Chapter 13

Economic Development Aids as a Financial Instrument of Global Public Goods: Performance Assessment for Donor Countries

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ABSTRACT

The importance of global public goods (GPGs) is increasing every day. As a result, the concept became an important part of international policymaking. There is a huge literature on the definition and classification of GPGs, as well as the financing problems of them. GPGs are generally financed through the development aids given by international organizations and some developed countries. Literature is generally concentrated on the determination of the amount of aids devoted to different categories of GPGs, such as environment, health, peace-keeping, and knowledge. Differently from the literature, a new and more general classification is also used in this chapter. The main sectors included in the analysis are social infrastructure and services, economic infrastructure and services, production sectors, multi-sector/gross cutting, and humanitarian aid. For the first time in the literature, principal components and cluster analysis methodologies were used to determine the performance of the countries providing official development aids in this study.
INTRODUCTION

In a globalising world, problems and their solutions reach across national borders. This leads a growing concern for international corporations and international collective action. The unfolding tragedy of the AIDS epidemic is an instance where a disease with local origins has created consequences worldwide. Likewise, the Internet, which offers instant global communication, can be exposed to tremendous harm from hackers and the spread of insidious viruses. We live in an era where global warming, ozone-shield depletion and financial instabilities place risks on an ever-integrating world. As a result of these global challenges, the concept of global public goods (GPGs) has become an important part of international policy making.

The public goods which affect the whole world are called as GPGs. In another way, GPGs are goods with benefits or costs that extend across countries and regions. These goods are global for two reasons. Firstly, they are global across space. Secondly, they affect future generations. The concept appears in the agendas of United Nations agencies, World Bank, the European Union and other non-governmental organisations. Nobody can do without GPGs. Health, knowledge, environment, peace and security are some of the examples of global GPGs. For our common future, the finance of global peace, democracy, health, and climate change is increasingly become important.

There is a large literature on the definition, classification and the financing mechanisms of GPGs. An interesting attempt to determine the expenditure on GPGs has been provided by researches done by various authors (Raffer, 1999; World Bank, 2001; teVelde, Morrissey, & Hewitt, 2006; Reisen, Soto, & Weithöner, 2003; Reisen, Soto, & Weithöner, 2004). Using data from Official Development Aid (ODA), previous studies have documented the increase in aid-financed GPGs according to sectors and donors. However, no study has so far measured the performance of the donor countries according to the sectoral aids. So, this chapter will focus on the measurement of the relative performance of the donor countries in terms of sectoral official development aids as well as the trends and distribution of aids provided as GPGs.

This chapter has three aims. The first aim is to scrutinize the concept of GPGs. Secondly, it will examine how much aid has been allocated to finance global public goods by donor countries and by multinationals. The third aim, differently from the literature, it will try to determine relative performance of donor countries in terms of development aids provided for GPGs. Principal components analysis and cluster analysis methodologies were used to determine the performance of donor countries by using data on sectoral aids. The main sectors included in the analysis are: social infrastructure and services, economic infrastructure and services, production sectors, Multi-sector/Gross Cutting, and Humanitarian Aid. The data used in empirical work is obtained from the Organisation for Economic Co-operation and Development (OECD).

This chapter is divided into five sections. After the introductory section, section one examines the literature related with the definition of GPGs. Section two concentrates on the classification of GPGs. Section three discusses the various financing mechanisms of GPGs as well as the trends and sectoral distribution of ODA for the years from 1990 to 2016 depending on the availability of data. Section three has three sub-sections. In the first sub-section, expenditure on health related GPGs will be examined. The second sub-section will show the trends of expenditure related with peace-building activities. The last sub-section will concentrate on ODA provide for knowledge generation and environment related GPGs. Section four tries to determine the relative performance of Development Assistance Committee (DAC) countries empirically. Section five concludes the chapter.