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Variety of Middle-Income Donors: Comparing Foreign Aid Approaches by Thailand and Indonesia

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Abstract

Is there a middle-income approach to international cooperation that differs from the approach of advanced countries? To answer this question, this paper conducts comparative case studies of Thailand and Indonesia from a public administration perspective. By examining how these countries transformed themselves from recipients to donors of aid, we argue that there is a plurality of approaches among middle-income donors that can be explained by variations in ministerial politics and the historical evolution of expertise. The paper highlights the importance of geo-political conditions that make each country a unique donor in the emerging landscape of foreign aid in Southeast Asia.

Keywords: Middle-income donors, Thailand, Indonesia, aid bureaucracy, Southeast Asia

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1. Introduction

The global landscape of foreign aid has changed dramatically in the past 20 years. Accelerated globalization, increased volume of foreign direct investments (FDIs), cross-border remittances, loans, and other commercial interactions have all helped to reduce the significance of foreign aid in relative terms. While the proportion of official development assistance (ODA) declined to around 10% of total resource transfers from developed to developing countries, it continues to make up more than two thirds of external finance for least developed countries (LDCs) (OECD 2017), thus providing critical inputs to the welfare of people in poorer countries.

Despite continued economic growth, Asia as a region hosts significant portion of the global population living under extreme poverty (i.e., living on less than \$1.9 per day). This amounts to 327 million people, while the corresponding figure for Africa is estimated to be 383 million (Roser and Ortiz-Ospina 2018). This paradoxical trend forces one to question the rise of non-DAC (Development Assistance Committee) donors in Asia (Mulakala 2016). These new donors are addressing development issues beyond national borders while being simultaneously pressed to respond to their own domestic development problems.

Changes triggered by the rise of non-DAC donors, together with other trends induced by globalization such as the growing influence of the private-sector, security related aid, loans, and contributions for hosting refugees, have all pushed ODA to “modernize” itself (Development Initiatives 2017). An important driver of this modernization movement is, again, the expanding rise of the Global South where middle-income countries lead the energetic dynamics of the economy.¹

¹ We follow the World Bank for the definition of “middle income countries,” i.e., lower middle-income economies are those with a GNI per capita between \$1,006 and \$3,955; upper middle-income economies are those with a GNI per capita between \$3,956 and \$12,235 (World Bank 2018a).

The central research question this paper asks is: Is there a middle-income approach to foreign aid which is different from the approach of donors from advanced countries? If so, should such approaches be seen as the linear process of sharing more principles with DAC donors where emphasis is given to values such as transparency, human rights, and poverty reduction supported by a unified aid agency? What are the implications of such variation to the future of the aid regime? To answer these questions, this paper conducts comparative case studies of Thailand and Indonesia from a public administration perspective. We believe that by analyzing the processes of bureaucratic formation in administering foreign aid in these two middle-income countries, we can enrich the debate on the incorporation of non-DAC countries to the global aid regime.

Analogous to the discussions on the “middle-income trap” that examine the economic and political conditions which restrict middle-income countries from shedding that status, it may be helpful to identify some key features of the countries in the process of becoming donors. In his political analysis of the “trap,” Doner highlights the unique challenges faced by middle-income countries and the need to create institutions for coordination of interests and production of specialized information in order to escape the trap (Doner 2016, 612):

... (institutions) require both (horizontal) coordination among state agencies, among firms, and between public and private actors, and (vertical) coordination of numerous providers, such as highly trained researchers, judges, teachers, curriculum developers, and test engineers, each of whom plays important roles in long implementation chains.

Specifically, foreign aid needs this institutional coordination, albeit on a smaller scale. Foreign aid administration, thus, can be seen as a touchstone to test the government’s capacity to coordinate various ministries and mobilize information and knowledge that could otherwise be

dispersed not just within the government but also in the foreign countries where projects are undertaken.

While the literature on emerging donors has paid considerable attention to China as the driver of recent changes (e.g., Kitano 2014; Brant 2015), little investigation has been undertaken to explain the diverse paths middle-income countries in Southeast Asia have pursued. More specifically, there is a significant gap in our understanding of the diversity within the “emerging donors,” i.e., why some emerging donors strive to adapt to the DAC principles (i.e., shared values among the Western donors and Japan that emphasize aid effectiveness, an increase in untied and grant aid, and unified aid bureaucracy) while others prefer to maintain their distance from it (OECD 1991; Kondoh 2015).²

The answer may offer important implications for the global development outcome as well as to the division of labor and responsibilities, particularly as most aid recipients will evolve into donors in one form or the other in the future. The “DAC-approach” in this article refers to a mechanism under OECD through which DAC members agree to comply to DAC Principles for Evaluation of Development Assistance which include relevance, effectiveness, efficiency, impact, and sustainability (OECD 1991). Each DAC member is regularly evaluated by an independent and impartial committee to determine whether they have complied with the principles. Perhaps more relevant for the present paper is the DAC emphasis on unifying aid bureaucracy. This point has been highlighted repeatedly in DAC’s reviews of Japan in 2004 (OECD-DAC 2004) and that of Korea in 2008 (OECD-DAC 2008).

Although initiatives to document the process of the emergence of relatively small donors are beginning to appear (e.g., Gutiérrez et al. 2017), efforts to capture the wider picture of what defines the range of their development activities are insufficient. For example, certain

² DAC principles are expressed in various reviews that DAC conducts and recommends to donor countries. Such principles and values are explicitly stated in reviews for Korea in 2008 when Korea was applying for a DAC membership including its emphasis on unifying aid bureaucracy (OECD-DAC 2008).

countries limit their activities to technical cooperation and knowledge-sharing while others venture to provide development loans; certain countries have aid and foreign policy tightly woven together while others prefer rather independent relations. These variations require explanation based not simply on the interests and motivations of the related agencies but, more importantly, on the process through which they have co-evolved in a bureaucratic system.

We employ a case study method to compare two significant middle-income donors in Southeast Asia, i.e., Thailand and Indonesia. By tracing the evolution of aid-related agencies, the paper seeks to identify the diversity of logic that could explain the range of activities aid agencies pursue. Instead of relying on an explanation based on donor “intentions,” we consider the bureaucratic environment that was in existence as a more convincing factor to explain the range of activities different donors take.

Information and statistics in the Indonesia case were obtained through data collection produced by Ministry of Foreign Affairs (MoFA), Ministry of Development Planning (Bappenas), and Ministry of State Secretariat (Setneg)—both released and unreleased to public—as well as interviews with MoFA officials on February 27 and March 3, 2018.

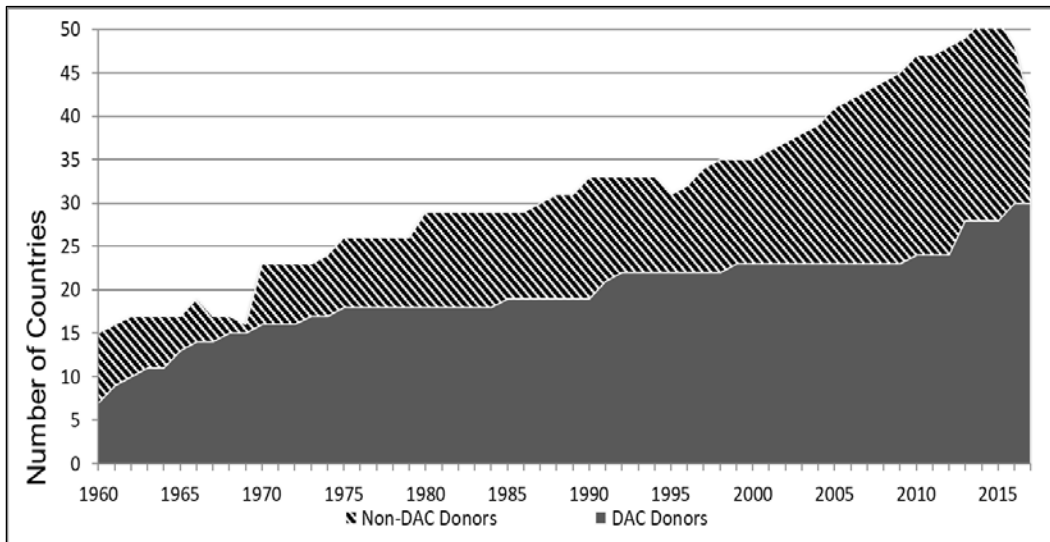
2. Literature Review

In the face of intensifying competition among donors from the North and the South, analysts of foreign aid have started to examine the impact and underlying motivations of emerging donors relative to that of traditional donors. A comparison of the traditional and emerging camps has highlighted important insights into their relative strengths and weaknesses (Sato et al. 2011), yet it has overlooked the evolving dynamics within the donors themselves which could be more relevant in explaining the evolution of aid policies.

Since the mid-2000s there has been a proliferation of literature on emerging donors including South-South Cooperation (SSC) (Gray and Gillis 2016; Gosovic 2016). This was very

much a reflection of the rising influence of non-DAC donors in the foreign aid landscape (Figure 1).

Figure 1. Number of Donor Countries Reporting ODA through DAC (1960–2017)



Source: OECD.Stat, Total Flow by Donor (<https://stats.oecd.org/Index.aspx?ThemeTreeId=3#>)

Three major strands of literature are relevant: first is the general description of emerging donors and their impact on recipient countries as well as on the traditional donor communities. The second strand covers the organizational studies on aid agencies and their incentive structures, transaction costs, and institutional changes (Martens 2005; Gulrajani 2015). The third strand focuses on SSC as an alternative to the DAC approach in development cooperation.

The first group tends to focus on the impact rather than the foundational conditions that limit the range of impact. Naim, for example, characterizes Chinese aid as “rogue aid,” suggesting that China may use foreign aid to pursue a narrow set of policy goals beyond what traditional donors would consider legitimate (Naim 2007). He also discusses the “toxic” effect of emerging donors where the lack of standards invites others to lower their standard of aid. Sato et al. (2011) on the other hand explore the possibility that the alternatives provided by the emerging donors offer new and firm leverage for recipient countries.

The literature on institutions focuses almost exclusively on traditional DAC donors, ignoring emerging donors. Gulrajani (2015), for example, conducts a comprehensive survey of the governance structure of OECD-DAC countries from a public administration perspective. Analyzing the extent to which foreign aid falls into the hands of the Ministry of Foreign Affairs, Gulrajani notes the interesting contrast in the almost universal rejection by the OECD-DAC countries of having an independent ministry geared to foreign aid while the Southern countries prefer to establish a more integrated organization (Gulrajani 2015, 159).

The third group focuses on the impact of projects on the ground, highlighting the voices of the Global South providers as offering alternative principles for cooperation. The rise of SSC triggered powerful criticism of “donor-guided” aid and ineffective representation of Southern countries in the traditional aid landscape. Yet the continued existence of power imbalances in development relationships raises the question of whether SSC truly achieves its goals of providing an “equal” platform for donors and recipients in collaborating and bringing about more effective development aid.

Whether this literature touches on non-DAC donors or not, a common thread among the studies is an emphasis on the distinctive characteristics of the emerging donors in stark contrast with traditional Western donors. They tend to claim that emerging donors, especially China, creates a negative impact on debt sustainability, democratic governance, and environmental quality. This narrow characterization, however, fails to capture institutional arrangements, i.e., the bureaucratic set-up, their operational rules, and norms these donors pursue.

We find that the scholarly trend to characterize emerging donors as unique has had the unfortunate effect of obscuring three important features of the new aid landscape: 1) commonalities between the emerging and traditional donors, 2) diversity among the emerging donors, and 3) focus on Triangular Cooperation as a focal modality of aid.

The emphasis on the distinctiveness of the emerging donors results in the dichotomous approach of “one or the other (emerging or traditional)” in aid coordination efforts, as is

manifested in questions such as “how should we involve them?” Most studies on emerging donors focus more on whether the rise of these donors will change the current global development architecture (e.g., Manning 2006, Tierney 2014).

Failure to recognize their diversity lumps the emerging donors into a single category. Also, the emphasis on outcomes as the sole means of judging their performance limits our understanding of how their aid projects are formed, an oversight which will have consequences for future projects. In that sense, an in-depth analysis of each emerging donor could help to define the characteristics of these donors as these may deviate from both DAC countries and large emerging donors (i.e., China, India, and Brazil) (Udvari 2014, 410)

The narrow focus on Triangular Cooperation is another limitation of current research practice. In characterizing the current practice of SSC, Morvaridi and Hughes (2018, 868–871) argue that the current SSC has shifted from its original idea of presenting itself as a clear alternative to the Western-dominated aid system to more pro-neoliberal practices supporting global economic integration. While we are in general agreement with the authors, we argue that the ideological shift of SSC is not caused by triangular cooperation, as argued by Moryaridi and Hughes (2018, 879–880). Rather, it has a root in emerging donors’ continuous learning process while receiving aid from traditional donors. From the interactions with traditional donors, they become increasingly familiar with DAC approach. As a result, former recipients became more open-minded to adopt the DAC approach along with SSC practices. This is particularly true in the case of Indonesia where triangular cooperation constitutes only a small percentage of total Indonesia’s development cooperation. The investigation into the “path dependence” in the next sections will help explain this matter.

3. Case Studies

3.1 Why Thailand and Indonesia?

Thailand and Indonesia, both aiming to be the leader of ASEAN, are both categorized as “middle-income countries.” Yet, their approaches to foreign aid are quite different. These countries established themselves as aid providers in the 1950s; Thailand joined the Colombo Plan in 1954 and helped to host a training program financed by more advanced countries. More explicit donor contributions began in 1978 as stipulated in the Buenos Aires Action plan.

Indonesia, during the 1955 Asia Africa Conference (the Bandung Conference), signed the Bandung Declaration which recognized the importance of SSC for exchanging “experts, trainees, pilot projects and equipment for demonstration purposes; exchange of know-how....” (Ministry of Foreign Affairs of Indonesia 1959, 161). A more intense form of cooperation among the newly independent countries was seen as crucial to breaking free from the neo-colonialism that had obstructed the economic growth of Indonesia and other Asian-African countries (Bandung+60 2015). This ideology shaped Indonesia’s development policy during the 1950s and 1960s.³ Indonesia was among the first countries to explicitly declare its commitment to SSC, but its role and profile on development cooperation had not been discussed much at that point.⁴

Both Thailand and Indonesia have been heavily influenced by Japan since the 1980s when they started the process to transform themselves from aid recipients to aid providers. Their paths, however, diverged. Thailand sought to become a DAC-like donor from the beginning, while Indonesia persisted in maintaining the spirit of SSC even when it started to adopt some DAC principles.

³ Due to wars with the Netherlands over West Papua and Indonesia’s political confrontation against Malaysia, a significant part of Indonesia’s budget during 1960s was earmarked for the military and security sectors. As a result, not many SSC initiatives were really implemented, except the establishment of state-sponsored Indonesian schools in some Asian, African and Latin American countries. It can be clearly stated that during the 1950s and 1960s, Indonesia SSC was more rhetoric than reality.

⁴ See Engel (2017) for a comprehensive introduction to Indonesian SSC.

Indonesia, however, has one distinct feature that warrants further investigation. Compared to other large emerging donors such as China, India, Brazil, South Africa, and Malaysia, Indonesian aid has increased relatively moderately. Regardless of the lack of transparency and accountability of aid data for many of these new donors, the relatively modest growth of Indonesian aid requires an explanation, especially given the country's successful economic growth in recent years.⁵

Furthermore, Indonesia has lately begun to develop a cooperation approach of its own that is apparently different from that of DAC and the other emerging donors. Why is Indonesia attempting to create a self-inspired aid system and what are its implications for wider aid regime in the region? What explains these differences, and what is the significance of such differences in understanding the evolution of emerging donors in Asia? We shall now investigate these questions by comparing two middle-income donors: Thailand and Indonesia.

3.2 Thailand

From Recipient to Donor

Thailand officially became a recipient of aid in 1950 when it joined the Colombo Plan and the cooperation agreement with the US. But it achieved its status as full-fledged recipient when the Department of Technical and Economic Cooperation (DTEC) was founded in 1963 with a total staff of 303 (Siriratana 1965). This was an attempt to systematize all aid flows and coordinate these with a national plan led by the National Economic Social Development Board (NESDB).⁶ Around that time Thailand began to rationalize its aid flows coming in from various developed

⁵ According to IMF, Indonesia's economic growth among G20 members, for example, was 5.3% in 2017, the third highest after India (7.4%) and China (6.5%), and much higher than Brazil (1.1%) and South Africa (1.1%).

⁶ The NESDB was established in 1959, but became operational in 1961. For a comprehensive study on the beginning of aid administration in Thailand, see Suwanakijbriharn (1968).

countries, allowing observers to compare modes, intentions, and value flowing into the country in the form of “foreign aid.”

Grants and technical assistance were handled by DTEC while loans were prioritized by NESDB in collaboration with the Ministry of Finance (Potter 1996). These two organizations formed the central agencies through which international input was targeted toward the national development planning processes.

Thailand’s role as an aid provider started to take shape in the early 1970s when it initiated its Third Country Training Program, Science and Technology cooperation with China, and SSC programs implemented under the Buenos Aires Agreement (Apinan 2016, personal communication). Steps undertaken by Thailand such as its early interest in integrating loans as one important policy instrument, its interest in development cooperation beyond its neighborhood (including Africa), and the publication of aid reports to generate accountability all support the country’s shift toward DAC values and institution.

Thai engagement with foreign aid dates back to the 1970s but it was only in 1992 that Prime Minister Anand Panyarachun formalized development cooperation (Chachavalpongpun 2010), an indication of the government’s proactive stance after so many years of passiveness.

Thailand’s proactive foreign policy was given an additional boost by the country’s political stability after Thaksin Shinawatra took office, as indicated by the official announcement confirming the intention to become an ODA donor by 2002, when DTEC under the Prime Minister’s Office was to be transferred to the Ministry of Foreign Affairs. This was a significant step representing the country’s explicit interest in becoming an emerging donor. Thailand International Cooperation Program (TICP) was initiated in 1992 in preparation for the establishment of the Thailand International Cooperation Agency (TICA). For financial cooperation, Thailand established NECF (Neighboring Economies Cooperation Fund) in 1996 which became NEDA in 2005. The two implementing agencies were very much modeled after the Japanese JICA (Japan International Cooperation Agency) and JBIC (Japan Bank for

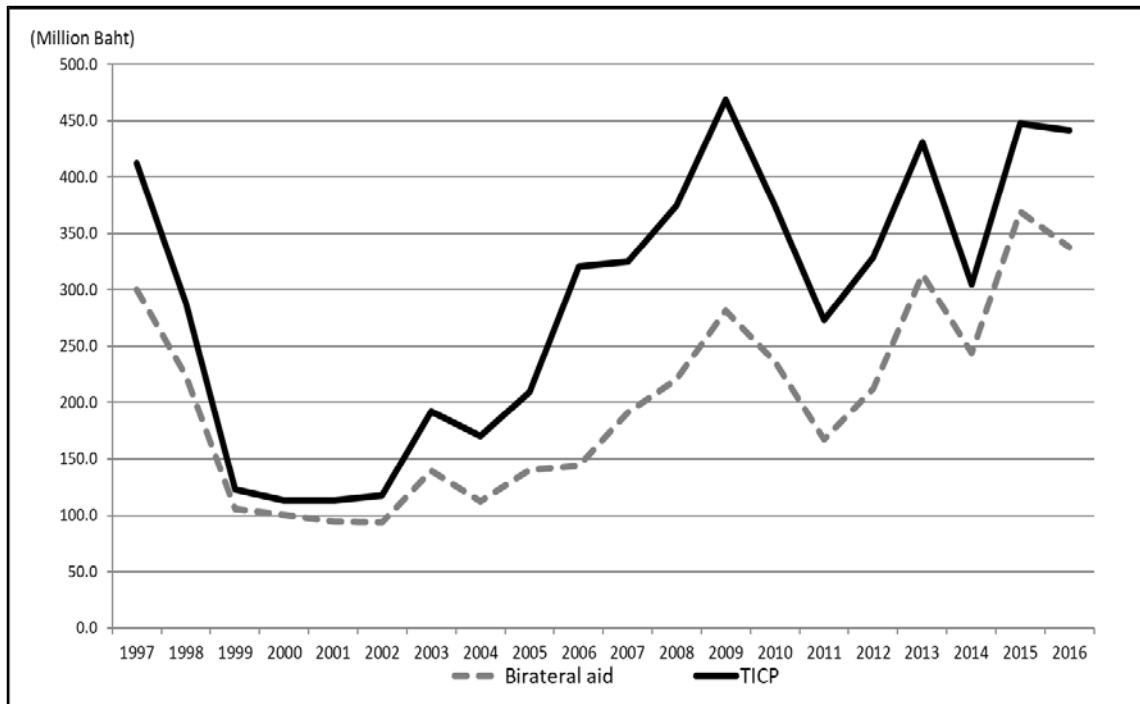
International Cooperation) (before their merge in 2008) which were then the top bilateral donors to Thailand (Phanarangsarn 2009, 84).

The political and economic instability of the country is evident in the fluctuation of the foreign aid budget (Figure 2). The sharp decline after 1997 is a reflection of the Asian financial crisis which caused profound damage to all economic sectors in Thailand; Thaksin Shinawatra's administration rose to power partly by taking advantage of the frustration among those who had suffered from the crisis. The official establishment of TICA in 2004 supported the increasing trend of the aid budget. Epoch making was the Thaksin's declaration of "no more aid" in 2004 which clearly advanced the idea that Thailand was no longer the recipient of foreign aid but a legitimate donor.

The political instability that followed Thaksin's departure from the administration in September 2006 created turmoil for the country's foreign policy. Abhisit Vejjajiva, who took office in 2008, pursued a policy of "flexible engagement" (Vejjajiva 2009) with a focus on nurturing prosperous relations with neighboring countries. The rivalry between the US and China was an important factor in the diplomatic lacuna (Chachavalpongpun 2011).

Two "shocks" hit the Thai economy after Thaksin's downfall: the 2009 "Lehman shock" and the 2011 massive flooding in Bangkok, both of which paralyzed the economy for some time. The low priority given to foreign aid seems to be directly correlated to budget fluctuations and the state of the national economy.

Figure 2. Trends in Thai Foreign Aid (1997–2017)



Source: TICA website (accessed March 3, 2018 at <http://www.tica.thaigov.net/main/en/other/4296>)

Institutional Arrangements

What factors pushed Thailand to become a donor? Thailand’s establishment of its specialized aid agency coincides with efforts of the Thaksin administration to win the UN Secretary General’s seat for a Thai national. But Surakiart Sathirathai, the Thai candidate and the Deputy Prime Minister under the Thaksin administration, was eventually outvoted in favor of Ban Ki-moon in the 2006 election. Thailand’s ambition to be a regional leader through economic cooperation projects, however, didn’t end there and continued to expand through its investments in cross-border infrastructure, which was in line with Thaksin’s ambition to make himself a regional leader in the Mekong region by promoting his business interests, especially telecommunication (Phanarangsarn 2009, 4).

Thaksin's administration launched extensive infrastructure projects. As confirmed by an interview with a senior officer at NEDA, infrastructure investments in the border areas had several objectives. In addition to helping to promote Thai exports to neighboring countries, firm control of trans-border movement was an issue.⁷ The income gap between Thailand and its neighbors Laos, Myanmar, and Cambodia was significant, creating a constant flow of illegal migrants with the occasional incidence of human trafficking, and the Thai government hoped to address this through aid programs.

Second, the government sought to control disease brought into the country by migrant laborers. According to the author's interview at TICA, this prompted Thai foreign aid to focus on public health and education programs targeted at the national border.⁸ Thailand's international cooperation was obviously motivated by the desire to promote trade and communication through road networks, but also to check the adverse effects of cross-border traffic such as diseases and drugs.⁹

Table 1 below demonstrates the decentralized state of the foreign aid budget in Thailand. Although each ministry must go through a logistical procedure stipulated by TICA, they have their own agenda and spending to carry out their overseas development projects. The inability to unify these activities is one characteristic element of a middle-income donor like Thailand.¹⁰

⁷ Interview with Mr. Rapipit Promnart, Director of Policy and Planning Bureau, August 23, 2016.

⁸ Interview with Mr. Amornchewin Banchong, Deputy Director-General of TICA, August 19, 2016.

⁹ Interview with Mr. Rapipit Promnart, Director of Policy and Planning Bureau, August 23, 2016.

¹⁰ Japan used to have a similar structure when it was still considered to be an emerging economy in the 1950s and 60s (Sato 2015).

Table 1. Government Spending on ODA More than 1 million USD (2016)

	Grant/Technical Cooperation	Contributions to International Org.	Loans	Total
Ministry of Industry	-	1,150	-	1,150
Ministry of Natural Resources and Environment	50	1,427	-	1,477
Commission on Higher Education	1,823	0.3	-	1,823
Ministry of Justice	2,113	70	-	2,184
Ministry of Public Health	119	2,986	-	3,106
Ministry of Foreign Affairs (excl. TICA)	684	3,203	-	3,888
TICA	12,530	918	-	13,449
Ministry of Transport	22,148	-	-	22,148
Neighboring Countries Economic Development	4,867	-	23,460	28,328
Ministry of Finance	-	121,996	-	121,996

Source: TICA Website (<http://www.tica.thaigov.net/main/en/other/4296>: accessed August 3, 2018)

Thailand's cooperation: 1) is based in a strong expertise of HIV-related issues, tropical diseases, basic agriculture, and education (Sorensen ed. 2010, 129), 2) has a relatively high proportion of loans in tied form (i.e., linked to the procurement of Thai goods and services), and 3) maintains a regional emphasis on its four neighboring countries, (Laos, Cambodia, Myanmar, and Vietnam, see Table 2).

Table 2. Regional Distribution of Thai Aid in 2016

Country or Area	Bilateral Assistance		Total TICP*	
	thousand USD	Percentage	thousand USD	Percentage
Four Neighboring Countries	7,369,569	77%	7,845,320	63%
Southeast Asia	89,990	1%	212,991	2%
East Asia	155,518	2%	216,303	2%
South Asia and Middle East	870,795	9%	1,214,927	10%
The Pacific	352,762	4%	557,821	4%
Africa	696,450	7%	1,796,614	14%
CIS	4,679	0.05%	23,023	0.2%
Latin America	45,023	0.47%	490,132	4%
Eastern Europe	0	-	6,936	0.1%
Others	0	-	166,785	1%
Grand Total	9,584,785		12,530,852	

*TICP stands for Thai International Cooperation Program which includes contributions to international organizations.

Note: 1USD=35.26 Baht based on US Federal Reserve Data for 2016; original data obtained from

Source: TICA website: <http://www.tica.thaigov.net/main/en/other/4296>, accessed August 3, 2018

Path Dependence

What explains the way Thai aid administration has been formed? One can claim that there is a clear overlap between the organization for receiving aid (most notably DTEC and Fiscal Policy Bureau) and the donor organization (i.e., TICA and NEDA). It was easy for the government to bureaucratically handle this transformation, as there was no need to displace staff in the old bureaus: much of the same personnel shifted from the tasks of administering the receipt of aid to

the provision of international cooperation. However, the nature of the jobs of receiving and granting aid is totally different, and greater expertise in international coordination is needed. With the diminished influence of the domestic planning agency (i.e., NESDB), outward-oriented foreign aid tends to give more leverage to MoFA. Ministry of Finance still retains some leverage by exercising their authority in budgetary as well as operational issues through NEDA. This rather fragmented structure of foreign aid in Thailand contrasts with Indonesian efforts to develop a single agency, as we see in section 3.3.

Challenges

A major bureaucratic stumbling block was the effort to integrate TICA into the Ministry of Foreign Affairs. TICA, as was previously mentioned, originated in DTEC, which was a technocratic and coordinating organization with its own specific mandate whereas the MoFA was staffed by elite bureaucrats selected on the basis of a specialized exam for diplomats. Thus, the question was whether the 500 or so TICA staff could qualify as “diplomats” with the possibility that they might be dispatched to embassies abroad. In addition, could TICA staff be allowed to be promoted to senior positions in other departments within MoFA? The denial of such advancement opportunities could dim TICA staff motivation.

The concentration of mandates to the Ministry of Foreign Affairs was another sticky point for two reasons. First, despite the broad consensus of using TICA as the focal point of foreign aid, there existed many agencies implementing their own aid programs. Thai engagement with soft loans, administered by NEDA, gave the role of key supervising agency to the Ministry of Finance. Second, as in many countries, the Ministry of Foreign Affairs takes special pride in representing its country. Foreign Affairs Ministries often have unique recruitment and training systems for nurturing diplomats. Aid workers, on the other hand, are often considered inferior in handling the technical issues of resource transfers. This made the job

of accommodating aid staff into the mainstream of the ministry challenging in the context of Thailand.

3.3 Indonesia

From Recipient to Donor

Despite its support of SSC since its independence,¹¹ Indonesia received development aid between the 1950s and 1960s from both Western and Soviet blocs, reflecting an attempt to apply a non-aligned foreign policy in the midst of the Cold War. Indonesia's position as an aid recipient was formalized further after President Suharto, who ruled the country between 1966 and 1998, established Bappenas in 1968. In addition to its main task of planning and overseeing national economic programs, Bappenas was mandated to manage foreign aid to complement Indonesia's economic and social development. During Suharto's term of office, Indonesia received substantial foreign aid from the Inter-Governmental Group on Indonesia (IGGI), an informal group of major Western nations, Japan, the World Bank, the Asian Development Bank (ADB) and other multilateral aid agencies formed in 1967.¹²

Indonesia continued its SSC while it simultaneously received foreign aid. After participating in the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries in 1978, Indonesia established the Bureau for Foreign Technical Cooperation (*Biro Kerja Sama Teknik Luar Negeri/Biro KTLN*) under Setneg in 1981. The bureau was Indonesia's first agency to provide development cooperation to other countries, although several agencies have also entered the field of development cooperation

¹¹ Indonesia's first international aid effort was targeted on India in 1946 in the form of 500,000 kgs of rice designed to both help India deal with famine and win diplomatic support from the world community for Indonesia's struggle towards full independence. (See Gloschal 1999, 109).

¹² IGG I (which later became CGI, the Consultative Group on Indonesia) delivered aid valued at around USD 5–7 billion every year (Aspinall and Meitzner 2008, 13).

since the early 1990s: Bappenas, for example, also provides capacity-building training for international participants, especially on economic and development sectors.

Increasing wealth in the 1990s¹³ enabled Indonesia to expand its technical cooperation programs. For instance, after its chairmanship of the Non-Aligned Movement (NAM) in 1992-1995, Indonesia established the NAM Center for South-South Technical Cooperation in Jakarta to strengthen development cooperation among developing countries.¹⁴ However, Asia's financial crisis in 1997 and the subsequent political crisis significantly reduced Indonesia's technical cooperation activities, including at the NAM Center.¹⁵

After recovery in the mid-2000s, Indonesia began to revive its development cooperation. Indonesia hosted the 50th anniversary of the Asia-Africa Conference, which produced the New Asian African Strategic Partnership (NAASP). This reiterated the necessity of "...technical cooperation in order to create an enabling environment for the betterment of the regions" (MoFA 2005). To implement NAASP commitments, MoFA established the Directorate for Technical Cooperation (Direktorat Kerja Sama Teknik/Direktorat KST) in 2006. With the establishment of Direktorat KST, development cooperation was handled by three main agencies with somewhat overlapping functions: Setneg, Bappenas, and MoFA.

Institutional Arrangements

In addition to Setneg, Bappenas, and MoFA, Indonesia's development cooperation programs were carried out by various line ministries, resulting in activities that were weakly planned, coordinated, evaluated, or even documented.

¹³ According to the World Bank, Indonesia's GDP growth averaged 6.69% between 1987 and 1997.

¹⁴ Shortly after becoming operational, however, the NAM Center was severely impacted by Asia's 1997 financial crisis, hampering its activities. The significance of NAM declined on the global stage, and the Center now operates at a considerably smaller role than its original ambition, holding only two or three training activities annually, and financed mostly from the Indonesian government budget instead of international donors.

¹⁵ Interview with Ms. Ririn Dwi Fitriani on March 3, 2018.

Realizing that its development cooperation was poorly managed, the Indonesian government released two documents: (1) the Grand Design for 2011–25 and (2) the Blueprint of Indonesia’s South-South and Triangular Cooperation for 2011–14, aimed at strengthening the management of Indonesia’s cooperation.¹⁶ One important realization of the Blueprint was the establishment of the National Coordination Team for Indonesian South-South and Triangular Cooperation (Tim Kornas KSST) in 2010. Consisting of four government agencies—Bappenas, Setneg, MoFA, and Ministry of Finance (MoF) which collectively are known as the four pillars (*empat pilar*)—Tim Kornas’s main task was to coordinate Indonesia’s development cooperation.

The creation of Tim Kornas achieved its main goal, and the coordination of development cooperation improved, as its four pillars met regularly to synchronize policies. Serving as a centralized office for development cooperation, Tim Kornas established a clearer business process that covered strategic formulation, planning, budgeting, implementation, evaluation, and public outreach. It also set up a secretariat to handle administrative matters.

With the running of the day-to-day activities under the jurisdiction of Tim Kornas, President Joko Widodo, who was elected in the 2014 presidential election for 2014–2019 period, instructed his cabinet in 2015 to work toward the establishment of a single aid agency by 2019. The initiative was motivated not only by the need to address the lack of coordination among the different government agencies, but also by Indonesia’s aspiration to build a global image as a credible middle-income country in the G20.¹⁷ The issue of ODA was discussed intensively by

¹⁶ This paper defines Triangular Cooperation (TC) as “a partnership between DAC [Development Assistance Committee] donors and providers of South-South cooperation (SSC) to implement development cooperation projects in beneficiary countries” (Fordelone 2011, 4). The Grand Design outlined the long-term vision of Indonesia’s cooperation according to three phases: (i) strengthening institutional and legal frameworks (2011–14); (ii) expanding partnership with international actors as well as national private sectors, NGOs and universities (2015–19); and (iii) achieving the status of a well-respected emerging donor (2020–25). The Blueprint, on the other hand, focused on institutionalizing the business process of Indonesia’s development cooperation and identifying program priorities between 2011 and 2014. See Bappenas (2011).

¹⁷ With strong economic growth of over 6%, Indonesia was officially classified as a middle-income

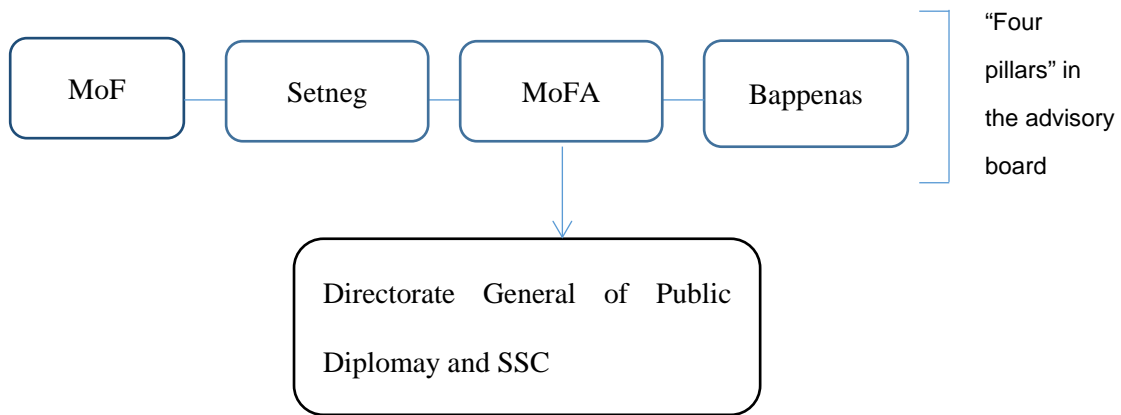
the G20 leaders,¹⁸ and Indonesia felt a great responsibility to contribute to a better global aid architecture. To make a more significant contribution to international development cooperation, Indonesia needed a stronger, more efficient bureaucratic process which could be achieved through Tim Kornas and, eventually, through a single aid agency.

Establishment of an aid agency has been intensively discussed by the *empat pilar* officials since March 2017. According to the initial plan, the aid agency was to be set up by early 2018, but differing views within the cabinet on how the new agency was to be structured have caused delays. Two models have emerged. In the first model, the new agency (which will be named “Directorate General of Public Diplomacy and SSC”) under MoFA jurisdiction, would handle all cooperation activities, including budget management. According to the second model, however, the Directorate General would be responsible for planning, implementation, and cooperation assessment, while budgetary matters for cooperation would be managed by the Public Service Agency (Badan Layanan Umum/BLU) under the MoF. The differences between these two models are illustrated in the two figures below.

country by the World Bank in 2010.

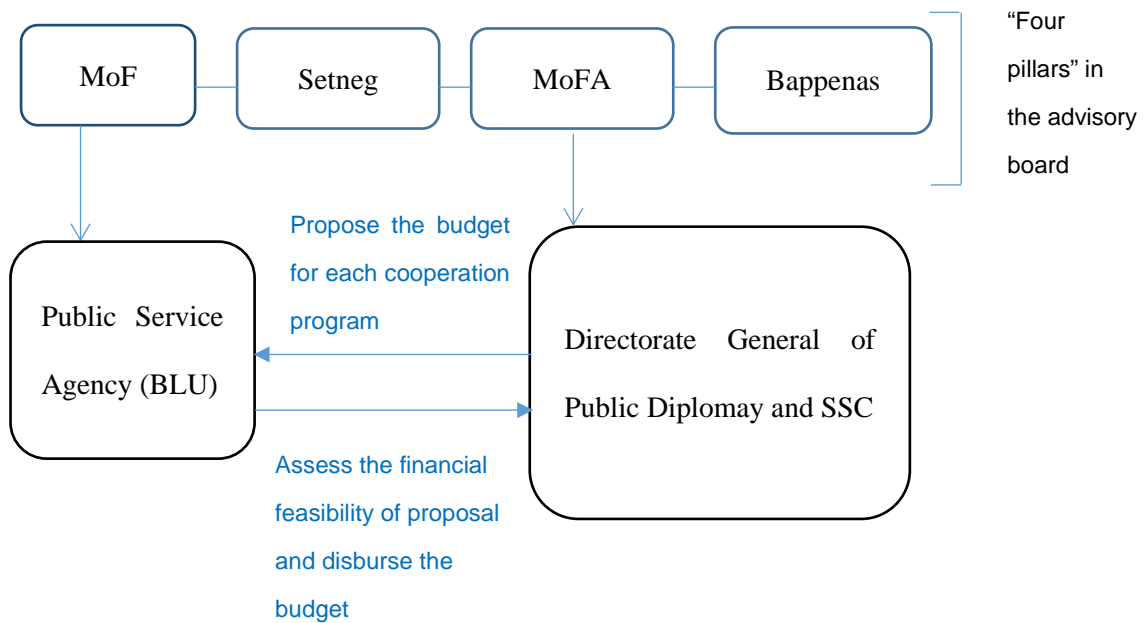
¹⁸ Referring to the second G20 Summit in London, members reaffirmed their commitment to meeting the Millennium Development Goals and ODA pledges. At the 2010 Summit of the G20 in Seoul, members agreed to expand the group’s global development agenda and to protect low-income countries from the adverse effects of financial crises.

Figure 3.1. Model 1 of the new single aid agency



Source: Author

Figure 3.2. Model 2 of the new single aid agency



Source: Author

Based on the perception of MoF, setting up BLU is necessary to ensure the accountability and transparency of the cooperation budget. On the other hand, MoFA believes that the new Directorate General can be transparent even without BLU because all cooperation

programs are to be inspected by the advisory board of the Four Pillars. Although Setneg and Bappenas consider either model to be feasible, they have indicated that whatever model is approved constitutes just a transition phase before the establishment of an “independent” aid agency.

Although the new agency is yet to be established, Indonesia has expanded its development cooperation budget by more than 21%, from USD 8.40 billion in 2013 to USD 10.18 billion in 2016. Funding from international partners for triangular schemes constituted only around 1–2% of Indonesia’s total cooperation funding during 2014 to 2016 (Bappenas 2016, 40–42). MoFA is to host the new aid agency, and its budget allocation for development cooperation has increased 43.5% annually from 2006 to 2017 (Ministry of Foreign Affairs 2017). As shown in Table 3, there was a drastic increase in MoFA’s percentage share of the total budget allocated for Indonesia’s development cooperation from 11.57% in 2015 to 22.48% in 2016.

Table 3. Spending by various Indonesia’s government agencies for development cooperation

Institution	2015		2016	
	thousand USD	%	thousand USD	%
Ministry of State Secretary	237,442	2.83	355,615	3.57
Ministry of Foreign Affairs	972,056	11.57	2,237,452	22.48
Ministry of Finance	74,403	0.89	0	0.00
Ministry of Energy and Mineral Resources	48,477	0.58	58,172	0.58
Ministry of Industry	143,465	1.71	49,241	0.49
Ministry of Transportation	695,470	8.28	642,481	6.45
Ministry of Marine and Fisheries	80,663	0.96	141,203	1.42

Ministry of Culture and Basic Education	4,746,378	56.50	4,953,145	49.76
Ministry of Public Works and Housing	28,195	0.34	35,714	0.36
Bappenas	309,322	3.68	327,882	3.29
Ministry of Communication and Informatics	9,195	0.11	0	0.00
Ministry of Agriculture	793,534	9.45	1,049,140	10.54
National Family Planning Coordinating Agency	104,177	1.24	104,177	1.05
Others*	157,223	2	230,000	2.3
Total	8,400,000	100	10,180,000	100

*“Others” include (1) line ministries such as Ministry of Forestry Ministry of Trade, Ministry of Labor, Ministry of Religious Affairs, Ministry of Justice and Legal Affairs, National Police, National Archive, National Administrative Agency, Ministry of Health, Ministry of Women Empowerment, Ministry of the Development of Disadvantaged Regions, and Ministry of Tourism, (2) non-ministerial government agencies, such as Human Rights National Commission, National Commission for Women, Indonesian Institute of Science, Foods and Drugs Monitoring Agency, and (3) various public universities across Indonesia.

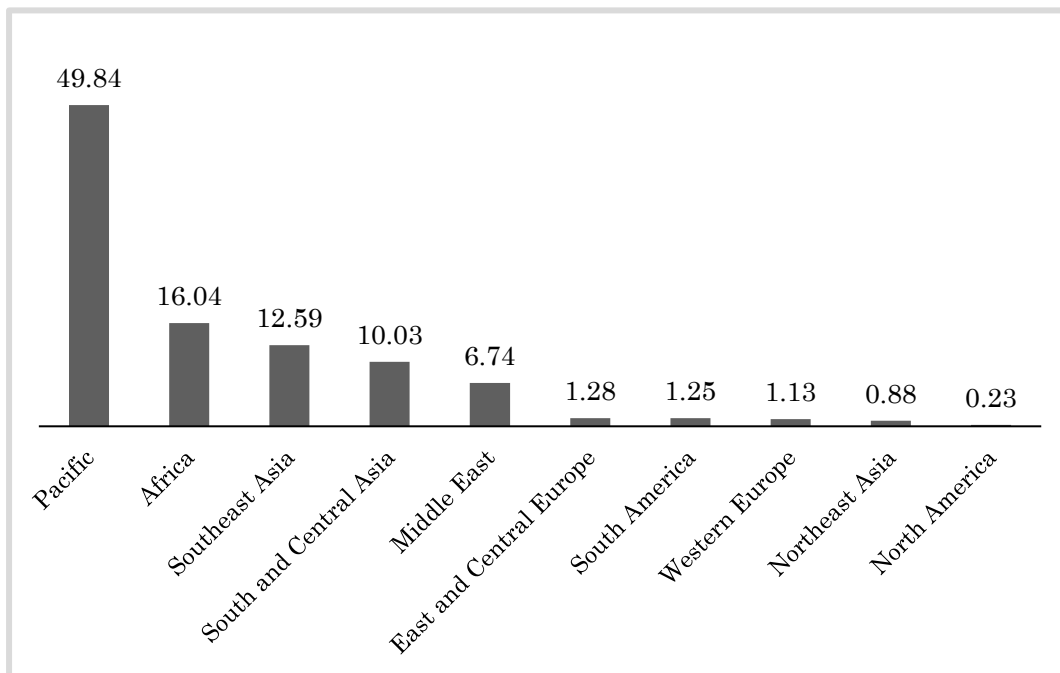
Source: Bappenas, 2016, 40–42

It is important to note that most training programs under Indonesia’s development cooperation are intended for participants from various countries, rather than for a specific country or region. This is because many of Indonesia’s capacity buildings are associated with its commitment to institutions/mechanisms, such as NAASP, Organization of Islamic Conferences (OIC), and Indian Ocean Rim Association (IORA), whose members come from diverse regions. In 2017, for example, of 16 programs held by MoFA, only 4 were given to a specific country

(MoFA 2017).¹⁹ Therefore, instead of providing the regional distribution of the budget, we used the number of participants in training programs as a better approximation of Indonesia’s focus.

As shown in Figure 4, Indonesia’s regional emphasis is less clear than Thailand’s. Regions which are geographically not so close to Indonesia, such as Africa, South and Central Asia, and Middle East, received a significant proportion of Indonesia’s aid. Between 2006 and 2017, there were 5,773 people from 116 countries who benefitted from Indonesia’s capacity building programs. Interestingly, aside from East Timor (top 1), Fiji (2) and Papua New Guinea (5), some of largest recipients of Indonesia’s development cooperation are geographically distant countries—Afghanistan (3), Palestine (4), Egypt (8), and Madagascar (9).

Figure 4. Participants of Indonesia’s training programs in development cooperation, by region, 2000-2017 (%)



Source: Ministry of Foreign Affairs (2017)

¹⁹ These trainings covered topics such as (1) training on fire management for Timor Leste, (2) Protocol management for Papua New Guinea, (3) Good governance for Madagascar, and (4) Artificial insemination for Palestine.

Path Dependence

The spirit of solidarity with other developing countries, which has its roots in the legacy of anti-colonialism, still contributes to Indonesia's development cooperation. At the same time, as a recipient of substantial aid from international donors since the late 1960s, Indonesia is familiar with the values and principles practiced by DAC countries.

Indonesia has created its own development aid principles, which are actually a mixture of the DAC standards and those from emerging donors. In 2016, Tim Kornas outlined eight principles to define Indonesia's cooperation: (1) non-interference; (2) equality and mutual respect; (3) inclusiveness; (4) compliance with national development priorities; (5) demand-driven; (6) solidarity; (7) comprehensiveness and sustainability; and (8) transparency and accountability (National Coordination Team of South-South Cooperation 2017, 16).

“Transparency and accountability” and “comprehensiveness and sustainability” are in line with DAC principles which emphasize “...the basic impacts and effects [of ODA] on the social, economic, environmental and other development indicators resulting from the activity” (OECD 1991, 10). On the other hand, “non-interference,” “solidarity,” and “equality and mutual respect” are distinct elements of SSC and emerging donors. Indonesia's interaction with international donors have resulted in DAC principles being applied on several projects. For example, to support transparency, Indonesia has since 2015 regularly published annual reports of its development cooperation. With assistance from USAID, it also undertook to create a more reliable database. Tim Kornas recognized the need to partner with international donors, such as JICA, USAID, GIZ, and UNDP to address problems in producing documents acceptable to international standards, while improving analytical skills of the government officials.²⁰

²⁰ Interview with Mr. Fikry Cassidy on February 28, 2018.

When Indonesia became an aid recipient, Bappenas was the most powerful institution assigned to define its usage. President Suharto had strong faith in the technocrats at Bappenas and no other government agency was significantly powerful to pressure Bappenas over the use of aid. When Indonesia began to evolve as a donor, it was Setneg, not Bappenas, that was designated as the focal point for delivering development cooperation. Each institution had a clear alignment of duties with regard to aid management: Bappenas was mandated to handle the receipt of foreign aid, while Setneg became the provider of development cooperation. During the post-1998 reform period, Indonesia's political system became significantly decentralized in many aspects, including development cooperation. Bappenas lost its authority as the sole agency to formulate development plans and receive aid from international donors, while Setneg was no longer the focal point for development cooperation. Many government agencies continued to act on their own.

Indonesia's development cooperation activities have expanded significantly since the mid-2000s. It has been difficult to consolidate the various government agencies because these agencies have extensively conducted their own programs, many of which have been funded by international donors through triangular schemes. As a result, the plan to establish a single aid agency has been beset by delays. The new agency was originally to be established by early 2018, but a new deadline has been set for early 2019. The lengthy process of establishing a new institution, however, is not exclusive to aid agencies, as this happens in other areas as well. The establishment of the State Cyber and Cryptography Agency (BSSN), for example, took three years (from 2015 to 2018) following a complex process involving different ministries and the parliament. In the case of development cooperation, there are high stakes for each line ministry, particularly those among the Four Pillars, as each can claim considerable experience, connections, and expertise on development cooperation.

Challenges

If the new agency is put under the jurisdiction of MoFA, the post of one directorate from either Setneg and Bappenas will need to be terminated and the personnel absorbed into MoFA. This could be a problem, as MoFA officials are diplomats who are regularly rotated to different posts in various Indonesian embassies/consulates. If Setneg and Bappenas are absorbed into the new agency under MoFA, it creates a situation whereby employees will have to work with different working partners with different personal characteristics and attitudes.

Furthermore, the abolition of these institutions will reduce the total budget allocated to Setneg and Bappenas. In this regard, MoF prefers Model 2, which could give it more power to directly oversee the development cooperation budget. Model 2 also supports MoF's long-term vision of increasing the budget allocated for grants. On the other hand, MoFA officials, who experience regular job rotation and have little expertise in managing grants, may not be qualified to directly run the single aid agency.

4. Discussion

By focusing on the unique country contexts of Thailand and Indonesia, we attempted to tease out the key features of their foreign aid. We found that both countries displayed similarities that we identify as the main characteristics of the middle-income approaches to development cooperation (Table 4).

First, both Thailand and Indonesia emphasize expertise based on their own development experience. Thailand prioritizes tropical diseases and agriculture in its technical cooperation, which were nurtured through its domestic struggle to address those issues. Indonesia, on the other hand, focuses more on natural disasters, marine fisheries, and democratic election processes based on its experience.

Second, both countries are veering towards DAC principles. Emerging donors rarely advocate aid effectiveness in either their cooperation activities or multilateral fora. On the other hand, however, Thailand and Indonesia emphasize commitment to aid effectiveness. For example, Indonesia issued the 2009 Jakarta Commitment which urged better partnership between donors and recipients to improve the effectiveness of aid.

Third, Thailand and Indonesia have much weaker financial capacity which makes them vulnerable to external shocks. There was a clear decline in development cooperation commitments in Thailand during the 2006 political crises and Indonesia's similar decline during its economic crises between 1997 and 2004. This is not the case for traditional donors.²¹

Development cooperation in the two countries pursues a mixture of Western DAC characteristics as well as that of non-Western SSC elements, although each country pursues a different path with regard to its relations with DAC. While Thailand adheres to the values and principles endorsed by DAC, Indonesia has become aware of certain DAC principles only recently through interactions between Tim Kornas and international donor agencies to produce globally comparable data on its cooperation activities.

We found contrasting differences as well which may explain their unique distances to DAC norms. Indonesia's attachment to SSC principles make them more cautious about incorporating DAC approaches to their practices, which can lead to unequal donor-recipient relationships. Thailand, on the other hand, has never experienced anti-colonial sentiment, making it ideologically easier to adopt DAC values and principles. While Thailand's development cooperation aims to build good relations with neighbouring countries in mainland Southeast Asia, the main motivation of Indonesia's development cooperation has been to nurture

²¹ Despite the economic crisis, European Union countries maintained their ODA, from 112.52 billion USD in 2008 to 114.3 billion USD in 2009 and 120.6 billion USD in 2010 (OECD 2018). The United States also kept its ODA commitments from USD 29.68 billion in 2008 to USD 32.12 billion in 2009 and USD 32.64 billion in 2010, despite the fact that US economic growth in 2009 was -2.78% (World Bank 2018b).

solidarity with fellow developing countries regardless of their geographical proximity (Figure 4), although in recent years Indonesia has started to focus on its neighbours.²²

Perhaps the most distinct difference between the two countries is that while Thailand became the first full-fledged donor in mainland Southeast Asia to offer grants, technical cooperation, and loans through specialized agencies, Indonesia's activity is concentrated on technical cooperation, training, and knowledge sharing.²³ This focus is partly a function of Indonesia's budget constraints, but it is also a reflection of their aid philosophy.²⁴

As we have seen, donor behavior should not be analyzed independently from the structure of the state. The major characteristics of a donor can be observed not just at the interface of donor projects and the affected people, but also through ministerial politics, deployment of personnel, and accountability to taxpayers in each home country. The over-emphasis on project impacts and delivery on the ground has shifted attention away from the process of how prospective countries became donors to begin with.

²² These neighbours are mostly "Pacific Island countries," i.e., East Timor and Papua New Guinea. Development cooperation to these two Pacific Island countries is expected to help improve their economic progress as well as maintain good relationships which, in turn, are important for Indonesia's security.

²³ Examples of cooperation carried out by line ministries are training for Palestinian officials on eco-tourism which were co-hosted by the Ministry of Tourism and Ministry of Environment, training for Indian Ocean littoral states on disaster management hosted by the National Agency for Disaster Management, and a workshop on fiscal decentralization hosted by MoF.

²⁴ In 2016, Indonesia provided a grant of USD 70,000 to East Timor for road construction and a total of USD 17,251 as research grants to scholars from various countries (Bappenas 2005, 41). Grants also cover humanitarian aid, such as the assistance to Rohingya refugees. "Loans" are not explicitly allocated in the government budget, but concessional loans such as export credits have been provided by the government through the Indonesian Eximbank to several Asian and African countries.

Table 4. Comparison of development cooperation between Thailand and Indonesia

Compared aspects		Thailand (Upper Middle-Income)	Indonesia (Lower Middle-Income)
Similarities (middle-income approach)	Expertise	Emphasis on their own development experience as main areas of cooperation.	
	Principles	Adoption of key principles which comply with those of DAC, although the degree of compliance varies.	
	Financial Volatility	More vulnerable to external shocks than traditional donors	
Contrasts	Recipients	Major focus on mainland Southeast Asian countries.	No strong regional focus until recently.
	Modalities	Full-fledged modalities offering grants, technical cooperation, and loans.	Started to offer grants and loans, in addition to technical cooperation.
	Institutional arrangement	Segmentations among ministerial commitments to foreign aid.	Stronger single-agency drive.

Source: Authors

5. Conclusion

Middle-income donors deserve special attention as they possess unique features that are rarely seen in larger donors like China and Brazil. The aid approach adapted by middle-income countries is often vulnerable to external shocks from political upheaval and natural disasters. This makes the long-term commitment required in international cooperation precarious. On the other hand, the paper also claims that there is significant variety in the transformation process by which middle-income countries become donors. Based on comparative case studies, our paper argues that it is the bureaucratic set-up, not the intention of the government, that defines the range of activities undertaken by these emerging donors. The reason is simple: despite the

governments' intention to unify the administration of aid, existing bureaucracy prevents any single agency from dominating international cooperation. Instead, different approaches have evolved as a consequence of ministerial politics and the historical evolution of expertise, as is evidenced by the dispersed ODA budget across the ministries in both countries.

Path dependency, however, is not the only explanation for Thailand's and Indonesia's adherence to their own particular approach to cooperation. In Indonesia, different views among the ministries on appropriate institutions resulted in delays toward creating a single agency. Complex relations among different ideas supported the adoption of a mixture of principles and strategies, rather than simply adopting either DAC or SSC principles. The decision to endorse a balance of the two approaches mirrors the philosophy of Indonesia's foreign policy in the 1998 post-reform period when the country aspired to become a bridge-builder of different groups of countries and ideas (Wirajuda 2009). Thai strategy, on the other hand, was very much conditioned by its geopolitical position, sharing national borders with low-income neighbours. The geographical aspect also seems to be a factor with Indonesia in its emphasis of aid to East Timor.

The fragmented nature of foreign aid may not be a bad thing, at least at the initial stage during which government agencies need to establish contacts and networks with private sector implemented projects on the ground (Sato 2015). This model can be applied to the case in Thailand but not Indonesia: in Thailand the private sector plays an important role in infrastructure aid, whereas in Indonesia the government will likely focus on its SSC. The difference in the range of participants will certainly affect the nature of international cooperation in these countries.

In a globalized world where countries align themselves as either aid recipients or donors, it may be a mundane question to ask why a country elects to become a donor. Yet once we zoom into a country's historical context, we can observe political turf wars and bureaucratic transformations as factors that influence the type of donor the country wishes to be. While

provision of international public goods is always in demand, a nuanced understanding of these factors becomes an essential starting point for envisioning the future of global society.

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Abstract (In Japanese)

要約

中進/中所得国による開発援助の体制は、DAC (Development Assistance Committee) 諸国の援助とどのように異なるのか。そこには規模だけでなく、質的な違いがあるのではないか。本論文では、東南アジアで積極的に援助を行いつつあるインドネシアとタイが、被援助国から援助国へと変貌する過程を行政学的な観点から検証し、それぞれの組織的特徴が生まれる政治的、歴史的背景を経路依存の視点から明らかにした。両国の違いは、政府の政策的な意図によるものよりも、行政の構造と専門性の歴史的収れん、そして地政学的な条件によってより効果的に説明することができる。本研究は、東南アジアを事例に援助国化を特徴づける条件を示すことで、今後増加するであろう他地域の新興ドナー分析にも示唆をもたらさんとするものである。

キーワード： 中進/中所得援助国、タイ、インドネシア、援助行政、東南アジア



JICA Research Institute

Working Papers from the same research project

“Development Cooperation by Emerging Countries”

JICA-RI Working Paper No. 167

*Stagnation of Integration in Aid Administration in South Africa —Choices Between
Norms, Interests and Power Balance—*

Hisahiro Kondoh