2,268,210.00	609,700.00	869,043.30
Honoraria	11,508.06	84,583.54	555,103.30	.	8,265.82
Other	256,062.30	1,453,680.00	155,492.20	17,600.00	39,107.00
Consultants	.	423,199.30	241,919.40	.	14,761.27
Compensation					
Support	371,199.80	267,550.20	34,700.00	44,799.27	748,892.50
Personnel					
Benefits	878,074.30	421,593.40	487,123.30	52,309.73	1,200.00
Transportation	.	71,162.83	.	430.00	153,338.90
for Personnel Training	.	8,441.50	37,589.38	5,754.46	1,297.29
Recruitment	.	298,104.00	.	.	78,285.33
Personal	.	.	26,013.76	.	.
Expenses					
Travel	266,281.50	181,865.60	63,563.33	86,657.45	77,189.39
Expenses					
Building Rent	58,503.64	42,781.34	119,270.60	.	91,740.24
Building	54,166.97	6,275.13	87,720.56	38,009.73	25,395.69
Maintenance					
Building Services	203,016.60	32,504.29	89,611.11	28,157.27	18,079.13
Vehicles	20,883.33	48,862.11	5,361.11	.	1,972.07
Furniture	81,890.22	.	.	9,700.27	.
Office Insurance	23,662.08	.	9,321.43	1,324.27	.
Infrastructure	46,968.36	1,264,181.00	94,805.56	30,667.27	144,012.50
- Misc					
Supplies	68,957.89	37,264.99	147,177.80	40,977.45	2,474.36
Secretariat Meetings	64,169.81	903,769.80	123,966.70	2,520.00	3,453.87
Operational expenses- other	218,386.20	4,030,692.00	313,953.80	23,325.09	1,994,180.00
Programs:	.	.	.	.	210,632.80
Workshops					
Programs:	.	.	.	.	.
Studies					
Programs:	.	775,033	10,800	.	54,085
Compensation					
Programs:	35,497	11,131	.	.	3,884
Publications					
Programs: Other	123,623	1,701,265	146,000	.	4,514,403
Other	25,245	1,760,769	95,484	1,243.09	99,840
Grand Totals	5,156,209	14,900,000	4,761,575	993,175	9,155,535

Table 3: Predictors of Organizational Patronage - Benefits ratio\*

Constant	4.38***	7.21***	4.25***	3.11***
	(1.68)	(3.32)	(1.15)	(1.74)
Corruption of Members (ICRG)	4.16***	2.45***	-	-
(average)	(2.24)	(1.31)		
Corruption of Members (TI)	-	-	5.99*	3.21**
(average)			(2.99)	(1.61)
Visa	.11***	.09*	.11**	.15**
Restrictions	(.04)	(.05)	(.07)	(.07)
IO	-1.21**	-1.45**	-1.43***	-1.32***
Autonomy	(.67)	(.71)	(.65)	(.64)
GDP of members	-3.13	-1.28	-1.01	-.85
(average)	(3.78)	(2.31)	(.91)	(.56)
Public	1.17	1.99	1.64	1.81
Employment	(1.01)	(1.24)	(1.17)	(1.13)
$\delta$ Intra-member	.11	.18	.16	.11
Trade Volumes	(.07)	(.14)	(.12)	(.08)
$\delta$ Tariffs	.11	.09	.07	.05
Within member	(.07)	(.06)	(.04)	(.05)
Legalization	-	.11	-	.19
		(.08)		(.12)
N	235	235	235	235
$R^2$	.31	.33	.39	.40

\*Dependent variable is the ratio of nonwage compensation in the IO compared with the organization. Likelihood ratio test of independent equations ( $\rho = 0$ ):  $\chi^2(1) = 0.39$  Prob  $> \chi^2 = 0.53$ . \*  $p < .10$ , \*\*  $p < .05$ , \*\*\*  $p < .01$

Table 4: Predictors of Organizational Patronage - Disproportionate Salaries\*

	5	6	7	8
Constant	5.18*** (2.65)	8.29*** (3.42)	4.18*** (1.12)	3.17*** (1.98)
Corruption of Members (ICRG) (average)	4.18*** (244)	2.22*** (1.84)	-	-
Corruption of Members (TI) (average)	-	-	5.89* (2.91)	3.28** (1.61)
Visa Restrictions	.10*** (.04)	.08** (.04)	.14** (.07)	.15** (.07)
IO Autonomy	-1.421** (.71)	-1.44** (.73)	-1.51*** (.65)	-1.52*** (.63)
GDP of members (average)	-3.13 (3.78)	-1.28 (2.31)	-1.01 (.91)	-.85 (.56)
Public Employment	1.28 (1.56)	2.01 (1.88)	1.56 (1.78)	1.97 (2.13)
$\delta$ Intra-member Trade Volumes	.12 (.13)	.19 (.18)	.17 (.14)	.16 (.09)
$\delta$ Tariffs Within member	.04 (.04)	.02 (.04)	.04 (.05)	.03 (.05)
Legalization	-	.12 (.07)	-	.21 (.14)
N	235	235	235	235
$R^2$	.31	.33	.39	.40

\*Dependent variables are average salaries in the international organization as a ratio of average local salaries for central government employees. Likelihood ratio test of independent equations ( $\rho = 0$ ):  $\chi^2(1) = 0.39$  Prob  $> \chi^2 = 0.53$ . \*  $p < .10$ , \*\*  $p < .05$ , \*\*\*  $p < .01$



Table 5: Predictors of Organizational Patronage - Slush Funding

	9	10	11	12
Constant	1.40 (3.95)	-6.90*** (2.39)	2.81 (1.97)	-4.78* (2.21)
Corruption of Members (TI) (average)	.65*** (.21)	.24* (.13)	-	-
Corruption of Members (ICRG) (average)	-	- (.16)	.31* (.10)	.21*
Visa Restrictions	.09*** (.03)	.08*** (.03)	.17** (.08)	.15** (.07)
IO Autonomy	-1.32** (.66)	-1.41** (.71)	-1.65*** (.59)	-1.67*** (.61)
GDP of members (average)	-.13 (.24)	-.21 (.16)	-.17 (.11)	-.23 (.16)
Public Employment	.16 (.12)	.15 (.09)	.18 (.11)	.13 (.09)
$\delta$ Intra-member Trade Volumes	.03 (.05)	.02 (.02)	.04 (.05)	.03 (.02)
$\delta$ Tariffs	.001 (.02)	.0003 (.006)	.0001 (.04)	.002 (.008)
Legalization	- (.02)	.01 (.05)	-	.03
N	235	235	235	235
$R^2$	.26	.27	.28	.27

Dependent variable is programs, honoraria, consultant expenses, travel expenses, and personal expenses as a share of operations. \*  $p < .10$ , \*\*  $p < .05$ , \*\*\*  $p < .01$