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**JICA-RI Working Paper**

Impact of Non-DAC Donors in Asia: A Recipient's Perspective

# Diversity and Transformation of Aid Patterns in Asia's "Emerging Donors"

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## **Diversity and Transformation of Aid Patterns in Asia's "Emerging Donors"**

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### **Abstract**

This paper analyses comparatively the aid patterns and their formulation of four emerging donor countries: China, South Korea, Thailand and India. The aim of the paper is to increase understanding of how these countries' aid patterns have been created and by what factors.

The aid patterns employed by the emerging donors are divergent. Chinese aid has shifted from the overtly political and ideological to the commercialist; thus, current Chinese aid is closely tied to Chinese state owned enterprises (SOEs). Korean aid has consistently been commercialist, but recently it has incorporated universal and humanitarian considerations. Thailand has maintained a keen interest in aid as a stabiliser of its neighbouring countries. The Indian aid program was initially formed during the Cold War consonant with the ideology of the Non-Aligned Movement, but from the 1990s economic considerations became more important. Indian aid is influenced also by regional strategies, namely the stabilisation of neighbouring countries.

Various factors are proposed to account for the formation and transformation of the aid patterns. Current Chinese aid is influenced by deepening economic interdependence and by diplomatic competition with Taiwan. Korean aid is promoted by pragmatic values and more recently by universal humanitarian values. The recent shift to a humanitarian emphasis is explained by a shift in the relative power balance of actors away from the conservative toward the progressive. In addition, its middle power status in the international community makes South Korea sensitive to competition from other donors, such as China, and to international pressure from DAC. Thai aid is motivated by the economic gap between Thailand and its neighbouring countries, by its strategies toward the Indo-China region, and by its compliance with DAC. The Indian aid program was initially formed during the Cold War in response to the political and ideological Non-Aligned Movement, but from the 1990s economic considerations became more important. India is also influenced by regional strategies, namely the stabilisation of neighbouring countries.

This comparative analysis of these four emerging donors contributes to an understanding of the diversity of aid patterns and the particular factors that create them. The increasing diversity of aid patterns further implies potential for future pluralism of aid.

**Keywords:** emerging donors, aid patterns, aid purposes, donor identities

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## 1. Introduction

### 1.1 Background

The end of the Cold War accelerated advocacy of democratic pluralism and market economies. The movement toward pluralism spread also to the provision of aid. While the traditional donor-country members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) have continued their aid programs, non-DAC member countries and private sector interests have been entering the aid marketplace and non-governmental organisations (NGOs) have increased their influence. In particular, “emerging country” donors have attracted attention due to the new directions their aid has taken and to the potential magnitude of their implications for the donor community and its development agenda.<sup>1</sup>

The appearance of these new donors has provoked a perception of threat among policy-makers in the established community of traditional donors. While the international community has proclaimed an aid effectiveness drive to improve efficiency – a drive that stresses harmonisation among the DAC members – some emerging donors have chosen non-participation in the aid effectiveness effort. They are seen as pursuing their own narrow national interests – often through the use of tied loans – and of placing little importance on good governance, human rights, the environment and poverty reduction for the recipients of their aid. They are also accused of worsening the debt sustainability of heavily-indebted countries by channelling excessive loans to them (Manning 2006, 1).<sup>2</sup>

As Naím (2007) castigates in a rather emotional and normative tone, the aid provided by “non-democratic” countries has resulted not only in the furtherance of the donors’ interests but also in the prolongation of dictatorial rule in rogue states. Among the emerging donors, China is the most popular target for bashing. Reisen (2007, 1) summarises the typical criticism of Chinese aid: China is viewed as a free-rider on the development achievements of traditional international community members, who, for example, have written off African debt; and China is also suspected of enabling the human rights violations and corruption of its aid recipients.

Yet there are several caveats to these views: Can emerging donors really be lumped into a single monolithic group? That is, are they all non-democratic and are they all troublemakers who challenge the international aid regime and hamper their recipients’

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<sup>1</sup> Hereafter “emerging country donors” are simply called “emerging donors.” The terms used to identify donors which are outside the traditional community are confusing. Some analysts refer them as “emerging donors” while others prefer the more neutral term “non-DAC donors” (Kragelund 2008, 555). The non-traditional donors have often been engaged in aid provision for as long as the traditional ones; therefore, it must be remembered that these donors are actually established “emerged donors.” As argued in Sato et al. (2010), it is their substantial influence and importance in the international community which is emerging. Thus this paper calls them “emerging donors.”

<sup>2</sup> The entry of emerging donors in the aid market has been said to have had the adverse effect of increasing the transaction costs involved in managing more aid projects. Davies (2008, 12) also mentions that aid provision by emerging donors often is made in a highly political and opaque manner.

development by narrowly pursuing their own self-centered national interests? And will they remain problematic into the future? The viewpoints presented above clearly reflect the view that emerging donors are a monolithic, negative and static group; the reality is that this widely held view issues largely from ignorance.

The emerging donors are by no means monolithic and not necessarily negative. They have formulated diverse aid models that are not equally problematic or non-democratic. Davies (2008, 10) remarks that emerging donors offer recipients new opportunities. Quantitatively, emerging donors increase the financial channels available for reaching development goals; and qualitatively, they can readily share practical lessons about development with their recipients since they have similar backgrounds as the sometimes aid recipients of traditional donors. Reisen (2007, 6) argues more precisely that far from being on a free ride, China's aid functions positively to improve the export performances, foreign exchange reserves and debt-fragility of its African recipients.

To analyse empirically the aid activities of emerging donors, in 2007 three of the authors conducted a Japan Bank for International Cooperation (JBIC) research project to explain the aid policies and performances of six major Asian emerging donors: China, Malaysia, Singapore, South Korea, Taiwan and Thailand.<sup>3</sup> Since there existed at that time substantially no literature dealing with the details of Asian emerging donors, the 2007 research contributed significantly to an overview understanding of their aid.

The Japan International Cooperation Agency (JICA) then launched a research project titled "Impact of Emerging Donors: Variety of Aid from the Perspective of the Recipients." As the title indicates, this project focused on *recipient views* of emerging donors. The four authors of the present paper have already published one working paper as part of this project: "How Do 'Emerging Donors' Differ from the 'Traditional' Donors?—Institutional Analysis of Foreign Aid in Cambodia" (Sato et al. 2010). That paper pays particular attention to the aid activities and performances of emerging donors *vis-à-vis* one of their main recipients, Cambodia, as well as to the recipient's views of the emerging donors. The present working paper is a second effort within this same project. These research efforts conclude that aid from emerging donors is not necessarily different or more problematic in comparison with traditional aid, and that recipients of emerging donors rate highly their donors' economic sector priorities, flexibility and speedy provision of aid.

Furthermore, in dynamic terms, the emerging donors may not remain troublesome for DAC into the future. These donors are transforming their aid over the long-run in patterns which have similarities with those of the traditional donors. South Korea, for example, is an emerging donor that has not only graduated from recipient status to donor status, but has also

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<sup>3</sup> The details are published in the *Journal of JBIC Institute*, and are also available on the JICA website (<http://www.jica.go.jp/jica-ri/publication/archives/jbic/report/review/>). For the details on Taiwan's aid, see [http://www.jica.go.jp/jica-ri/publication/archives/jbic/report/discussion/pdf/dp14\\_j.pdf](http://www.jica.go.jp/jica-ri/publication/archives/jbic/report/discussion/pdf/dp14_j.pdf).

become a member of DAC.

Instead of emotional and normative critiques of emerging donors for perceived deviance from DAC recommendations, and instead of comments on how poorly their aid performs, the immediate need is for a calm appraisal of the diversity and dynamism of these aid donors' activities.

## 1.2 Research Questions

The present paper is a spin-off from the above mentioned 2007 JBIC research project, owing some debt to the outcome of a later, 2008/2009, JICA research project. Although the 2007 research *described* basic facts on *individual emerging donors*, its contribution was limited by a lack of *comparative analysis* of whether and how emerging donors differ from each other as well as from the traditional donors. The present paper rectifies this, focusing *comparatively* on the diverse aid patterns of four specific Asian emerging donors: China, South Korea, Thailand and India.

While the popular perception of emerging donors is that they are monolithic, negative and static, this paper questions this view. It examines the aid activities and the background to those activities from the *emerging donor perspective*. It analyses how these four donors created their own distinctive aid patterns and looks at the factors unique to them that were instrumental in forming and transforming of their aid practices. In so doing, this paper asks the following three research questions:

1. What are the characteristics and elements of emerging donor aid patterns?
2. What factors particularly determine the formation and transformation of the different aid patterns of these emerging donors? What factors are peculiar to the formation of emerging donor aid compared with traditional aid?
3. To what extent does the conventional literature on traditional donors successfully explain the behaviour of emerging donors? Are there limitations that apply to analysis of the emerging donor aid programs?

The first question is important because an understanding of the issues related to emerging donor aid is constrained by a lack of information. Although a number of comparative studies on aid diversity are available, their analyses are confined basically to the traditional donor context. An answer to the first question will help understand and characterise aid patterns in the context of *emerging* donors. While it is crucial for understanding whether the emerging donors really are monolithic and problematic, this first question does not explain why their aid patterns are diverse. The second question is thus posed to clarify the unique formation process followed by each emerging donor. This second question is valuable because, again, the



conventional literature on donor formation concentrates on analysis of the traditional donors. This second question also adds a dynamic perspective to the analysis of emerging donors by considering their transformation.

Both of these questions are highly empirical, so the third question is necessary to grasp the theoretical and comparative perspectives of emerging donor aid. The third question, which asks how well the conventional literature explains the formation process of *traditional* donors, is significant for understanding comparatively how the aid patterns of traditional and emerging donors differ from or resemble each other. A literature review suggests that there are limitations in the available literature with respect to emerging donors.

### 1.3 Structure

With the objective as described above, this comparative study consists of five sections and conclusion. After briefly explaining the background, research questions and structure of this paper in this Introduction, Section Two reviews the analytical literature on conventional aid. For the purposes of this paper, the term “aid” roughly includes all activities, such as financial assistance, economic co-operation, and South-South co-operation, which the emerging donors, themselves, consider to be aid. This rough definition is used because the emerging donors lack a shared understanding of aid such as DAC membership would give. This paper focuses largely on “aid patterns.” While “aid” in general can refer to a wide range of assistance activities, the term “aid pattern” is designated in this paper to mean a specific concept of assistance which is institutionalised by the aid-giving actors. Thus, “aid pattern” refers to the institutionalised orientation of the aid policies and institutions which are specific to an individual donor.<sup>4</sup> Section Two also will examine how antecessors have understood the factors of formation and transformation of aid patterns.

Section Three analyses the diversity of emerging donors in terms of the following: (1) their aid purposes, strategies and policies; (2) aid activities and performances (aid volume and modality, regional/sectoral distribution); and (3) aid institutions. In Section Four, the origins and transformation paths of the diverse aid patterns are analysed in terms of the domestic and international factors relevant to each donor. Different factor mixes are thought to contribute to the formation and transformation of the different aid patterns. Section Five presents feedback to theory that has been distilled from the empirics. Section Five is concerned in particular with those factors specific to the emerging donors which have contributed to their own formation and transformation. The final section, conclusion, highlights the findings of this paper.

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<sup>4</sup> The term “aid pattern” has similarities with “aid model.” A “model” essentially facilitates understanding through a process of descriptive inference, by clipping and simplifying vague and complicated reality (Wiarda 1993); therefore, “aid model” also can be expected to show the patterns, idiosyncrasies and aid activity characteristics of each emerging donor.

## **2. Literature Review**

### **2.1 Diversity of Aid Patterns: What Elements Constitute Aid Patterns?**

To understand the diversity of aid patterns, it is useful to look at their elements. In this paper, the elements of aid patterns are the quantitative and qualitative attributes of aid characteristics. These attributes are key indices for understanding the main characteristics of the aid. What, then, are the elements that constitute aid patterns?

Although DAC is often assumed to be a like-minded group with convergent interests, the standardised DAC aid model is neither unequivocally articulated nor shared. This is partially because DAC has assembled a number of aid-related norms in the form of gentlemen's agreements. In the present paper, "DAC model" refers to the aid pattern with which most DAC member countries are supposed to conform. According to the ideal of this model, all donor countries should unify their aid programmes, maintain policy coherence, and achieve harmonisation of their aid policies (Potter 2008, 4). The Paris Declaration on Aid Effectiveness of 2005 (OECD 2005), which was declared jointly among DAC members and international organisations, describes norms with which donors and recipients should comply. The main points are recipient ownership of their own development, reinforcement of governance, participatory democratic decision-making, environmental protection, donor respect for the plans and goals of recipients, streamlined donor aid procedures, and untied aid. As DAC (DAC/OECD 2009) states, in reviewing whether a country is eligible for accession to DAC membership, it assesses the following:

the size of a country's aid programme, the existence of appropriate institutions and policies to manage aid, the quality of a country's statistical reporting on ODA efforts, and the country's ability and willingness to implement important DAC recommendations.

Specifically, DAC pays attention to aid purposes, strategies and policies. Donors are expected to commit actively and responsibly to international aid initiatives such as poverty reduction, aid effectiveness, and harmonisation (OECD 2008, 22–4). DAC also focuses on aid activities and performances. All DAC members should comply with the Recommendation on Terms and Conditions of Aid (OECD 2008, 18). Donors are urged to increase aid volume, comply with global efforts to reduce loans and increase untied grant aid, particularly to LDCs and to social sectors, and to adopt cross-cutting issues (OECD 2008, 13–8). Furthermore, DAC issues recommendations on aid institutions, such as the following: (1) aid institutions should be integrated; (2) donors should have a legal framework governing their ODA in the form of a comprehensive ODA Act which defines overall aid purposes, strategies and policies; (3) aid-related information should be transparent; (4) aid should have performance monitoring and evaluation systems; and (5) aid should be supported by the public through active dialogue with civil society (OECD 2008, 11–2).

Yet, caution is advised in accepting at face value this sanitised DAC model which is so positive toward harmonisation. For example, Japan, in spite of being a DAC member officially supportive of this principle, is inactive with regard to common pool aid, sector-wide approaches (SWAs) and debt relief, and is active toward project-based aid, loans for infrastructure, and the aid-trade-investment trinity for economic growth rather than poverty reduction (Potter 2008, 7). And Japan is not the only DAC defector; in fact, all DAC member countries have differentiated aid models: US aid is sensitive to geopolitical interests, Japanese aid has been characterised as commercialist, and Nordic aid is viewed as humanitarian.

Diversity in aid patterns is often explained from a quantitative perspective; i.e., the nexus between aid volume and regional distribution. This approach looks at how the volume of aid is determined; Mosley (1981), for instance, establishes that there is a correlation between aid distribution and recipient per capita income. Meanwhile diversity among donors is also indicated by qualitative perspectives: (1) aid purposes, strategies and policies, (2) aid activities and performances, and (3) aid institutions.

By looking at the qualitative differentiation among aid patterns, the comparative approach can grasp similarities and differences between traditional and emerging donors, and even among the emerging donors. Since aid policy is an output created or converted from various inputs through political processes, a political approach is also indispensable to an understanding of how aid policies are created by various political factors.

The approach to aid usually taken in international politics attends to the significance of the international aid regime and to interactions among donors. But international situations such as severe hunger and poverty or international pressure from the traditional donor community, alone, may not always influence the aid policies of individual donor countries. As Lancaster (2007, 9) argues, aid policies are influenced not only by international factors but also by domestic ones, since domestic politics play a key role in mediating international and domestic interests. For instance, when domestic policy-makers in a donor country co-ordinate that country's aid policies by balancing national interests (e.g., securing economic interests) with international trends urging increased assistance to recipients' social sectors, the resulting aid policies may be a blend of assistance to both economic and social sectors. Different donors may respond differently to the institutional aid environment by institutionalising their own aid. Consequently, analysis which is focused on international politics gives only limited attention to domestic processes in aid policy, leaving this as a black box.<sup>5</sup> Since the aid strategies and policies of emerging donors are not necessarily embedded in the international aid regime, for them the mediating role played by domestic politics in aid policy may be quite significant.<sup>6</sup>

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<sup>5</sup> See the summary by Lancaster (2007, 8). A realist approach to international relations regards states as part of an international system, wherein states passively respond to challenges and opportunities (Lancaster 2007, 8).

<sup>6</sup> Comparative politics evolved particularly in the 1960s and 1970s with the entry into international

This paper, therefore, compares the four emerging donors in terms of domestic political factors in parallel with international and economic factors.

Firstly, the purposes, strategies and policies of aid are of primary influence. Diversity of aid patterns among traditional donors has been discussed, in particular, in the literature of comparative politics, where the primacy of purposes, strategies and policies in the formulation process of differentiated aid patterns has been recognized.

In the present paper, aid purposes are both the explicit and the implicit reasons why assistance is provided, while aid strategies and policies refer to a set of instruments and ideas for achieving aid purposes more operationally. These three concepts should be used at separate levels. They are lumped together in this paper only because their differentiation is often unclear. Purposes, strategies and policies of aid are most commonly categorised as follows:

1. Diplomacy: Aid is an instrument for international security, international politics, and bilateral relationship management
2. Development: Aid is utilised to promote socio-economic progress and poverty reduction
3. Humanitarian relief: Aid is extended to supplement the capacity and resources of disaster-affected countries to accommodate victims
4. Commerce: Aid is an instrument to promote exports, ensure access to natural resource markets, and finance the investment opportunities of donor countries
5. Culture: Aid is for facilitating maintenance of donors' linguistic territory or the expansion of donors' religious communities (Lancaster 2007, 13–5)<sup>7</sup>

It should be noted here that no donor country pursues a single aid purpose. In reality, donors combine purposes, although their patterns of combination might differ. Even DAC member countries do not necessarily seek to achieve only development and humanitarian relief through their aid. In this sense, aid purpose is always a combination in *relative balance* of several different purposes. Furthermore, the combination of aid purposes of any given donor is not fixed; rather, donors change the relative balance over time.

Hook (1995) and Schraeder et al. (1998) focus mainly on the relative balance of the aid

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politics of newly independent countries because the newcomers were qualitatively different from the established countries. Comparative politics offered a more comprehensive understanding of these new and different countries. In a similar manner, emerging donors, as newcomers, seem to prompt us to understand the diversity among them in a comparative manner. The application of comparative analysis to emerging donors can have two results: firstly, descriptive inference can depict and differentiate potential patterns in emerging donor aid activities; secondly, causal inference can explain which factors differentiate the aid patterns. As regards descriptive and causal inferences, see King et al. (1994).

<sup>7</sup> Lancaster (2007, 15–6) added aid purposes that have more recently appeared: (1) promotion of socio-economic transition in former socialist countries; (2) promotion of democratisation; (3) addressing global issues; and (4) conflict mitigation.

purposes of traditional donors. Comparing the dominant aid purposes of the US, Japan, Sweden and France, they discern four different patterns as follows:

1. The US pursues a realistic superpower aid pattern which emphasises national and global security concerns to maintain global order;
2. Japan has established a neo-mercantilist aid pattern under the US security umbrella which liberates Japan from national security concerns in favour of regional geo-economical interests;
3. Sweden, a middle power country which finds neither security-based nor neo-mercantilist aid patterns to be affordable, has formulated a humanitarian aid pattern which reflects its social democrat tradition;
4. France has built an aid pattern which combines economic with cultural interests to maintain its ties to former colonies.<sup>8</sup>

Secondly, aid activities and performances are also a major element in differentiating aid patterns. As seen in Imai et al. (1992) and Park et al. (2008), aid patterns are quantitatively analysed in terms of aid volume, regional/sectoral distribution, and modalities, including grant-loan schemes, grant elements and tied ratios.

Thirdly, conventional literature also pays attention to aid institutions. Different donors may have different formal institutional aid arrangements: for instance, which government ministries have legal jurisdiction over aid policy-making; whether there is a single aid agency or multiple aid agencies; and who, outside the public sector, implements aid policies (Lancaster 2007). It should be kept in mind that this attention to formal institutional arrangements may result in purely descriptive institutions. The actual shape of the formal institutions should be linked with actual aid purposes in order to understand why these are the formal institutional arrangements preferred.

The classification of the aid patterns of the traditional donors by Hook (1995) and Schraeder et al. (1998) seems to be generally accepted; however, systematic and convincing classification of emerging donors is rare. As with the perceived threat view mentioned above, emerging donors are often treated monolithically, as a uniform group that can be lumped together solely by virtue of the fact that they are outside DAC. However, Sato et al. (2010) argue that the aid activities of China, South Korea, Thailand and India do not necessarily pose a challenge to DAC. Furthermore, emerging donors are actually quite a heterogeneous group, lacking a common aid agenda and common characteristics, with varied experiences, concepts, interests and systems for aid provision (Davies 2008, 7).

Manning (2006, 3–4) attempts to grasp the diversity of emerging donors by classifying

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<sup>8</sup> Summary by Kwon et al. (2006, 124–5).

them into four categories:

1. Non-DAC countries in OECD: Mexico, South Korea, Turkey and some European countries
2. Non-OECD EU countries
3. Middle East and Organisation of Petroleum Exporting Countries (OPEC) members
4. Other non-OECD countries: Brazil, Chile, China, India, Israel, Malaysia, Russia, South Africa, Taiwan, Thailand and Venezuela

Manning's classification may be the only comprehensive categorisation of non-DAC donors to date, but its usefulness is questionable since it is cast in terms of donor regional location and OECD/DAC membership. This classification criterion is not relevant for qualitatively differentiating substantive aid patterns among the groups. To classify aid patterns, it is necessary to focus on the elements detailed above: (1) aid purposes, strategies, policies, (2) aid activities and performances, and (3) aid institutions. Donor regional location is not enough.<sup>9</sup>

More importantly, the classifications by Hook (1995), Schraeder et al. (1998) and Manning (2006) share the same weakness: they offer little explanation of *why* individual donors have opted for their particular aid pattern; that is to say, how their aid patterns were formulated (Kwon et al. 2006, 124).

## 2.2 Determinants of Aid Patterns: What Factors Create Diversity of Aid Patterns?

Moving from a discussion of aid pattern classification, the question arises: how are aid patterns formulated and how are the diverse patterns among donors created? The conventional literature suggests that both domestic factors and international factors affect the formation process.<sup>10</sup> In this paper, "factors" refers to considerations which are estimated to create and/or cause specific outcomes; thus, factors are understood to determine specific aid patterns. As domestic factors, this paper has selected (1) dominant political ideologies and institutionalised political values, (2) influential actors, and (3) the domestic economy; while as international factors, it emphasises (1) international political context and diplomatic strategies, (2) international pressure, and (3) the international economy.

### 2.2.1 Domestic Factors

Firstly: Dominant political ideologies and institutionalised political values are any

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<sup>9</sup> Lancaster (2007, 17–8) indicates that six important aid-related decisions are made: (1) aid volume, (2) selection of recipient countries/organisations, (3) aid allocation to recipients, (4) aid purposes, (5) terms of aid (concessionality), and (6) tied ratio. These six decisions might also be considered elements of aid patterns.

<sup>10</sup> It is certainly true that rigid distinction between the domestic and international factors is not easy.

underlying political thoughts, ideals and values which are relatively prevalent and widely held in a given donor country.<sup>11</sup> They are significant factors in converging the mind-sets of political elites. As Lancaster (2007, 18) points out, the values shared among elites develop into their beliefs and norms, defining “a view that all human beings have a right to liberty or a right to minimum subsistence or that individuals (or families) should be self-reliant and responsible to the extent possible for their own well-being.” These political ideologies and values, framing appropriate responsibilities and appropriate roles of government in the richer countries, can function as ideological cores on which aid patterns are built (Lancaster 2007, 19).<sup>12</sup>

Accepting the importance of political ideologies and values in the formulation of aid patterns, Noël et al. (1995) examine the determinants of such patterns by focusing on aid’s domestic base, looking specifically at domestic welfare as a domestic expression of the logic of aid. Noël et al. (1995) argue that the foundations of welfare policies and aid policies are similar in that both are implemented as government interventions to address wealth disparity that has been created and maintained by open competition in a market economy. Noël et al. (1995, 523, 526) further stress that just as differently institutionalised political ideologies and values can create a variety of domestic welfare regimes among countries, so variation in welfare regimes can translate into variation in aid regimes among donors.<sup>13</sup> Although the contribution by Noël et al. (1995) to an understanding of the roles of domestic political ideologies and values in aid pattern formation is important, in fact emerging donors often pay little attention to their own domestic welfare policies. Therefore, in the analysis of emerging donors, this paper looks for other possible determinants of domestic political ideologies and values for deriving diverse aid patterns from empirical analysis.

Secondly: The influence of domestic political actors may be a factor affecting the formation of aid patterns. In the present paper, influential domestic political actors refer to those who directly or indirectly affect any aspect of aid. These actors might include politicians, bureaucrats, aid agencies, interest groups such as aid-related companies and civil societies, tax-payers and public opinion.

Policies in principle are co-ordinated among influential political actors. It is natural, therefore, that the interests of leading political actors tend to be incorporated into the policies. In the case of aid policies, the governmental sector often balances various national interests, such as national image in the international community, economic interests, diplomatic considerations

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<sup>11</sup> But the strict division of these dominant political ideologies and institutionalised political values would not only be difficult but also unnecessary in this analysis.

<sup>12</sup> In the US, where the political values of neo-classical liberalism prevail, government interventions are minimised, while in Nordic countries, where social solidarity is the most widespread norm, social democracy is reflected in active aid provision for social development (Lancaster 2007, 19).

<sup>13</sup> Noël et al. (1995, 544) classified three groups: (1) strongly socialist (like the Nordic countries), active in aid programs; (2) moderately socialist (including the United Kingdom, Germany, and Canada), less active in aid provision than the strong group; and (3) minimally socialist (such as United States, France and Japan), who are least active.

and humanitarian needs. The private sector, on the other hand, may see its interests as incompatible with humanitarian aid policies. Economic sectors might hold an expectation of commercial benefit, such as market opportunities for their imports/exports. Meanwhile public interest groups and civil society or development NGOs generally advocate for humanitarian considerations. Taxpayers in general are leery of aid, though they are usually too passive or indifferent to actually affect aid policies. Only when a humanitarian crisis has been successfully overcome is pro-aid supportive public opinion produced.

Certainly, the range of influential political actors varies according to the nature of the donors' regimes and institutions. In non-democratic countries the reach of policy circles may be limited, while in democratic countries the participation of diverse actors in aid policy decision-making will be allowed and even allowed to increase.

In addition to the scope of influential political actors in aid policy-making, the actors' coalition also matters. One of the key functions of aid agencies is to mediate the diverse interests of domestic actors and to build the strongest possible coalition (Martens 2005, 653). If the strongest possible coalition is comprised of actors who have a commercial orientation, the logical result will be a more commercialist aid pattern. By contrast, if the strongest possible coalition prefers civil society to economic concerns, the relative power balance of political actors will favour a more humanitarian form of aid. In short, the diverse patterns of relative power balance among the political actors in a policy coalition will significantly influence the purposes pursued by aid.

Thirdly: The condition of the domestic economy can be an important factor in aid pattern formulation. The condition of the domestic economy, briefly, means all economic aspects, except international economic aspects such as trade, which may influence aid policies, although the domestic-international boundary is often blurred. The scale of budget and the per capita income of donor countries, for example, can act as financial constraints on aid volume. Economic fluctuations in donor countries also can have an impact on aid volume. It is often understood that the domestic economy might have quantitative rather than qualitative influence on aid volume.

### *2.2.2 International Factors*

The international factors influencing aid pattern formulation explained in this paper include the international political environment, international pressure, and the international economy. As already noted, the analysis by Noël et al. (1995) makes a major contribution to an understanding of the domestic origins of aid. Yet that analysis of internal historical and institutional origins pays rather limited attention to domestic-international interaction. This paper deals with a wide range of international political factors as potential factors for aid pattern formation. It takes into account the following three aspects:



First, international political context and diplomatic strategies have very significant impact on donors' determination of whether, how and why they should be engaged in aid-giving activities. This contextual factor references a broad international background in which aid donors are embedded. The Cold War regime and the international counter-terrorism campaign would be examples. The diplomatic strategies of individual donors in international politics also matter in the creation of specific aid patterns. These diplomatic strategies of individual donors are defined as the donors' plans for realising external interests, both bilateral and multilateral, under the incentives and constraints faced in the context of global politics. They include, for example, geo-political interests, political relations with neighbouring countries, and status in the international community.

Second, aid-related international pressure is one of the factors that creates the aid patterns of donors. These pressures refer to formal and informal norms, rules and values under the international aid regime which are externally driven to shape aid activities. DAC attitudes toward emerging donors and its current aid effectiveness drive illustrate these pressures, but they would also include certain international conditions which are felt by donors to be pressure from the international community, such as aid competition with rival donors.

Third, according to most conventional literature, international economic factors contribute to the formulation of aid patterns.<sup>14</sup> International economic factors here refer to all economy-related aspects which are embedded in donor countries. As a contextual example, the degrees of economic globalisation and interdependence might be one such factor, involving higher degrees that intensify competition for recipient resources and/or markets. Aid might be utilised to boost the competitiveness of donors, a practice illustrated by recent instances of resource diplomacy packaged as aid schemes. Trade-dependence would have an impact on the weight of commercial interests in aid. In particular, if a donor country is without resources, aid could be used as an instrument to secure stability in its economic activities, and if the economy is based on active export performance, aid can be used to secure export market exclusivity.

It should be noted that aid may also have economic importance, to realise the economic and, more specifically, the trade interests of donors. Thus, aid can be utilised as a policy instrument.

### 2.3 Analytical Framework

This section presents a set of aid elements and aid formation factors. Figure 2-1 illustrates the linkage among the elements and factors identified through the literature review above. It shows that domestic factors are crucial to any response to international factors; and through the interactions of both, aid patterns are formulated.

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<sup>14</sup> International factors are closely linked with domestic factors. Policymakers, for instance, understand that it is relatively easy to persuade their domestic taxpayers if the aid provided is compatible with their own economic security.

**Figure 2-1.** Formation of Aid Patterns



Source: Drawn by the authors.

For example, among traditional donors, the Nordic countries embrace political ideologies that value societal solidarity, resulting in an emphasis on humanitarian aid. In Japan, however, where trade-dependence is high and where conservative actors are embedded in conservative political ideologies, a rather commercialist aid has been created to realise and secure Japanese economic interests in Asia through a variety of aid schemes including tied-loans. In the US, aid is tailored to reflect that country’s attention to the international political context and diplomatic strategies and is; therefore, more national security-oriented. In sum, different combinations of factors produce and institutionalise the diverse aid patterns which are constituted by different combinations of elements.

It is important to emphasise that formulated aid patterns are never static or fixed; rather they transform dynamically according to changes in the combination of factors. The historical evolution of patterns of aid, even in DAC member countries, clearly illustrates this. British aid changed its modality from tied to untied under the Blair regime because influential political actors preferred that mode. The reform of Japanese aid in the 1980s was in response to the growing importance of international factors. The reinvigoration of US aid after the September 11th terrorist attacks may have been a result of the increase value placed on the factor of international political context and diplomatic strategy.

This section has reviewed how the conventional literature understands diversity in aid. It has discussed in particular how a variety of aid patterns can be understood through a number of domestic and international factors. Yet, since the antecedent literature focuses on traditional donors, it is not clear to what extent these contributions from comparative politics are applicable to emerging donors. In the following sections this will be critically examined through empirical analysis. The following points will be considered: (1) to what extent are the elements and factors of traditional donors relevant in the context of emerging donors; (2) do the elements and factors of the traditional donors have different meanings in the context of emerging donors; and (3) what new elements and factors are necessary to an understanding of the emerging donor.

### **3. Diversity of Aid Patterns in Emerging Donors**

#### **3.1 China: Vanguard of Trade and Investment**

##### *3.1.1 Aid Purposes, Strategies and Policies*

What policies drive Chinese aid, and what are its purposes and strategies? To answer this question, it is necessary to consider two elements in Chinese aid policy that though contradictory work in combination: continuity and evolution.

Chinese aid policy incorporates elements of long-term continuity. The principles of “equality and mutual benefit/win-win” and “non-interference in internal affairs” were first articulated in the “Eight Principles for China's Foreign Aid” unveiled during Premier Zhou Enlai’s tour of 11 Asian and African countries from late 1963 to early 1964, and they persist to this day. Despite ongoing reform since 1995, foreign aid remains “a concrete reflection of the Eight Principles under the new situation” (Zhang 1996, 70).<sup>15</sup>

The first of the Eight Principles is to “...firmly maintain the principle of equality and mutual benefit. Aid is not a unilateral gift but of a mutual nature.” This is understood to mean that aid is given when the recipient country will benefit from it, but also when it will further China’s own national interests. Since the 1960s this has been consistently cited in official documents and it is considered to be the primary guiding principle of China’s foreign aid policy. All Chinese aid is provided in “exchange for something,” though the “something” may change from time to time and with respect to the country involved.

The second of the Eight Principles, “to respect the sovereignty of recipient countries and to require no conditions and no privileges”, also has been maintained to the present. Initially, aid had the political motive of engaging Non-Aligned allies in the international community. Thus, when China was internationally isolated after ideological conflict with the USSR and at the time of the Cultural Revolution in the 1960s, foreign aid was used by the government to increase the number of countries friendly to it.<sup>16</sup>

A non-negotiable condition of all Chinese aid is recipients’ cooperation in isolating Taiwan, the separate existence of which is disputed by China. African countries became favourite targets for China’s aid-giving activities as they successively achieved independence in the 1960s. The resultant diplomatic successes culminated in the People’s Republic of China (PRC) gaining the China seat at the United Nations. During the 1970s and thereafter, as relations with the US improved, China further expanded the reach of its aid to Middle Eastern and Latin American countries. However, these and other early political strategies are thought to have changed with the country’s economic development, and with its changing domestic and overseas circumstances.

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<sup>15</sup> A policy document made public in January 2006 proclaimed mutual equality, mutual benefit, mutual assistance, and mutual learning as the “Four Principles” of China’s Africa policy.

<sup>16</sup> Aid was provided primarily in grant form which would not burden recipient countries, disregarding considerations of their financial viability.

China's consistent policy of non-interference in the internal affairs of recipient countries has allowed it to provide aid to and win the friendship of countries characterised by human rights violations and non-democratic governance.

### *3.1.2 Activities and Performances*

Detailed, consistent and comprehensive data on Chinese aid activity and performance (volume, regional/sectoral allocation and type) are not yet available outside China. It is known, however, that Chinese aid during the Cold War took the form of grants and was widely distributed to Non-Aligned countries. Its aid volume in the 1970s is estimated to have been greater than that of the average of all DAC countries.

Recently, China generally has been allocating tied loans to economically strategic countries in Southeast Asia and sub-Saharan Africa, although diplomatic competition with Taiwan has inclined it to provide Latin American and the Pacific Ocean countries with highly preferential aid.

### *3.1.3 Aid Institutions*

The highest policy-making body in China is the National People's Congress (NPC). Individual ministries with jurisdiction over specific aid operations submit their budget plans to the Ministry of Finance, which then compiles an external assistance budget. This is ultimately authorised by the NPC. China's supreme executive body is the State Council, under which there are 28 ministries. Although the Chinese aid system is not made public, the Ministry of Commerce (MOFCOM) and China Eximbank are known to be the main actors.

China Eximbank was established in 1994 to further China's economic interests. Its stated role was to use aid as the "vanguard" of export and investment: "China Eximbank has supported ... infrastructure projects in ... developing countries covering such sectors as transportation, telecommunications and energy, to improve the investment environment ... At the same time, the extension of the Chinese Government Concessional Loan has supported the export of products ... and facilitated Chinese companies' entry into the market of developing countries" (Export-Import Bank of China 2006, 21).

The Department of Aid to Foreign Countries, which is responsible for overall aid policy, drafting assistance measures and supervising their implementation, is under MOFCOM, which has responsibilities for international economic activities, including trade and investment. This strongly supports the view that aid is conceived as serving an economic motive. The Ministry of Foreign Affairs is also involved in aid policy as it relates to overall foreign policy. Debt relief and contributions to multilateral institutions are under the jurisdiction of the Ministry of Finance. With so many of China's central government ministries and agencies, as well as sub-national

governments, involved with aid<sup>17</sup>, its aid system has been characterised as chaotic (Brautigam 2009).<sup>18</sup>

#### *3.1.4 The Chinese Aid Pattern*

There are features unique to the Chinese foreign aid system that distinguishes it from the systems of traditional donors. To African countries endowed with utilizable natural resources, China offers aid as a form of barter for those resources, thereby advancing development both in China, as donor, and in its recipients. The major players engaging in external assistance activities are domestic state-owned enterprises (SOEs), and tied assistance in this form is essentially equivalent to subsidies to Chinese firms expanding overseas. This format, incorporating aid for development in both donor and recipient countries, is a distinct Chinese-style development-assistance type of aid.

During the period when aid was most oriented toward serving political purposes, there is sparse evidence of strategies being adopted to increase aid efficiency. If some sort of strategy did exist, it was probably aimed at competing with other donors by offering aid on better terms. However, as the need for development funding within China itself grew, the purpose of its aid increasingly became the promotion of its own economic development. This called for a strategy to improve the efficacy of investments financed by the aid provided. In an effort to make use of funds beyond the budget for external assistance, China has found new funding sources by allowing Chinese SOEs to participate in international competitive bidding to win procurements funded by aid from multilateral institutions and other donors, by obtaining funding from financial markets, and by combining its aid finance with local financial resources in developing countries.

In recent years, the so-called “trinity-style” of cooperation has been pursued.<sup>19</sup> This is a form of cooperation in which aid is provided in combination with market mechanisms, namely trade and investment (Figure 3-1). China’s sharply increasing aid activities in resource-rich countries, particularly Africa, in recent years has allowed Chinese firms to gain a competitive edge with financial support from the Chinese government, including concessional loans, and then to undertake resource development and other projects by supplying large numbers of workers (service cooperation with foreign countries), plants (contract projects with foreign countries), technologies (overseas design and consultation services), capital (foreign direct

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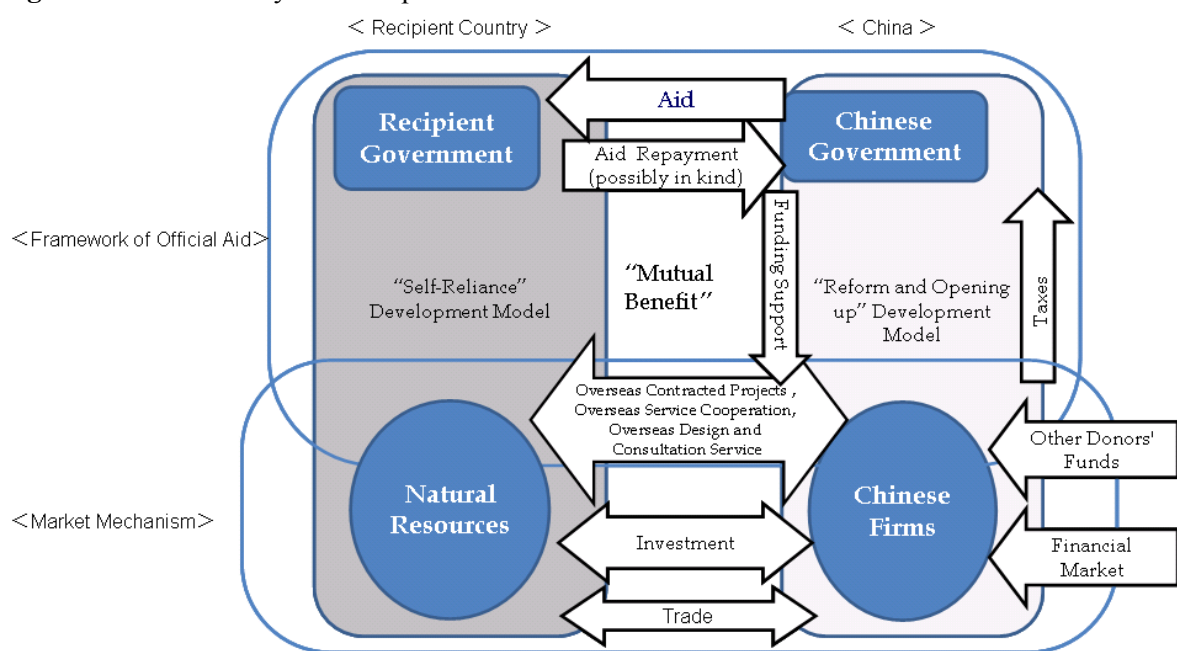
<sup>17</sup> Some recent Chinese studies have revealed that China is not a monolithic entity but is a case of “fragmented authoritarianism,” whereby policy made at the center becomes over more malleable to the organizational and political goals of the different parochial and regional agencies entrusted with enforcing policy (Taylor 2010).

<sup>18</sup> However, the success of the Beijing Summit between China and Africa in the fall of 2006 was attributable to coordination among ministries and agencies making use of their comparative advantage, and this experience helped inter-ministry/agency cooperation to progress (DFA, MOFCOM 2007).

<sup>19</sup> In fact, the trinity approach adopted by China toward developing countries is the approach adopted by Japan toward China and other developing countries.

investment), and goods (trade). The expenses for and returns on such market transactions as the export of workers, plants, technologies, capital, and goods are paid to Chinese firms and workers. They ultimately pay taxes to the Chinese government, while the natural resources exploited in their development projects are imported to China by Chinese firms. There are also arrangements under which the debt incurred through provision of inter-governmental aid is repaid in the form of resources produced through the development. This system returns the totality of the earnings produced by the aid input, investments, and trade transactions.<sup>20</sup> This pattern of aid is entirely consistent with China's goals of national development.

**Figure 3-1.** Chinese-Style Development-Assistance



Source: Kobayashi (2008).

China extends aid to such countries as Sudan and Angola which cannot receive official aid or investment from firms in industrial countries because of civil conflict and/or human rights violations. Chinese aid has contributed to the economic autonomy of these countries by enabling them to realise the potential of their unexploited resources and to utilise these same resources.

Under this aid approach, China provides aid not only for mining projects, but also in the same aid package for related infrastructure, such as railways and ports, thereby creating stability in resource supplies. This model of Chinese aid embodies the win-win principle which is the expressed cornerstone of Chinese aid.

<sup>20</sup> This may be seen as an international-cooperation model that integrates the concessional assistance activities (aid) of governments with the commercial operations (trade and investment) of business firms. This does not necessarily imply a non-aid activity.

The question has been asked, “Why does China provide aid when it is itself a developing country?” The simple answer is that if its aid simultaneously supports the development of overseas business for Chinese firms, its aid is not in fact exported, but serves China’s own development. It is a clever paradox that because China is a developing country, it provides aid for its own development. China, as an aid donor, cooperatively links its own development with that of its partner countries.

### 3.2 Korea: Modelled on Japanese Aid

#### 3.2.1 Aid Purposes, Strategies and Policies

South Korea has been engaged in aid provision since 1963, over which time the purposes of its aid have evolved. Initially, the Korean government saw strategic purposes in aid. Aid was an instrument to establish and maintain diplomatic relations so that the international community would recognise the South as the only legitimate government on the Korean Peninsula (Kim 2008, 3). In the late 1980s when South Korea had succeeded in its economic development, had an external payment surplus, and had established its presence in the international community, it more actively committed to the role of aid donor. During the late 1980s and the 1990s, Korean aid was closely related to its economic interests. With a heavy dependence on external trade, South Korea wanted to promote its exports to developing countries and to expand Korean business overseas through its aid activities (Kim 2008, 3).

Recently, the economic salience in Korean aid seems to be changing. Now Korea seems to be incorporating universal values and recipient interests in its aid, rather than narrow donor economic interests. Accordingly, Vision 2030, formulated in 2006, specifies that quantitatively the volume of aid will be rapidly expanded and that qualitatively the purposes of aid are modified to incorporate a Millennium Development Goals (MDGs) orientation and to be DAC-minded. Specifically, Korean aid is to be shifted in the following directions:

1. Expansion of aid volume: ODA/gross national income (GNI) will be increased to 0.11 percent in 2010 and 0.25 percent in 2015
2. Selectivity and concentration: while aid for Asia is maintained, humanitarian aid for Africa will be increased
3. Untying aid: the current low untied ratio of Korean aid (2.6 percent) is to be raised to 37.18 percent in 2010 and to 40 percent of loans and 90 percent of grants in 2015 to meet the DAC standard
4. Active public participation: public awareness will be generated to ensure public support for aid (MOFAT 2008b)

The shift of national aid purposes toward the MDGs and DAC also extends to the aid

strategies of the executive agencies. Although the Korea International Co-operation Agency (KOICA) has traditionally maintained a social development-oriented stance, advocating poverty reduction and sustainable development (KOICA 2006a, 10), the assistance purpose of the Economic Development Co-operation Fund (EDCF) was essentially to consolidate mutually beneficial economic relations with its aid recipients. Economic potential and natural resource reserves have been key criteria in allocating EDCF loans (EDCF 2006, 47). However, while continuing to focus on mutual economic benefit through aid, EDCF (2006, 11–2) has added aid for environment and health sectors by incorporating the concepts of poverty reduction and sustainable development. Thus, EDCF also has aligned its aid strategies with the more social development-oriented MDGs.

### *3.2.2 Activities and Performances*

South Korea has been engaged in aid provision since the 1960s; but after establishing the EDCF in 1987 and KOICA in 1991, it has strengthened its aid activities. Under the Roh Moo-hyun administration, aid volume was tripled and in 2005 reached US\$ 743 million (See Table 3-1).<sup>21</sup> Nonetheless, this volume is still rather moderate. Although it exceeds that of some DAC member countries, such as Greece and Ireland, Korean aid volume is just one-seventh of the average level of DAC. Korea's ODA/GNI ratio recorded 0.09 percent in 2005. Though this is the highest in Korean ODA history, it is below the DAC average of 0.33 percent. These facts testify to the status of Korean aid as mid-level in the international community.

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<sup>21</sup> The two modalities of Korean aid are concessional loans and grants. While concessional loans had been the major modality, grants have been rapidly expanding since 2001 (see Table 3-1).



**Table 3-1.** Evolution of Korean Aid Volume

(unit: US\$ million)													
Year	1987	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Bilateral</b>	1.4	71.5	123.2	111.3	124.7	131.4	131.2	171.5	206.8	245.2	330.8	456.5	516.5
Loan	1.4	50.1	53.4	54.8	37.2	39.0	47.8	53.0	66.7	145.5	212.1	315.4	256.5
Grant	-	21.4	69.9	56.6	87.5	92.4	83.4	118.6	140.1	99.7	118.7	141.1	260.0
<b>Multilateral</b>	22.1	44.5	35.8	74.3	58.0	186.1	80.9	93.1	72.0	120.7	92.6	287.2	112.4
<b>ODA/GNI (%)</b>	0.018	0.026	0.033	0.042	0.058	0.079	0.047	0.06	0.06	0.06	0.06	0.09	0.08
<b>Grant Element</b>	100	70.1	43.3	49.2	29.8	29.7	36.4	30.9	32.2	59.3	64.1	69.1	49.7
<b>Total Amount</b>	<b>23.5</b>	<b>116.0</b>	<b>159.2</b>	<b>185.6</b>	<b>182.7</b>	<b>317.5</b>	<b>212.1</b>	<b>264.7</b>	<b>278.8</b>	<b>365.9</b>	<b>423.3</b>	<b>743.6</b>	<b>629.0</b>

Source: Hyun (2006, 10).

Korean aid has several sectoral focuses which are set separately by the two aid implementing agencies. EDCF has not explicitly announced its priorities; yet according to its sectoral distribution performance on a disbursement basis, economic sectors such as the communication and transportation sub-sectors have been in high concentration. But with the alignment to the MDGs regime, Korean loans recently are being allocated more to such social sectors as civil society, water supply systems, health and education (EDCF 2006, 12–3, 37–8, 55). KOICA has eight explicit sectoral priorities: (1) primary education; (2) health; (3) governance; (4) rural development; (5) information and communications technology (ICT); (6) industry and energy; (7) disaster relief and reconstruction; and, (8) environment and others (KOICA 2006a, 37–52). In 2005, KOICA allocated 20 percent to health, 16 percent to education, 15 percent to disaster relief/reconstruction, 13 percent to governance, and 10 percent to ICT (KOICA 2006a, 36).

Korean aid also has regional targets for aid allocation. Specifically, while EDCF holds Angola, Bangladesh, Cambodia, Columbia, Guatemala, Indonesia, Pakistan, Philippines, Sri Lanka, Vietnam and Yemen as its priority recipients, KOICA identifies Bangladesh, Cambodia, Congo, Ethiopia, Ghana, Guatemala, Indonesia, Kazakhstan, Kenya, Laos, Mongolia, Paraguay, Peru, Philippines, Sri Lanka, Tanzania, Uzbekistan and Vietnam as its priority countries. Data show that 78 percent of Korean aid is allocated to Asia, 8 percent to Africa, and 5 percent to Latin America. Data for 2006 also show that 24.5 percent of Korean aid is channelled to least developed countries (LDCs), 12.9 percent to low income countries (LICs), and 49.4 percent to low middle-income countries (LMICs) (MOFAT 2008a, 15).<sup>22</sup> Thus, Korean aid is concentrated on Asian and relatively wealthy LMICs (EDCF 2006, 37–8). This allocation

<sup>22</sup> MOFAT argues that this heavy concentration of aid to LMICs is merely the result of South Korea's focus on Indonesia and Vietnam as priority countries (interview with MOFAT, May 7, 2009).

pattern is related to geographic distance as well as to recipient interest in Korea's development experience (EDCF 2006, 37).

### *3.2.3 Aid Institutions*

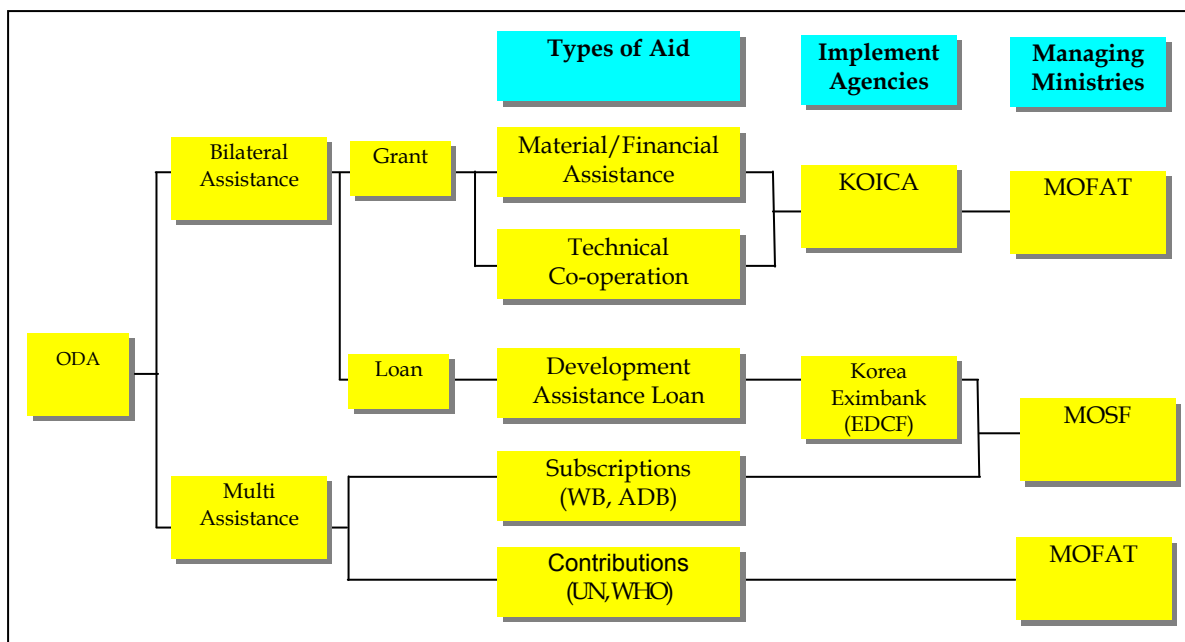
South Korea's ODA modalities, similarly to those of Japan, are grant aid and concessional loans. In fact, the South Korean institutional aid policy design is modelled on that of Japan. Loan policy is formulated by the Ministry of Strategy and Finance (MOSF) and implemented by EDCF. Grant aid policy is formulated by the Ministry of Foreign Affairs and Trade (MOFAT) and implemented by KOICA (Figure 3-2).<sup>23</sup>

Within the Korean aid institutions, different actors may have quite different views and interests. To co-ordinate these sometimes incompatible views and interests, the Government of Korea established the International Development Cooperation Committee (IDCC) as a permanent body. IDCC is chaired by the Premier and is comprised of members from 15 ODA-related ministries (including MOSF, MOFAT, Ministry of Education, and Ministry for Health, Welfare and Family Affairs), executing agencies (EDCF and KOICA), a representative from Korea Eximbank, and 12–13 private sector representatives (including NGOs and university faculties). IDCC is supposed to function as an institutional core to coordinate Korean aid policies at the inter-ministerial level and to formulate mid- and long-term aid plans; however, in Korean politics the office of the Premier is not strong and this is reflected in the weak coordination capacity of IDCC. Consequently, Korean aid policies are inadequately coordinated: the MOSF-EDCF line seeks promotion of Korean economic interests through aid, while the MOFAT-KOICA line puts more emphasis on recipient needs by treating aid as an instrument of diplomacy.

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<sup>23</sup> However, although KOICA was eager to consolidate all grant aid under its control, there are still approximately 30 different ministries still committed to grant aid (MOFAT 2008a, 27–8).

**Figure 3-2.** Institutions of Korean ODA



Note: With minor modifications by authors.

Source: Chang (2007, 26); KOICA (2009).

### 3.2.4 The Korean Aid Pattern

Thus far, Korean aid has been analysed in terms of purposes/strategies/policies, activities/performances, and systems. These elements constitute the Korea-specific aid pattern which is distinct from other aid patterns. This paper argues that the Korean aid pattern can be seen as intermediate between the DAC model and a Japanese derivative model.

It is widely acknowledged that South Korean aid is somewhat commercialist, resembling Japanese aid of the 1960s and 1970s. Reflecting a middle power status, both Korea and Japan of the time seem to focus on economic interests rather than on the military or political interests of neighbouring countries. This defines the aid as commercialist, providing concessional loans for the economic sectors of neighbouring countries.

However, from the 1980s Japan carefully balanced its commercialist model with the DAC model. Likewise, South Korea from the turn of the millennium has considered both its domestic commercial interests and the DAC prescription of donorship. In fact, although South Korea still pursues economic interests in Asian countries through its aid program, it is trying also to adhere to the international development assistance agenda. South Korea now advocates poverty reduction, achievement of the MDGs, meeting the Paris Declaration on Aid Effectiveness, active expansion of aid volume particularly to LDCs, untying aid.<sup>24</sup> the active

<sup>24</sup> As much as 98 percent of Korean bilateral aid is tied or partially tied. The Korean government has already published *The Roadmap on Untying* to commence reform of its heavily tied aid. But meanwhile MOFAT (2008c: 6) states that the untying process should proceed in an appropriate timeframe. This

participation of civil society, and harmonisation with recipients and other donors (MOFAT 2008a, 1–11).<sup>25</sup>

Although it would be correct to say that the South Korean aid pattern is shifting from a commercialist or Japanese derivative model to a DAC model, this does not mean that the Korean model will fully converge with the DAC model; rather, it will be carefully balanced to address Korea's traditional economic interests as well as universal values and recipient humanitarian interests. Thus, the Korean aid pattern is transforming into a mixed form of commercialism and universalism/humanitarianism.

There is evidence of this in the fact that the Government of Korea is seeking a Korean ODA Model. Despite being a vague concept and lacking domestic consensus, this model would focus on (1) education and human resource development, (2) the health sector, (3) poverty reduction,<sup>26</sup> and (4) governance<sup>27</sup> (interview with KOICA, February 20 and April 30, 2007; Chung 2003, 3–4). By contrast, the Korean government is inactive with regard to cross-cutting issues such as gender and the environment since it is understood that they do not necessarily promote economic development. Noting Korea's salience for pragmatic economic development, DAC recommends that South Korea attend more to governance and human rights issues in development (OECD 2008, 17–8).

Hence although Korea has transformed its aid pattern, even its pattern of transformation may be similar to that of the Japanese. Japan conducted its aid program from the 1950s–1970s as commercialism, incorporating universalism and humanitarianism with careful balance only from the 1980s. This same transformation process and pattern is evident in Korean aid. Currently Korean aid is undergoing a transition period comparable to that of Japan in the 1980s. Park et al. (2008, 19) confirms that the Korean aid pattern is following the pattern of Japanese aid of two decade ago.<sup>28</sup> The two aid patterns are similar not only in the traditional commercialist roots of their aid policies, but also in their acceptance of an international pressure induced transformation process. Of its various donors, Japanese aid has been particularly useful to South Korea for establishing its own aid pattern. Due to certain political and economic similarities between the two countries, and to its familiarity with Japanese language and policies,

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suggests that the Korean government will take a gradual approach on untying. Indeed, MOFAT (2008a, 38) understands that aid for LDCs should be untied first and aid for LICs should follow.

<sup>25</sup> South Korea was the only non-DAC donor to sign the Paris Declaration (MOFAT 2008c, 6). This illustrates its willing commitment to aid coordination and harmonisation. In fact, MOFAT (2008a, 38–9) has agreed that South Korea will continue to participate in donor coordination meetings.

<sup>26</sup> But the Korean approach to poverty reduction is slightly different from DAC's. Unlike the DAC direct and social approach to the poor, the Korean approach favours indirect, pragmatic and economic: labour intensive industries that created more job opportunities and thereby bring income opportunities for the poor. This economy-led approach is thought by the Korean government to lessen poverty indirectly.

<sup>27</sup> Similar to the Korean pragmatic approach to poverty reduction, the Korean approach to governance is pragmatic or apolitical. It focuses narrowly on capacity-building and administrative institutional building, rather than on political democratisation and human rights protection.

<sup>28</sup> Statistical comparison of Korean aid 2002–2006 and Japanese aid 1985–1986 and 2002–2006 is available in Park et al. (2008, 24).

South Korea has been able to learn through its observation of the relatively seasoned Japanese aid approach.

### 3.3 Thailand: Aiming for the DAC Style

#### 3.3.1 *Aid Purposes, Strategies and Policies*

Thailand is a fast-growing country surrounded by poorer neighbours—Cambodia, Laos and Myanmar—and its aid plays a critical role in balancing the regional politics of mainland Southeast Asia. Sharing borders with these poor neighbours imposes on Thailand particular security challenges, not only militarily but also with regard to flows of illegal workers and various health problems they may bring. Recent efforts to connect these regional economies via north-south and east-west corridors add further challenges to contain potential threats that may encroach from outside. Thai aid can be seen as a response to these potential problems, which explains why most aid investment goes to Cambodia and Laos, as we shall see later.

Thailand's aid experience can be traced back to the country's participation in the 1954 Colombo Plan,<sup>29</sup> a British-initiated scheme to revitalise the war-torn economies of South and Southeast Asia. Later, under the Buenos Aires Action Plan (1978), Thailand sent experts to African countries and received trainees.

The scale of Thai ODA has increased dramatically since 1988, when Prime Minister Chatchai Chunnawan vowed to transform Indochina by “turning the battlefields into market places.” Thailand's vigour in taking on the donor role is also seen in its retreat from recipient status. In November 2002, then Prime Minister Thaksin Shinawatra declared “No More Aid.” This was more of a political performance than an announcement of final graduation from aid-recipient status, for Thailand has continued to receive some aid, particularly following the 2004 Indian Ocean Tsunami. Nonetheless, the declaration was important because it facilitated a redirection of aid from traditional Western donors away from Thailand toward the needier countries of the region. Since early 2000 many former donors have closed their Thai rural offices, choosing to maintain only regional offices in the country.

#### 3.3.2 *Activities and Performances*

The main target of Thai aid is transportation, with loans and grants for roads and railroads, and also training of personnel in the operation and maintenance of associated equipment. In the energy sector, a surprisingly large portion of aid has gone to the development and utilisation of renewable energy, such as solar, wind and biomass fuel electricity generation. Laos receives the most investment, followed by Cambodia and Myanmar. Public health sectors are targeted for disease prevention and nurse/doctor training. Most of the activities funded by

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<sup>29</sup> The full name was Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific.

the Ministry of Agriculture are meetings and study visits related to agricultural techniques. In addition to these central government-initiated aid activities, some projects are initiated by local government, particularly by provincial offices close to Thailand's borders.

Currently Thai aid is implemented by two agencies: the Thailand International Cooperation Agency (TICA), which provides technical assistance, and the Neighbouring Countries Economic Development Cooperation Agency (NEDA), which administers financial and technical cooperation.

NEDA has already approved financial assistance in the form of tied loans totalling 5,513 million baht for 9 projects, with target country distribution as follows (Table 3-2).<sup>30</sup>

**Table 3-2.** Financial Projects Funded by NEDA (Units: million baht)

Countries	Ongoing Projects	Completed Projects	Total
Lao PDR	1,160 (2 projects)	2,062 (4 projects)	3,222 (6 projects)
Cambodia	1,300 (1 project)	868 (1 project)	2,168 (2 projects)
Myanmar	—	123 (1 project)	123 (1 project)
Total	2,460 (3 projects)	3,053 (6 projects)	5,513 (9 projects)

Source: Data provided by NEDA, February 2009.

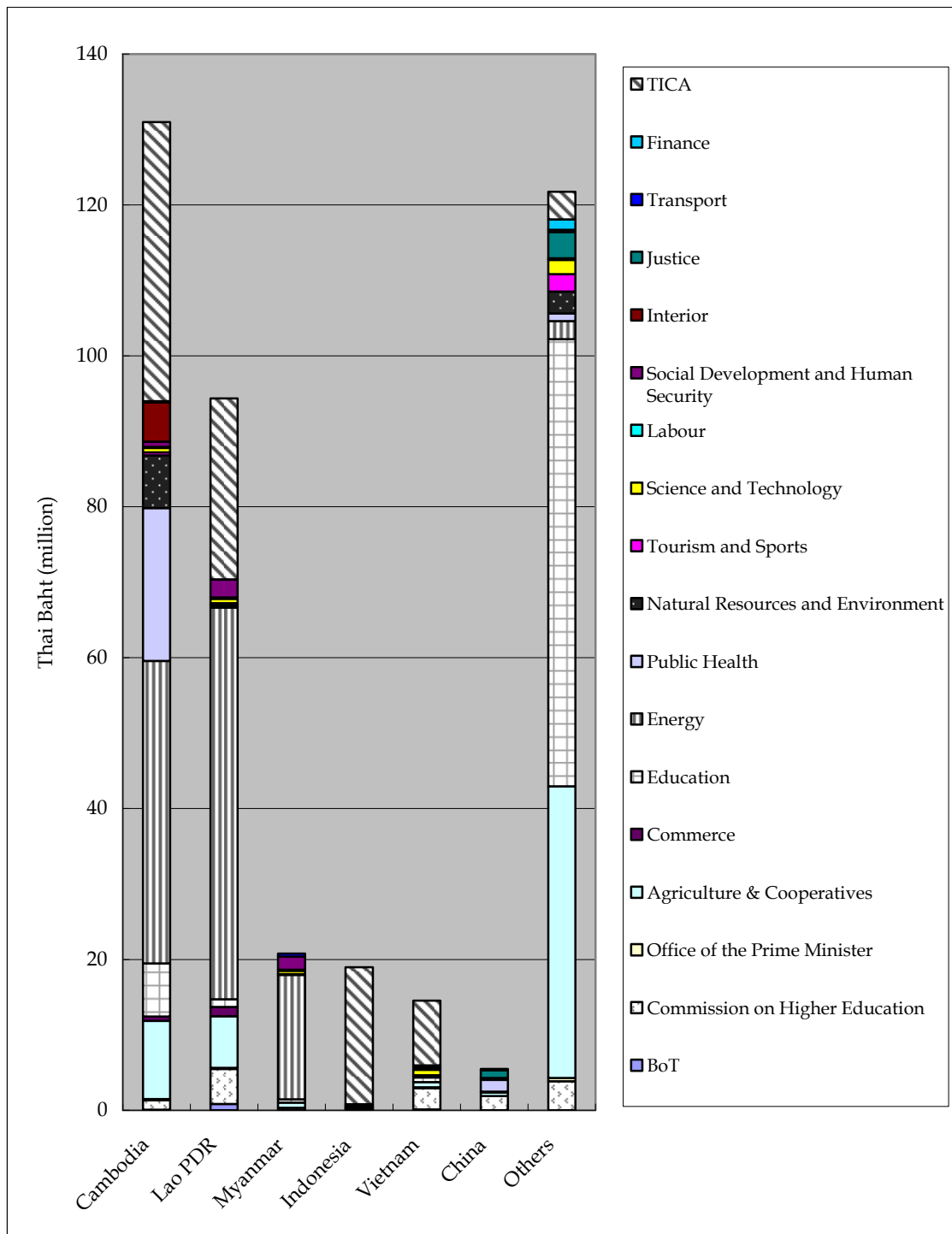
Thai aid, particularly its loan component, favours infrastructure projects in neighbouring countries near its borders. The above loans were for road improvement and reconstruction in all three countries and for railroad connections with Laos. They involved joint ventures with recipient country companies, but with a Thai company in the leadership role.

ACMECS (Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy), originally a Thaksin initiative in 2003 for tackling the regional problem of illegal immigration, became an ideal platform for Thailand to neutralise the political tensions inherent in its bilateral relationships. This scheme is currently running six projects, mostly in the transportation sector, in cooperation with Cambodia, Laos and Myanmar (Aoki 2009).

Figure 3-3 shows the regional distribution of Thai technical assistance in 2007 organised by all ministries involved with the provision of aid (not only TICA). As can be seen, much of Thailand's aid goes to Cambodia and Laos, but a sizable total also goes to "others", made up of small amounts to, among others, Bangladesh, Malaysia, Mongolia, Pakistan, Sri Lanka and Sudan.

<sup>30</sup> (1) Soft loan, with an interest rate of 1.5 percent and a 30 years payback period (10 year grace); (2) grant, which can be combined with a soft loan, with a maximum grant portion of 30 percent; and (3) technical cooperation, related to financial assistance and feasibility studies.

**Figure 3-3.** Value of Technical Assistance Funded by TICA (2007)



Source: Data provided by TICA Information Centre, March 2009.

**Table 3-3. Top 10 ODA Donors Within Thailand (2007)**

(Unit: Thai baht)

<b>Ministries</b>	<b>Grant/Technical Cooperation</b>	<b>Contributions to International Org.</b>	<b>Loans</b>	<b>Total 2007</b>
NEDA	350,460,834.78	-	1,006,300,249.30	1,356,761,084.08
TICA	301,466,000.00	28,564,908.76		330,030,908.76
Ministry of Energy	110,877,235.00			110,877,235.00
Ministry of Public Health	23,282,470.18	-		23,282,470.18
Ministry of Agriculture and Cooperatives	20,278,576.70	37,407,000.00		57,685,576.70
Commission on Higher Education	15,019,660.65	-		15,019,660.65
Ministry of Education	12,686,986.46	55,785,936.58		68,472,923.04
Ministry of Natural Resources and Environment	10,101,310.00	-		10,101,310.00
Ministry of Interior	5,297,732.00	-		5,297,732.00
Ministry of Social Development and Human Security	4,917,720.50	-		4,917,720.50

Source: Data provided by TICA Information Centre in February 2009.

As can be seen in Table 3-3, although much of Thai ODA is provided by the two aid agencies, NEDA and TICA, there is a substantial amount of ODA contribution from other ministries and departments within the Thai government. Most of these contributions are provided in the form of training, seminars and study missions.

### 3.3.3 Aid Institutions

The Thai momentum toward aid donor status proceeded in parallel with the development of appropriate institutional structures. This began in the 1990s. In 1992, the Thailand International Cooperation Program (TICP) was established by the Ministry of Foreign Affairs (MOFA). This was followed in 1996 by the creation of the Neighbouring Economies Cooperation Fund (NECF), a financial assistance agency under the Ministry of Finance (MOF). These two were to be specialised agencies for providing ODA. In 2004, the former Department of Technical and Economic Cooperation (DTEC), whose major occupation had been receiving aid, was transformed into TICA, with more emphasis on giving aid.

NEDA was established May 17, 2005 with a core mission of providing financial and technical assistances to neighbouring countries in accordance with Neighbouring Countries Economic Development Cooperation Board (NEDB) policies and with the consent of the Council of Ministers. NEDA is a public organisation with approximately 25 staff (in 2009),



administered under the supervision of MOF. It is authorised to own property, create rights and deeds, mobilise budget items, enter into agreements and cooperate with other government's agencies and with domestic and international organisations, including those in the private sector.

Only recently has TICA, as the central ODA office, been able to consolidate the ODA information supplied by the various ministries. Poor administration is a characteristic of emerging donors, and fragmentation of information is a key obstacle to Thailand's development of systematic ODA policies.

#### *3.3.4 The Thai Aid Pattern*

In 2007, TICA published, for the first time, a strategy paper outlining the purposes of Thai ODA (TICA 2007). In this document, three purposes for providing aid are stated: (1) promotion of economic relations and security, especially in relation to neighbouring countries, (2) fulfilment of international obligations, and (3) development of an international community network. This strategy demonstrates Thailand's intent to move towards a DAC model of aid rather than pursue a model of its own. It is notable for its frequent references to the requirements of the DAC model, and to such western concepts as governance and accountability. Indeed, when questioned about future directions of Thai aid, many officials responded that Thailand will not try to forge a unique path for itself, but will instead follow the path of the western-dominated DAC. This, it is considered, makes it easier for the government to justify to its taxpayers aid-giving for international development and to convince them of the correctness of this commitment. Since the time of the Thaksin administration, Thailand has actively joined in international initiatives, such as MDGs, accompanied by flag-waving signalling the country's interest in future DAC membership. Thai aid is heavily influenced by the political requirements of its geographical position, but its philosophy now leans towards the DAC model.

### 3.4 India: Indian Version of South-South Cooperation

#### *3.4.1 Aid Purposes, Strategies and Policies*

Indian aid during the Cold War was largely motivated by the political ideologies of the Non-Aligned Movement and anti-colonialism, but it also had a pragmatic political motivation—to stabilise and to strengthen relationships with neighbouring countries. Since 1991, when full economic liberalisation was adopted under the terms of the New Economic Policy, the motivation of India's aid policy has become a pragmatic pursuit of its interests, as evident in recent official statements<sup>31</sup>. A concrete set of aid purposes which India purportedly seeks are examined below.

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<sup>31</sup> For example, Finance Minister Jaswant Singh stated in 2003 that the Indian new aid initiative, the Indian Development Initiative, was for the promotion of "our strategic economic interests abroad."

### *Promotion of Indian Exports and Investment*

Since 1991 India has experienced robust economic growth, led mainly by the services industries, especially by the highly export-oriented information technology (IT) sector. However, India's IT industry, with its dependence on highly-educated personnel and requiring few support industries, is contributing little to general employment creation. Facing a worrisome situation of economic growth without a corresponding rise in employment, the Indian government has adopted a policy of generating new jobs by enhancing the international competitiveness of its manufacturing industries. A US\$ 21.8 million Line of Credit (LoC, concessional tied lending under interest subsidy from the Indian government budget) extended by the Indian Export-Import Bank (EXIM Bank) in 2006 to Côte d'Ivoire for the purchase of 400 Indian Tata buses is a typical example of this policy.

### *Promotion of Economic Interaction Between India and Abroad via Trans-Border Infrastructure*

One of the most salient changes in Indian diplomacy after 1991 was the Look East Policy to strengthen relationships with members of the Association of Southeast Asian Nations (ASEAN). Another was the consolidation of multilateral cooperation such as the South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). India frequently emphasises the importance of cross-border infrastructure in these forums, reflecting its intention to promote economic activity across its borders. Indian-aided transport projects in Bhutan and Myanmar are examples of this policy.

### *Energy Security*

India is already the world's fifth-largest energy consumer, and is heavily dependent on oil imports from the Middle East. Keenly aware of the dangers of this situation,<sup>32</sup> the government is trying to secure and to diversify supply sources, as is evident in EXIM Bank's concentration of LoCs in energy-rich countries such as Myanmar and Sudan, in both of which Indian energy companies are striving to secure exploitation rights.

### *Prevention of Influx of Terrorists, Refugees, Drugs and Disease from Neighbouring Countries*

Since independence, securing the political and economic stability of neighbouring countries has been India's most important diplomatic goal. Recently, the prevention of terrorist, refugee, drug and disease inflows from neighbouring countries<sup>33</sup> has become an urgent goal. Myanmar in

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<sup>32</sup> Defense Minister Pranab Mukherjee warned that energy shortages and heavy dependence on imports could pose the most serious impediments to India's economic growth (Mukherjee 2005).

<sup>33</sup> Afghanistan, Myanmar, Nepal and Sri Lanka are classified as failing states by Chauvet and Collier (2008, 17).

particular is a hot-bed of terrorist organisations active in India’s restive northeast (e.g., Assam and Nagaland), as well as a source of illegal drugs and refugees. These concerns explain why India has been providing aid to the Myanmar military junta under the name of “constructive commitment,” despite criticism from Western countries.

The Indian government has not thus far produced a document regarding its aid policy, but the current strategies for attaining the above-mentioned aid purposes can be described as a two-front operation: India’s priority regions clearly are its neighbours and African countries. The former are aided through a full set of aid modalities (loans, grants and technical assistance) from the government budget, while the latter mainly receive concessional loans from the EXIM Bank. The former receive full sector-coverage, ranging from infrastructure to social welfare, while aid to the latter is characterised by a concentration on infrastructure.

The emphasis on Africa is apparent in a series of aid initiatives focusing on that region. In 2003, India launched the India Development Initiative (IDI)—a set of commitments to debt reduction for seven highly indebted poor countries (HIPCs)<sup>34</sup> and some new money.<sup>35</sup> IDI was promulgated simultaneously with India’s decision to repay its official debt to Western donors ahead of schedule, perhaps with the intention of impressing the international community with its transformation from a major aid-recipient to an emerging donor.<sup>36</sup> In 2008, India convened the India-Africa Forum Summit in New Delhi, where a rapid expansion of LoCs by EXIM Bank was announced.

### *3.4.2 Activities and Performances*

#### *Aid Modalities*

India, as a full-fledged donor with a long history of aid-giving, has a full set of aid modalities similar to those of traditional donors and incorporates both bilateral and multilateral aid.

India’s lending activities are conducted by the Ministry of External Affairs (MEA), which extends loans to Bangladesh, Bhutan and Nepal, and by EXIM Bank, which provides LoCs mainly to African countries.<sup>37</sup> The Indian Technical and Economic Cooperation (ITEC) program, introduced in 1964 as a “partnership for mutual benefit” and operated by MEA, is an

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<sup>34</sup> The seven highly indebted poor countries (HIPCs) are Ghana, Guyana, Mozambique, Nicaragua, Tanzania, Uganda and Zambia. The total debt amount to be written off was Rs.954.4 million.

<sup>35</sup> Later, the IDI was renamed the Indian Development and Economic Assistance Scheme (IDEAS). Its main components are debt reduction for HIPCs, concessional LoCs from EXIM Bank and technical assistance.

<sup>36</sup> Furthermore, in 2004–2005 India astonished the world by rebuffing an offer of Western aid for damage caused by the Indian Ocean Tsunami and swiftly extending emergency aid to Indonesia, Maldives, Seychelles and Sri Lanka.

<sup>37</sup> Both loans and LoCs are concessional and tied, but are separated in Indian official terminology for reasons unknown to us.

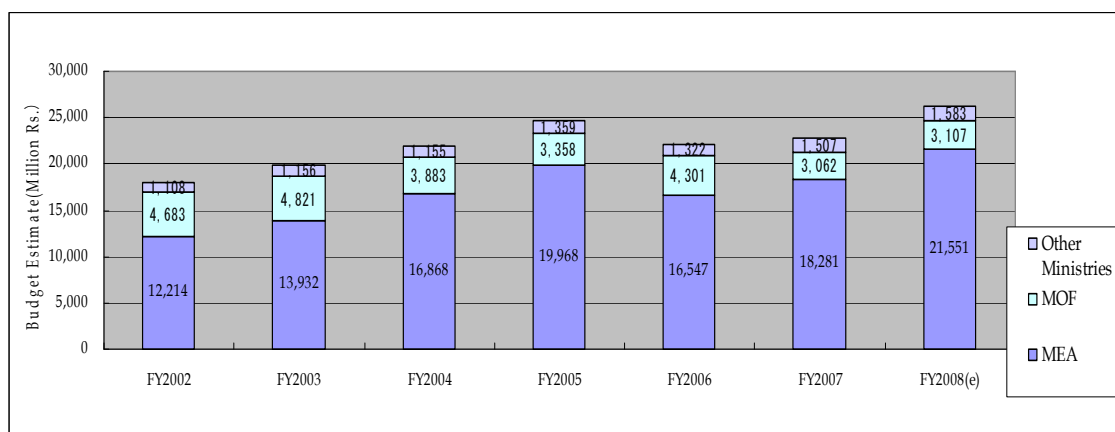
umbrella scheme with several components: training in India,<sup>38</sup> projects and project-related activities (e.g., consultancy services), and emergency relief. Furthermore, India makes subscriptions and contributions to multilateral development banks (MDBs) — the World Bank, the Asian Development Bank (ADB), the African Development Bank (AfDB) — and to UN organisations — e.g., U.N. Development Programme (UNDP) — as a member, and it also makes contributions to multilateral bodies such as the Global Environment Facility (GEF) and the Afghanistan Reconstruction Trust Fund.

It is difficult to give a precise and comprehensive quantitative account of Indian aid because of the scarcity of coherent data.<sup>39</sup> Aid from the central government budget (hereinafter referred to as “government aid”) and LoCs from EXIM Bank are examined separately, below.

#### *Government Aid (FY2002–FY2008)*

The total volume of government aid grew steadily during FY2002–FY2008, due to the expansion of both bilateral and multilateral aid by MEA (Figure 3-4). Meanwhile, the aid budget’s share against overall fiscal expenditure was in slight decline (Figure 3-5).

**Figure 3-4.** Trends in the Indian Government Aid Budget (FY2002–FY2008)



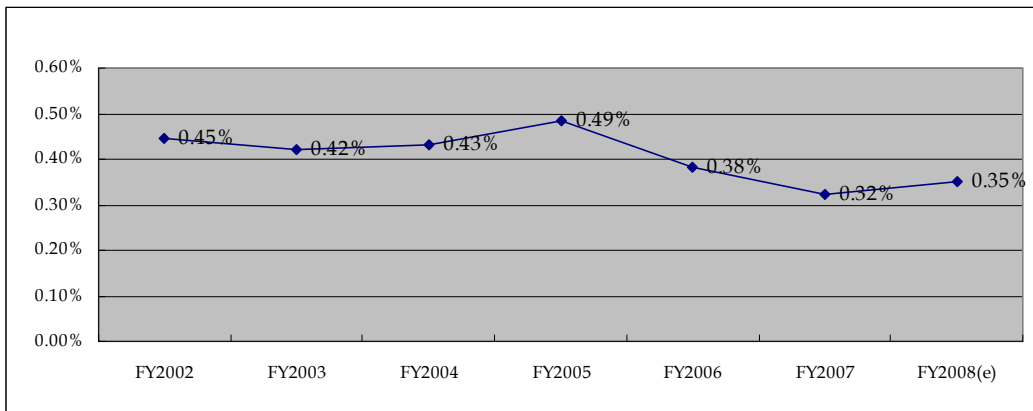
Source: Ministry of Finance of India (successive years).

In terms of regional distribution, government aid is characterised by a concentration on neighbouring countries (Figure 3-6). Bhutan is by far the largest single recipient, receiving half of India’s bilateral government aid, followed by Afghanistan (10.4 percent). The whole African region accounts for only 4.4 percent.

<sup>38</sup> Training in India, hailed by MEA as the most successful Indian form of aid, offers a wide range of courses such as accounting, journalism, English language, rural development, statistics, IT, small business development and water resources management.

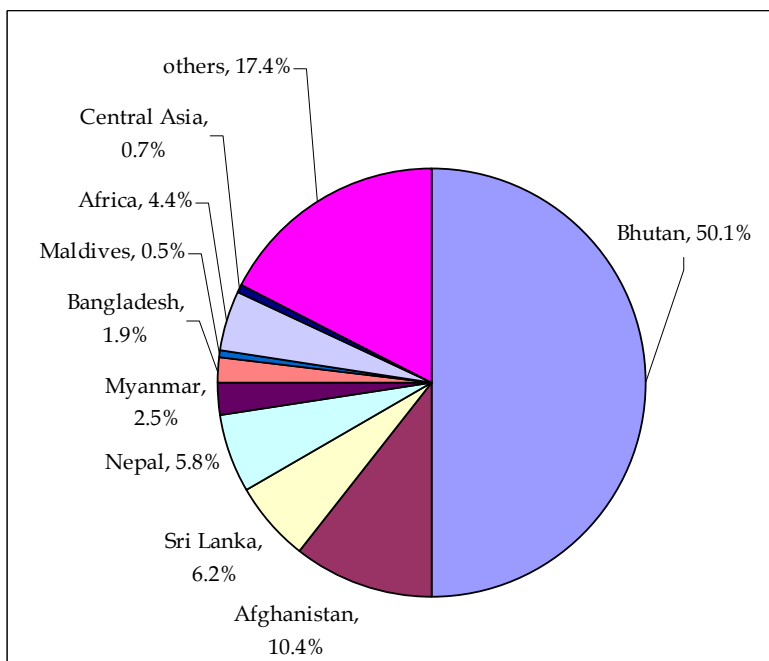
<sup>39</sup> The Indian government does not disclose comprehensive data in a single document, and the data released by the Government and EXIM Bank are calculated on different bases (disbursement and commitment).

**Figure 3-5.** Aid Budget Share of Total Fiscal Expenditure (FY2002–FY2008)



Source: Ministry of Finance of India (successive years).

**Figure 3-6.** Regional Distribution of Government Aid (FY2002–FY2008)



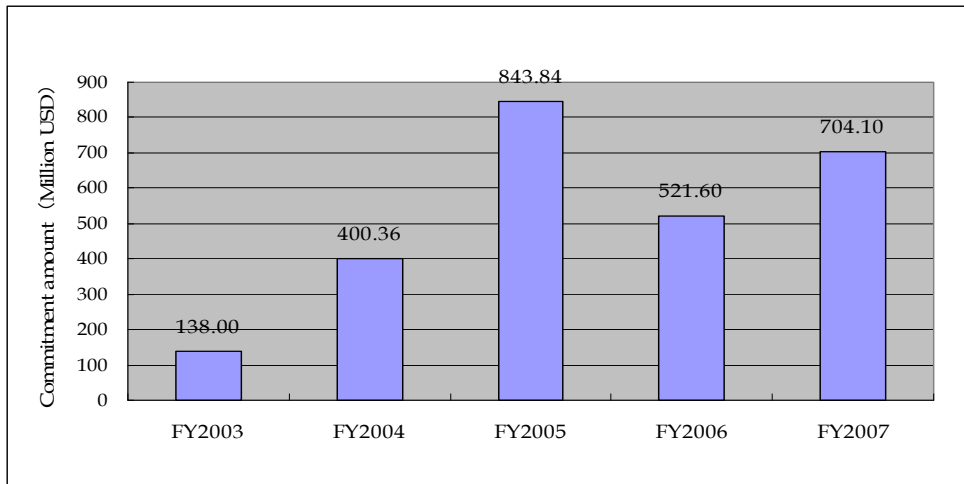
Source: Ministry of Finance of India (various years).

*LoCs from EXIM Bank (FY2003–2007)*

EXIM Bank’s LoC aid has experienced a remarkable recent expansion in volume, having almost quintupled between FY2003 and FY2007 (Figure 3-7). The regional distribution of EXIM Bank’s LoCs, in sharp contrast to government aid, shows a significant concentration on Africa (68.2 percent). Selectivity is clearly discernable in that Ethiopia and Sudan receive 41 percent of the African region aid, and Myanmar and Sri Lanka receive 80 percent of the

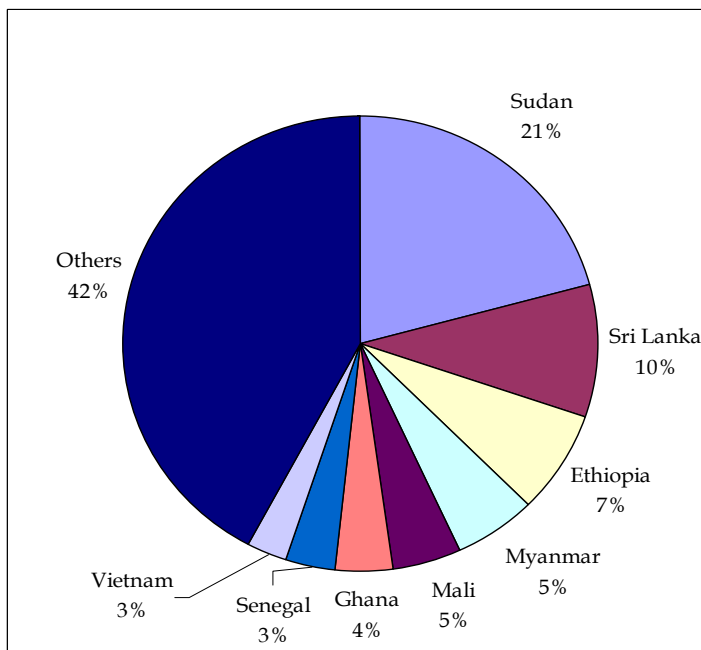
neighbouring country aid (Figure 3-8).<sup>40</sup> Thus, it appears that India's strategy is to concentrate on a few countries which are the most vital to its own interests, probably to avoid being overwhelmed by cash-rich China.

**Figure 3-7.** Trends in Commitment of LoCs from EXIM Bank (FY2003–FY2007)



Source: EXIM Bank of India (various years).

**Figure 3-8.** Regional Distribution of LoCs from EXIM Bank (FY2003–FY2007)



Source: EXIM Bank of India (various years).

<sup>40</sup> So far, it seems that Indian diasporas in Africa is not a major factor in the allocation of Indian aid, since countries with significant Indian population (i.e. Anglophone Eastern African countries) do not emerge as major recipients.

The Indian government is increasingly eager to achieve a positive impact from its aid projects,<sup>41</sup> but objective evidence of its success is not as yet available. What can be safely said is that, from the recipient country side, there is a degree of appreciation of the merits of the Indian aid pattern: its affordable price<sup>42</sup> and its comparative advantage in human resource development.

### *3.4.3 Aid Institutions*

#### *Organisations*

It is a common criticism that Indian aid is fragmented among many ministries and organisations, and poorly coordinated, both in planning and implementation.

The MEA and MOF, which administer almost 95 percent of the Indian government aid budget, undoubtedly play leading roles in formulating aid policy, but outside knowledge is sparse about how their roles are demarcated and coordinated. MEA, MOF and the Ministry of Commerce and Industry (MoCI) are represented on the Board of the EXIM Bank to insure coherence between government aid policies and Bank lending activities (as shown in Figure 3-9).

#### *Recent Developments in Institutional Reform*

In 2007, India moved toward a fundamental reorganisation of its aid structure with a plan to establish an India International Development Cooperation Agency (IIDCA),<sup>43</sup> to be supervised by MEA. IIDCA is envisaged as bringing all aid modalities under one umbrella to administer the whole aid-giving process; i.e., formulation of a coherent aid policy framework, implementation and monitoring.<sup>44</sup> Behind this reform is growing concern within the Indian government regarding the quality of its aid; namely, poor performance of Indian-aided projects (e.g., tardy implementation after pledging<sup>45</sup> and cost-overruns<sup>46</sup>) and poor-coordination. If this plan is realised, India will have the most-streamlined of aid organisations, even when compared with traditional donors.

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<sup>41</sup> MEA is planning to introduce external and independent evaluations of mega projects for the purpose of drawing lessons for future projects (MEA 2008, i).

<sup>42</sup> For example, an Indian-aided Chuka hydropower station in Bhutan is regarded by Bhutan as the most inexpensive project of that kind yet achieved worldwide (Parmanand 1992, 32).

<sup>43</sup> It has been said that both the Japanese and Korean experiences were drawn upon in its design (*Economic Times*, May 4, 2008).

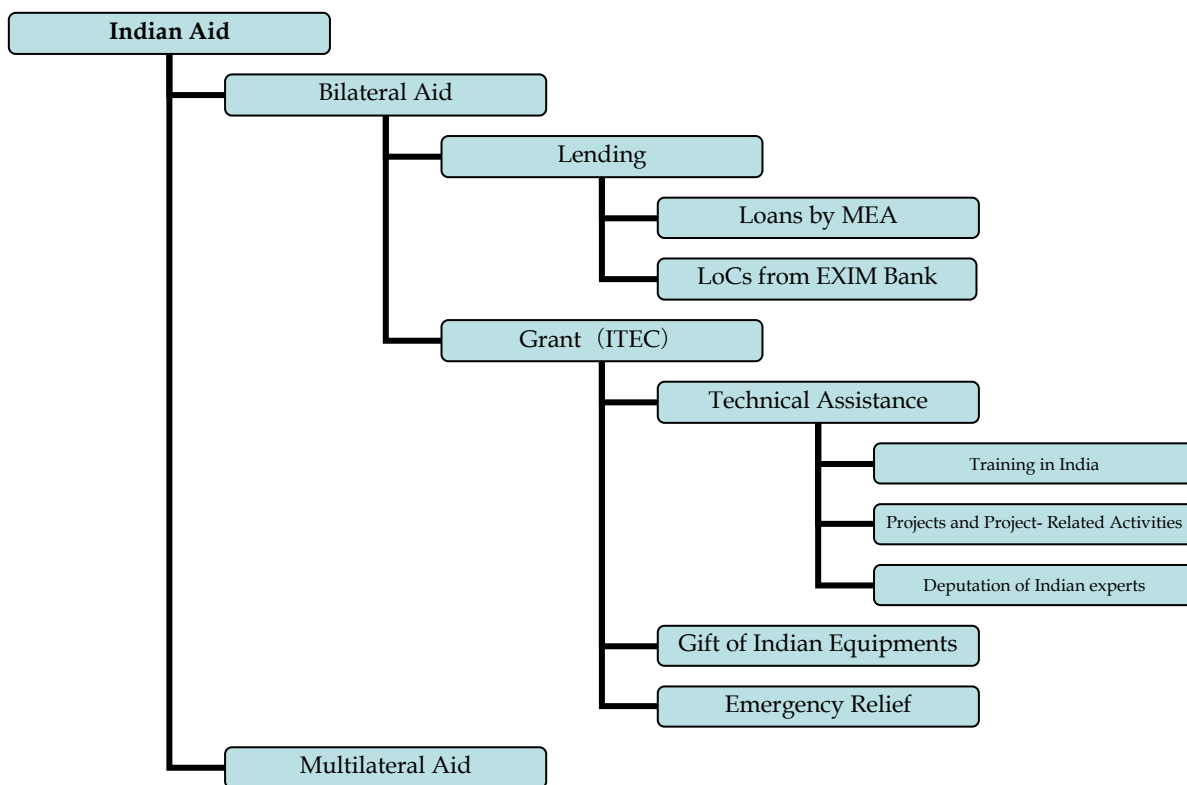
<sup>44</sup> *Hindu Business Line*, December 31, 2007

<http://www.thehindubusinessline.com/2007/12/31/stories/2007123151340300.htm> (accessed on January 20, 2008).

<sup>45</sup> For instance, in Afghanistan, India had disbursed by 2008 only 22 percent of the pledged amount for the period FY2002–FY2011. This is the second worst performance among 27 bilateral and multilateral donors examined; better only than that of Spain (10 percent) (Waldman 2008).

<sup>46</sup> Answer by Minister of External Affairs in the Lok Sabha (Lower House of India) on March 5, 2008.

**Figure 3-9.** Institutions and Modalities of Indian Aid



Source: Shiga.

#### 3.4.4 The Indian Aid Pattern

A salient and long-lasting feature of Indian aid is its self-proclamation of South-South Cooperation. Differentiating from the ODA of traditional donors, India proclaims that its aid is more adaptive and more affordable for developing countries than is traditional donor aid. Under the principle of “equality and mutual benefit,” it envisages exchanges of development experiences between equal partners by way of technical assistance. The imposition of reform conditions is rejected on the principle of “non-interference in others’ internal affairs.”

Official Indian sources confirm that these South-South Cooperation principles continue to guide Indian aid. However this can not be accepted unreservedly as a comprehensive description of India’s aid characteristics. Firstly, a quite different aid policy, rather like an Indian version of the Monroe Doctrine, is pursued by India where neighbouring countries of strategic importance — for example, Bhutan and Nepal—are concerned. Here, India both overtly and covertly flexes its economic and military muscle to intervene in domestic affairs, and massive aid has been given over long periods in blatant pursuit of India’s national interests. Moreover, changes in the international environment and resultant changes in Indian diplomatic policy have moved India’s aid patterns more toward commercialism.



#### **4. Formation and Transformation of Aid Patterns**

The previous section outlines the aid patterns of the emerging donors. The questions to ask now are why do the aid patterns differ and how were the different patterns formed and transformed. This section seeks to identify those factors which create the aid patterns. As indicated in Section Two, the focus is on both domestic and international factors.

##### **4.1 China**

The People's Republic of China (PRC) was founded in 1949 during the Cold War between the Eastern and Western Blocs and immediately saw itself as the leader of the Third World. Even while receiving aid from the USSR, the PRC began acting as an emerging donor, initially by supporting the reconstruction of North Korea after the Korean War (1953) and later by offering assistance to neighbouring Asian communist countries such as Vietnam. However, in July 1960 aid from the USSR was abruptly suspended due to an ideological conflict over revolutionary doctrine. This taught China a hard lesson regarding the vulnerability of depending on foreign aid (Jin 2004, 117). Influenced by that experience, it developed the concept of aid as assistance in achieving economic self-reliance.

Later, in the period immediately after the end of the Cold War, fiscal pressures in DAC donor countries brought about aid fatigue at a time when China's economic growth was accelerating. The donor community realised that China's need for aid had diminished and, after peaking in 1995, the aid flow to China fell sharply. If China was to avert a slowdown in its economic development amid increasing globalisation, it would have to acquire natural resources and new markets.

We have already mentioned a more recent trend in Chinese aid: providing it mainly for the practical purpose of acquiring access to natural resources in exchange. This more recent policy direction is in striking contrast with the ideological motivation demanded by its position as leader of the Non-Aligned Movement. The following section traces this change in China's domestic situation, particularly its domestic economy.

##### *4.1.1 Domestic Factors*

China's Tenth Five Year Plan was prepared amid soaring foreign currency reserves, the need to expand overseas markets, structural adjustment in the domestic market, increasing shortages of development resources, and a context of increasing globalisation that gave rise to trade friction with European and US markets. Policy statements addressing these challenges to national development made explicit reference to the need for resource acquisition, and for the first time called for "going global." As Figure 4-1 indicates, China became a net importer of oil in the first half of the 1990s (of petroleum in 1993 and of crude oil in 1996). While there was no direct reference to aid policy in the Tenth Five Year Plan, aid became part of the going global

aspect of China's national development strategy.

Outside opinion has assessed China's external assistance policy as an essential component of its strategy for overseas business operations, fulfilling the role of securing access to needed natural resources. China's MOFCOM admits that foreign aid is important to the strengthening of China's relationships and trade with other developing countries, to the improvement of China's international relationships in general, and to its preservation of a coordinated and stable international development environment (Wang 2006, 438). There can be no doubt that Chinese aid subsumes the purpose of furthering domestic economic development by means of advantages gained by the overseas investment of Chinese businesses. In other words, China's external assistance policy is aligned with its domestic development policy. When one observes Chinese aid activities through the prism of this hypothesis, one easily explains its recent emphasis on aid to Africa.

In a country which is itself still developing, it is difficult for the public at home to accept the legitimacy of giving aid to foreign lands, even when aid is clearly an instrument for local businesses to advance their economic activities. For China, which has serious regional economic disparities, it is inevitable that aid expenditure will be in conflict with budgetary allocations to improve the conditions in its own under-developed regions. Within China, information on aid activities is quite sparse,<sup>47</sup> and it is probably only the lack of transparency that has made it possible to avoid domestic criticism of foreign aid.<sup>48</sup> None of the previous Five-Year Plans have mentioned aid, and information on aid is seldom made public.<sup>49</sup>

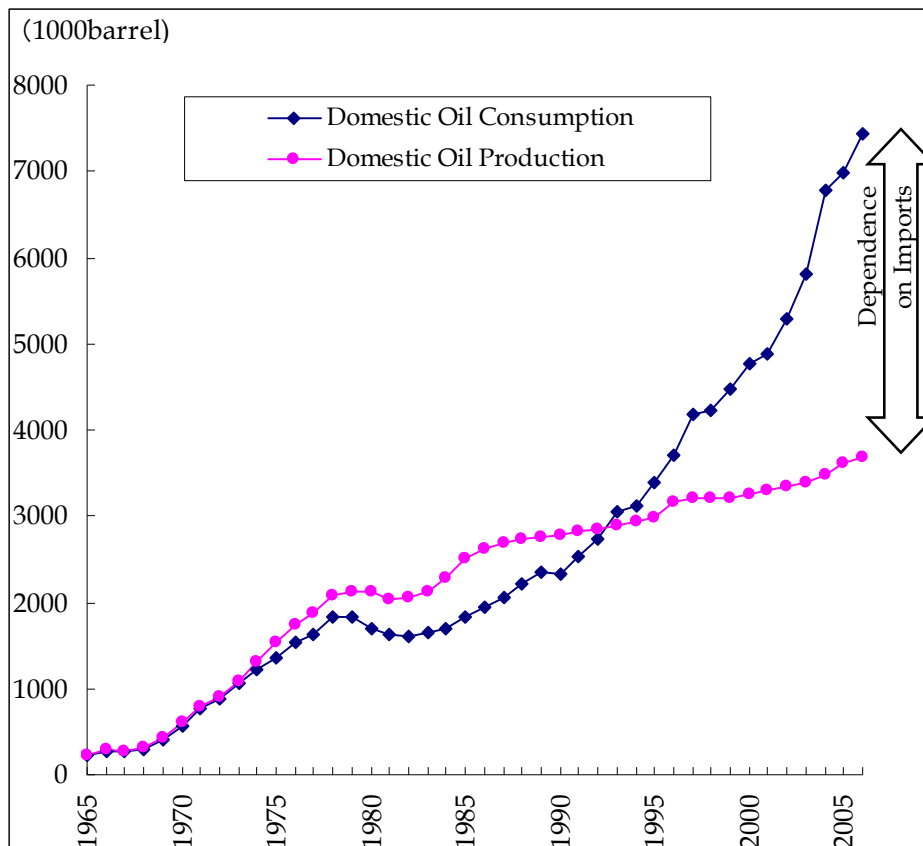
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<sup>47</sup> It is not clear who are the influential actors in the formation of Chinese aid policies, but given the nature of the political system, they are assumed to be a small, closed, elite and powerful group.

<sup>48</sup> In liberal democracies, public opinion carries considerably more weight than in non-democratic countries.

<sup>49</sup> There are signs of change in this practice. The Eleventh Five-Year Plan included, for the first time, an explicit statement on aid to developing countries. This is probably evidence that the Chinese style of development-assistance model, in which aid brings the practical benefit of resources acquisition to the donor, has reached a sufficient level of maturity for the government to be willing to expose it to the public.

**Figure 4-1.** Developing Gap Between Demand and Supply of Oil in China (1965–2005)



Source: Prepared from *BP Statistical Review of World Energy 2007*.

#### 4.1.2 International Factors

Chinese aid had its origins in the solidarity principles of the Non-Aligned Movement in the Cold War era. That era seems now to be in the past, allowing possibilities for change.

From the beginning, China used aid to Africa and Oceania in its intense aid competition with Taiwan over the issue of recognizing Taiwan as a sovereign state. China has withheld diplomatic negotiations with and suspended aid to countries with established diplomatic ties with Taiwan as a means of denying Taiwan recognition, and there has been no relaxation of this policy. Acceptance of the One China Policy is the only condition attached to Chinese aid. The recent decision by Costa Rica, in Central America, to sever diplomatic relations with Taiwan and establish them with China may be interpreted as a continuation of the rivalry between China and Taiwan.<sup>50</sup>

China is increasingly criticised as undermining the international development assistance rules of good practice defined by the international donor community. China is not indifferent to

<sup>50</sup> Recently, Chinese aid policy has also incorporated geopolitical considerations. Aid for Southeast Asian countries and Indian Ocean countries are examples.

this criticism. By adopting a posture of accepting the international aid-giving agenda while nevertheless using aid as a political and economic tool, China hopes to “demonstrate its image as a responsible major power” (Wang 2004, 78). When a hurricane disaster struck the US, the Chinese government, in providing emergency relief aid, claimed that “China’s donation to America’s disaster-hit region showed China’s engagement in international affairs as an important member of the international community” (Wang 2006, 440). This demonstrates the government’s concern at how its aid is viewed by the international community.

## 4.2 South Korea

South Korea is balancing DAC-style aid with traditional commercialist aid. This section analyses domestic and international factors that explain why South Korea is institutionalising this neither-here-nor-there patterns of aid.

### 4.2.1 Domestic Factors

#### *Domestic Political Factors*

The institutionalisation of the Korean aid pattern is affected by domestic factors which can be classified into political factors and economic factors. The dominant political ideology and values are the first of the domestic political factors that should be examined. Before the Kim Dae-Jung administration, South Korea had adhered to a very conservative political ideology called “developmentalism” which placed higher value on economic development and pragmatism than on social development and idealism. Starting with Kim Dae-Jung, however, the political ideology shifted toward idealism and greater social equity. Presidents Kim Dae-Jung and his successor Roh Moo-hyun emphasised universalism and humanitarianism in the People’s Government from 1998 to 2003 (Kim 2008, 17). This drastic shift in political ideology and values is associated with the shift in aid strategy and policy from the traditional commercialist to the DAC-like model.

A second important political factor is the actors and their interests. Various actors or stakeholders may influence Korean aid:

- Presidents: With regard to change in aid strategy, rather than maintenance, the preferences of the presidents are key. The preferences of Kim Dae-Jung and Roh Moo-hyun, in particular, significantly impacted the transformation of Korean aid from traditional commercialism to the DAC model.<sup>51</sup>

<sup>51</sup> As regards regime change to the conservative President Lee Myong-bak, Korean policymakers have so far observed no critical changes. In 2008, the new President released the catch-phrase “Global Korea” to improve Korea’s international prestige through aid activity, and “Green Growth” for aid to promote environmentally-friendly growth in developing countries; an example is concessional loans to mitigate climate change, such as for photovoltaics and hydroelectricity projects (interview with an aid implementing agency, May 8, 2009).

- **Lawmakers:** By contrast, lawmakers are rather ineffectual in setting aid policy. The focus of their attention is very domestic: they argue for more budget allocation for domestic purposes, not for foreign aid purposes. The National Assembly is currently reviewing four drafts of the International Aid Act; but none of them was adopted in the 2008 17th Session due to the matter's low priority and to serious conflicts between pro-MOSF/EDCF and pro-MOFAT/KOICA interests.<sup>52</sup>
- **Policymakers:** Serious bureaucratic conflicts between MOSF/EDCF and MOFAT/KOICA have also contributed significantly to the dual nature of Korean aid. While MOFAT/KOICA pursues diplomatic and humanitarian concerns through aid and MDG contributions, MOSF/EDCF is more attentive to the compatibility of such concerns with national interests (Kim 2008, 13).<sup>53</sup> This serious bureaucratic infighting is exacerbated by the lack of an effective co-ordinating body. The IDCC, which was established to address the aid policy co-ordination problem, has proven to be too weak for the task and the Office of the Prime Minister, which jurisdictionally controls IDCC, has failed to coordinate effectively for coherency in Korean aid. The result is the co-existence of traditional commercialist and DAC models.
- **Businesses:** Korean businesses are key actors in the pursuit of economic interests through aid. With regard to the formulation of loan projects, Korean Chaebol business conglomerates exert direct pressure on the government<sup>54</sup>; an example is their opposition to untied aid due to the potential loss of market (interview with KIEP, May 6, 2009).<sup>55</sup>
- **NGOs:** During the Participatory Government of President Roh Moo-hyun, NGOs were able to increase their official voices in support of aid policies. Some of them, such as the Citizens' Coalition for Economic Justice (CCEJ), are now allowed to join aid policy decision-making. Their participation, though often used to criticise EDCF loan schemes, has been largely accepted by the government side.
- **Public opinion:** The South Korean public generally holds indifferent or even negative views of foreign aid. A 2005 opinion poll by Kyunggi University showed that only 44 percent of the people were aware of ODA, and that only 43 percent favoured an increase in

<sup>52</sup> Of these four drafts of the ODA Foundation Act, three of them are said to be pro-MOFAT/KOICA and only one of them is pro-MOSF/EDCF, differently stipulating aid institutions and goals. In December 2009 the Basic Law on International Development Cooperation was finally passed during the plenary session of the National Assembly.

<sup>53</sup> This background explains in part why Korean aid has recorded a high tied ratio. But aware of domestic and international criticism of its tied aid, MOSF/EDCF has implemented reforms that will partially untie it. However, since MOSF is afraid of losing the protection that Korean business has enjoyed through tied aid, and realising that Korean business interests expect reduced success in bidding on untied aid projects, it has already established the ODA Marketing Assistance Committee to assist businesses in bidding on other donors' aid projects (Kim 2008, 14).

<sup>54</sup> Korean grant aid often involves Korean small- and medium- enterprises (SMEs).

<sup>55</sup> Their fear is based on their weak competitiveness compared with businesses in developed countries. Yet businesses in emerging donors may have some degree of price-competitiveness and high performance, although their expertise might be limited. See also MOFAT (2008a, 39).

ODA (OECD 2008, 11). The Korean public even questioned the financial feasibility of US\$50 million support by their government for areas afflicted by the 2004 tsunami disaster (Kim 2008, 1).

In short, both changing political ideologies and diversity of actors' interests have affected the formation and transformation of Korean aid. The general direction of its aid strategies is rooted in political ideology, but individual actors choose to align with, to disregard, or even to reject, the dominant approach. The recent shift of alignment from the traditional commercialist type to the DAC model has been a response to change in the relative balance of power among actors in the aid policy process. The Roh Moo-hyun administration, which embraced a progressive ideology, preferred the alignment of NGOs to that of more conservative businesses. In a real sense, the duality in Korean aid reflects a co-existence of the traditional and modern political concepts and a competition among actors to promote their interests.

#### *Domestic Economic Factors*

Domestic economic factors also influence the formation of Korean aid. This paper briefly analyzes financial constraints and economic interests as one of the factors. In the case of South Korea, a middle power, financial conditions constrain the availability of financial resources for aid. The poor but aggressive neighbour to the north is a particular constraint on the fiscally rigid South. South Korea has budgeted huge amounts of money for military readiness and humanitarian assistance to North Korea. Definitely, South Korea is the top donor to the North, but this is not counted as a part of ODA. So, the small ODA/GNI ratio of Korean aid is partially a reflection of the North Korea issue.<sup>56</sup>

Economically, as mentioned above, the heavy trade-dependence of the Korean economic structure tends to enhance the commercialist character of Korean ODA. As a middle-power country, South Korea is not a major military force so it pursues economic weight in the international community as an alternative. Since it is poorly endowed with natural resources, the country is dependent on trade. But the heavy export-dependence, in which the values of Korean export exceed more than 50 percent of total trade values, and fierce competition with trading rivals make the Korean government sensitive to the protection of its business interests in foreign markets.

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<sup>56</sup> The volume of assistance to North Korea in 2007 was US\$ 5,580 million (OECD 2008, 13). This is equivalent to the total amount of Korean ODA.

### *Other Domestic Factors*

Two other factors also function as constituents of Korean aid. The first is the path-dependence of the Korean development experience. South Korea could be considered a typical example of development with successful trickle-down effects. National economic development through labour intensive industrialisation allowed the Korean people to share in its fruits from the 1960s, fostering social development. Even MOFAT (2008a, 11–2) understands from the Korean experience that development requires a holistic approach that combines trade expansion and FDI promotion, implying the importance of economic development to facilitate poverty reduction. In addition, in its history as an aid recipient, South Korea failed to achieve developmental goals through grant aid; in fact, grant aid during the 1950s worsened rent-seeking and corruption. However, concessional loans for economic infrastructure, such as power plants and roads, effectively supported Korean economic development during and after the 1960s (Korea Eximbank 2006, 4). Hence, their own country's economic history has persuaded policy-makers and aid agencies that a pragmatic approach to economic development and loans for economic infrastructure will be useful also for other developing countries.

The second factor, which is specific to Korean aid, is its human resource constraint. Aid agencies are not well staffed in terms of expertise and numbers. Although the number of competent consulting firms is surprisingly small, engineering consultants are still available; nonetheless, aid project management is very inadequate.<sup>57</sup> The internal and external human resource constraints also affect peer review aid evaluations. Korean aid projects are supposed to be evaluated by five criteria specified in DAC guidelines; however, mid-term and completion evaluations are performed by project implementation teams, leaving only post-evaluations to be made by the Evaluation Office of KOICA or the Evaluation Unit of EDCF (MOFAT 2008a, 31; 2008b, 21).<sup>58</sup>

#### *4.2.2 International Factors*

Korean aid is also influenced by international factors in both political and economic terms.

The international political factors are multifaceted. Firstly, there are contextual factors, including major phenomenon such as the Cold War. Certainly Cold War logic is evident in the initial purposes of Korean aid; i.e., to consolidate international support for South Korea as the only legitimate regime on the Korean Peninsula. After South Korea gained confidence *vis-à-vis* the North by virtue of its successful post-1960s economic development, this contextual international political factor ceased to be decisive.

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<sup>57</sup> Untying Korean aid will cause serious problems for Korean consulting firms who have limited expertise. Open bidding will give Korean consultants little chance (interview with an aid executing agency, May 8, 2009).

<sup>58</sup> In the case of large-scale projects, non-EDCF members are to do the evaluations (MOFAT 2008, 21).

Secondly, there are diplomatic strategies. These should focus, in terms of geopolitical/geostrategic interests, on relationships with neighbouring countries and on status within the international community. Recently, South Korea seems to find keen geopolitical and geostrategic interest in sea-lane defence. As a middle power with lesser military and greater economic presence, it is sensitive to the possibility of securing through the provision of aid the sea-lanes it depends on for trade.<sup>59</sup> This strategic consideration could be one of the determinants of its aid distribution to Sri Lanka, to which China also is channelling a great deal of aid for the same reason.

In its relationships with neighbouring countries, South Korea has had to consider how best to transfer North Korean refugees from Southeast Asia. This consideration explains in particular why South Korea places great importance on aid to the Philippines, which is receiving an increasing number of refugees from North Korea (interview with KIEP, May 6, 2009). The Government of Korea has also been enthusiastic about raising its status internationally by gaining membership in DAC. IDCC decided that South Korea should obtain DAC membership by 2010.<sup>60</sup> MOFAT was especially active in this campaign, since the expectation of the Korean government was that DAC membership would strengthen Korea's voice in the international aid community, facilitating the sharing of key information (interview with a government official: May 7, 2009). Furthermore, DAC membership has symbolic significance: South Korea will have become a full member of OECD, implying a fully-fledged developed country; and South Korea uniquely will have transformed from the status of former colony and developing country to that of independent and developed country.

Thirdly, there are the international pressures and conflicts of interest that these ambitious diplomatic strategies may invite. For examples, in the 1980s South Korea reinforced its aid policies due to international pressure related to its rapid emergence on the international stage and its increasing balance of payment surplus. Recent Korean aid reforms also are related to the pressure of DAC recommendations. In fact, DAC recommendations prompted South Korea to decrease its tied ratio and increase grant aid to LDCs. In addition to explicit pressure, there has been implicit peer pressure wielded by rival donors. Perhaps Chinese assistance to Indian Ocean countries and Chinese resource diplomacy, particularly in Africa, is driving South Korea to engage in similar assistance with similar recipients.

International economic factors that influence Korean aid include economic interdependence between recipients and donor, and accessibility of markets and resources. Since South Korea is a mid-level trading nation without natural resources, it is eager to secure markets for its exports and resources for its imports; for example, FDI by Korean business preceded aid

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<sup>59</sup> In a speech at an April 2009 G20 Meeting, the Korean President described what South Korea can do as a middle power in Asia (interview with KIEP, May 6, 2009).

<sup>60</sup> South Korea successfully gained DAC membership on January 1, 2010.



activities in Cambodia and Vietnam.<sup>61</sup> The Government of Korea seems to deploy aid for economic infrastructure to sustain private business activities in these countries. Other examples include Indonesia and some sub-Saharan African countries, which seem to be important primarily because of their resources. The Korean government recently has been strengthening its economic relationship with African countries under the Korean Initiative for African Development.<sup>62</sup> This initiative, launched as part of the push to attain DAC membership, is a symbolic effort intended to create the impression that Korean aid is shifting from Asia to Africa and from infrastructure assistance to an MDG-orientation. Yet the shift toward DAC-like aid is actually intertwined with traditional commercialist purposes. It is primarily for the purpose of securing oil, gas and scarce metals in Africa that the Korean government expanded its aid schemes for countries in that region (Kamiwazumi 2006, 249–55; Korea Overseas Information Service 2006, 2–3).

#### 4.3 Thailand

In the previous section, it was demonstrated that Thailand is moving towards an aid program on the DAC model. However, as is the case with many donor countries, Thailand's aid policies are not free from domestic constraints on following DAC principles.

##### 4.3.1 Domestic Factors

In Thailand, domestic and international influences on foreign aid are closely intertwined, making it difficult to extricate one from the other. Thailand shares borders with three poorer nations, Cambodia, Laos and Myanmar. Its relatively prominent status in Indo-China gives Thailand the status of regional power which in turn means that its foreign aid is likely to be influenced by regional politics and by its own domestic economy. Although hard evidence is difficult to obtain, it seems that Thai aid is still at the stage of government led initiative, with the National Economic and Social Development Board (NESDB), the Ministry of Finance, and the Ministry of Foreign Affairs playing key roles in identifying aid targets. Although there are regular aid packages in the form of technical assistance, most large scale loans for regional infrastructure seem to issue from negotiations among high ranking officials, and, since a major portion of the financing goes to roads, Thai construction companies may exert certain influence on aid decisions. These are elements to be verified in the next stage of research. Recent domestic political instability, however, seems to have dampened momentum for the more aggressive foreign engagement established in the early 2000s by the Thaksin administration.

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<sup>61</sup> The accumulated amount of Korean investment in Cambodia over 14 years is US\$ 2.75 billion; the second largest after China's US\$ 5.7 billion (*Yonhap News*, December 31, 2008).

<sup>62</sup> In 2006, the Korean government convened the Africa Forum, inviting African foreign ministers, the Korean Africa Economic Cooperation Conference (KOAFEC), and 15 African finance ministers (MOFAT 2008a, 24).

Thailand concentrates its foreign aid in the three neighbouring countries near their shared borders, which facilitates control over the flow of goods and people in and out of the country. While much of the unskilled labour in Thailand is provided by illegal immigrants from Cambodia and Myanmar who provide cheap labour for infrastructure building and other construction that supports Thai economic growth, the Thai government is concerned to manage this flow.

Despite a latent but growing awareness of human rights, the environment, and public health, Thai civil society has not yet concerned itself with the foreign aid issue. Our enquiries could identify no NGO or civil organisations involved in foreign aid, nor any scholars working specifically on this topic. Asked about the accountability of aid agencies, staff of the Thailand International Cooperation Agency (TICA) replied that on certain occasions, when the Foreign Affairs Minister gives a press conference, questions on ODA are raised.

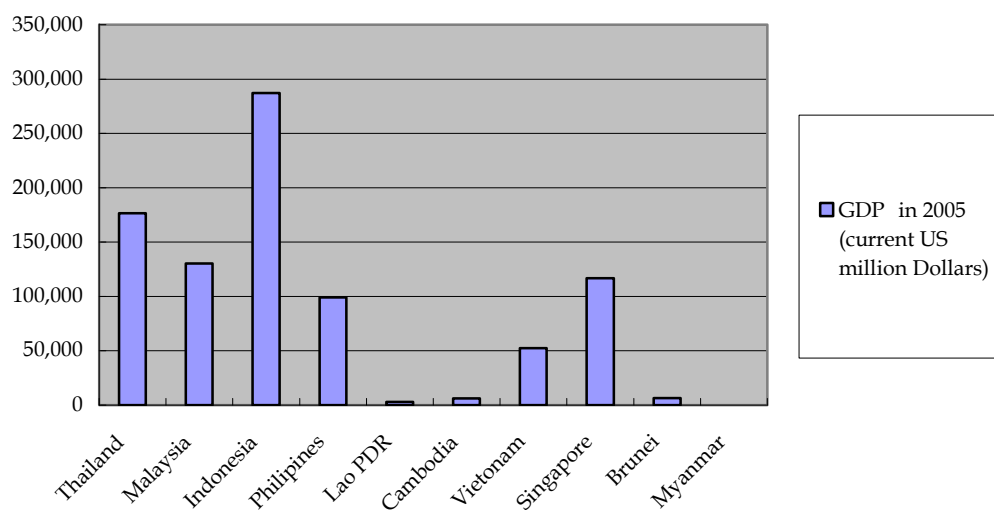
With Thailand having only recently abandoned aid recipient status, TICA is aware of the downside of receiving Western and Japanese aid. Its 2007 strategy paper stressed strengthening South-South Cooperation and promoting partnerships rather than reproducing donor-recipient relations as structured in the North-South aid paradigm. In an interview with the author, two practices in particular were highlighted as important to overcome: acceptance of expensive and often over-spec technological equipment; and imposition of donor-driven projects (interview with TICA official, March 18, 2009). TICA aims to provide assistance using locally adaptable technology in a context of locally-identified demand. Given the long history of political tensions in the region, sensitivity to local demands may be essential to the provision, acceptance and implementation of donor aid.

Increased inter-ministerial cooperation and decreased intra-governmental sectionalism are probably important conditions for the further maturation of Thai ODA in the direction of international standards. This process may be hampered, however, because currently the influential actors in Thai aid are limited to political elites. This was highlighted as a key obstacle in the 2007 aid strategy paper (TICA 2007, 20). Project information is now being collected by TICA from relevant ministries to compile a comprehensive picture; but there are no procedures for enforcing systematic reporting by agencies of their aid activities.

#### *4.3.2 International Factors*

As has been touched upon briefly, there are sound reasons for Thailand to take an active role in the region through foreign aid. The GDP of Thailand is more than 10 times that of its three immediate neighbours; Cambodia, Laos and Myanmar (see Figure 4-2 and 4-3).

**Figure 4-2.** Economic Inequalities in ASEAN Countries(current US million Dollars)

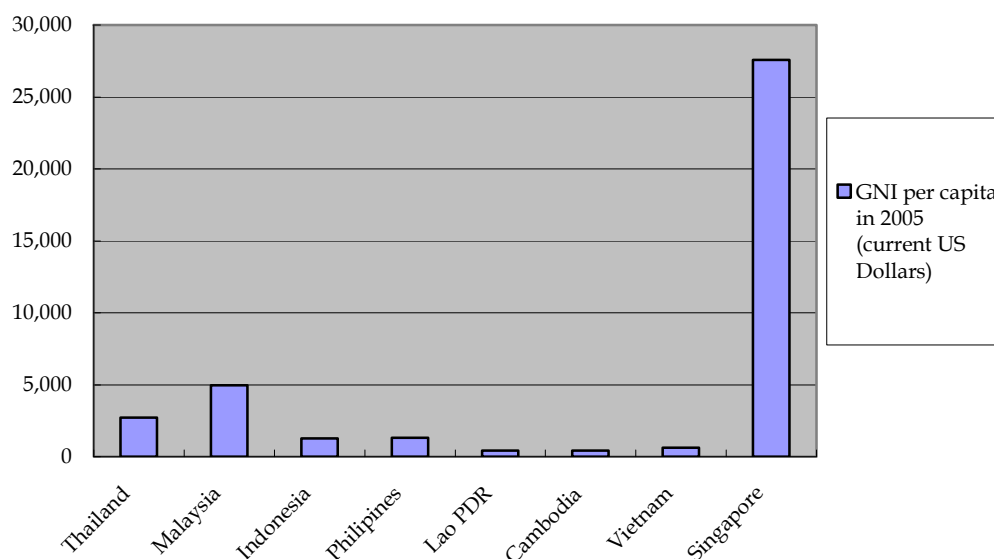


Source: World Bank (2006).

The gap in economic prosperity between Thailand and its neighbours generates an outflow of Thai capital and technology and an inflow of raw materials and labour. The gap is wide enough to generate undesirable flows in Thailand, including illegal immigration, drug smuggling, and diseases of various kinds. As of 2005, the official total of illegal immigrants in Thailand from the three neighbours exceeded seven million (Aoki 2009). This migration cannot be controlled unilaterally; thus, assistance to these neighbouring economies is warranted.

Thailand's eagerness to assume a leadership role in the region was particularly evident during the Thaksin administration, which began in 2003. This may have been heightened by the candidacy of then Foreign Minister Surakiat Sathirathai for the position of UN Secretary General. This policy accelerated after March 2004 when Thailand committed to giving assistance to three African countries (Egypt, Morocco and South Africa) through South-South Cooperation agreements. In 2005, Thailand became the first non-OECD member to draft an MDG report emphasising the importance of South-South Cooperation. During the current period of domestic political instability, there has yet been any indication of how strongly the Thai government will emphasise external aid policies. Furthermore, there have not yet been any discernable ODA-oriented civil society movements, which will be an essential if Thailand is to become a mature donor.

**Figure 4-3.** Per Capita Income Gaps in ASEAN Countries



Source: World Bank (2006).

#### 4.4 India

India is often described as an emerging donor, but in fact it is one of the oldest aid providers, even compared with traditional donors. India began its long history of aid-giving immediately after independence by providing bilateral assistance to neighbouring countries such as Bhutan, Burma and Nepal. It also joined the Colombo Plan in 1950, under which it began offering technical assistance to other developing countries.

Why and how did India, still clearly a developing country facing the urgent domestic tasks of tackling “poverty, ignorance, plague, inequality of opportunity,”<sup>63</sup> embark on foreign aid provision so soon after independence? Both domestic and international factors have gone to the formation and transformation of Indian aid patterns.

##### 4.4.1 Domestic Factors

Two domestic factors contributed prominently to the initial formation of the Indian aid pattern: political ideology and the resources that cash-poor India could offer to other countries. With regard to the former, incipient Indian aid was guided by Jawaharlal Nehru’s sense of India’s manifest destiny—the belief that India should and would play an active role in decolonisation and, as a leader of the Non-Aligned Movement, should promote political and

<sup>63</sup> Address by Jawaharlal Nehru titled “Tryst with destiny” given August 14, 1947, the day before India’s Independence.

economic independence in the Third World.<sup>64</sup> With regard to the latter, India had relatively abundant skilled human resources which had been nurtured by the country's unique historical role as a quasi-developed centre within the British colonial system that extended from Eastern Africa to South-East Asia.<sup>65</sup> This human resource endowment favoured technical assistance, and this was emphasised in Indian aid.

These two domestic factors were apparent in India's first multilateral aid involvement via the Colombo Plan, to the design of which India contributed as a charter member. The Colombo Plan originally envisaged an exchange of development experiences among member countries as equal partners by way of technical assistance—a precursor to India's South-South Cooperation aid pattern. The spirit of South-South Cooperation, together with the principles of “non-interference in internal affairs” and “equality and mutual benefit,” which were embedded in the Five Principles for Peace in 1954, have been enduring guiding principles of Indian aid to the present.

In the post-Nehru era (1964–1991), expecting to maintain its clout as a leader of the Non-Aligned Movement and the Third World, India continued to provide ideologically/politically motivated aid, mainly to African countries, to support their struggles against colonialism and apartheid.<sup>66</sup> To be sure, aid to African countries was intended also to promote Indian exports, but India's was an autarchic and closed economy in which exports were never considered an engine for economic growth and this was never an explicit policy.

The great turning point for India's South-South Cooperation aid pattern came when it faced an unprecedented shortage of foreign currency reserves at the time of the 1991 Gulf-Crisis/War. India embraced its New Economic Policy (NEP) in that same year—a set of policies for full economic liberalisation. Under NEP, India's domestic economy was revitalised by being opened to an increasingly globalising world economy. This marked a shift in diplomatic focus from ideological/political to economic. Furthermore, the end of the Cold War facilitated a reassessment by Indian government elites<sup>67</sup> of the country's rigid diplomacy, bound by now obsolete political ideologies such as non-alignment and anti-colonialism which had become barriers to change in alliances appropriate to the new era of pragmatism. Here, finally, Indian aid was given the opportunity to practice flexible and practical diplomacy with a heavy orientation toward national economic interests; although it was only in the 2000s that

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<sup>64</sup> Nehru's commitment to decolonization was such that he never tried to leverage India's aid for the purpose of inducing newly independent African countries to protect the economic vested interests of the Indian diaspora.

<sup>65</sup> India enjoyed a certain level of industrialisation at the beginning of the 20th Century and political autonomy after 1919. It provided both skilled and unskilled human resources required by British colonial rule in less-developed areas, such as eastern Africa, Burma and Malaya.

<sup>66</sup> For example, in 1986 Rajiv Gandhi advocated the establishment of an Action for Resisting Invasion, Colonialism and Apartheid (AFRICA) Fund to support the countries adjacent to the Republic of South Africa, and contributed 500 million Rupees, a considerable amount for India, as a single donation.

<sup>67</sup> The Indian aid policy community is apparently confined to political elites and bureaucrats.

India's aid architecture began to demonstrate overt and dynamic change.

Robust economic growth under the NEP and a resulting accumulation of foreign reserves enabled India to change its South-South Cooperation aid pattern in such a manner that emphasis shifted from technical assistance to concessional loans. However, the continued existence of a sizable impoverished population in India itself prevented the government from expanding aid expenditure in the budget, instead the growth in loans came via the EXIM Bank.

In contrast to its South-South Cooperation aid pattern, Indian aid to neighbouring countries constitutes a *distinct* aid pattern, wherein India's outright pursuit of its own national interest has been clear. The economic concept of promoting the development of neighbouring countries as integral parts of the Indian economy was important. This consideration was evident in assistance for a series of hydropower projects in Bhutan and Nepal that would help satisfy the demands of adjacent electricity-hungry Indian states (e.g., Bihar, West Bengal).<sup>68</sup> In contrast to the South-South Cooperation aid pattern, cash was abundantly used in the form of loans and grants for large-scale infrastructure.

Until recently India's aid policy making has been almost exclusively in the hands of the executive branch of the central government. This is despite the country's long record of vibrant democracy and a Constitution that vests the Parliament with exclusive power to legislate foreign affairs (Article 246) as well as prerogatives for controlling foreign policy by way of questions, motions and even suspension of budgetary appropriations to the MEA. In the Nehru era, his status as "philosopher, architect and sole spokesman of Indian foreign policy" was such that the MEA was trapped by a "leave it to *Panditji* syndrome" (Chaulia 2002). After the death of Nehru in 1964 the MEA came to dominate India's aid policy. Since the deployment of the NEP, however, and as aid has begun to be motivated by economic and commercial objectives MEA has increasingly been challenged by MoF and MoCI. Furthermore, Parliament is emerging as a challenger to the sole discretionary power of the Executive, a consequence of the end of the long-standing dominance of the Congress Party in 1998 and the intention of the newly powerful Bharatiya Janata Party (BJP) to radically change Indian foreign policy as traditionally managed.

#### 4.4.2 International Factors

India's aid to its neighbours has been directly and significantly affected by international factors. The geopolitical consideration of securing buffer states against China has been the most important factor. The first Indian-aided Nepali infrastructure projects, the construction of Kathmandu Airport and the Rajpath highway from Kathmandu to the Indian border undertaken in 1952, were actually for military purposes, in response to the threat posed to India by Chinese encroachment into Tibet in 1950. They were only secondarily development projects for the

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<sup>68</sup> Bhutan exports almost 80 percent of its electricity generation to India.

benefit of Nepal.<sup>69</sup>

The expansion and institutionalisation of Indian aid were again motivated by a perceived threat from China in the 1960s when the latter began a diplomatic offensive in the newly independent countries of Africa. India's dismay at the lack of African support for its position in the 1962 Sino-Indian border conflict led the government in 1964 to establish ITEC. This scheme, whose main component was technical assistance, can be described as institutionalisation of the South-South Cooperation aid pattern which had previously been implemented on an ad-hoc basis.

As previously noted, Indian aid policy now has a pragmatic character. India is increasingly aware that aid-provision in substantial quantities and of good quality is vital, not only for the country's reputation as a genuinely great power, but also for the successful pursuit of its economic interests. It is quite likely that the Indian government will continue to expand and improve its aid program, making India an ever more significant player in development assistance. At this juncture, whether India should yield to international pressure and cooperate with traditional donors is being actively debated. The pessimistic view seems to dominate (Agrawal 2007; Jobelius 2007), partly because the Indian government still has hopes of differentiating its aid activities from ODA.

There is evidence, however, that in spite of its long-held South-South Cooperation principles, Indian aid patterns are in fact changing. Its recent cooperation with the United States to facilitate the democratisation of Nepal is a telling transformation in two ways: First, the cooperation is in an area where India's Monroe Doctrine — the rejection of intervention by outside powers in India's neighbourhood — had long prevailed. Second, India, self-esteemed as the largest democracy in the world, but under the principle of non-interference never asking others to democratise, showed a readiness to demand where necessary that a recipient country adopt democratic reforms (Mohan 2007, 99). A readiness, even willingness, by India to cooperate with traditional donors also is discernable in Afghanistan, where India is rapidly strengthening aid and where it is willing to cooperate with Germany (Altenburg und Weikert 2006, 32).

Hence, it is necessary to watch closely for evidences of transformation in Indian aid and not be blinded by Indian espousal of the permanence of traditional aid patterns.

## **5. Feedback to Theory**

This section offers some brief feedback to theory based on empirical analysis of the diverse aid patterns of the four emerging donors considered in this paper. It returns to a more conceptual level so that some of the factors reviewed in Section Two can be critically examined

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<sup>69</sup> These two projects were constructed by India's Corps of Army Engineers and were under the exclusive control of the Indian military for several years (Mihaly 1965).

to determine if they are applicable to the emerging donors. This section suggests that some of the factors are indeed applicable although the actual meanings of factors in the context of the emerging donors may be different from the traditional ones. Furthermore, the extant aid analysis literature does not sufficiently take into account potential elements and factors unique to emerging donors, such as donor identity in the international community (the non-aligned movement and relations with neighbours) and experiences of aid acceptance and development (emerging donor-specific path-dependence and experiences as recipients). The discussion in this section is summarised in Tables 5-1 and 5-2.

## 5.1 What Elements Create Diversity of Aid Patterns in Asia's Emerging Donors?

### 5.1.1 *Diversity of Aid Patterns in Asia's Emerging Donors*

The aid of the four emerging donors is diverse, and each has transformed its own aid pattern. The Chinese aid pattern originally was the regional superpower model, providing aid as an international public good to protect its status as a political superpower or hegemon in the Third World. It is now being converted to a commercialist model which sees aid as the donor's "vanguard of trade and investment." Indian aid has similarities with the Chinese. Indian aid originated as South-South Cooperation, a translation of the political ideology of the Non-Aligned Movement. India generally preferred the horizontal co-operation of the non-aligned South, or Third World, with an exception for vertical aid to its neighbours. But since the 1991 Gulf War, it has been shifting toward commercialism.

Unlike China and India, South Korea has followed the Japanese model. Korean aid started with commercialism which gives weight to the donor's economic interests; but more recently, from the late-1990s, it has mixed traditional commercialism with humanitarianism and universalism. The mainstream group within the Korean government believes that this is the global trend with which it wishes to comply. Compliance with a global trend can be seen also in Thai aid. That Thai aid, while pursuing South-South cooperation, implicitly aims for the DAC style is revealed by its purpose of eventually achieving DAC membership.

### 5.1.2 *Traditional Elements for Diversity of Aid Patterns*

The conventional literature often pays attention to the quantitative elements of donor aid, such as volume and geographic distribution. However, these quantitative elements seem ill-suited for analysis of aid from emerging donors because attending primarily to aid volume limits consideration of diversity in purpose and donor characteristics. Furthermore, if quantitative volume is the focus, then emerging donor aid should be unreservedly welcomed by the traditional donor community because it adds to the quantity of available aid resources. In reality, however, emerging donors are often regarded as harmful because of the qualitative aspects of their aid.



Qualitative elements of aid can be broken down into three: (1) aid purposes, strategies and policies, (2) aid activities and performances, and (3) aid institutions. To what extent can these three elements, which have been extracted from traditional donor analysis, be applied to analysis of emerging donors?

*Aid Purposes, Strategies, and Policies*

As Potter (2008, 23) indicates, the aid purposes of any given donor country are a mix of politico-economic egoism and humanitarian altruism. While DAC aid is often assumed to be a purely development-oriented altruistic model, he adds that Asian emerging donors tend to pay more attention to the donor's own national goals (Potter 2008, 23). The empirical analysis in this paper confirms that this is the case.

**Table 5-1. Factors that Form and Transform Aid Patterns**

	DAC Standard (Idealtypes)	China		South Korea		Thailand	India	
		1950s–1990s	2000–	1960s–1990s	1990s–		1950s–1990s	2000–
<b>- Identity</b>								
<i>*Identity in International Community</i>	Responsible Actors for Global Issues	Regional Superpower	Regional Superpower	Middle Power	Middle Power	Middle Power	Regional Superpower	Regional Superpower
<b>- Ideologies and Values</b>								
<i>Ideological Orientation</i>	Solidaristic	Ideological	Pragmatic	Pragmatic	Pragmatic	Pragmatic	Ideological	Pragmatic
<i>Other Orientation</i>	Normative, Humanitarian	-	-	Developmental	Humanitarian	-	-	-
<b>- Influential Actors</b>								
<i>Coalition</i>	Elites and Civil Society	Political Elites	Political Elites	Political and Business Elites	Political Elites and NGOs	Political Elites	Political Elites	Political Elites
<i>Orientation</i>	Progressive	Conservative	Conservative	Conservative	Progressive	Conservative	Conservative	Conservative
<b>- Domestic Economy</b>								
<i>Fiscal Constraint</i>	-	○	○	○	○	○	○	○
<b>- International Political Context and Diplomatic Strategies</b>								
<i>Cold War</i>		○	-	○	-	-	○	-
<i>*Non-Alignment Movement</i>	-	Non-Aligned Movement	-	-	-	-	Non-Aligned Movement	-
<i>Geopolitical Consideration</i>	-	-	○	-	○	○	-	○
<i>*Neighbours</i>	-	Taiwan Issue	Taiwan Issue	North-South Competition	Assistance to the North	Gap with the Neighbours	Gap with the Neighbours	Gap with the Neighbours
<i>Bilateral Economic Relations</i>	-	-	○	○	○	○	-	○
<i>Other Diplomatic Consideration</i>	-	-	-	-	DAC Membership	Regional Leadership/ DAC Membership	-	-
<b>- International Pressure</b>								
<i>Competition and Criticism</i>	-	-	○	-	○	-	○	○
<b>- Degree of Economic Interdependence</b>								
<i>Trade-Dependence</i>	-	low	high	high	high	high	low	high
<b>- Experiences of Aid Acceptance and Development</b>								
<i>*Path-Dependence</i>	-	-	○	○	○	○	-	○
<i>*Recipient Experiences</i>	-	○	○	○	○	○	○	○

Note: \* Refers to emerging donor-specific or newly focused factors.

Source: Drawn by authors.

**Table 5-2. Elements that Compose Aid Patterns**

	DAC Standard (Idealtype)	China		South Korea		Thailand	India	
		1950s– 1990s	2000–	1960s– 1990s	1990s–		1950s– 1990s	2000–
<b>- Aid Patterns</b>								
<i>Regional Superpower</i>	-	○	-	-	-	-	○	-
<i>Commercialism</i>	-	-	○	○	○	-	-	○
<i>Humanitarianism / Universalism</i>	○	-	-	-	○	○	-	-
<i>South-South Co-operation</i>	-	-	-	-	-	○	○	○
<b>- Aid Purposes, Strategies, and Policies</b>								
<i>Economic</i>	-	-	○	○	○	○	-	○
<i>Political</i>	-	○ (Non-Aligned/ One China)	○ (One China)	-	○ (DAC)	○ (Stabilisation of the neighbour/ DAC)	○ (Non-Aligned)	○ (Stabilisation of the neighbour)
<b>- Aid Activities and Performances</b>								
<i>Major Scheme</i>	Grant	Grant	Loan	Grant/ Loan	Grant/ Loan	Grant/ Loan	Grant	Loan
<i>Sectors</i>	Social	Economic	Economic	Economic	Economic/ Social	Economic	Economic	Economic
<i>Targets</i>	Poorer Countries	Non-Aligned countries	Asia/ Africa	Asia	Asia/ Africa	Neighbour	Non-Aligned countries	Neighbour/ Africa
<i>Political Orientation</i>	Apolitical	Political	Apolitical	Apolitical	Apolitical	Apolitical	Political	Apolitical
<i>Tied</i>	×	○	○	○	○	○	○	○
<i>*Speed</i>	Slow	Speedy	Speedy	Speedy	Speedy	Speedy	?	Slow
<i>*Flexibility</i>	Low	High	High	High	High	High	?	High
<i>*Project Cost</i>	High	Low	Low	Low	Low	Low	Low	Low
<i>*Harmonisation</i>	High	Low	Low	Low	High	Medium	Low	Low
<b>- Aid Institutions</b>								
<i>Organisation</i>	Consolidated	Plural	Plural	Plural	Plural	Plural	Plural	Plural

Note: \* Refers to emerging donor-specific or newly focused elements.

Source: Drawn by authors.

A predominant purpose of Chinese aid has been to promote Chinese political interests by consolidating its status as a leader among non-aligned countries and by reinforcing its One China Policy. Recently, in conjunction with the Open Door Policy, Chinese aid has been redefined as an instrument to achieve the donor's economic interests and further its economic development; but as a political element, the One China Policy is still significant.

Economic interests have consistently been a focus for South Korean aid, while political interest in gaining international recognition as the sole legitimate government on the Korean Peninsula has played a minor role. Korean aid also included an alternative political agenda: to gain DAC membership.

Thai aid has consistently reflected its political and economic interests in neighbouring countries. Due to problems related to the huge economic gap between Thailand and its neighbours (e.g., illegal immigration and crime), as well as to historic border tensions, stable relationships with the neighbours has been one of the primary purposes of Thai aid.

The Indian aid pattern has similarities with both the Chinese and the Thai. India and China, sharing regional superpower status in the non-aligned Third World, proactively offered aid during the Cold War. Indian aid, like Thai aid, was allocated to stabilize relationships with neighbouring countries. Yet the primary purpose of Indian aid has now shifted to economic factors, and India is seeking to deepen its relationships with African and Asian countries through economic interaction.

#### *Aid Activities and Performances*

The ideal type of DAC aid provides apolitical untied grants for social sectors to help the poor in the poorer countries. What is notable about the current aid purposes of the emerging donors, however, is the prominence of economic interests. This prominence is reflected in their aid activities and performances. China and India focused during the Cold War on political interests, providing grant aid to assist non-aligned countries.<sup>71</sup> Now they utilise soft/commercial loan schemes to support the infrastructure sectors of economically important Asian and African developing countries. Aid is crucial to them for ensuring accessible markets and resources, and for the promotion of foreign investment that is necessary if their domestic companies are to sustain their remarkable economic trajectories.

South Korea and Thailand have mixed grant aid and loan schemes for economic infrastructure sectors. South Korea allocates its aid widely to Asian trading partners, while Thailand distributes its aid more narrowly to neighbouring countries.

In short, the aid activities of emerging donors, unlike the DAC aid ideal, can be

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<sup>71</sup> The aid of traditional donors has a political agenda of governance reform, democratisation and human rights promotion. Although the aid of emerging donors also has had political intent, such as the solidarity of the Third World, their aid has more recently become apolitical. This is in part the reason why some emerging donors offer aid to rogue states.

characterised by their strong emphasis on assistance to economic infrastructure – allegedly for economic growth – primarily in Asian and African countries. China, South Korea and India emphasise achievement of mutually beneficial economic relationships through aid. Since the trend of aid strategy within the bilateral traditional donor community has lessened the role of project financing for economic infrastructure, the continued relative emphasis on economic sectors of the emerging donors is appreciated by the recipient countries.<sup>72</sup>

### *5.1.3 Missing Elements for Diversity of Aid Patterns*

Although several elements suggested in the existing literature are useful for characterising some features of the aid patterns of emerging donors, there are several elements missing or ignored. Sato et al. (2010) argue that the uniqueness of the aid provided by emerging donors inheres in the following operational elements: (1) speed of decision-making and implementation; (2) flexibility in aid provision; (3) reasonableness of project cost; and (4) attitudes toward harmonisation. Most of these elements have not been well discussed, nor are they totally new to the emerging donors. But the Asian emerging donors, which often offer very speedy, flexible and inexpensive aid, have contributed to a highlighting of these elements.<sup>73</sup> This paper presents below brief summaries of the points made by Sato et al. (2010). This paper also further suggests adding a fourth feature, attitudes toward harmonisation, to the distinctive elements of emerging donors' aid patterns.

Firstly, speed matters: While the traditional donors carefully put great emphasis on transparency and fairness in the aid process, the emerging donors are often less sensitive to domestic and international pressures. The aid patterns of China, South Korea and Thailand are characterized by speedy decisions and implementation.<sup>74</sup>

Secondly, flexibility matters, too: As long as the aid effectiveness drive is oriented toward standardising and coordinating various aid procedures and purposes into convergent styles, its ironic corollary is a loss of flexibility in aid provision. Woods (2008, 1220–1) argues that the harmonisation of traditional forms of aid from the 1980s failed to satisfy the aid needs of developing countries, but the unharmonised aid of the emerging donors has the flexibility and responsiveness to tailor aid to local needs.<sup>75</sup>

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<sup>72</sup> The interview with the Ministry of Planning and Investment (MPI) of the Vietnamese government (March 31, 2007) illustrates this point.

<sup>73</sup> Consequently, aid by traditional donors is viewed as slow, rigid and expensive. Yet, it would be too naïve to view positively only aid by the emerging donors since their speedy, flexible and inexpensive aid might be careless, inconsistent, and poor quality.

<sup>74</sup> The interview with Indonesia's development agency Badan Perencanaan dan Pembangunan Nasional (BAPPENAS) (March 22, 2007) also testifies to the speedy policy process of Korean aid. It can be speedy because Korean aid is largely tied, saving time compared to internationally open competitive bidding.

<sup>75</sup> Usually the flexibility of emerging donors is evident in their comprehensive “trinity” packages of aid, trade and investment, which are in high demand by recipients. With their highly flexible response to local needs, emerging donors can demonstrate respect for recipient ownership more easily than can traditional donors.

Thirdly, low project cost: This is also a major characteristic of the aid patterns of emerging donors. Their aid can provide inexpensive aid projects with user-friendly specifications. This is in contrast to the expensive projects with excessively advanced specifications of DAC members. For most emerging donors, the construction sector has a particularly high comparative advantage in cost-performance. It is thus logical that these donors regard infrastructure construction as their priority.<sup>76</sup>

Fourthly, attitudes towards harmonisation: Emerging donor enthusiasm for harmonisation initiatives tend to be low when compared with that of DAC members. This may be because emerging donors find little incentive to commit to the aid effectiveness drive. They fear the imposition of burdens and constraints on their aid policies. In particular, regional superpowers more than middle powers tend to stick with their own aid policies and institutions, resisting international pressure to harmonise.

It would be certainly reasonable to expect that these unique elements of aid patterns of the four emerging donors are the matter of dynamic changes in future. As aid-giving activities of the emerging donors are more systematised and professionalised as already seen particularly in South Korea, the elements of their aid patterns might be converged in those of patterns preferred by DAC. For instance, the emerging donors might share the similarities in aid systems, aid modalities, and aid strategies and project cycles of with other traditional donors in future. Nonetheless, the attitudes and sensitivity to DAC guidelines and norms vary amount the emerging donors since they may also be influenced by different identities of the emerging donors, as discussed below.

## 5.2 What Factors Form and Transform Aid Patterns in Asia's Emerging Donors?

How are the aid patterns of emerging donors formed and transformed? This section not only examines factors which are mentioned in the existing literature, but also proposes possible factors not yet in the literature. In this paper, political factors are especially emphasised, though economic factors which may influence politics are kept in mind.

### 5.2.1 Traditional Factors

This paper examines here selected key domestic factors (ideologies and values, influential actors, and domestic economy), and major international factors (international/regional political context, diplomatic strategies, international pressure, and trade-dependence).

#### *Domestic Factors: Ideologies and Values*

Ideologies and values, prevalent among influential political actors, have substantial

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<sup>76</sup> Of course, emerging donor priority on infrastructure is due also to their own economic interests in supporting their own domestic industries.

impact on the formulation and transformation of aid patterns. In the universalised model of DAC aid, solidaristic, normative and humanitarian ideologies may be assumed. Aid patterns in the emerging donors are created by more diverse ideologies and values. South Korea and Thailand have taken a relatively apolitical approach to aid provision from the very beginning. However, excessively politicised ideology and values were major elements in the initial aid patterns of both China and India, becoming rather apolitical only after 2000. While political considerations certainly figure in the motivations of each of these emerging donors, their aid projects now are based on an apolitical and technical view of economic development.<sup>77</sup> The underlying values are pragmatism, not liberalism or social democracy.<sup>78</sup>

China and India, for example, reject political and economic conditionality as well as interference in the domestic affairs of recipients, although they make some exceptions. Despite its pride as the world's largest democracy, India has been loyal to the principle of non-interference, refusing to demand that its recipients democratise. South Korea implicitly excludes a political approach to governance, choosing instead to build the administrative and technocratic capacity of bureaucrats.

#### *Domestic Factors: Influential Actors*

Influential actors may have a decisive impact on the choice of aid pattern. Generally speaking, unlike the more active participation of the progressive non-government actors preferred by DAC, actors able to influence aid policy in the emerging donors are narrowly limited to only a handful of political leaders, high-ranking aid administrators and key business people; while the roles of lawmakers and civil society are minor. Public opinion in the emerging donors is often too indifferent and/or too powerless to have any impact on aid policies.<sup>79</sup> Thai aid, which became aggressive under the Thaksin administration; illustrates the decisive importance of leadership in the transformation of aid approaches.

The aid policy community in the emerging donors, therefore, is generally small in size and closed in nature. But this does not mean that in those countries this community is stable over time. The case of South Korea interestingly suggests that aid pattern choice cannot be dictated by influential elite actors alone; rather, change in the relative balance of actors will

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<sup>77</sup> However their predominant views of economic development require further in-depth research to clarify whether economic development results for both aid recipients and donors. Critics even point out that economic development through aid is beneficial only and unilaterally to donors.

<sup>78</sup> The dominant value underling aid projects by emerging donors may well be pragmatism, which is embedded in political and diplomatic considerations. With respect to Korea, the traditional political value of its aid is developmentalism which was built from a strong orientation and pragmatic approach to economic development. Yet Korean political values now seem to be shifting toward universalism and humanitarianism.

<sup>79</sup> Indifferent and powerless people might be an intended outcome of low transparency. However, ironically, the practicability of Chinese aid may be improved by its low transparency. If it were transparent to the Chinese people, the government might find difficulty in dealing with public opinion which is sensitive to an enormous domestic wealth gap.

produce a new coalition.<sup>80</sup> This dynamism has the potential to induce change in the South Korean aid pattern. In fact, President Roh Moo-hyun, with his progressive ideology, rebuilt the traditional commercialist aid policy coalition comprised of conservative political leaders, MOSF-EDCF, and business people into to a humanitarian policy coalition comprised of reformist political leaders, MOFAT-KOICA, and civil society groups/NGOs.<sup>81</sup> The new relative balance of power in the coalition proved sufficient to produce a new humanitarian aid pattern in South Korea.

*Domestic Factors: Domestic Economy*

All four emerging donors have faced financial constraints. The costly hegemonic regional superpower aid pattern of China and India was particularly constrained during the Cold War era. Limited economic capacity in China and India may be one explanation for their failure at that time to sustain a costly regional superpower aid pattern. According to one Chinese bureaucrat, even with its current aid, China prefers to use loan schemes since loans allow a higher volume of aid through reflow (interview with Chinese bureaucrat, February 19, 2009). In South Korea, which is expected by DAC to rapidly expand its aid volume, tight fiscal conditions still will permit only gradual expansion.

*International Factors: International Political Context and Diplomatic Strategies*

The broader international political context has played a substantial role in aid pattern formation in China and India. During the Cold War, the Non-Aligned Movement and the pursuit of solidarity among non-aligned countries had great influence in defining the self-identities of donors in the international community and their diplomatic strategies. As discussed below, as regional superpowers of the South, both China and India responded to these international contexts throughout the Cold War era as incentives to improve their bargaining position in the international community. The end of the Cold War and the subsequent shrinkage of the Non-Aligned Movement lessened the significance for aid policies of this contextual background.

There are also geopolitical considerations. Recently China and South Korea have actively provided aid to Indian Ocean countries for their sea-lane defence. India attends to aid for Bhutan, Myanmar and Nepal as part of its strategy to counter China. Narrower purposes concerning regional tensions with neighbours also have been significant in determining aid form. To give several examples, China continues its aid competition with Taiwan; South Korea

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<sup>80</sup> This idea is hinted at in the analysis of democratic regime change by Rueschmeyer et al. (1992).

<sup>81</sup> In addition to the policy coalition, it matters whether aid institutions have a centralised well-functioning coordination capacity. In reality, the aid institutions of the emerging donors are generally fragmented. This fragmentation may be negative when combined with inter-ministerial sectionalism. Weak coordination capacity is one of the reasons why South Korea, despite coalition change, still pursues traditional economic interests.



shifted its approach to North Korea from diplomatic competition to an assistance mode,<sup>82</sup> and Thailand and India are engaged in aid as regional leaders to stabilise their neighbouring countries.

The emerging donors are generally surrounded by and share borders with economically less developed and politically more unstable countries. This situation, which is not faced by traditional donors, is a major factor informing their aid behaviour, impelling them to direct aid at regional stabilisation. All four emerging donors are adjacent to relatively poor and unstable countries: China borders Laos, Myanmar and Vietnam; South Korea borders North Korea; Thailand borders Cambodia, Laos and Myanmar; and, India borders Bhutan, Myanmar and Nepal. The geopolitical and geoeconomic circumstances both promote and constrain the aid activities of the emerging donors; for example, they often allocate relatively large amounts of aid to economic sectors such as road construction. Through their assistance to economic sectors, the emerging donors strategically intend the stabilisation of their borders, the prevention of illegal immigration, an increase in their influence over their neighbours, and improved active cross-border trade. This strategic geopolitical and geoeconomic environment is unique to them.

#### *International Factors: International Pressure*

The literature on international relations often deals with the interplay between international pressure and domestic response. However, as is assumed in comparative politics, sensitivity to international pressure varies among countries.

South Korea appears to be more vulnerable to international pressure to modify its aid behaviours than are China and India. South Korea boosted its aid activities and institutions in the 1980s due to international criticism of the enormous Korean trade surplus, and under the Roh Moo-hyun Presidency Korea undertook aid reform to satisfy explicit and implicit requirements of DAC.

There is another type of international pressure: peer (adversary) pressure. Rivalry can drive aid competition. China, India and South Korea, for example, are actively engaged in aid programs for Southeast Asia and Africa due to Sino-Korean, Sino-Taiwanese, and Sino-Indian rivalry. China competes with Taiwan through its aid to Oceania, Africa and Latin America. China also competes with Japan for Africa.<sup>83</sup> For resourceless and trade-dependent Korea, the securing of export markets and natural resources is crucial. If South Korea is faced with severe export competition and fierce resource diplomacy from other countries, it might be compelled to increase the commercialist considerations of its aid.

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<sup>82</sup> South Korea prioritises aid to the Philippines since North Korean refugees often flow to such third countries. In order to smoothly transfer them to the South, the Korean government maintains a good bilateral relationship with the Philippines.

<sup>83</sup> China promotes its aid to Africa in its Forum on China-Africa Cooperation (FOCAC); Japan uses the Tokyo International Conference on African Development (TICAD).

### *International Factors: Degree of Economic Interdependence*

During the Cold War, China pursued a policy of self-reliance as the dependency school recommended. This isolationist approach to the international economy rendered the economic consideration of Chinese aid negligible. However economic liberalisation from 1978 in China and from the early 1990s in India transformed their aid patterns into ones that were more economy-driven. In so doing, the largest superpowers of the Third World effectively shifted to economic liberalisation and deepening economic interdependence, to the utilisation of aid as “the vanguard of trade and investment.”

In the case of South Korea, which traditionally has been embedded in economic interdependence, aid has been used to improve recipients’ economic infrastructure for the promotion of Korean business investment. South Korea is characterised by high trade-dependence, poor natural resource endowment, relative weakness in industrial competitiveness, and middle power status which attaches higher value to the economic than to the military approach. These characteristics tend to foster an institutional inertia, so that commercialism has survived even during preparation for DAC membership.

#### *5.2.2 Missing Factors*

It is not yet possible to explain fully the formation and transformation of the emerging donors’ aid patterns. Additional emerging donor-specific factors must be found. This paper suggests two: (1) emerging donor’s identity in the international/regional community and (2) experiences of aid acceptance and development.

#### *Identity in the International and Regional Community*

From a constructivist perspective, Lumsdaine (1993, 3) argues that an aid pattern has been shaped according to the norms and values<sup>84</sup> that imbue the assistance provided by developed countries to developing countries.<sup>85</sup> That is, interests, power and behaviours of aid are constructed by factors such as norms and values which are internalised by donors. The emerging donors share some of the norms and values of the traditional donors, and these promote their aid-giving behaviours; nonetheless the substance of the emerging donors’ norms and values seem to be unique. This suggests that an additional motivation for engagement in aid

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<sup>84</sup> For example, DAC members may have a norm which calls on them to be responsible and active actors for global issues, such as poverty in developing countries.

<sup>85</sup> Lancaster (2007, 3–4) classifies four ways of understanding why donors allocate precious domestic resources to the welfare of people of other countries. Firstly, realists understand aid as a diplomatic tool for donor survival in an anarchic world. According to this explanation, aid for anti-communism and anti-terrorism is justified and recipient interests are largely ignored. Secondly, Marxists understand aid as the capitalist centre’s tool for domination over the periphery. In this view, centres and peripheries are integrated into one capitalist production system through tied aid. Thirdly, liberal internationalists regard aid as a tool for addressing problems caused by a mutually interdependent and globalised world. Aid functions as an international common good. The fourth way of understanding is that of constructivism, as explained in the main text.

activities by the emerging donors is their identity in international and regional communities.

The emerging donors' identities within international and regional communities crucially distinguish not only their aid strategies but also their attitudes toward commitment to the issues of those communities. It seems reasonable that the identity factor is a fundamental driving force defining the donors' aid purposes, strategies and policies. Superpower identity is not bestowed; it is a by-product of how the country perceives itself. This means that the sheer size of a country does not insure that in its aid program it will pursue a regional superpower role. If a country considers itself to be an active superpower and opts to establish international or regional regimes through some initiatives, aid would be one of its important instruments. But if a country identifies itself as a middle power, lacking the will to create alternative international regimes, it may choose to join with the established regime and build a partnership with other middle powers.

China and India have embraced superpower identity, or hegemony, in the Third World. India believes that it must play an active role in Third World issues as leader of the non-aligned countries. As realists, regional superpowers employ both hard and soft power to build regional and international order under their initiatives. This applies to China as well as to India. But the cases of the two donors also illustrate that the superpower identity of is a not sufficient condition for sustaining a regional superpower pattern of aid unless donors are endowed with capacity and resource sufficient for their costly patterns.

South Korea identifies itself as a middle power, reliant not on hard power but on soft economic power. South Korean leaders perceived that their country lacks the option of raising its status through hard power. To legitimize its aid policy, it is obliged to comply with global trends and international aid regimes.

Thai aid is motivated by Thailand's self-definition as a regional superpower. It is powerful within the ASEAN region. But Thailand's status overall in the international community is quite mid-level. One consequence of this is that its aid activities are unbalanced, very active toward neighbouring countries but invisible outside the region.

The emerging donors' identity in the international community might also affect the sustainability of their aid patterns. The superpower identity of China and India seems to facilitate advocacy of the uniqueness and independence of their aid patterns, while middle power South Korea is more sensitive to international criticism of its policies. Identity in the international community can be translated into the mode adopted by emerging donors to legitimize their aid patterns. The power of hegemons makes them resistant to criticism of differences in their aid patterns from DAC norms, but middle power countries are less resistant and more sensitive to the same pressure, leading them to legitimize their aid patterns by incorporating and harmonising with DAC.

### *Experiences of Aid Acceptance and Development*

Aid patterns also have their origins in the donor's own aid-reception and development experience, or emerging donor-specific path-dependence.<sup>86</sup> All four emerging donors, unlike traditional donors, have had the experiences of until very recently being both recipients and donors. This experience differentiates the emerging donor perspective from that of the traditional donor and is reflected in their aid patterns. They have translated their experiences into their own pragmatic image of aid, creating emerging donor-specific path-dependence.<sup>87</sup> For instance, official Korean publications state that the Korean development experience is reflected in Korean aid. Although Korean aid is now pledged to focus on the MDGs, its approach is actually focused on economic-growth, a reflection of its own development experience.

Emerging donor-specific path-dependence is evident in institutional inertia, too. In Korea, serious bureaucratic infighting and failed inter-ministerial coordination has favoured the traditional aid patterns which has inconsistently dual purposes: While MOSF-EDCF advocates economic interests, MOFAT-KOICA advocates diplomatic and humanitarian considerations. Public opinion also is constrained by inertia and by conservative views which accept that aid should further the economic interests of the donor.

### **Conclusion**

In this paper the diversity of aid patterns of four emerging donors — China, South Korea, Thailand and India — and their formation and transformation have been analysed in a comparative manner.

The emerging donors are receiving considerable attention, being viewed with caution in the international donor community and regarded as challengers to the established international aid regime embodied by DAC. But there also are positive views that focus on the contributions of emerging donors to recipient countries' economic development. These contrasting observations result from an insufficiency of available information. To understand the reality of the emerging donor situation, this paper considered research questions, as noted in Section One:

1. What are the characteristics and elements of emerging donor aid patterns?
2. What factors particularly determine the formation and transformation of the different aid patterns of these emerging donors? What factors are peculiar to the formation of emerging donor aid compared with traditional aid?
3. To what extent does the conventional literature on traditional donors successfully

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<sup>86</sup> Path-dependence may not be limited only to the donor's experience. China and South Korea have learned development policy and aid policy from the Japanese experience. In this sense, the emerging donors may be dependent on the path of their forerunners.

<sup>87</sup> The high demand for useful aid from emerging donors is well demonstrated by Sato et al. (2010).

explain the behaviour of emerging donors? Are there any limitations that apply to analysis of the emerging donor aid programs?

*The first question* asks how emerging donors can be characterised qualitatively among several patterns. As analysed rather roughly in Section Three, this paper explains the characteristics of the divergent aid patterns of emerging donors as follows.

1. Chinese aid: The purposes of Chinese external assistance have shifted from the overtly political and ideological (e.g., Taiwan issue and Non-Aligned Movement) to commercialist. Therefore, current Chinese aid is highly tied to Chinese SOEs.
2. Korean aid: The Korean aid pattern was heavily based on commercialism until the 1990s. Its aid was tied to Korean business interests and concentrated on Asian trade partners. But under the Roh Moo-hyun regime, the aid pattern came to incorporate more universal and humanitarian considerations by advocating the MDGs and DAC membership. As a result, the Korean aid pattern has dual aspects: traditional commercialist and universal humanitarianism. Thus, it is a hybrid aid pattern similar to that of Japan from the 1980s.
3. Thai aid: Thailand, surrounded by economically poorer and politically unstable countries, has maintained its keen interest in aid for the stabilisation of neighbouring countries. Its aid has thus been allocated mainly to the economic sectors of its neighbours.
4. Indian aid: Indian aid shares similarities with the Chinese. Acknowledging its status as a leader of the Non-Aligned Movement in the Cold War, India proclaimed its commitment to South-South Cooperation while it also considered the stability of its relationships with its neighbouring countries. With the end of the Cold War, it transformed its aid pattern into a commercialist one.

Yet statically depicting their aid patterns is just one part of the emerging donor picture. Suggesting diverse aid patterns raises a *second question*: why and how were the diverse emerging donor aid patterns formed and transformed? In Section Four, the formation and transformation of these aid patterns was investigated as follows:

1. Chinese aid: The current Chinese aid pattern was created primarily through a deepening of economic interdependence, and by diplomatic competition with Taiwan.
2. Korean aid: The South Korean aid pattern was formed and transformed by the prevailing political values of developmentalism and pragmatism, with the recent addition of universal humanitarian values. The shift to a humanitarian emphasis is

explained by a change in the relative power balance of actors, from the conservative to the progressive. The retention of commercialist considerations in South Korea's aid might be due to its path-dependence and high trade-dependence. In addition, the country's middle power status in the international community makes it sensitive to competition with other donors such as China, and to international pressure from DAC.

3. Thai aid: The characteristics of Thai aid were informed by the economic gap between Thailand and its neighbouring countries, by Thai strategies toward the Indo-China region, and by its compliance with DAC.
4. Indian aid: The creation of the Indian aid pattern was politically and ideologically motivated by its involvement with the Non-Aligned Movement during the Cold War and by economic consideration from the 1990s. At the same time, it was consistently influenced by regional strategies, namely stabilisation of neighbouring countries.

With empirical findings as a reference, a *third question* invites a feedback to theory, asking how the literature on traditional donors interprets the aid patterns of emerging donors. As indicated in Section Two, the conventional literature generally suggests quantitative aid volume or qualitative elements of the aid patterns. However, with reference to emerging donors, the present paper argues that it is not the quantitative aid volume but rather the qualitative elements on which the argument should be focused because the increasing attention to the emerging donors is related to their qualitative deviation from DAC aid practices rather than to their quantitative aid volume.

To grasp diverse aid patterns, this paper focuses on the key elements: (1) aid purposes, strategies and policies, (2) aid activities and performances, and (3) aid institutions. It also emphasises that aid purposes are usually plural, such that the relative balance in each donor varies. These elements successfully differentiate among the emerging donors. The aid patterns of China and India have shifted their regional superpower models toward the commercialist, while the aid patterns of South Korea and Thailand are gradually incorporating universalism. But the analysis also argues that several elements are missing, namely (1) speed, (2) flexibility, (3) project cost, and (4) attitude toward harmonisation.

Also in Section Two, the literature review covers the factors which form the emerging donor aid patterns. The domestic factors selected as aid determinants are dominant political ideologies and institutionalised political values, influential actors, and domestic economy; and the international factors selected are international political context and diplomatic strategies, international pressure, and the international economy. In particular, the relative power balance of actors and their inter-actor coalitions are understood to be reflected in aid purposes. In the context of the formation and transformation of the emerging donors, it postulates that the emerging donors generally share pragmatism as a prevailing value in their development

assistance. Influential actors, limited basically to political elites, can have a decisive impact on the eventual choice of aid patterns, so changes in aid policy actor coalitions may produce changes in the aid patterns. The emerging donors also may face serious fiscal constraints to the expansion of aid volume.

International factors can have multifaceted influences on the formulation and transformation of aid patterns. Broad international political context played critical roles in the formation of aid patterns in China and India during the Cold War; but more recently, diplomatic strategies targeting specific regions or neighbours have become more significant. This paper thus emphasises that since the emerging donors are often surrounded by economically poorer and politically unstable countries, they generally pay more attention to their neighbour countries. Furthermore, some emerging donors with middle power status may be sensitive to international pressure from the established donor community while all donors are responsive to donor-rivalry pressures.

In particular, if the emerging donors are economically interdependent on other influential countries, the economic considerations in their own aid may increase. This analysis also includes emerging donor-specific factors, such as (1) emerging donor identity in the international community, and (2) emerging donor-specific path-dependence.

This paper has empirically contributed to revealing that the Asian emerging donors are as diverse as the traditional donors. It has also established that this diversity is a product of the different combinations of factors which influence emerging donor aid in contradistinction to those of the traditional donors. Emerging donor aid patterns might be even more diverse, as these donors have special characteristics which the traditional ones do not. It is for this reason that the emerging donors look so different from the traditional ones, and might even be characterised as deviant from DAC practice. More analytically, the intended contribution of this paper is not only its analysis of the diversity of the aid patterns of Asian emerging donors, but also its exploration of why this diversity exists. In classifying aid patterns, the conventional literature has tended to focus on output, such as sectoral and regional aid distribution; which has often resulted in relegating input-output to a black box. This paper has turned a light on this box to illuminate how the diverse aid patterns of the emerging donors came about.

This paper has also contributed to the argument that Asia's emerging donors are not statically fixed but are in a process of transformation. As the traditional donors did over the long term, the emerging ones have been, are now and will be transforming their aid patterns according to changes in the factors which constitute their aid patterns. Hence, it is suggested here that the traditional donors take a more plural and longer-term perspective to understand the emerging donors; by so doing, they will realize how best to partner with the others.

The comparative analysis of emerging donor aid activities produces a number of fruitful

implications<sup>88</sup> related to the greater diversity of aid patterns and to the unique factors that created them. The differences in aid patterns also imply a potential for competition among donors (Reisen 2007, 8). As Potter (2008, 24) suggests, pluralism in aid also implies that Japan no longer has a monopoly on the Asian model of development.

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<sup>88</sup> While it is undeniable that this research leaves key issues untouched, it does point to a future research agenda on emerging donors. Firstly, further research should be undertaken to determine how donor identity and legitimacy in the international community create diverse aid patterns. Secondly, further analysis should also explain how the patterns of actor coalitions in the aid policy community create emerging donor aid. Thirdly, if donors are surrounded by relatively poor and unstable countries, how does this influence the formulation of aid? Do geopolitical considerations promote increased aid allocation for infrastructure in neighbouring countries? Finally, but certainly not least, the contributions of this paper should be examined by emerging donors other than the four Asian donors covered in this paper. In-depth analysis of other emerging donors might find other key elements and factors unique to them.



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## Appendix

### I. Another East Asian Donor: Taiwan<sup>89</sup>

Taiwan's aid began in the early 1960s. In 1960, the Operation Vanguard Task Force was established and dispatched as an agricultural technical co-operation mission to Africa. In 1962, a technical cooperation mission was institutionalised as the ROC-Africa Technical Cooperation Committee. Upon its departure from the United Nations in 1971, Taiwan consolidated its aid structure by integrating the ROC-Africa Technical Cooperation Committee into the Committee of International Technical Cooperation (CITC).

But it was not until the 1980s that Taiwan fully reinforced its aid to increase its presence in the international economy. In 1989, as a vehicle for sharing its own economic development experience with developing countries, the International Economic Cooperation Development Fund (IECDF) was established under the jurisdiction of the Ministry of Economic Affairs (MOEA). IECDF is committed to socio-economic development projects. In the 1990s, when the emergence of Chinese economic power gradually began to offset Taiwan's economic advantage over the mainland, the importance of aid as a diplomatic tool was further increased. In 1996, the more diplomatically-oriented International Cooperation and Development Fund (ICDF) was created by integrating IECDF's loan schemes and CITC's technical co-operation schemes; thus consolidating all aid resources within one body (ICDF 2006a, 6; interview with ICDF, March 30, 2007).

ICDF currently focuses its priorities on assistance to agriculture, the private sector, ICT and health. ICDF aid schemes are classified into loans and grants. The grant aid has sub-categories of technical cooperation, international human resource development and humanitarian assistance. ICDF's financial resources for aid amount to NT\$ 12,470 million (ICDF 2006a, 54), and Taiwan's ODA/GNP ratio is approximately 0.14 percent.

Taiwan's aid is characterized by its flexibility: It does not identify priority countries since flexibility in selecting recipients is important to secure Taiwan's diplomatic space in the international community. However, Taiwan also is seeking its own aid model based on the "Taiwan experience." For instance, Taiwan's aid includes assistance for tropical medical care, industrialisation, and economic infrastructure, some of which are components unique to Taiwan, and some of which are in common with South Korean and Japanese aid.

As regards of Taiwan's aid institutions, MOEA has occupied a prominent position in aid policy since the Government of Taiwan promoted "practical diplomacy" (Shiwu Waijiao), the use of economic policies for diplomatic purposes. From the 1990s, the Ministry of Foreign Affairs (MOFA), as the aid policy-making authority, assumed control over the aid executing agency, ICDF. MOFA-ICDF have consolidated control over most Taiwanese aid; but there are still approximately 20 ministries, including MOEA, Council on Agriculture, Ministry of

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<sup>89</sup> Further details of Taiwan's aid are available in Kondoh's (2008) discussion paper.

Education and Department of Health, that continue to pursue their own aid policies. There is an ICDF decision-making and co-ordination body, called the Board of Directors Meeting, which invites major stakeholders such as relevant government high-ranking officials, researchers, business associations and banks. This decision-making and coordination body, which is chaired by the Minister of Foreign Affairs, approves the ICDF budget, mid-term strategies, and important projects (ICDF 2006a, 7). Despite some conflicting views among members, the power of the Minister of Foreign Affairs seems to have successfully brought efficient coordination.

In Taiwan's aid policy formulation and implementation process, political actors such as presidents, premiers and lawmakers play only limited roles; and business interests are generally indifferent since aid operations take place at too great a distance to be attractive to them. NGOs and volunteers, by contrast, are enthusiastic about aid and sometimes participate in Taiwan's ODA activities. Nonetheless, Taiwan's aid is seriously constrained by a lack of expertise.

Taiwan's aid also lacks a published strategy. In 2002 the Government of Taiwan attempted to pass the Act of International Cooperation and Development (Guojihezuo Fazhan Faan) through the legislature to provide a foundation for Taiwan's ODA, but due to seriously limited interest among lawmakers, it is still pending review. The lack of a legislative foundation for ODA in some sense facilitates MOFA's flexible use of aid as a diplomatic instrument for diplomatic purposes. From at least the 1990s, the relative importance in Taiwan's aid of economic interests has decreased and the maintenance and expansion of diplomatic survival space and international visibility has become more prominent. In order to legitimise its international status through its aid program, Taiwan also adopted the following aid principles: humanitarianism, Taiwan's interests, and recipient's economic development (ICDF 2006b, 255, 71). The search for legitimacy through aid is driving Taiwan actively to work for coordination and harmonisation with major donors and international aid agencies (ICDF 2006b, 255–6).

However, ironically, the jurisdictional change of ODA policies from MOEA to MOFA in order to strengthen the diplomatic purposes seems to have made achieving those purposes more difficult. To rectify this problem, Taiwan is taking other steps to boost its legitimacy, including by actively demonstrating compliance with such international trends as donor coordination and harmonisation, the MDGs, and a participatory aid model called People's Diplomacy (ICDF 2006a, 4, 13; 2006b, 305). Taiwan seems to be trying to differentiate its aid model from China's realist model by pursuing universal values.

## II. Other Southeast Asian Donors: Singapore and Malaysia

In the fast growing region of Southeast Asia, there are other emerging donors that have not been mentioned in the main body of this paper, in particular Singapore and Malaysia. The primary reason for not including these in the main body is the relative scarcity of information compared to what is available for Thailand. However, the information shortage does not justify

their total neglect. Based on the limited information available, a brief summary of the aid structure and activities of these countries is outlined here, with some discussion of the implications.

*Singapore:*

Singapore is a wealthy country. According to the International Monetary Fund (IMF), Singapore's per capita income exceeds US\$ 35,000; this not only stands out in the Southeast Asian region, but in 2007 it surpassed even that of Japan. The central characteristic of Singapore's aid program is a government led structure which emphasises promoting the "Singapore Brand" abroad. The official beginning of its aid can be traced to 1992 when the Singapore Cooperation Program was launched. From the beginning Singaporean aid has emphasised human resource development, reflecting the priority that Singapore has given in its own development over the past 40 years. Although the main agent of foreign assistance is the Technical Cooperation Directorate of the Ministry of Foreign Affairs, some NGOs, such as the Singapore International Foundation (SIF), work closely with government projects.

Singapore's foreign aid modality is technical cooperation only, including bilateral programs, third country training programs, Initiative for ASEAN Integration (IAI), study visits, and various scholarship schemes that mainly assist its ASEAN neighbours. The content of the training spans English language, IT, Tourism to Trade, urban management, and public administration. By 2007, some 6,000 people had been trained in Singapore, mainly from China, Indonesia, Vietnam, Laos and Cambodia.

In the course of their interview with the author, government officials pointed out that the training programs they offers are popular, particularly with the Chinese, due to Singapore's capacity to provide bilingual English/Chinese training. Furthermore, because Singapore is recognized to be a country with effective governance and urban management, many people go there to study urban policies, airport management and administration.

In a sense, Singapore is relying on its soft power, based on a quality brand in the management and technology fields. Its strong connection with the Chinese community serves its interest of expanding its economic market though technical cooperation and human resource development, among other means. Facing sensitive regional politics, this strategy may be the most realistic for them to pursue.

*Malaysia:*

Malaysia has pursued foreign policies that reflect the distinctive political situations of different periods. In the early 1970s a pivotal policy shift from anti-communist to non-alliance came when Abdul Razak Hussein became the second Prime Minister (1970–76). This shift was further strengthened by Prime Minister Mohamad Mahathir in the 1980s. Also under the

Mahathir administration, in 1980 the first official foreign aid policies took shape. The Malaysian Technical Cooperation Programme (MTCP) formed during that year gave first priority to ASEAN nations, second to Islamic and non-allied countries, and third to British Commonwealth countries. This marked a reversal from earlier ordering, which gave top priority to the Commonwealth countries.

The MTCP is managed by the Economic Planning Unit (EPU) of the Prime Minister's Office. This is a distinctive feature; in other countries, including Singapore and Thailand, the planning body is housed in the Ministry of Foreign Affairs. The External Assistance Section, the section within the EPU for receiving aid from donor countries, has recently been transformed into the International Cooperation Section which reflects Malaysia's graduation from the status of purely recipient country.

**Table 1.** Budget of MTCP (Annual Average) (unit: million RM)

Period	1980–85	1986–90	1991–95	1996–2000	2001–05	2006–
Annual Average	9.0	9.0	12.8	18.8	32.8	37.2

Source: Information provided by EPU in 2007.

Malaysia provides only technical assistance aid, composed mainly of training and human resource development; its aid is similar to that of Singapore. The regional distribution of trainees tends to reflect the priorities presented above. Almost half of the trainees are from ASEAN countries, with significant numbers from South Asia and Africa. A recent increase from African countries is quite notable.

With historical roots that emphasise non-alliance, Malaysian aid officials do not like to be referred to as an emerging donor. They see their aid as South-South Cooperation and not aid. They take full advantage of the high level of English proficiency among government officials and of their connections with Islamic communities and African states, the foundations of which were laid during the Mahathir era. Although, Malaysia and Singapore both emphasise human resource development and technical cooperation, Malaysia seems to follow a menu which includes not only urban development, but also rural development and governance of multi-ethnic populations. Although Malaysia's external assistance policies may also seek increased access to outlets for their agricultural products, economic motivation alone does not explain the country's commitment to foreign aid. Malaysia's historical roots and ideology of South-South Cooperation must equally be acknowledged in evaluating its aid.



## Abstract (in Japanese)

### 要約

本稿は、中国・韓国・タイ・インドという新興ドナーの援助パターンの概要とその形成・変容をそれぞれの国内事情に踏み込んで分析するものである。

新興ドナーの援助パターンは多様かつ動的である。中国・インドは政治色・イデオロギー色の強い援助を実践してきたが、近年は商業主義的援助にシフトしている。韓国援助は商業主義的伝統を保ってきたが、近年は普遍主義的・人道主義的考慮を重視しつつある。タイは貧しい近隣国との政治・経済関係の安定化のために援助を活用しつつ、近年はアフリカに援助するなど DAC の方針にも留意している。

こうした新興ドナーの援助パターンの形成・変容には様々な要因が介在する。中国・インド援助の形成・変容には、非同盟諸国の盟主という大国意識や経済的相互依存度の変化が重要な要因であった。韓国の援助パターンは、中進国としてのアイデンティティゆえに国際社会の潮流・圧力に敏感となり、国内的にも進歩主義・人道主義的価値が台頭する中で形成されてきた。中進国のタイも、近隣国との大きな経済格差への対応として援助に関与しながらも、近年は援助の国際潮流も意識しつつある。

新興ドナーの援助パターンとその変容は、近年加速しつつある援助の多元化に影響していくものと考えられる。



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