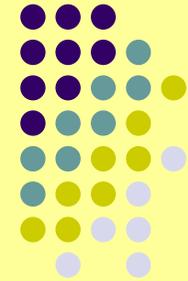


**International Development Policy**  
**Lecture #2, February 7, 2013**



# **Development Cooperation Policies of Major Donors**

**Izumi Ohno, GRIPS**

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	World Politics	World Economy	History of Development Cooperation
1941-45	1940-45: World War II 1945: Yalta Conference 1945: UN Charter		1944: IMF and WB established (Bretton Woods Institutions)
1946-50	1945-50: Independence of Asia 1949: NATO and COMECON established	1947: Marshall Plan	
1951-55	1951: San Francisco Peace Treaty (Japan independence) 1955: Asia-Africa Conference (@bandung) 1955-75: Vietnam War		1953-66: WB loans for Japan's postwar reconstruction 1954: Japan joined Colombo Plan 1955-: Japan war reparation (WW II)
1956-60	1960: Year of Africa (independence of 17 countries)		1959: IDB established / 1960: IDA established 1960: DAG established (61- OECD DAC)
1961-65	1960s: Transition from colonial administration to foreign aid system (esp. France and UK) 1962: Cuban missile crisis	1961: OECD established (64- Japan member)	1961: UN Decade of Development (J.F. Kennedy proposal)/ USAID established 1961: Ministry of Cooperation established (France) 1961: OECF established (98- JBIC) 1962: OTCA established (74- JICA) 1963: AfDB established 1964: Ministry of Overseas Development established (UK) 1965: UNDP established
1966-70	1967: ASEAN established		1966: ADB established 1969: DAC first defined "ODA" (72- tighter definition)
1971-75	1973: Arab-Israeli War	1973: Oil Crisis 1973: Nixon Shock (floating FX)	1973: Robert McNamara/WB Nairobi Speech (BHN)
1976-80	1976: First G7 Summit	1978: China reform & opening 1979: Second Oil Crisis	
1981-85		1982: Mexico Debt Crisis 1985: Plaza Accord (USDollar devaluation)	1980-: Structural Adjustment Programs (WB)
1986-90	1989: German Unification 1990: Gulf War	1986-94: GATT Uruguay Round 1989: Tiananmen Square protests	1987: Brundland Report (Our Common Future)
1991-95	1991: Collapse of Soviet Union (End of Cold War) 1991: Somalia Civil War 1992-95: Bosnia-Herzegovina War 1994: Rwanda Genocide 1994: End of Apartheid 1995: China Nuclear Test	1995: WTO established	1990: UN Education for All 1992: Japan ODA Charter 1992: Rio Earth Summit 1993: First TICAD (every 5yr)
1996-00	1997: Kyoto Protocol 1998: India & Pakistan Nuclear Tests	1997: Asian Financial Crisis	1996-99: HIPC Initiatives (99- PRSP) 1997-00: Peak of Japan's ODA 2000: UN Millennium Summit (MDGs) 2000: China FOCAC (every 3yr)
2001-05	2001: September 11 2001: Afghanistan War 2003: Iraq War 2004: Indian Ocean earthquake		2002: Montrey Consensus 2002: WSSD Summit 2003: New ODA Charter 2005: Paris Declaration(@DAC)
2006-10	2008: First G20 Summit	2008: Lehman Shock 2010-: European Sovereign Debt Crisis	2008: Merger of JICA & JBIC (new JICA) 2010: Seoul Consensus (@G20 Seoul Summit)
2011-15	2011: Arab Spring 2011: Great East Japan (Tohoku) earthquake 2011: First BRICS Summit		2011: Busan Declaration(@DAC) 2012: Rio+20 Summit 2015: MDGs Goal Year

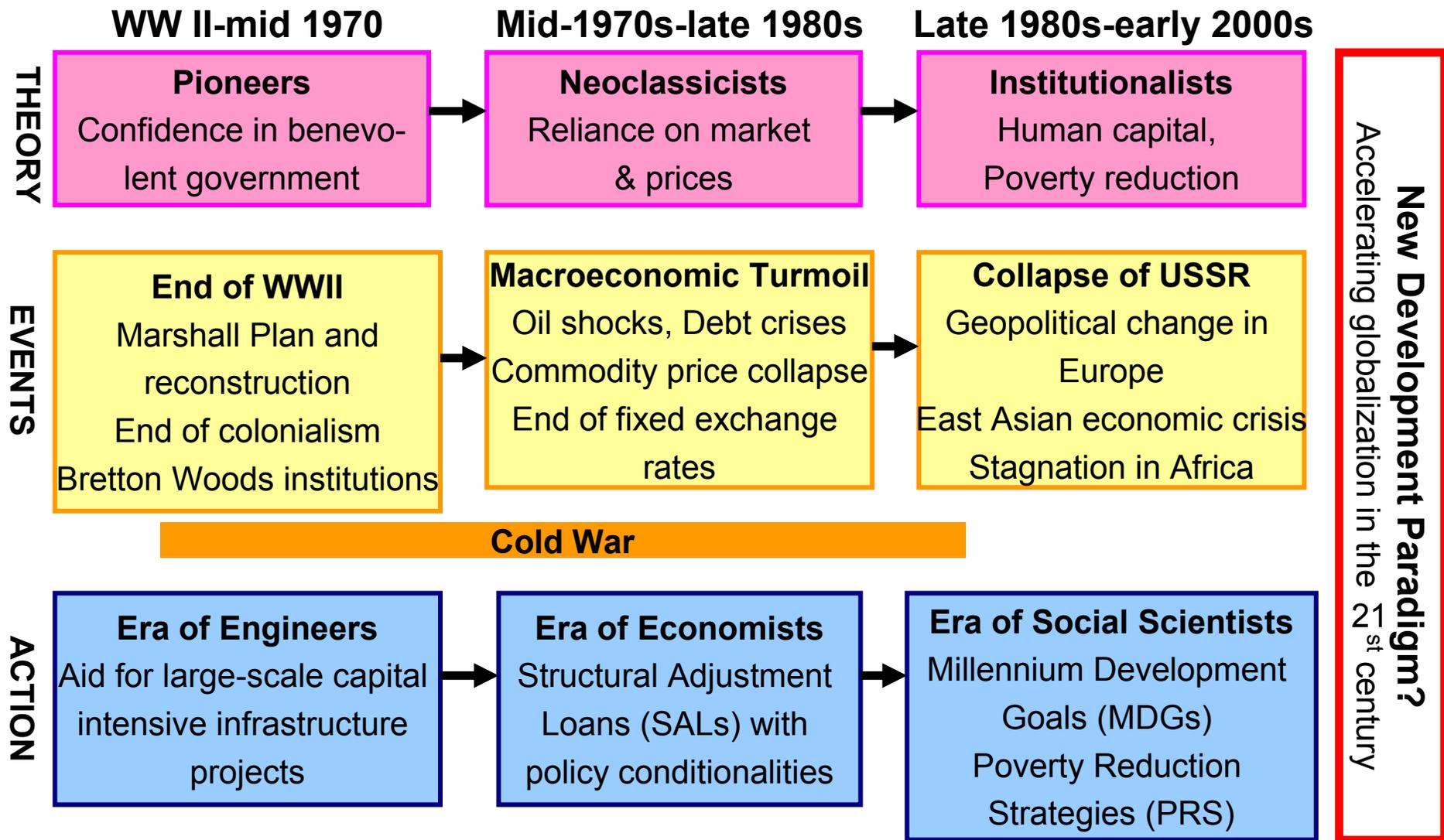
# Different Aid Motives of Donors



Historical factors affect the philosophy and motives of foreign aid by donors

- UK & France: From colonial administration to foreign aid relationship → charity, poverty reduction
- US: National security (esp. Cold War) → American value such as democracy & market economy
- Japan: War reparation and post-war recovery → Self-help effort, economic development, non-policy interference
- Emerging donors (Korea, China, India, etc.): Bringing new and non-Western/Asian perspectives?

# Evolution of Development Thinking and Development Assistance



(Source) Adapted from Figure 2 (p.21), Takamasa Akiyama, *International Development Assistance: Evolution and Current Issues*, FASID 2006.

# Official Development Assistance (ODA)



## Official

~ Grants or loans to developing countries and multilateral institutions, provided by governments or government agencies

## Development

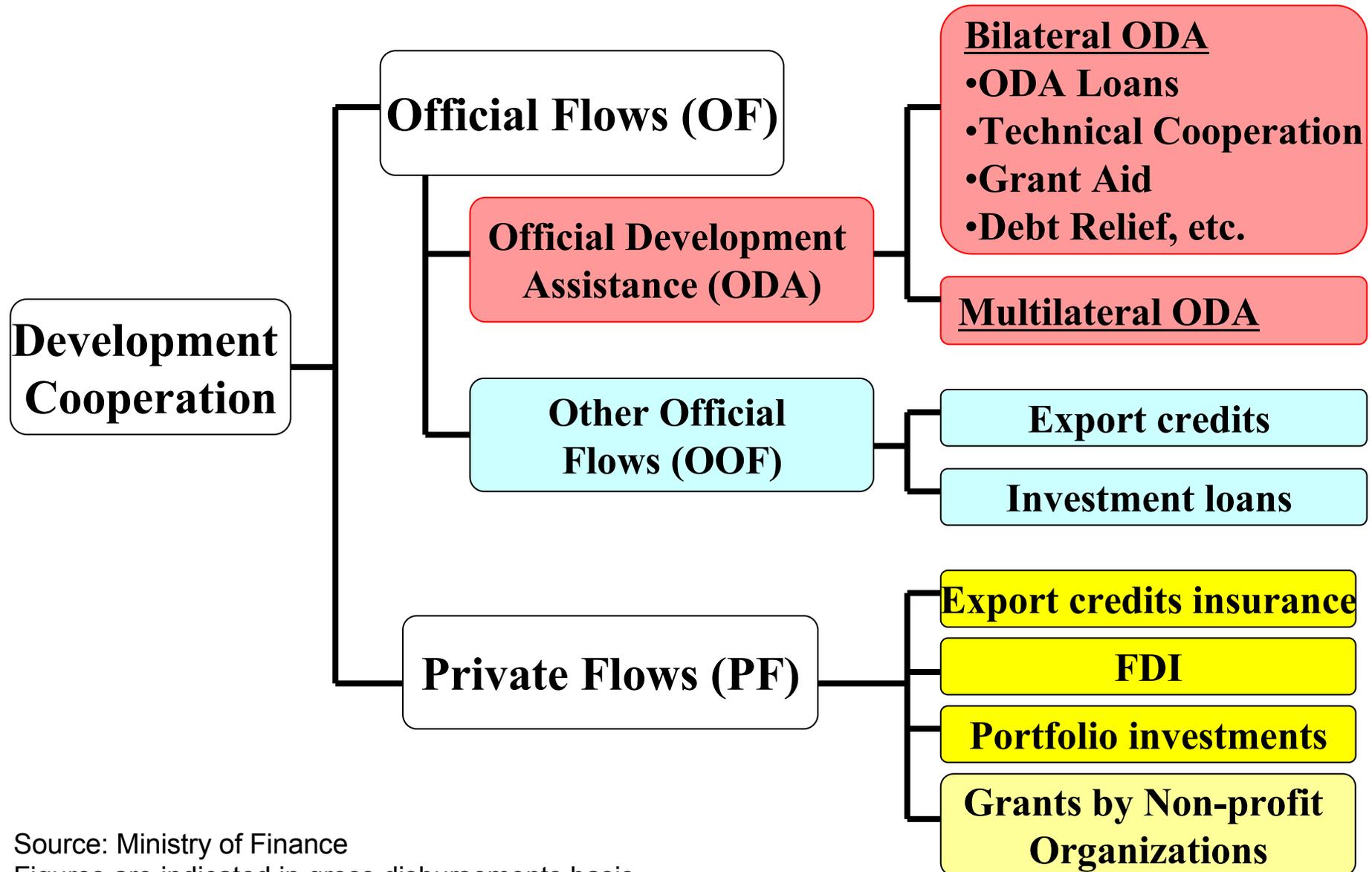
~ The promotion of the economic development and welfare of developing countries, as its main objective

## Assistance

~ Concessional terms, having a grant element of at least 25%

Based on OECD, Development Assistance Committee (DAC)

# Types of Development Cooperation



Source: Ministry of Finance  
Figures are indicated in gross disbursements basis.



# Highlights

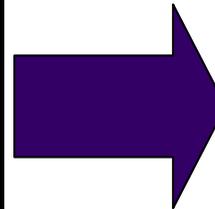
1. Changing global development environment (esp. post-Cold War era)
2. Development Cooperation policies of major traditional donors – US, UK, and Japan
3. Rise of emerging donors – Korea and China
4. Future perspectives for Japan's Development Cooperation policy

# 1. Global Development Trend in the Post-Cold War Era



## Background

- “Aid fatigue” after ending ideological war (Western vs. Eastern camps)
- Rising roles of civil society and NGOs
- Increase of regional & ethnic conflicts
- Transnational, global agenda (e.g., infectious diseases, climate changes, terrorism)
- Increase of private flows to developing countries
- Rise of emerging donors; but widening gaps among developing countries



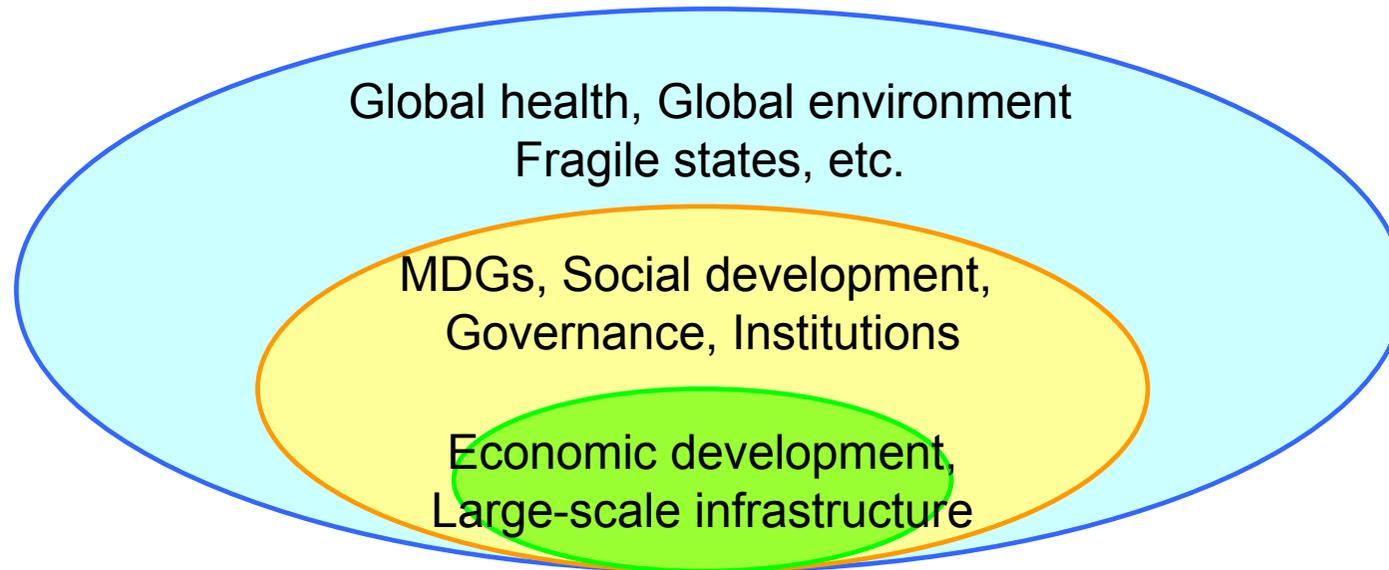
## New Trends

- Revisiting the rationale for aid -- MDGs (international solidarity for fight against poverty) and aid effectiveness
- Focusing on poorest countries & fragile states, peace-building, debt relief and grant aid
- Tackling global agenda
- Public-private partnership, BoP Business
- Attempt to engage emerging donors in global rules

# Changing Global Development Environment (esp. Post-Cold War Era)

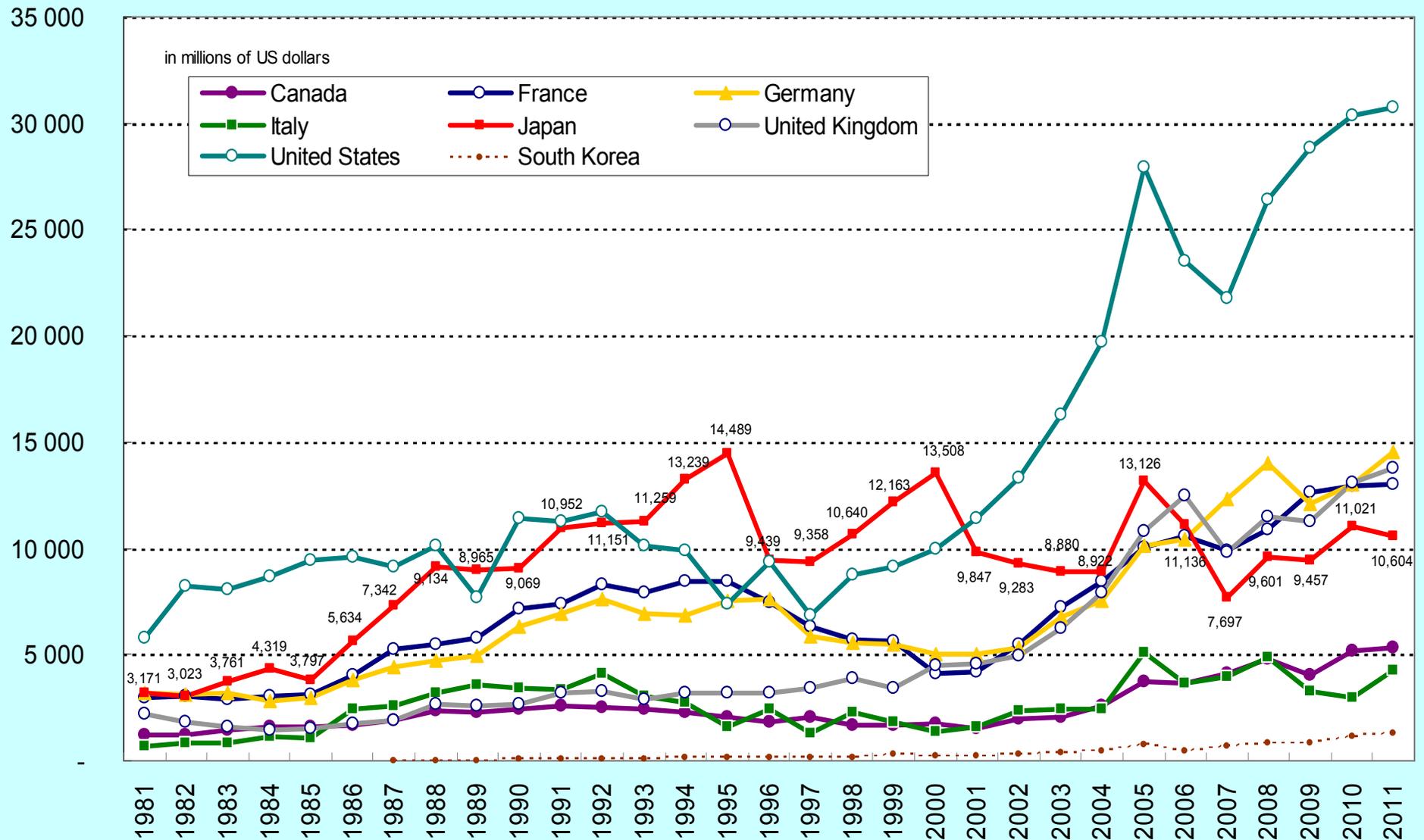


- More diverse development agenda



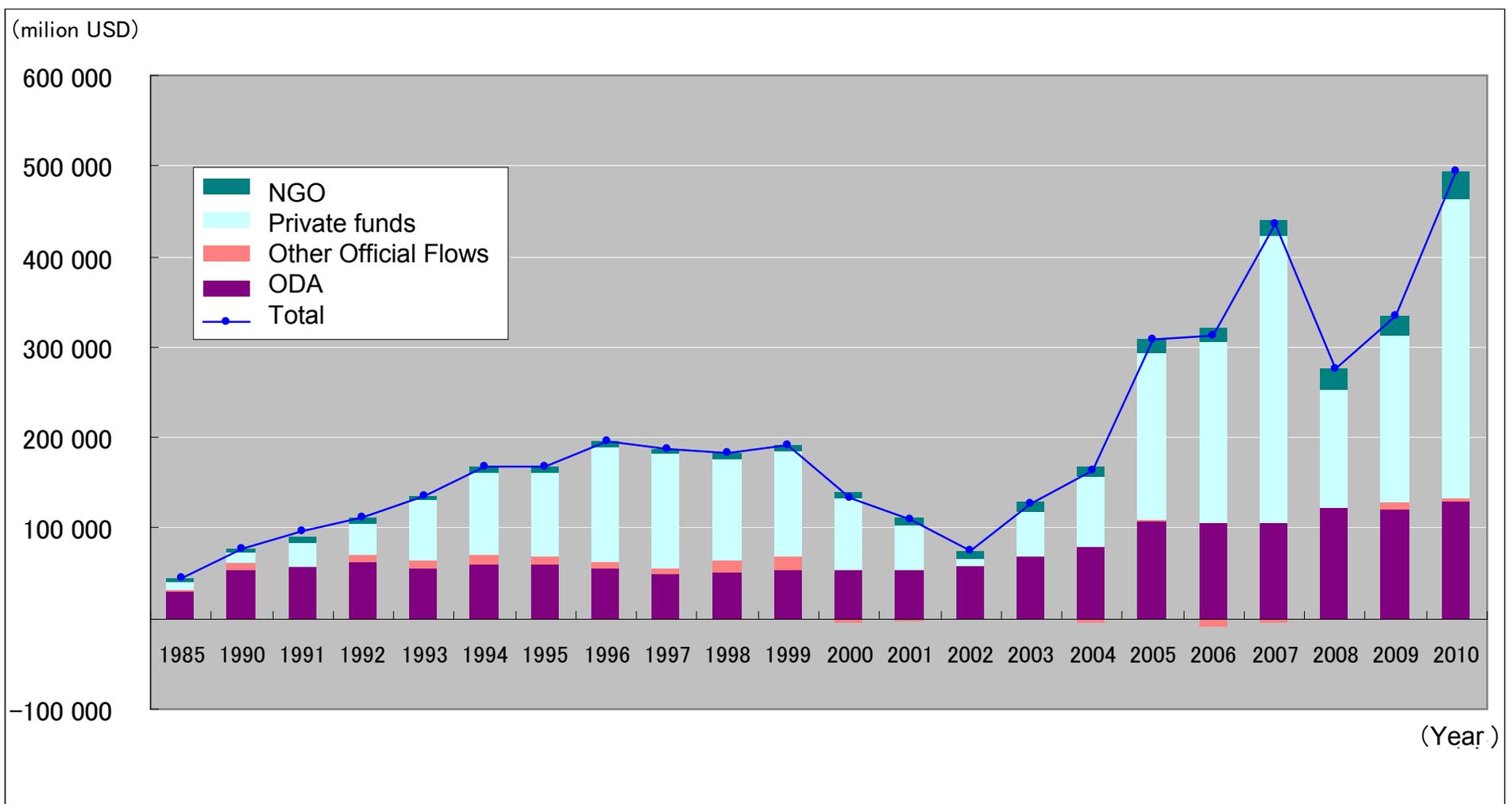
- New actors charged in development
  - Emerging donors (Korea, China, India, Brazil, etc.)
  - Civil society, NGOs, business and private foundations
- Multi-polar system, global power shift
  - G7/G8 → G20

# Trends of Net ODA from G7 Countries + Korea: 1981-2011 (net disbursement basis)



Source: OECD Development Assistance Committee (DAC), Statistical Annex of the 2011 Development Co-operation Report, CRS online database (2012.05.08)

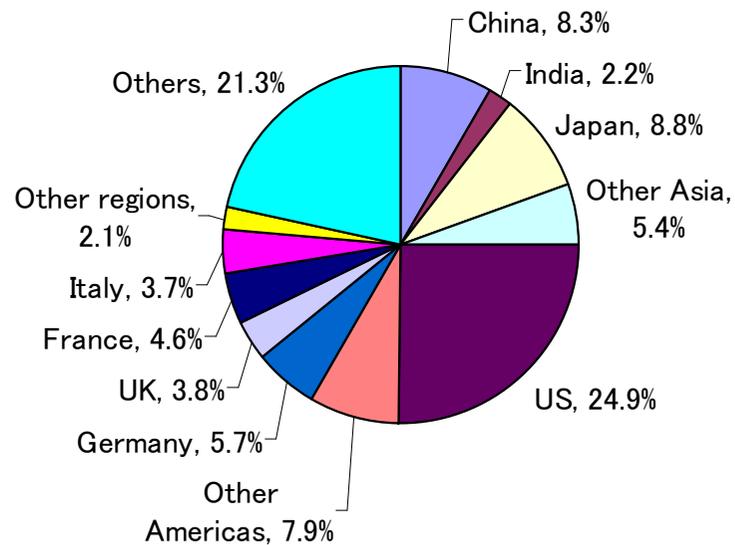
# Financial Flows from OECD (DAC) Countries to Developing Countries



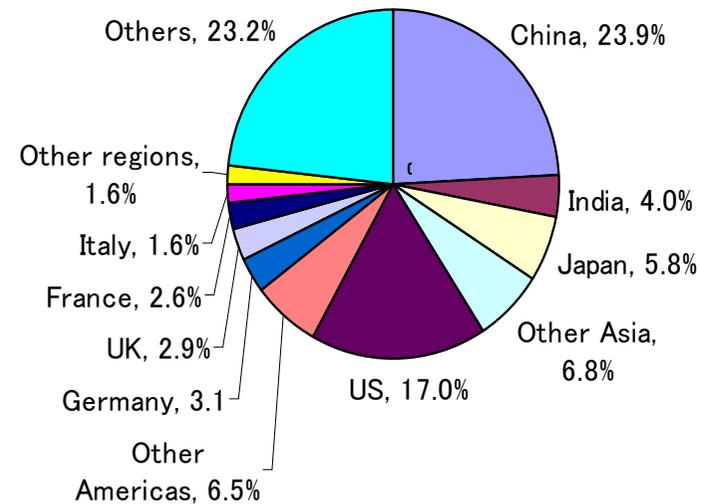
(Source) Elaborated by the author, based on the OECD DAC database (StatExtracts)

# Rising Share of Asian GDP (esp. China, India)

2009 (IMF)



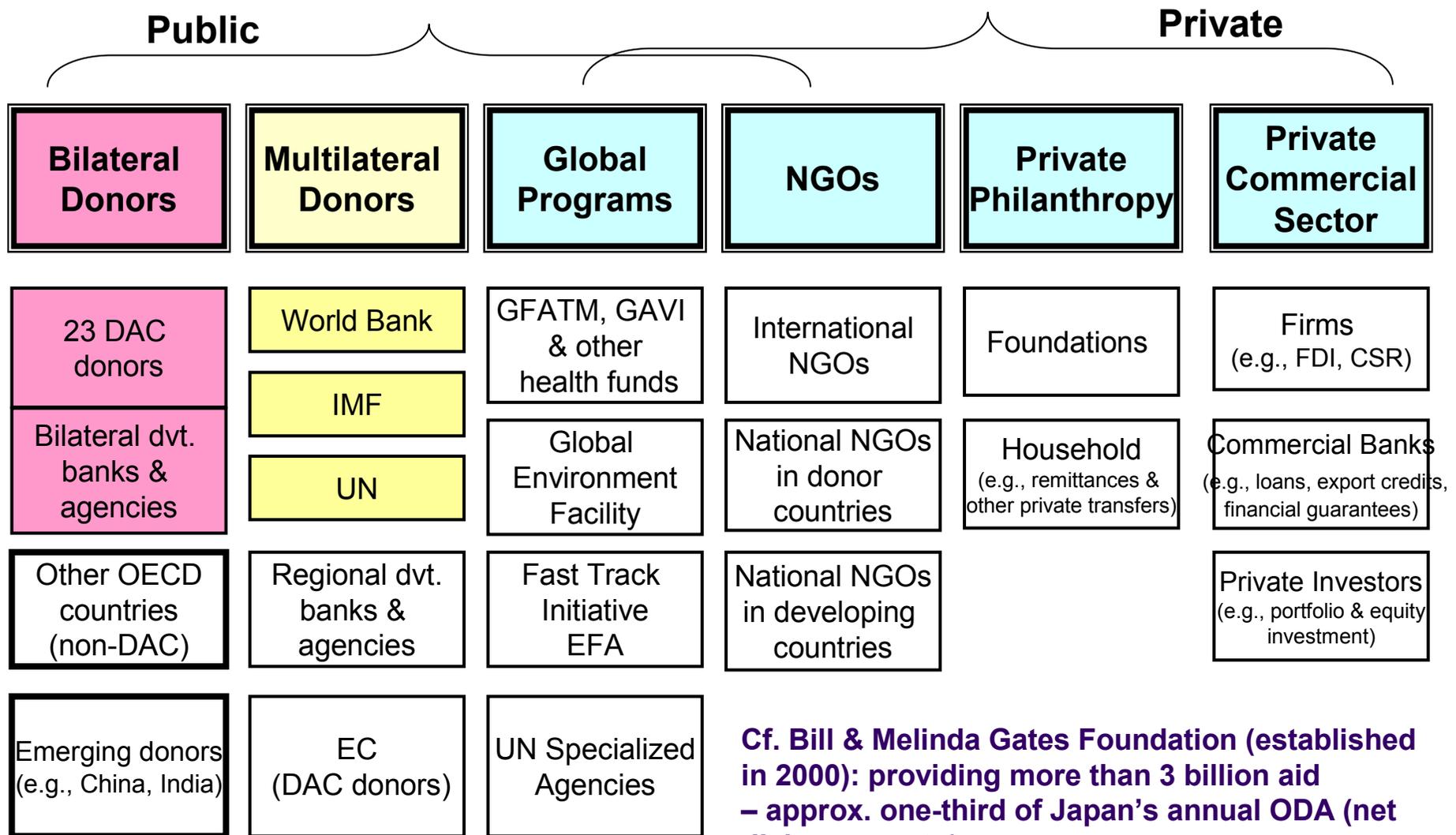
2030 (Estimate)



Source: Cabinet Office *Trends of the Global Economy 2010 - I*, May 2010

**ASIA 2050 (ADB Report)** envisages that by 2050, Asia could account for half of global output, trade, and investment—if middle-income trap scenario could be avoided.

# Aid Architecture: Diversification and Fragmentation



**Cf. Bill & Melinda Gates Foundation (established in 2000): providing more than 3 billion aid – approx. one-third of Japan’s annual ODA (net disbursements)**

 Indicates observer status in DAC

Source: OECD DAC/DCD and OECD Development Centre (2006)

## 2. Features of ODA Policies of Major Donors under the Changing Global Development Environment

<b>US</b>	<ul style="list-style-type: none"> <li>● Development as integral part of the National Security Strategy (3Ds)</li> <li>● Development diplomacy (esp. Obama administration, Hillary Clinton), emphasizing civilian power and soft power, rather than hard power (under the Bush administration)</li> <li>● Focus on 3 strategic agenda: food security, global health, climate changes</li> </ul>
<b>UK</b>	<ul style="list-style-type: none"> <li>● MDGs (poverty reduction) as overarching goal, clear separation from diplomatic and commercial interests</li> <li>● Using development as soft power and appealing to the public, by leading rule-making of the international development policy and system</li> <li>● Selectivity and sharpening the focus of international development policy</li> </ul>
<b>Japan</b>	<ul style="list-style-type: none"> <li>● Top donor in the 90s (peak 1997), but sharp decline of ODA budget for the past 14 years due to fiscal stringency</li> <li>● Coped with broader development agenda to include human security and peace building (New ODA Charter: 2003)</li> <li>● Grouping for the rationale for development cooperation, as Asian countries graduating from aid and Japan faces huge resource needs for 2011 3.11 earthquake reconstruction</li> </ul>
<b>Korea</b>	<ul style="list-style-type: none"> <li>● As a new OECD/DAC member, willingness to play a bridging role btw. developing countries and traditional countries</li> <li>● Launching “Knowledge Sharing Program” to make intellectual contribution to the international community, based on Korean development experiences (as part of national branding, soft power strategy)</li> </ul>

## Features of ODA: UK, UK, Japan and South Korea

	US	UK	Japan	S. Korea
<b>Volume</b> (ODA/GNI) (2010: net disbursement)	\$30,353 mn (0.21%)	\$13,053mn (0.57%)	\$11,021 mn (0.20%)	\$1,174 mn (0.12%)
<b>Regional distribution</b> (2009-10: % of total gross disbursement)	1.Su-Saharan Africa (37.0%) 2.South & Central Asia (24.7%)	1.Sub-Saharan Africa (53.0%) 2.South & Central Asia (31.7%)	1.East Asia & Oceania (43.6%) 2.South & Central Asia (25.2%)	1.East Asia & Oceania (29.7%) 2.Sub-Saharan Africa (28.3%)
<b>Major aid use</b> (2009-10: % of total bilateral commitments)	1.Social & admin. infrastructure (50.7%) 2.Humanitarian assistance (16.3%)	1.Social & admin. Infrastructure (44.5%) 2.Economic infrastructure (10.6%)	1.Economic infrastructure (41.3%) 2.Social & admin. Infrastructure (25.8%)	1.Economic infrastructure (45.6%) 2.Social & admin. Infrastructure (40.1%)
<b>Grant share</b> (2009-10: % of total ODA commitments)	100%	95.1%	52.3%	45.7%

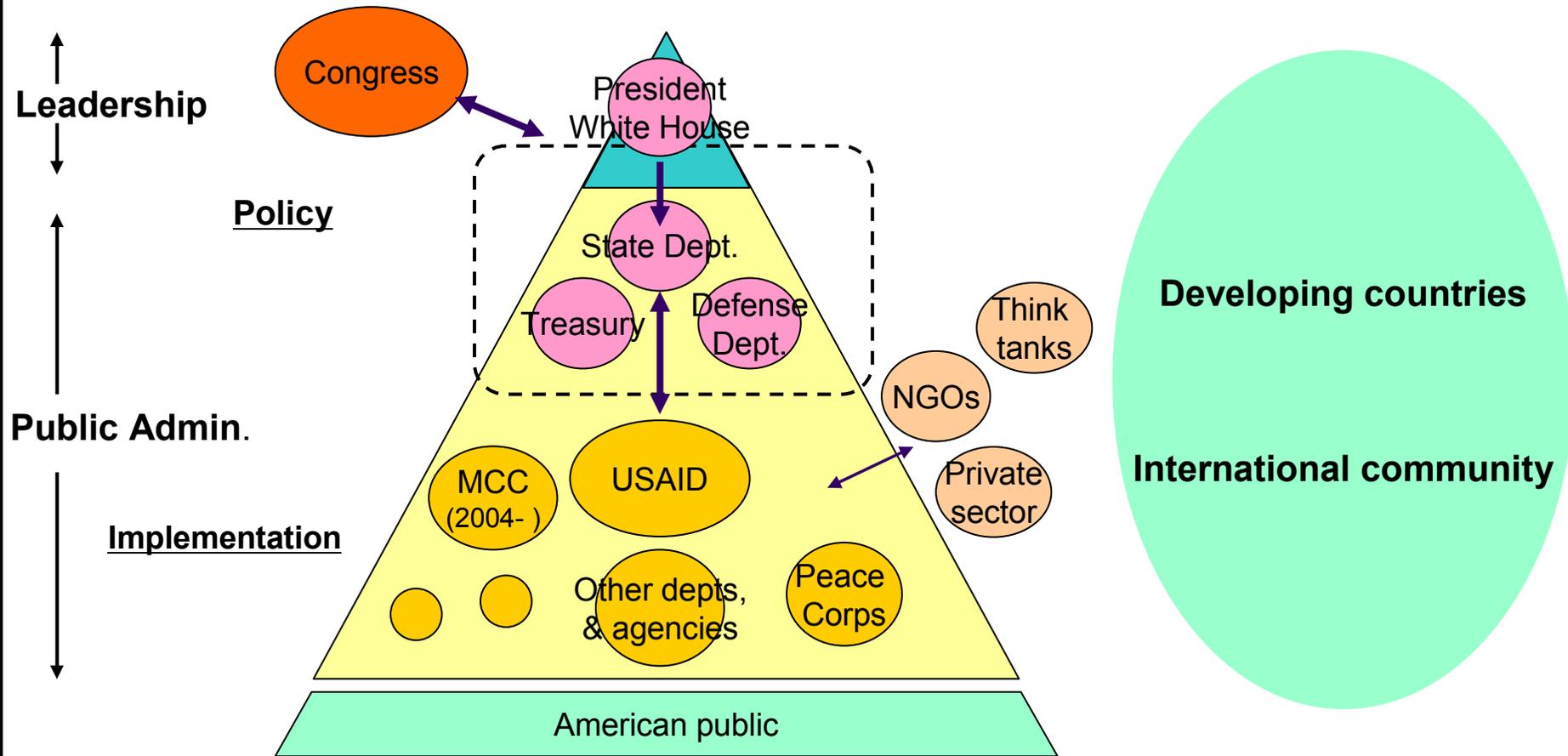
Source: OECD Development Assistance Committee (Statistics on Resource Flows to Developing Countries, as of Dec. 22, 2011)

# ODA Policy and Institutional Framework: US, UK, and Japan

	US	UK	Japan
Legal and policy framework	<ul style="list-style-type: none"> <li>■ Foreign Assistance Act (1961, amended)</li> <li>■ WH National Security Strategy (2002, 2006, 2010)</li> </ul>	<ul style="list-style-type: none"> <li>■ Int'l Development Act (2002)</li> <li>■ DFID White Papers (1997, 2000, 2006, 2009)</li> </ul>	<ul style="list-style-type: none"> <li>■ No law</li> <li>■ ODA Charter (Cabinet decision 1992, 2003 amended), Medium-Term Policy</li> </ul>
Policy formulation and implementation coordination	<ul style="list-style-type: none"> <li>■ Fragmented system, with active check &amp; control by Congress</li> <li>■ USAID: semi-independent, subcabinet-level agency</li> <li>■ MCC (2004-): govt-owned corporation</li> <li>■ Other depts. &amp; agencies</li> </ul>	<ul style="list-style-type: none"> <li>■ Coherent &amp; organized system</li> <li>■ DFID (1997-): cabinet-level dept. for ODA policy &amp; implementation</li> <li>■ Public Service Agreement with Treasury</li> </ul>	<ul style="list-style-type: none"> <li>■ Fragmented system</li> <li>■ Policy: MOFA (overall) MOF, METI</li> <li>■ Implementation (2008-): JICA (grants, TA, loans), MOFA (grants)</li> <li>■ Other ministries &amp; agencies</li> </ul>
Role of legislature	<ul style="list-style-type: none"> <li>■ Vigorous scrutiny by Congress (strategy, budget, programs)</li> <li>■ No specialized committee for ODA</li> </ul>	<ul style="list-style-type: none"> <li>■ Comprehensive review by Int'l Dvt. Committee (House of Commons, est. in 1997)</li> </ul>	<ul style="list-style-type: none"> <li>■ Special committee for ODA established (House of Councilors in 2006)</li> </ul>

# US Aid System (2001/02- )

- Fragmented aid system
- Strong Congressional involvement in ODA strategy and budget
- Presidential leadership driving political & public support, incl. significant ODA budget increase



# US: ODA Policy Formulation and Implementation Coordination



- Development as integral part of the National Security Strategy; Presidential vision matters
- Fragmented aid system
  - Executive branch: implementation assumed by various depts. And agencies (27 agencies, 50 programs)
  - Strong involvement by the Congress on strategy, basic direction, and the volume/programs of ODA
- USAID: established under Foreign Assistance Act (1961); traditionally serving as the core agency for aid implementation, reporting to the State Dept.
- NGOs: the voice of developmental interests and aid lobby, as main contractors of ODA projects
- Active aid policy debates: civil society and think tanks

# ODA Policy and Implementation under the Bush Administration (2001/02-08)



- Vision: driven by “War on Terror”
- Presidential leadership and National Security Strategy (2002, 2006): 3Ds (diplomacy, defense, and development)
  - In reality, development was subordinate to the other 2Ds
- Mobilizing Congressional and public support, significant ODA budget increase
  - But, the role of USAID undermined (strategic planning functions removed, and absorbed by State Dept.)
  - Creating a new aid agency in 2004 -- “Millennium Challenge Corporation (MCC)”-- to promote core American values
  - Expanding the role of Defense Dept. in ODA
- ➔ *Further fragmentation in aid implementation*
  - Concern about a declining share of USAID in total ODA (50.2%(02)→ 38.8%(05)), sacrificing developmental goal



© 2008 AP / Rick Bowmer

# Global Development Policy under the Obama Administration (2009- )



- Vision: SMART Power
- Presidential leadership and new National Security Strategy (May 2010):
  - Role of ODA in promoting global partnership, as soft power
  - Calling for continuous increase of ODA budget
- US Global Development Policy
  - First presidential decree of international development, announced at the UN Millennium Summit (Sept. 2010)
  - Elevating USAID to participate in the National Security Council of the White House, as necessary
- Strong support by Secretary of State, Hillary Clinton
  - “Leading Through Civilian Power” (QDDR Dec. 2010) and “development diplomacy”
- Nevertheless, faced with Congressional opposition (the Lower House dominated by the Republicans)

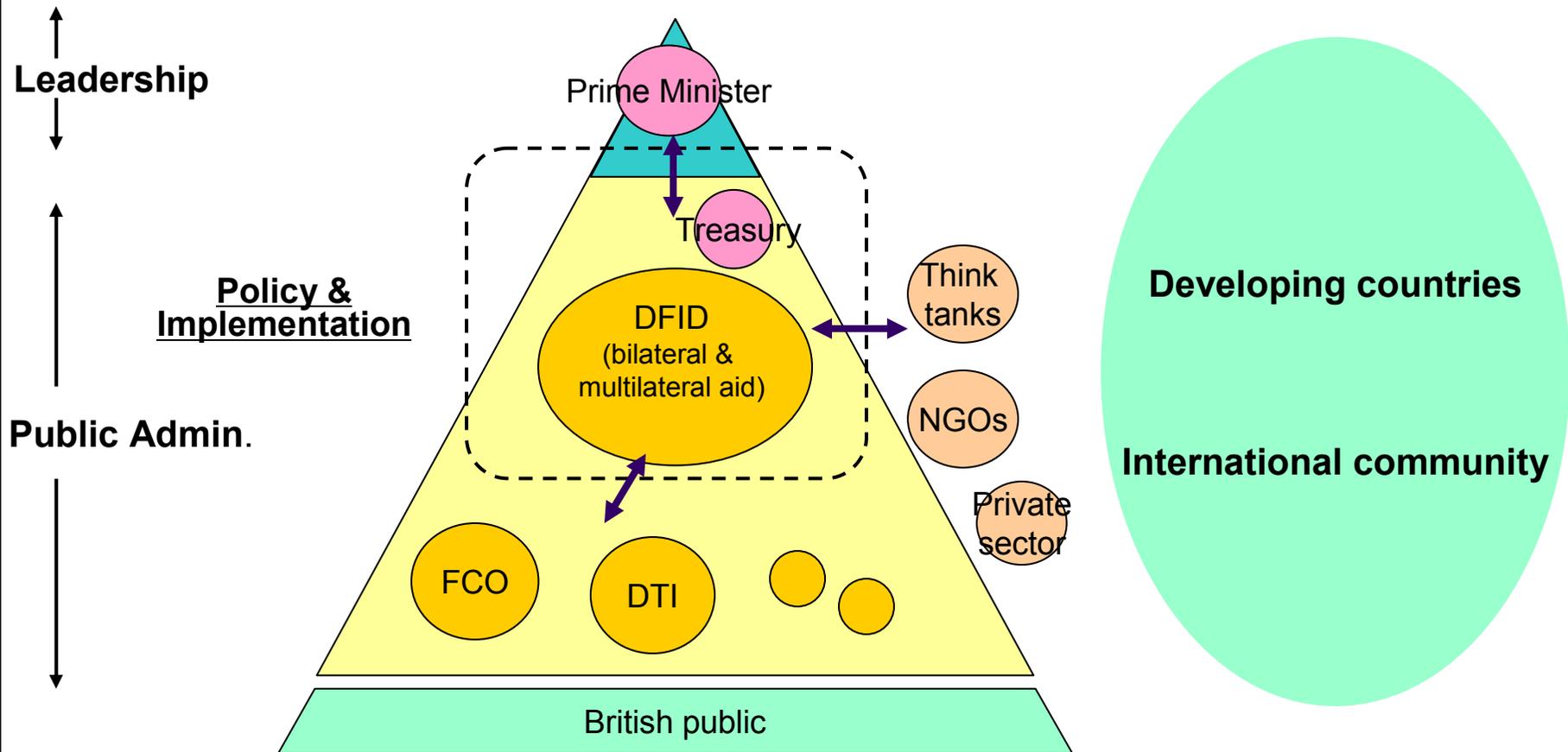
# US Global Development Policy



- Broad-based economic growth, as the overarching goal
  - Aimed at increasing “capable partners” (no more fragile states!)
- Whole-of-the Government approach, to address the problems of fragmented aid system
  - Inter-agency Policy Committee, chaired by NSC advisor
- Focus on three strategic agenda: food security, global health, and climate change
  - Assigning a focal agency for each agenda
- Greater attention to partnerships with other players and aid effectiveness issues

# UK Aid System (1997- )

- Coherent aid system
- Clear legislative mandate and organized administrative approach
- High-level policy commitment and shared vision among Prime Minister, the Chancellor of Exchequer, and DFID Secretary

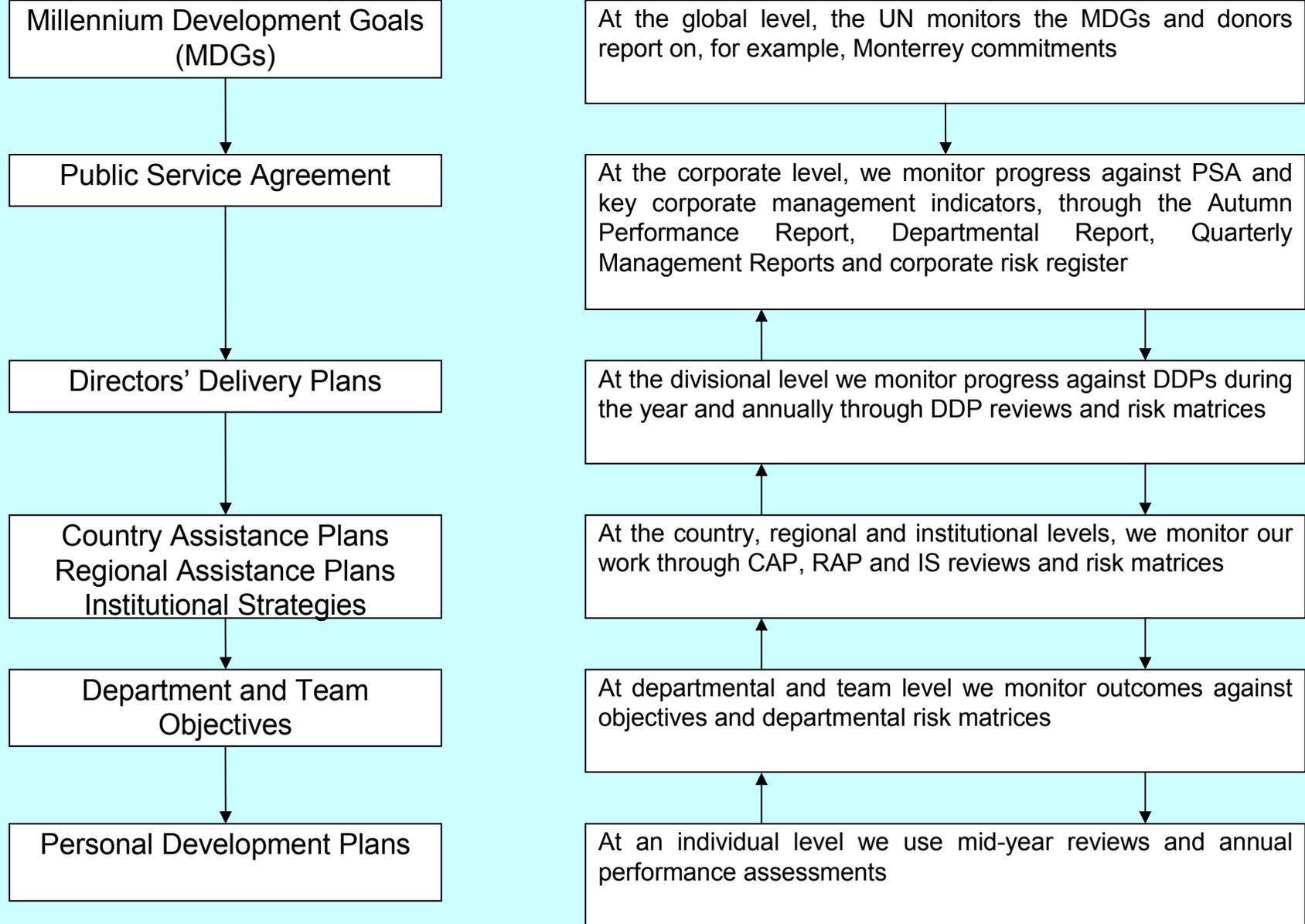


# UK (1997- ): Int'l Development Policy Formulation and Implementation



- Policy coherency and organized approach
  - Creation of DFID as the Cabinet-level Dept., charged with policy formulation and implementation of int'l development (both bilateral and multilateral aid)
  - Clear legislative mandate and organized administrative approach (International Development Act 1997)  
Cf. Past trend: Labor administration → independent aid ministry,  
Conservative administration → aid agency under FCO
- High-level policy commitment shared by Prime Minister, the Chancellor of the Exchequer, and the Secretary of State for Int'l Development
- Overarching vision: poverty reduction and MDGs
  - 3-year Public Service Agreement with the Treasury, based on the achievement of MDGs
- Active engagement in the int'l community and global debates

## DFID strategy and performance management – how it fits together



Source: DFID Departmental Report 2005 (p.9)



## UK (1997-2010): Key Actors and Interests



- Prime Minister (Blair, Brown): attach high priority to development, incl. aid to Africa
- Chancellor of the Exchequer: strongly committed to development, supportive of aid budget increase
- DFID: the voice of developmental interests, standing up for poverty reduction in the faces of diplomatic interests (Foreign and Commonwealth Office: FCO) and commercial interests (Dept. of Trade and Industry: DTI)
  - Abolishing the Aid and Trade Provision in 1997 (tied grant aid)
- Strong civil society sector, active think tanks, Christian concept of charity
- High-level political and public support
  - “Aid for poverty reduction” attracts votes (connected to daily lives – e.g., refugees and asylum seekers, immigrant workers)

# Engagement in Global Agenda



- DFID: entrusted with leading policy coordination for international development
  - Joint unit with other ministries, by agenda: Joint Trade Policy Unit (DFID-BERR), Post-Conflict and Reconstruction Unit (DFID-FCO-DOD), etc.
- Active use of multi-donor framework
  - Influencing policies of multilateral organizations
  - Global health: IHPA
  - PPP: PIDG (privately financed infrastructure), BoP Business
- Active involvement in the G8 & G20 processes
  - Commission for Africa (2005 Gleneagles Summit), led by PM office
  - Global Development Partnership Programme launched (2011), to engage emerging partners in the global agenda
- Aimed at gaining public support by leading the rule-making of international development policy and system (esp. poverty reduction in Africa and South Asia)



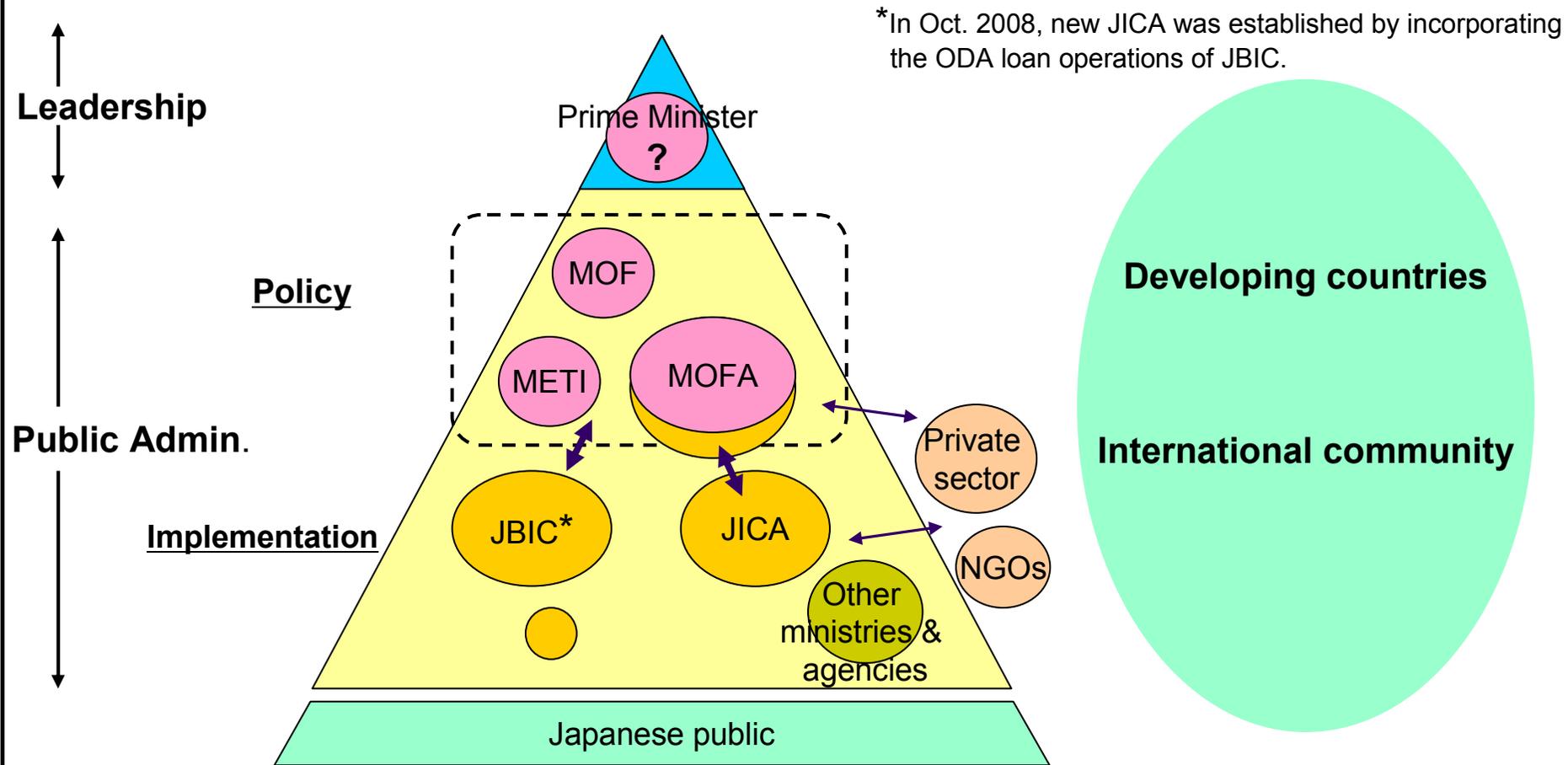
## Int'l Development Policy under Conservative and LDP (May 2010)



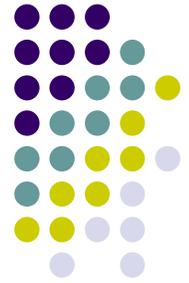
- Maintaining DFID as a cabinet-level ministry for international development policy and implementation
- Commitment to MDGs achievement and ODA increase (to raise ODA/GNI ratio to 0.7% by 2013)
- Keeping untied aid
- New aid policy (March 2011)
  - Further concentration of bilateral aid (to 27 countries) in the next five years; selectivity in multilateral aid based on performance
  - Emphasis on value for money (VfM), transparency, accountability for tax payers, results orientation
  - Further promoting private sector development
- Independent Committee for Aid Impact (May 2011), reporting to the International Development Committee of the Parliament

# Japan's Aid System

- Recent efforts to improve coherence in aid implementation
- Limited involvement by Diet in aid policy, and weak political interest

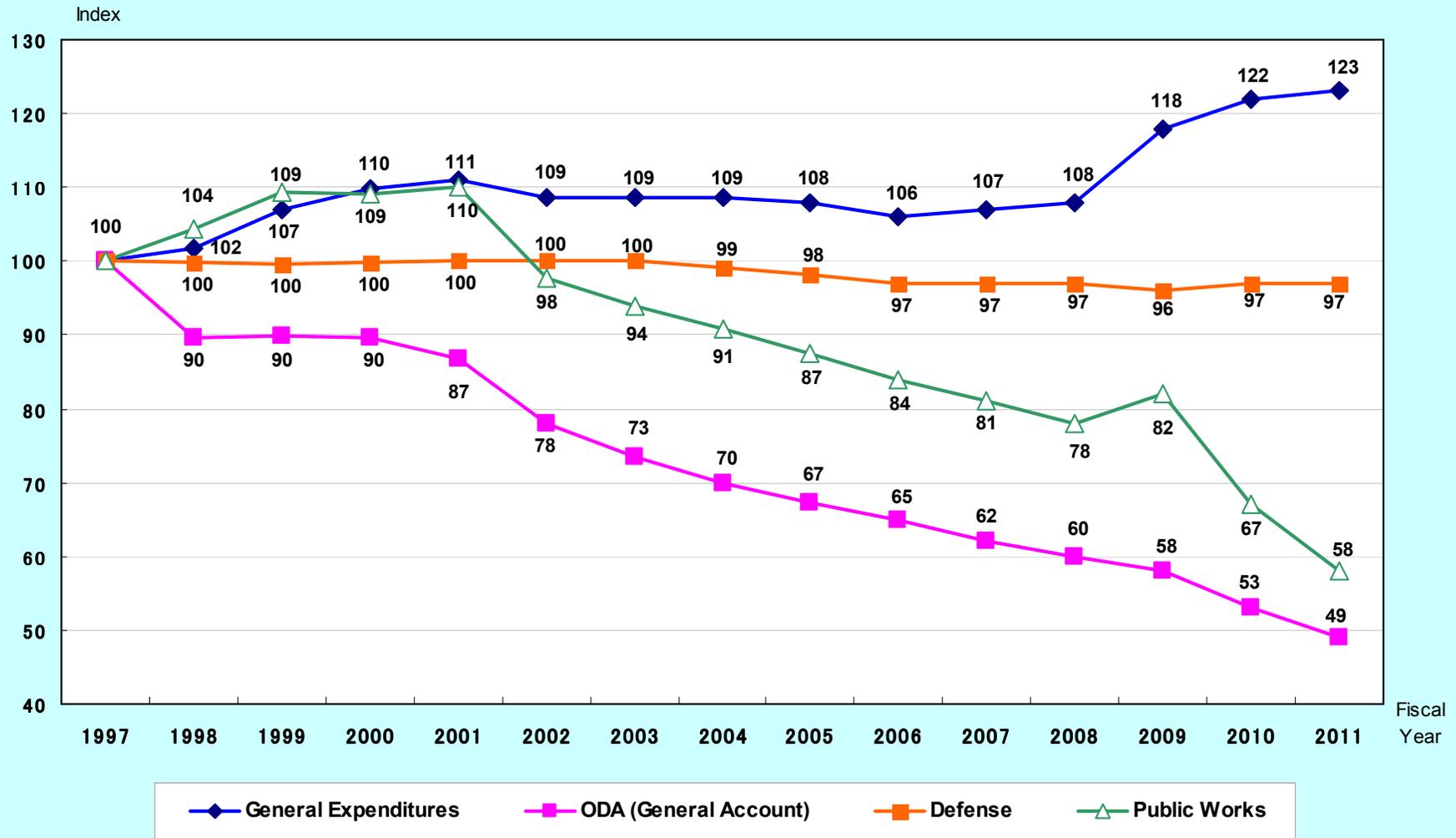


# Japan: ODA Policy Formulation and Implementation Coordination



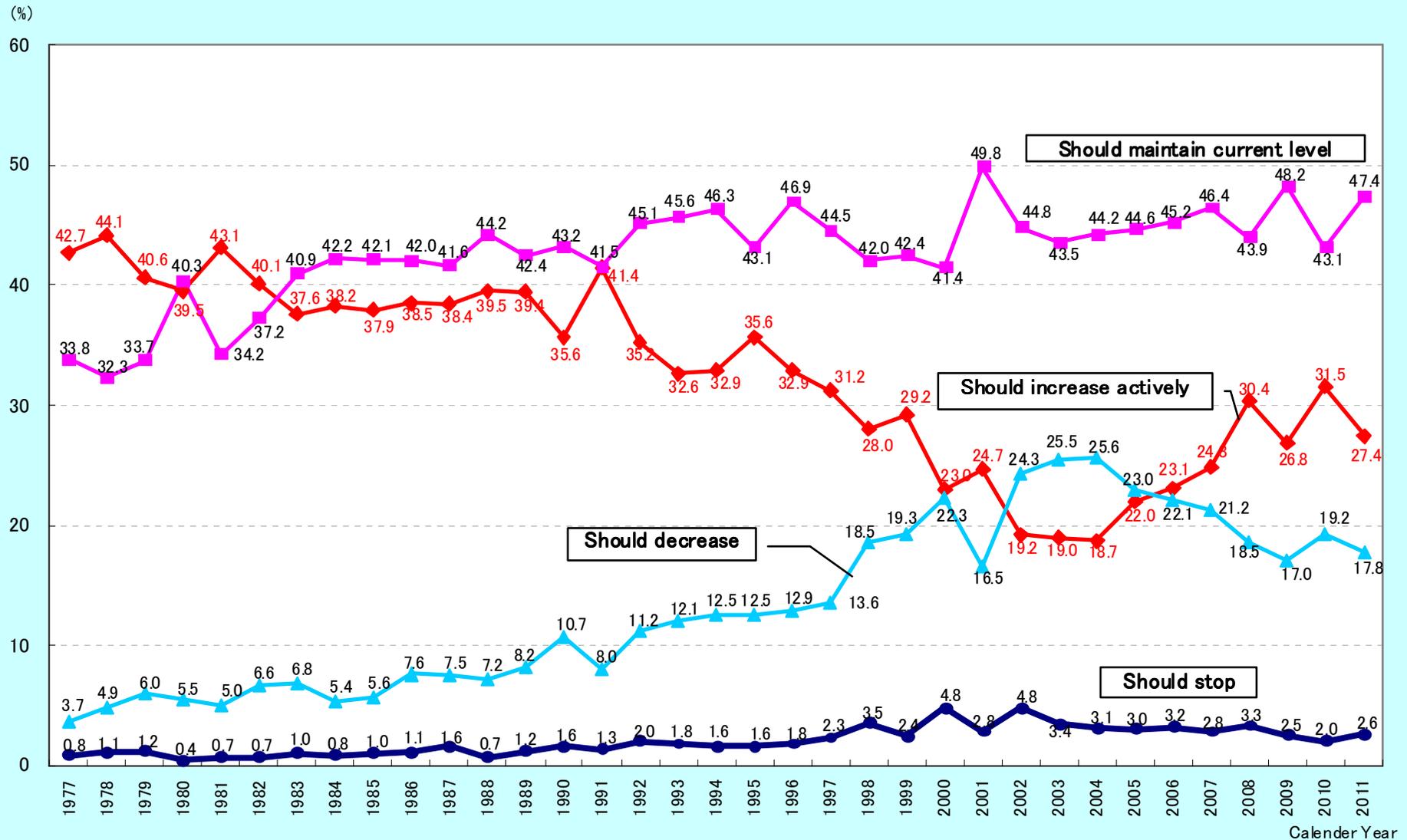
- Efforts underway to improve coherency of aid system:
  - Strengthening of MOFA's overall policy coordination functions
  - Establishment of new JICA through the merger of ex-JICA (TA) and ODA Loan operations of JBIC
- Lack of political and popular interest in ODA (Prime Minister's vision?)
  - Limited involvement by the Legislature on strategy and basic direction of ODA, leading to inactive policy debates
- Why and for what aid? -- domestically, views are divided
- Severe ODA budget cut (cumulatively -50% from the peak of 1997)

# Trends of ODA Budget and the Other Major Expenditures (Index)



Source: Ministry of Foreign Affairs, Japan's ODA White Paper 2011

# Popular Perception of ODA: Opinion Polls on Japan's Engagement in Economic Cooperation

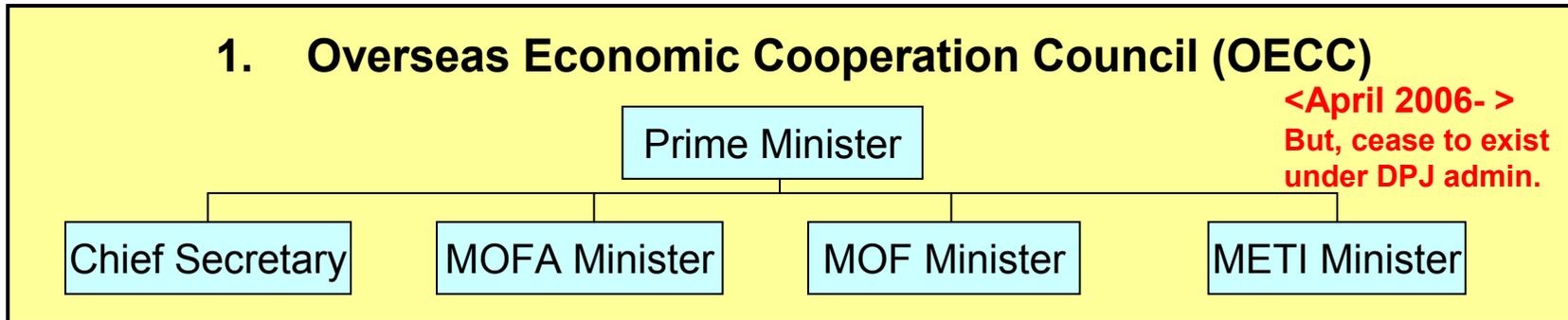


Source: Opinion Polls on foreign policy, the Cabinet Office, October 2011.

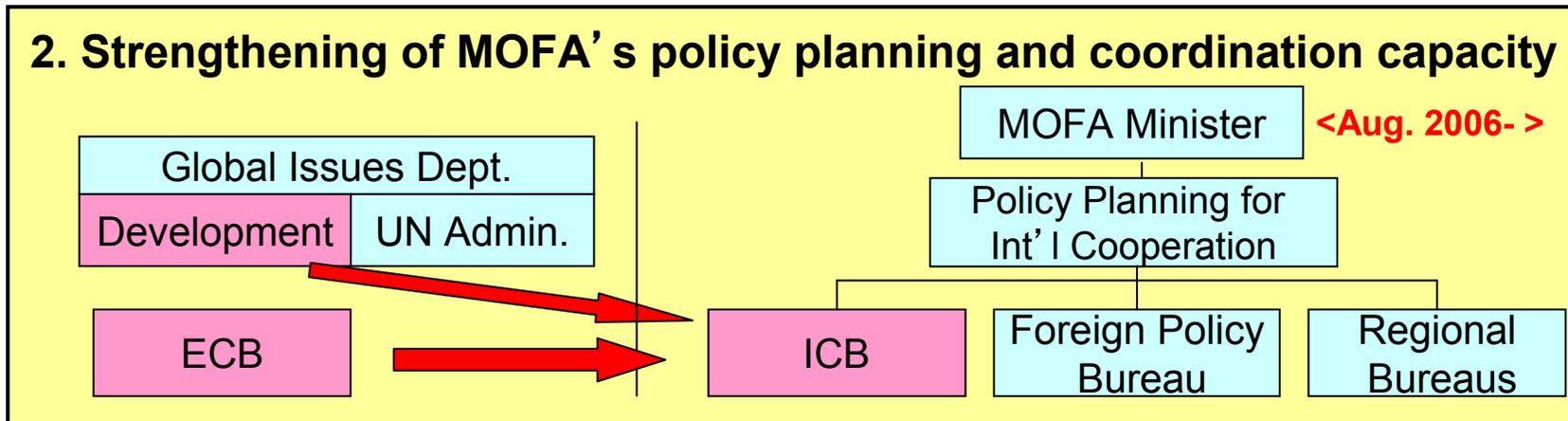
Note: The polls were conducted August 1977-79, June 1980-85, October after 1986 (except for November 1998).

# Institutional Framework for Japan's ODA

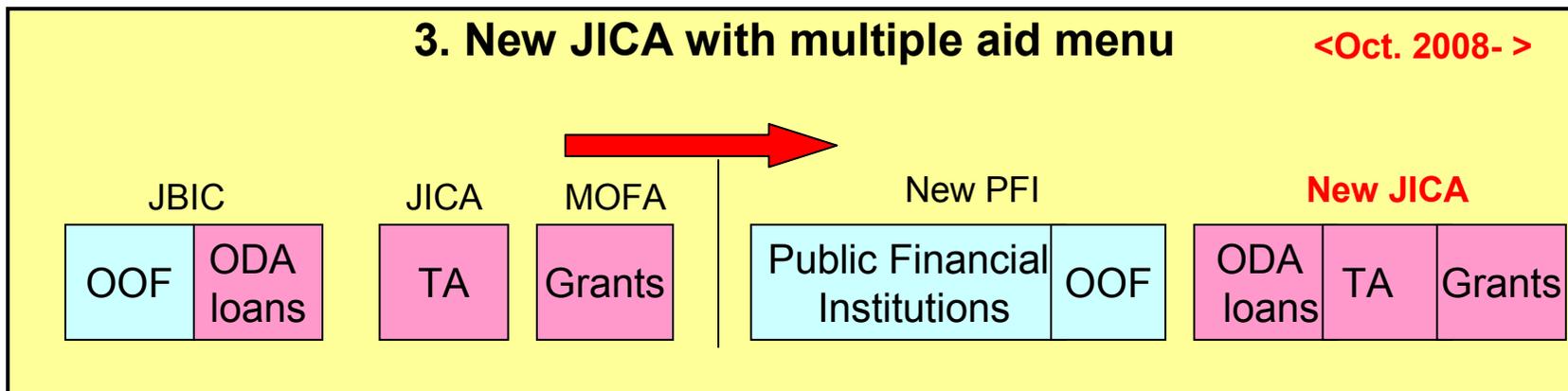
## 1. Overseas Economic Cooperation Council (OECC)



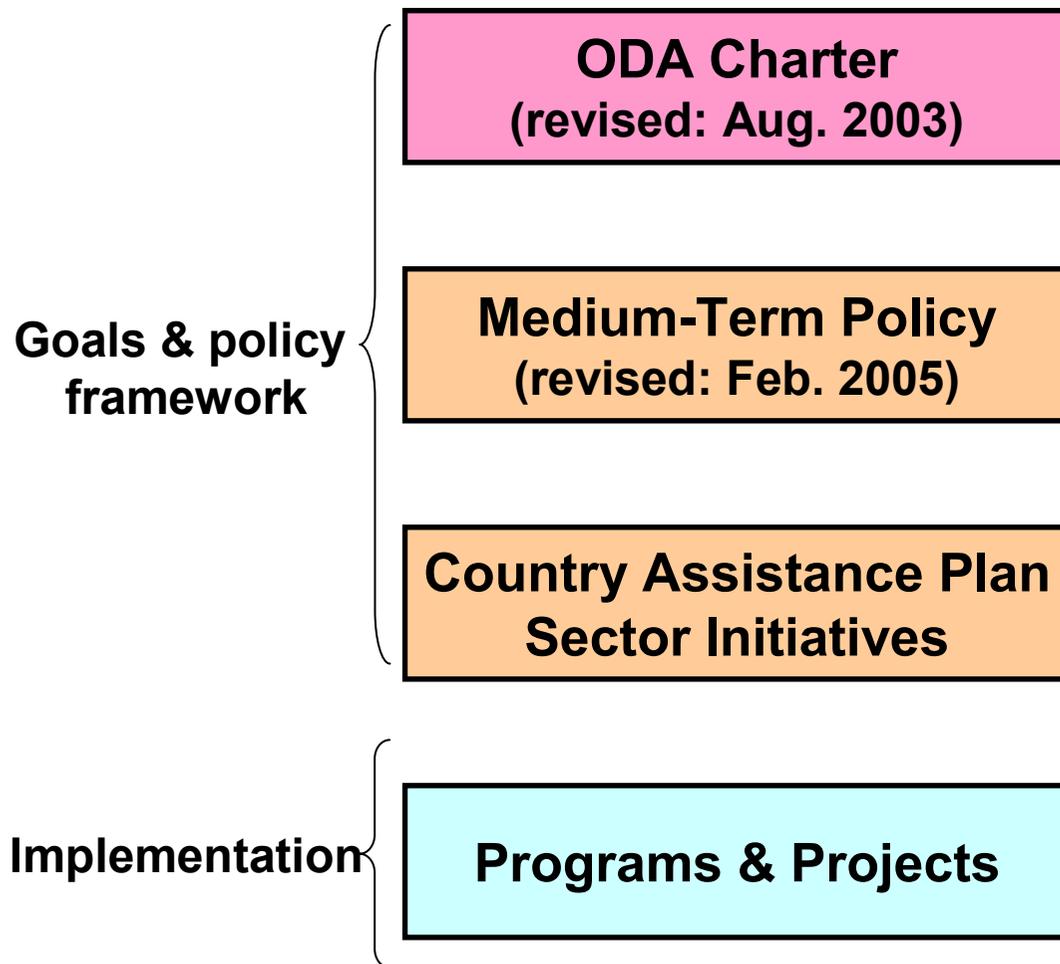
## 2. Strengthening of MOFA's policy planning and coordination capacity



## 3. New JICA with multiple aid menu



# Framework for Japan's ODA Policy Implementation (2002/03- )

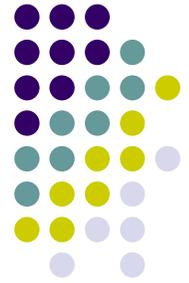


## New elements from the 1992 Charter:

- Articulation of goals:
  - (1) Peace & development for the world
  - (2) Prosperity & security for Japan and East Asia
- Human security & peace building
- More concrete guidelines for effective & efficient aid delivery

## Aid delivery:

- Greater delegation to field-based "All Japan" teams:
- Embassy of Japan
  - JICA (and JBIC, JETRO)
- Programmatic approach, cost-efficiency, evaluation, etc.



# Opportunities

- About new JICA (Oct. 2008- )
  - Largest bilateral donor agency, in terms of aid volume (gross disbursements)
  - Broad menu of assistance: loans, TA, grants (about 60% of grant aid to be transferred from MOFA); greater synergy effects expected
  - Potential for further strengthening country-based approach, with enhanced functions of field offices
  - Potential for stronger research and dissemination capacity, by possessing a holistic view
  - Potential for linking business and NGO sectors, in light of recent interest in social business & CSR.

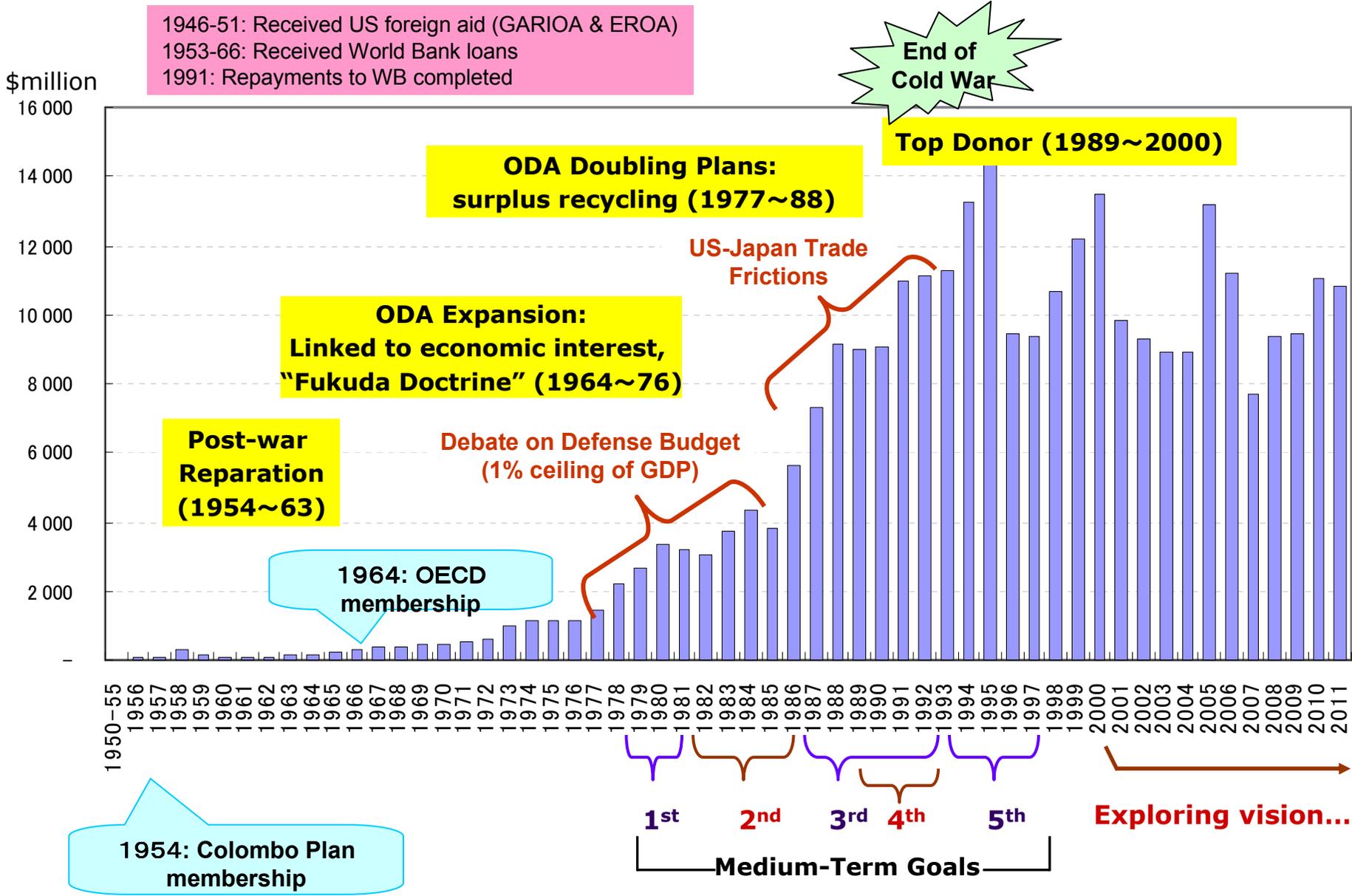


# Challenges

- ODA does not give additional votes in Japan
    - Many competing priorities (e.g., reconstruction from earthquake damages, pension, economic reactivation)
  - Weak civil society and think tanks, leading to inactive policy debates
  - Bleak prospect for ODA budget increase
    - Rather, JICA activity has been severely scrutinized as part of DPJ's administrative reform campaign
    - Heavy fiscal burden; huge resource needs for 2011 3.11 earthquake reconstruction
  - Frequent staff rotation at the govt. level; bureaucratic rigidity in administrative procedures and systems, etc.
- ➔ *But, recent sign of citizen awareness of global links (consequence of the Great East Japan Earthquake)*

# History of Japan's ODA Policy

1946-51: Received US foreign aid (GARIOA & EROA)  
 1953-66: Received World Bank loans  
 1991: Repayments to WB completed



Source: Elaborated by the author, based on the Ministry of Foreign Affairs and the Ministry of Finance

### 3. Emerging Donors in East Asia

	Korea	China	Thailand	Malaysia	Singapore
<b>Policy formulation</b>	Min. of Strategy & Finance (MOSF) Min. of Foreign Affairs & Trade (MOFAT)	Min. of Commerce (MOFCOM)	NESDB Min. of Foreign Affairs (MOFA)	Economic Planning Unit (EPU)	Min. of Foreign Affairs (Technical Cooperation Directorate)
<b>Concessional loans</b>	EDCF (1987)	EXIM-Bank (1994)	NEDA (2005)		
<b>Grant aid</b>	KOICA (MOFAT)	MOFCOM (2003)			
<b>Technical cooperation</b>			TICA (2004)	MTCP: working with training & educational institutes (more than 50)	Working with training & educational institutes SCP: G-G basis SCE: fee-basis

<Korea> EDCF: Economic Development Cooperation Fund, KOICA: Korea International Cooperation Agency  
 <Thailand> NESDB: National Economic and Social Development Board, NEDA: Neighboring Countries Economic Development Cooperation Agency, FPO: Fiscal Policy Office, TICA: Thailand International Cooperation Agency  
 <Malaysia> MTCP: Malaysia Technical Cooperation Program  
 <Singapore> SCP: Singapore Cooperation Program, SCE: Singapore Cooperation Enterprise

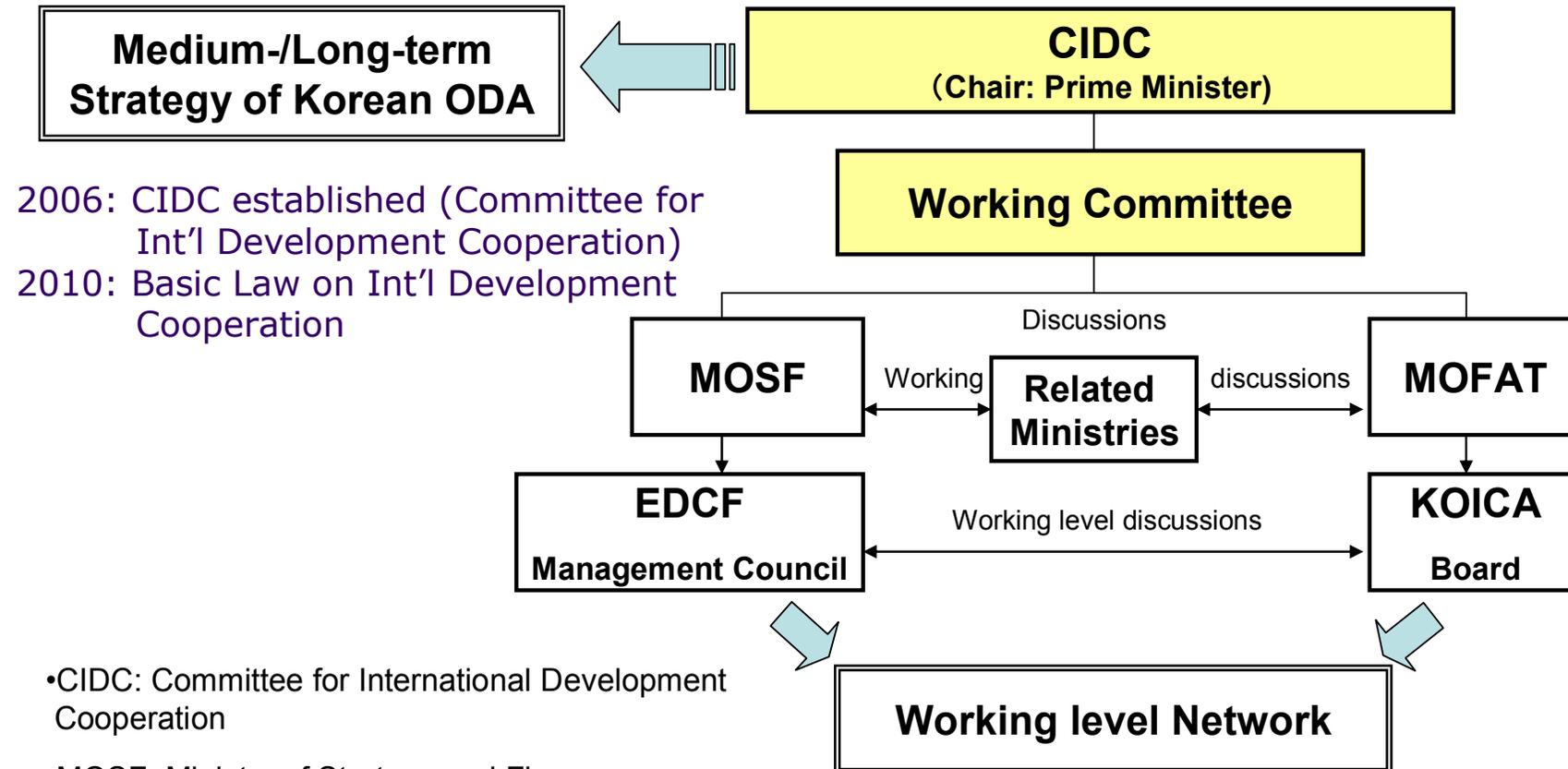
Source: Adapted from Presentation by Takaaki Kobayashi at FASID DASU (March, 2008)

# Korea: Dual History of Development Cooperation



Recipient		Donor	
1945-48	<ul style="list-style-type: none"> <li>● US military government GARIOA and EROA</li> </ul>	1963	<ul style="list-style-type: none"> <li>● Participated in a USAID project</li> </ul>
1950-53	<ul style="list-style-type: none"> <li>● Korean War</li> </ul>	1982	<ul style="list-style-type: none"> <li>● KDI's International Development Exchange Program (IDEP)</li> </ul>
1950s	<ul style="list-style-type: none"> <li>● UNKRA - Post-war Reconstruction Aid</li> </ul>	1987	<ul style="list-style-type: none"> <li>● Economic Development Cooperation Fund (EDCF): concessional loans</li> </ul>
1945-60	<ul style="list-style-type: none"> <li>● 70% of Grant aid provided during this period</li> </ul>	1991	<ul style="list-style-type: none"> <li>● Korea International Cooperation Agency (KOICA): grant aid &amp; TA</li> </ul>
1945-95	<ul style="list-style-type: none"> <li>● Total: \$12.78 billion</li> <li>● Major donors                             <ul style="list-style-type: none"> <li>- US: \$5,540 million (43.3%)</li> <li>- Japan: \$5,050 million (39.5%)</li> <li>- UN: \$615 million (4.8%)</li> </ul> </li> </ul>	1995	<ul style="list-style-type: none"> <li>● Graduated from recipient status: WB loans paid off (excluding post-1997 crisis loans)</li> </ul>
		2010	<ul style="list-style-type: none"> <li>● OECD/DAC member</li> <li>● G20 Seoul Development Consensus for Shared Growth</li> </ul>
		2011	<ul style="list-style-type: none"> <li>● OECD/DAC Busan HLF for Aid Effectiveness</li> </ul>
<p>Source: Updated by the author based on Wonhyuk Lim, Korea's Development Cooperation Agenda, presentation in May 2011, Seoul.</p>			

# Korea: Coordination Mechanism for Development Cooperation Policy



- CIDC: Committee for International Development Cooperation
- MOSF: Ministry of Strategy and Finance
- MOFAT: Ministry of Foreign Affairs and Trade

Source: Ahn Eungho, "Korea's Development Cooperation Experience," paper presented at the fifth JPI-FNF workshop, October 2010

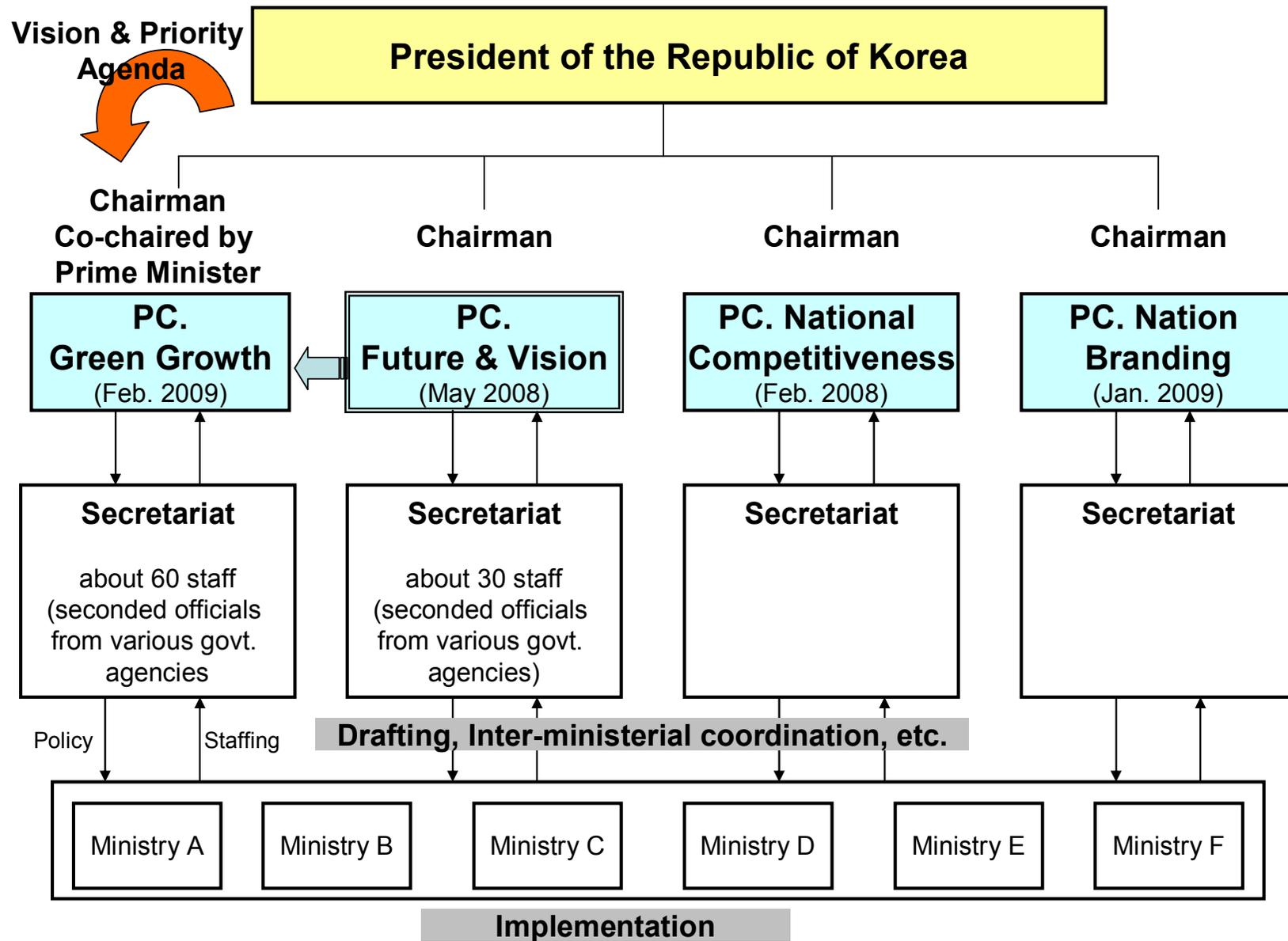
# Korea: Priority Agenda for Development Cooperation



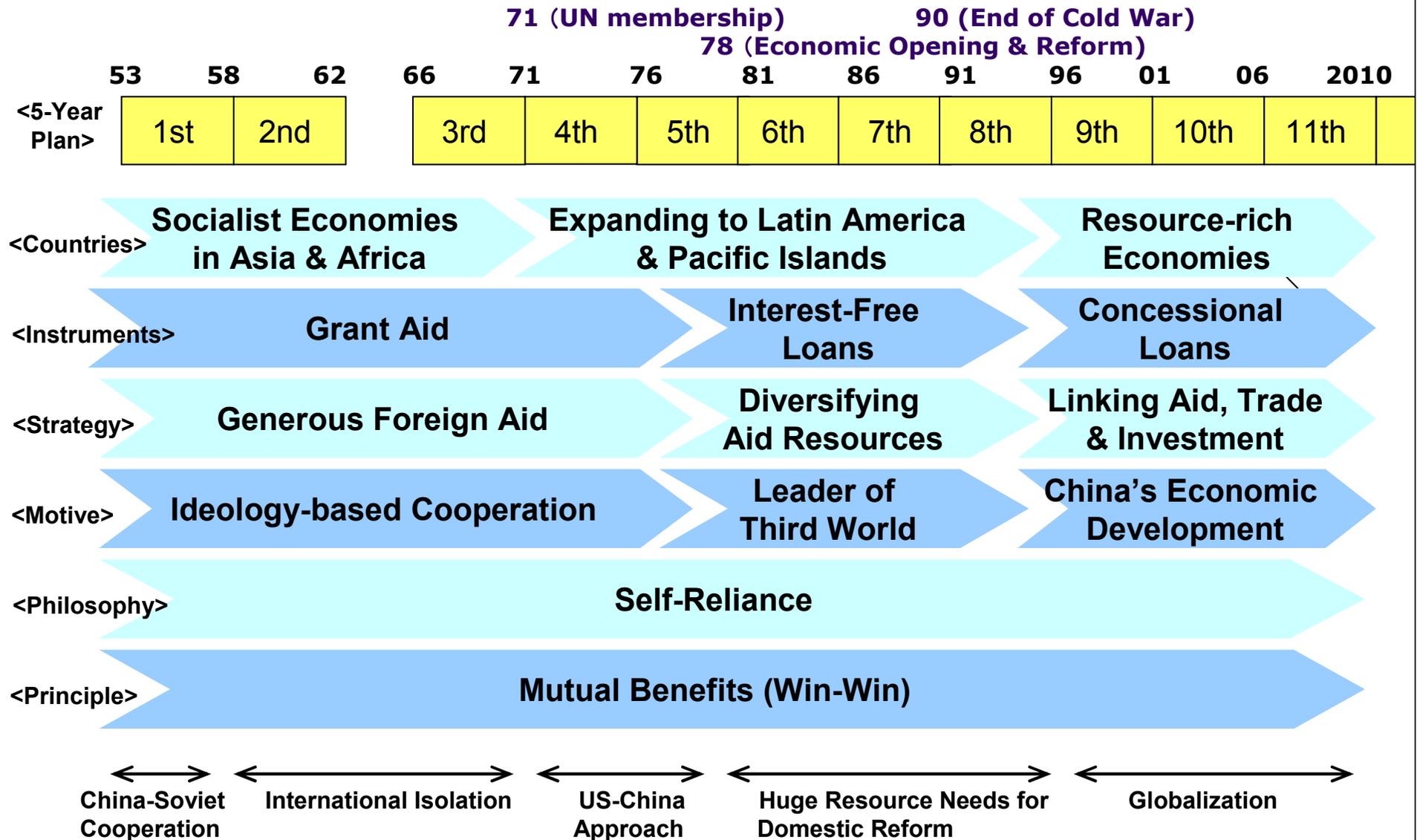
- DAC membership, assuming global responsibility
- Strategic use of ODA, as an instrument to enhance national brand
  - G20 Seoul Development Consensus (Nov. 2010)
  - OECD/DAC Busan HLF for Aid Effectiveness (Nov.-Dec. 2011)
  - Promoting Green ODA
- Commitment to tripling ODA by 2015 (to raise ODA/GNI ratio to 0.25% from current 0.1%)
- Launching “Knowledge Sharing Program (KSP)”
  - MOSF & KDI (100 modules under preparation); implementing intellectual cooperation
  - MOFAT & KOICA (integrating intellectual cooperation into Country Partnership Strategy)
- Philosophy: emphasis on economic development, growth, self-reliance (similar to Japan)

# Presidential Committee

(Lee Myung-bak Administration, 2008- )



# China: History of Foreign Aid (1953-)



Source: Adapted from Takaaki Kobayashi "China's Foreign Aid Policy", JBIC Research Institute, Oct. 2007.

# Features of China's Foreign Aid Policy



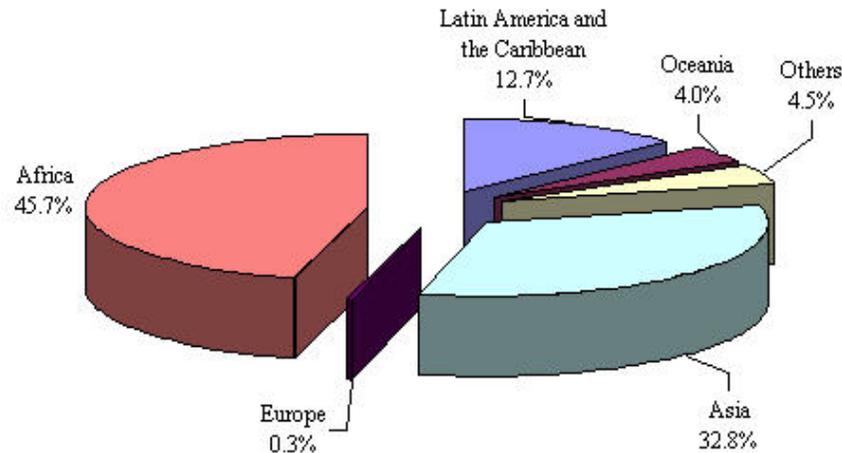
- Equality and mutual respect (partners, not “donor-recipients”)
- Bilateralism and co-development (mutual benefits)
- No-political strings attached and non-interference of domestic affairs
- Stress on the capability of self-reliance

## Comparison of Western and Chinese Aid

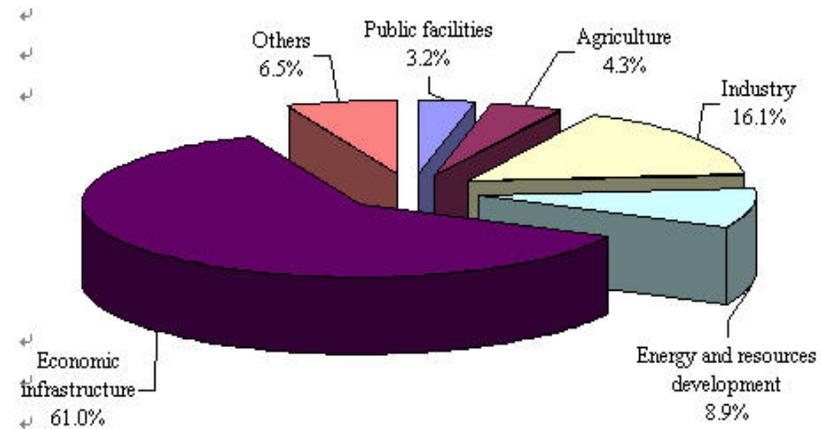
	<b>Western Aid</b>	<b>Chinese Aid</b>
Scope	ODA concept clearly defined (DAC principles)	No concept of ODA (frontier btw. trade, FDI & aid is vague)
Sector	Social sector (education, health, etc.), MDGs	Economic & productive sectors (infrastructure, industry, agriculture, etc.)
Policy conditions	Good governance and policy conditionality	No political conditionality
Modality	Programme aid becoming increasingly dominant	Project aid and other financing modalities (export credit subsidies, resource-for-infrastructure deals, etc.)
Tied status	Untying	Often tied to labor and input procurement

Source) Myriam Dahman Saidi and Cristina Wolf (2011): "Recalibrating Development Cooperation: How Can African Countries Benefit from Emerging Partners?" OECD Development Centre, Working Paper#302.

## Geographical Distribution of China's Foreign Aid Funds (by end-2009)



## Sectoral Distribution of Concessional Loans from China (by end-2009)

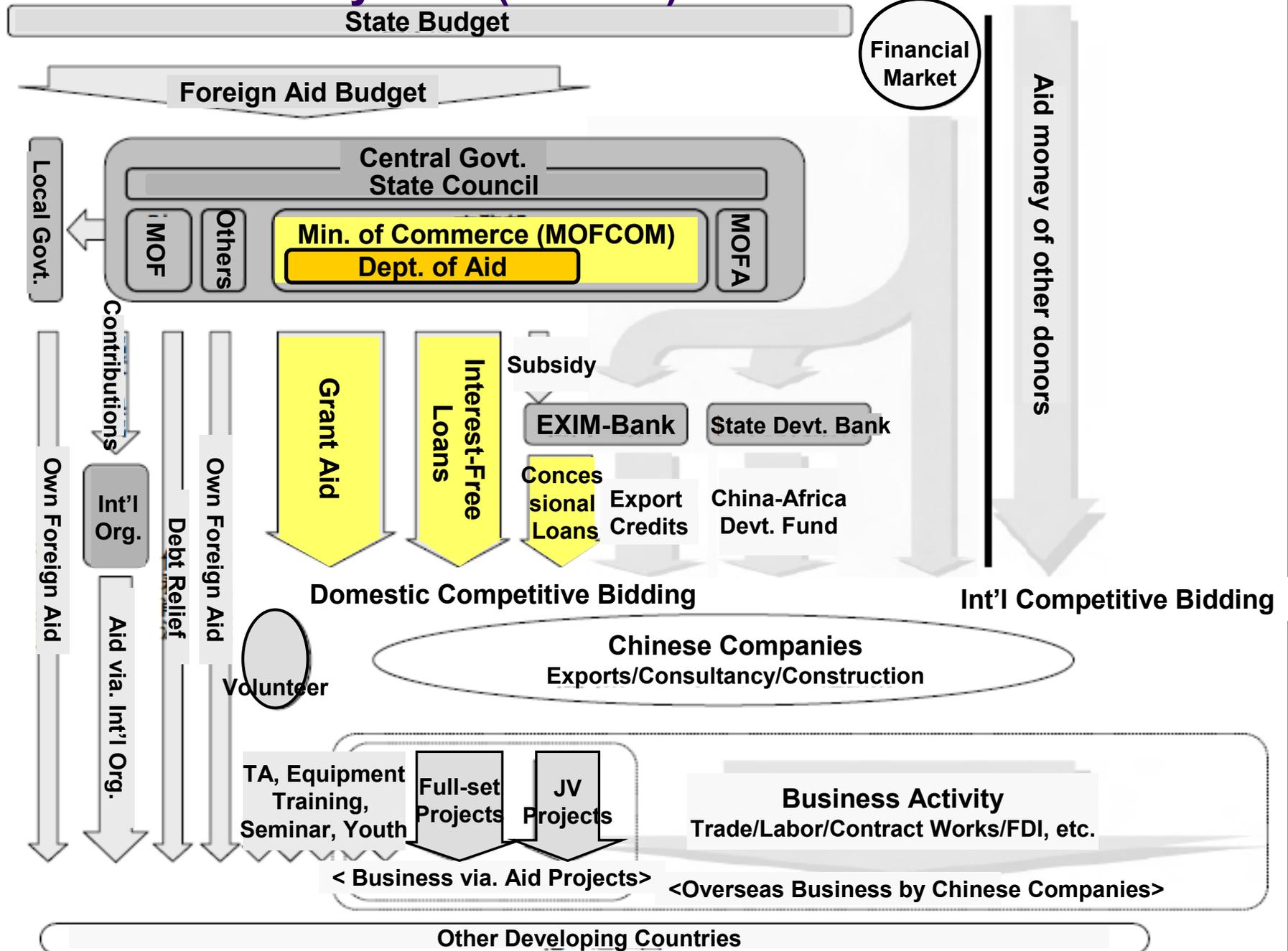


Source: Information Office of the State Council The People's Republic of China, April 2011

- Emphasis on economic infrastructure
- From late 1990s, major shift to economic cooperation; linking aid, trade & investment
  - “**Going out**” strategy (2001) under the 12<sup>th</sup> Five-Year Plan
- **Forum for China-Africa Cooperation (FOCAC)**, every 3 year since 2000
  - First multilateral consultative mechanism btw. China and Africa

# China's Aid System (1995 - )

Source: Takaaki Kobayashi (2007)



# 4. Future Perspectives: Japan's Development Cooperation Policy



*I believe that:*

1. Japan can make valuable contributions to international development, by focusing on its core competence and working with a broad range of development partners.
2. Further efforts are needed to sharpen its visions and strengthen political commitment and public awareness, while making sure that the current reforms be properly institutionalized.
3. Japan should clarify selectivity and strengthen its support to country-specific growth promotion -- not only in Asia, but also in eligible African countries.
4. Japan should embrace the concept of “**Development Cooperation**” -- shifting from “**ODA**”.  
← Various actors cooperate with each other as equal partners by bringing respective strengths.

# Focusing on Japan's Core Competence (1)



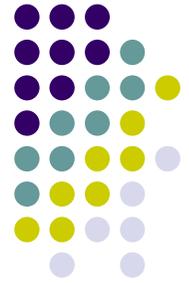
- Catch-up, latecomer perspectives
- Utilizing its aid and development experiences in East Asia
- Collaborating with emerging donors (e.g., South Korea, Thailand, Malaysia, China), based on shared development visions
  - Growth-driven, poverty reduction
  - Potential for playing a catalytic role in Asia-Africa cooperation
- Mainstreaming East Asian perspectives into global development debates

# Focusing on Japan's Core Competence (2)



- Growth strategy with “real-sector concern”
    - Trade, investment, industries, technology, human resources, etc.
    - To complement Western approach
  - Long-term perspective
    - Development is a long-term undertaking and path-dependent in nature
    - Respect for each country's uniqueness
  - Realistic and pragmatic approach in aid delivery
    - “Best mix” approach to aid modality and harmonization
- ➔ **“Aid for graduation”**, diverse paths to development

# Complementarity with Western Donors



- Good potential exists for Japan to enhance partnership with other Western donors, based on complementarities
- Western approach and strengths:
  - Policy framework; designing international architecture; communication strategy and stakeholder engagement; knowledge and experiences in Africa, etc.
- Japan's strengths:
  - Concrete, process-oriented support; field-based expertise; infrastructure development
  - Sharing knowledge and experiences in Asia (incl. a possibility of engaging emerging donors), etc.