INTERNATIONAL PUBLIC GOODS
INTERNATIONAL
PUBLIC GOODS

Incentives, Measurement,
and Financing

Edited by
Marco Ferroni and Ashoka Mody
## CONTENTS

Preface and Acknowledgments vii

Contributors ix

1. Global Incentives for International Public Goods:
   Introduction and Overview 1
   *Marco Ferroni and Ashoka Mody*

   *Oliver Morrissey, Dirk Willem te Velde, and Adrian Hewitt*

3. Supplying International Public Goods:
   How Nations Can Cooperate 47
   *Scott Barrett*

4. Financing International Public Goods 81
   *Todd Sandler*

5. Allocating Aid to International Public Goods 119
   *Dirk Willem te Velde, Oliver Morrissey, and Adrian Hewitt*

6. Regional Public Goods in Official Development Assistance 157
   *Marco Ferroni*

Index 187
PREFACE AND ACKNOWLEDGMENTS

Many development problems transcend national borders and are regional, or even global, in character. The recognition of these international challenges, which range from the transmission of disease across borders to the spread of global financial instability, has led to a new urgency to contain and resolve them. Because no one country acting on its own can typically deal with such challenges, international coordination is required, but is typically difficult to achieve. The World Bank’s *Global Development Finance 2001: Building Coalitions for Effective Development Finance*, published in April 2001, discusses this evolving concern. That report offers a strategic and operational framework for supplying international public goods and mobilizing the required financial resources. The report also presents a first set of estimates on the extent of international resource transfers for these goods. A number of papers were written as background to the report. The purpose of this book is to briefly present the principal conclusions from *Global Development Finance 2001*, but mainly to make the background papers available to an academic and policy audience. We expect that the analytical and empirical contributions of this research would be of wide interest.

This book marks the completion of a process initiated by a workshop on Global Public Policies and Program held on July 11–12, 2000, in Washington, D.C. to outline the analytical and strategic agenda for the delivery of international public goods. Several leading academics and senior policymakers joined in the deliberations at the workshop, organized jointly by the United Nations Development Programme and the World Bank. For making that workshop possible and for the publication of its proceedings, the authors are grateful to Christopher Gerard and Robert Picciotto of the World Bank’s Operations Evaluation Department. Throughout, the Swiss Agency for Development and Cooperation provided financial support. The editors and authors are grateful to the agency,
and especially to Walter Hofer, for the support and encouragement offered. However, the views expressed in the book are those of the authors and not necessarily those of the World Bank or the Swiss Agency for Development and Cooperation.

The editors are also grateful to many who have graciously shared their ideas and their time in reviewing various drafts. Nancy Birdsall, Ravi Kanbur, and Bruce Ross-Larson were with us throughout the project. Robert Devlin, Ishac Diwan, Nagy Hanna, Paul Hubbard, Gregory Ingram, Paul Isenman, Motoo Kusakabe, Geoffrey Lamb, Uma Lele, and Stephen Quick helped at different stages. We would especially like to acknowledge the contribution of Aristomene Varoudakis, who was our coauthor for the *Global Development Finance* report. Finally, we would like to thank Alice Faintich for her excellent editing and attention to detail, Kathy Rettinger for proofreading the manuscript, and Cindy Stock for typesetting it.
CONTRIBUTORS

Scott Barrett

Scott Barrett is professor of environmental economics and international political economy at the Paul H. Nitze School of Advanced International Studies, Johns Hopkins University. He previously taught at the London Business School. Professor Barrett has written a number of papers on international cooperation and treaty negotiation, especially in the area of the environment, for which he was awarded the Erik Kempe prize. He received a Ph.D. in economics from the London School of Economics. He can be reached at sbarrett@jhu.edu.

Marco Ferroni

Throughout his career in international development, Marco Ferroni has held posts in multilateral and bilateral agencies. He recently joined the Office of Evaluation and Oversight of the Inter-American Development Bank. Immediately prior to this, he was senior advisor in the World Bank’s Vice Presidency for Resource Mobilization and Cofinancing. Dr. Ferroni has been a member of the boards of executive directors of the Inter-American Development Bank and the Inter-American Investment Corporation, and has occupied managerial positions in the Swiss ministries of Public Economy and Foreign Affairs, working in the area of technical and financial cooperation with developing countries and emerging market economies. He held a graduate teaching appointment at the Swiss Federal Institute of Technology in Zurich in the 1990s. Dr. Ferroni has published articles and professional papers on foreign aid and development finance, international public goods, public expenditure reform, policy reform and social protection, and the inter-relationship between trade and macroeconomic regimes and agricultural growth. He received a Ph.D. in agricultural economics from Cornell University. He can be reached at marcof@iadb.org.
Adrian Hewitt

Adrian Hewitt was one of the original associates of Robert Cassen on Does Aid Work? (Oxford University Press, Oxford, U.K., 1984, revised 1994) and wrote Crisis or Transition in Foreign Aid (Overseas Development Institute [ODI], London, 1994, with the Overseas Development Council, Washington, D.C., and the North-South Institute, Ottawa). In 1984 he founded the All-Party Parliamentary Group on Overseas Development in the British House of Commons, with which he wrote Africa’s Multilateral Debt: A Modest Proposal (ODI, London, 1994), a tract that preceded the agitation for and the realization of the present heavily indebted poor countries arrangements. Educated at Oxford University and the School of Oriental and African Studies, London, he worked in Madagascar and Malawi before joining the ODI in London, where he is now senior research fellow and director of the ODI Fellowship Scheme. Mr. Hewitt is co-editor of Development Policy Review and a board member of Third World Quarterly and the Paris-based economics research institute DIAL. Recent publications include Economic Crisis in Developing Countries: New Perspectives on Commodities, Trade and Finance (with Machiko Nissanke, Pinter Publishers, London, 1993), Europe’s Preferred Partners: The Lomé Countries in World Trade (with Michael Davenport, ODI, London, 1995), and World Commodity Prices: Still a Problem for Developing Countries? (with Sheila Page, ODI, London, 2001). He can be reached at a.hewitt@odi.org.uk.

Ashoka Mody

Ashoka Mody is a division chief in the International Monetary Fund’s Research Department. Most recently he was at the World Bank, where he was manager and principal author of the Bank’s Global Development Finance 2001. He has previously worked at AT&T’s Bell Laboratories and been a visiting professor of public policy and management at the University of Pennsylvania’s Wharton School. He has written on technical change through foreign direct investment and international trade, and more recently on international financial markets and capital flows to developing countries. His writings have been published in academic journals and for policy audiences. He can be reached at amody@imf.org.
Oliver Morrissey

Oliver Morrissey is director of the Centre for Research in Economic Development and International Trade and reader in development economics at the School of Economics, University of Nottingham, where he has been since 1989. He is also a research fellow in international economics with the Overseas Development Institute in London, and has considerable experience in aid and trade policy analysis, working mostly in East Africa. He has published numerous articles in academic journals, notably on aid effectiveness, trade policy reform, and structural adjustment, but also on public choice aspects of public finance. He obtained his Ph.D. in economics from the University of Bath, United Kingdom. He can be reached at Oliver.Morrissey@nottingham.ac.uk.

Todd Sandler


Dirk Willem te Velde

Dirk Willem te Velde is a research fellow at the Overseas Development Institute, where his main interests concern international public goods and the impact
of and policies toward foreign direct investment. He was previously a research officer at the National Institute of Economic and Social Research and a researcher based at the CPB Netherlands Bureau for Economic Policy Analysis. He has published a number of articles and book chapters on foreign direct investment, trade, development, labor markets, and the environment. He can be reached at dw.tevelde@odi.org.uk.