



**Is bridging of 'two type of aid players' really  
effective way to deal with the current  
divergence:  
The 'tales' of Korea and Japan**

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# NDDs so far

- A reductionist approach in many literature on emerging or NDDs – using the yardstick of OECD DAC standards despite their ‘obvious’ non-DAC member status.
- leaving the diverse emerging donors portrayed as a set of deviances
- leading researchers to comparing apples and oranges

# Looking from the other side

- ‘clash’ on the one hand, but we also begin to see some (although superficial or at a rhetorical level) NDDs’ ‘compliance’ with the DAC norms emerging (Tan-Mullins et al. 2010) – also recent white paper
- looking both divergence and convergence from the ‘the other side’ - NDDs’ experience - by critically evaluating both the challenges and opportunities that ‘DAC-ability’ *and* non-‘DAC-ability’ offer to emerging donors (or NDDs).

# What's 'DAC-ability'?

- 'DAC-ability' here is not used in a narrow sense referring to the DAC defined criteria of Official Development Assistance (ODA) - but in a broader sense by also including a donor's "political will" to be part of the DAC-led international aid system that is based on 'shared' values and an extensive peer review system (Kim and Lightfoot 2011)

# **Bridges over the troubled world? :**

## **Japan and Korea**

- Both donors have made 'successful' DAC entry (JP – 1961; KR 2010) would offer some useful insights to appreciate what compliance/non-compliance meant for them as emerging donors.
- JP - the formerly 'emerging' but now 'emerged' donor. Despite its 'traditional' donor label, many studies suggest the historical struggle to (not) comply with the DAC's agendas and norms.
- Korea with its recent DAC entry faces challenges and contradiction in making its aid more DAC-able.
- JP and KR historically have dealt and still are dealing with the above key questions.

# **BUT their proclaimed bridging really effective or even possible?**

- still mixing/adopting two contrasting strategies for their 'national' interests
- Some evidence of 'strategic or selective' understanding (or should we call deliberate 'mis-interpretation) of the mainstream DAC norms and principles
- Or crossing over the troubled world by stepping on the DCs?...

# Four major non-DAC-able approaches/features

- their attempts to streamline the disjointed (or ambiguous) aid systems (especially on the treatment and utilisation of ODA and OOF)
- the struggle to continue mutually beneficial cooperation
- the rather 'uncomfortable' fitting with the DAC's neoliberal development agenda
- the efforts to mainstream poverty reduction as a crosscutting issue.

# **‘Uncomfortable’ fitting with the DAC’s neoliberal development agenda**

Japan



- JP under the growing intl pressure to ‘improve’ aid – late 80s the height of its econ power and the increased aid volumes
- the late 80s - early 90s – JP’s own neoliberal economic restructuring began
- JP officials have been increasingly vocal in critiquing neoliberalisation of intl dev agenda including the SAP and WC
- the reason for this ‘challenge’ - due to the “neoliberal evocation of the magic of the market as a practice of hijacking the history of world economy” (Lee 2008: 65).
- instead of one model/development philosophy among many others, WC and SAP have become *the one* for the world economy (see Wade 1996; Lee 2008; Taniguchi and Babb 2010).
- The criticism by JP developmentalist bureaucrats/policy makers underlined JP model was “a historically informed generalization” and not ‘abnormal’ (Lee 2008: 65, see also Chang 2003). Thus, state-led economic dev is “a *normal* practice for all the successful industrializers... [Therefore] JP postwar state-led economic dev is nothing but normal... in the context of world economy so as to be transferable to DCs (Lee 2008: 65, see also Taniguchi and Babb 2010).

- OECF officials in the late 80s have begun to blame that SAPs and WC imposed a 'simplistic [arrogant ... pure economic] model that had little to do with the realities [and underlying socio-political factors] of developing countries' (Taniguchi and Babb 2009: 287).
- Two clashes – 1) the making of the 1993 WB's East Asian Miracle report – for which JP financed to 'challenge' the WC; 2) the case of 'two-step loans' – a concessional loan scheme that was established in 1987 to provide more than USD 2 billions over a three year period to mainly ASEAN countries
- to support recipient government's financial institutions with subsidised interest rates to targeted sectors: e.g. small and medium companies and agricultural banks
- idea comes from JP history of policy-based finance (*seisaku-kinyū*) that contributed significantly to its post-War economic reconstruction by providing loans to domestic economic actors (small and medium enterprises in particular) that private financial institutions would not be willing to on purely commercial terms
- Consequently, asked (and threatened) to withdraw the two step loans - disrupt the financial sector reforms

- the fundamental difference between the mainstream the market-liberalist development agenda and that of JP then. The former preaches particular policy reforms based on the assumption that market is the most efficient means to allocate limited financial resources. The latter is based on the idea that, for developing countries in earlier stages of economic development, the government needs to facilitate efficient resource allocation via subsidised credits to targeted sector industries.
- 3 (rather non-DAC-able) issues underlined in JP critique of the neoliberal DAC agenda– including 1) dismay in the use of the intrusive conditionality 2) importance of *state-led industrial* development policy 3) via large-scale infrastructure and loans.
- survived the ‘harsh’ intl pressure but some changes happened - both conversion and diversion.

***Against the intrusive use of  
conditionality: Shifting emphasis  
from the request-based approach  
to a more proactive approach***

- Despite being one of the key principles, the request-based approach has been gradually ‘de-emphasised’ in JP aid policy documents.
- Still the non-intervention rhetoric of recipients’ self-help efforts and ownership (which formed the basis of the request-based approach) is strongly present but changes! presented in the DAC peer review reports (OECD/DAC 1996, 1999, 2003, 2010).
- Two reasons stated in the peer review reports (1996; 1999; 2003, 2010). 1) request-based approach was difficult to reconcile with JP efforts to move towards the country assistance programmes (CAPs) and to align with recipients’ poverty reduction strategy papers (PRSPs) that calls for a more pro-active planning and policy dialogue with recipient countries
- 2) to prevent the situation (cosy relationship) that may hinder efforts to achieve good governance in developing countries.

- interesting to note that the reasons for change are **much in tune with the (neoliberal) DAC norms – for e.g. CAPs, PRSPs and good governance.**
- However! also critical to note that the reason for ‘compliance’ do not fundamentally challenge the core philosophy of JP aid and economic development
- Japan’s efforts to take a pro-active approach to its aid operation that has been ‘faceless’ and ‘responsive’.

***Importance of centrally-  
coordinated development plans,  
infrastructure and loan assistance***

- Large infrastructure funding in the 90s remained relatively unpopular among Northern donors due to the well-documented social and environmental impacts of infrastructure projects, a reputation that was often influenced by the campaigns and diplomacy of environmental NGOs – ‘a dirty word’
- JP has firmly maintained its funding for infrastructure development - a particular emphasis on infrastructure and an underlying coordinating role for the recipient *central* governments (ADB, JBIC and World Bank 2005: 13; see Seddon 2005: 63-64; Lehman 2010: 29).
- A senior economist of JBIC Institute emphasised the importance of central government’s role in infrastructure development: ***“I am in no way against decentralization. But I believe the current decentralisation in DCs is rather hasty and inappropriate. Because they have not established good and big enough capacity of central governments to delegate the functions and works to local branches. Especially for effective nation wide infrastructure development, you need a centrally coordinated plan to implement.”***



- This point was also reiterated in the 1996 peer review report. ***“In principle, Japan is in favour of such decentralisation [the Philippines local governments (according to the Local Government Code of 1991) conducting direct negotiations with foreign institutions on requests for grant aid] and [is] prepared to contribute to it. However, Japan feels it would be imprudent to push this programme too fast, as many local governments do not yet have the capacity to manage the activities in question and the ODA involvement” (OECD/DAC 1996: 61)***

- Importance of economic & social infrastructure as essential foundations for economic growth and self-reliance, which is generated from their perception of their own country's development experience. As such, loans are emphasized as the best means to finance development, as grant aid is generally too small to deal with the required scale of infrastructure financing
- aid should not be measured by whether it takes the form of grants or loans - as concessionality does not necessarily enhance the *quality* of aid (Nishigaki 2000). JP maintains that its development loans can assist recipient governments' through relatively lower interest rates and softer terms than international development finance institutions

One note :

Isn't the current concessionality in character with a grant element of at least 25 per cent (using a fixed 10 per cent rate of discount) 'outdated'?

Chinese non-ODA loans

# Some noticeable convergence

- recently, Japan frames and promotes infrastructure development as a tool to achieve ***‘good governance’, ‘inclusive development’ and ‘public-private partnerships’***, which it identifies as central to economic growth and poverty reduction in the Asia Pacific region (ADB, JBIC and World Bank 2005; METI 2005a, 2005b). Therefore, Japan’s long-established infrastructure oriented aid strategy is still clearly present but with more nuance with the mainstream DAC taxonomies of good governance, inclusive development and public-private partnership.

# KOREA

- major divergence from the DAC's neoliberal norms again is very similar to JP – for e.g. the emphasis on infrastructure, loan assistance, and self-help efforts and ownership by recipients
- But two interesting differentiated aspects
- 1) KR's own bitter experience with IMF in overcoming the 1997 financial crisis → the Knowledge Sharing Programme, Seoul shares 'pragmatic' and 'realistic' lessons of success *and* failure that are seen as of immediate relevance to DCs
- 2) KR's ambitious aims to universalise back some of its successful development experience via participation in the DAC's agenda and norm setting process → evident in the first G20 endorsed development agenda of 'Seoul Consensus' that successfully brought infrastructure into the agenda
- a mirror image of Japan's financing of the 1993 WB report to 'develop an ideology that goes beyond JP uniqueness yet remains distinct from free trade and orthodox liberalism' (Wade 1996: 14).

# Sustainable Environmental Management Project in Northern Palawan (SEMP)

- the first Japanese *environmental aid* project in the Philippines that specifically targeted environmental conservation
- its 'celebrity' treatment by the Japanese aid officials at the Johannesburg Summit
- formal goals : to “conserve the precious environment and natural resources in Northern Palawan”
- ?? the SEMP field staff described the project as a **tourism development** that is 'community-based' and 'environmentally sustainable' which was a key form of environmental aid programmes in the 1990s
- about US\$ 17 million worth **ODA loan** disbursed with 'the most concessional terms' – due to its status as a natural environment conservation project

# Allocation of Loan

Category	Details	%
Soil erosion protection component	Civil works, Consulting services	58%
ECAN Zoning component	Procurement of Equipment, Consulting services	27%
SEMP Tourism component	Consulting services for project management and tourism development	14%
Contingency		1%

- a technologically-driven project with more than half of the loan being allocated to mainly civil works for physical infrastructure development (58%) and expensive ECAN Zoning equipment procurement (27%).
- This allocation reveals a contradictory reality of the SEMP - heralded as one of the Japan's key "projects for environmental protection"
- Japan's re-categorisation of the project because the annual budget for a 'regular' development aid project in the same financial year had run out
- also the original project devised was a mainstream tourism development project driven by the Japan's overseas (tourism/leisure development) investment booms in the late 1980s
- complex and contradictory nature of SEMP through key contexts that set the project in motion.



# Ambiguous environmental aid

- no definition/criteria for environmental aid has been agreed among bilateral donors as “the majority of [donor] agencies ... have had problems in assembling conclusive information on specific levels of funding allocated to environment-related programmes and projects ... [due to confusion in conceptualising] what constitutes an environmental project
- thus left Japan (as well as other donors) with considerable freedom to (re-)categorise existing development projects as environmental efforts – therefore resulted in ‘highly distorted’ data
- JICA senior official interview

# Emphasis on loans & infrastructure

- The SEMP an environmental ODA *loan* project with heavy infrastructure orientation VS. an average environmental project profile of 1990s with ODA grants and little to do with infrastructure
- the total aggregated environmental ODA 1990 and 2000: **loans accounted for 44%**, and grants, 56%
- Only 5 donors provided environmental ODA **loans** - Italy (0.1%), Spain (0.3%), France (0.6%), Germany (8.3%), Japan (90.7%) -- n.b. Japan: 6.3% share of the total environmental ODA **grants**
- Senior Japanese aid official : concessionality does not necessarily enhance the quality of aid – therefore, aid should not be measured by whether it takes the form of grants or loans.

# **On mainstreaming of cross-cutting issues: poverty reduction**

**Japan**

- The 1999 DAC peer review report states: *Cross-cutting issues such as poverty... should be mainstreamed, with clear definitions for “basic human needs”, “the poor”, “poverty”, and “poverty reduction”. JP still lacks a mechanism that cuts across institutional boundaries to deal with cross-cutting issues. Approaches to these issues currently vary significantly from one ODA institution to another... [N]either the [ODA] Charter nor any other official document clearly defines poverty, poverty reduction, or who the poor are; nor do they elaborate on the options of targeting poverty directly versus a "trickle-down" through support to economic infrastructure.*
- JP approach to the poor, poverty or poverty reduction has thus been rather ‘ambiguous’ as highlighted by the peer review team. Indeed, for JP, unlike other Northern donors, poverty reduction has not been the ‘immediate objective’ of aid but as a result of economic growth. This point was also reiterated in the 2006 ODA White Paper. JP underlines that development via economic growth ultimately contributed to poverty reduction (MOFA 2006b), of which view stems from *again* the experience of East Asian region.

- During the SOAS-JICA conference in the early 2011, I asked the panel discussing aid and growth about the lack of discussion of poverty reduction and poverty or the poor people in JP aid. And JP economist Professor Kenichi Ohno responded that JP have recently begun to put more emphasis on the issue due to the rapidly widening gaps between the poor and rich in recent years.
- the reason for the recent changes in aid policy making is not due to JP taking poverty reduction concern at the heart of its development assistance – but rather is about its concern over the widening gaps between the rich and poor

# divergence?

- the JICA president's official statement on JICA's African development (JICA 2007b): Until now "JP assistance to Africa has followed the intl consensus to focus on poverty reduction through promoting projects covering education, healthcare, water, and agriculture," she said. "While remaining active in these fields ***we are, however, beginning to look more and more to accelerating (overall) economic growth.***"
- Harmonisation through shared goals and strategies has been one of the key international efforts to promote aid effectiveness
- Although JP does not challenge the Paris process per se, it seems to still 'ensures a diversity of aid modalities (Lehman 2010: 33).
- the divergence stems from Japan's 'belief' on the importance of economic growth in poverty reduction – which is about what constitutes effective development.

# KOREA

- official documents emphasise poverty reduction as a key objective
- 2008 DAC special review report advise that “Korea should be mindful that its development co-operation maintains a focus on poverty reduction and contributes to the MDGs, by prioritising LDCs and low-income countries and using appropriate aid instruments.”
- ambiguous stance on the poverty reduction as a main policy objective was notable during my interview with KOOCA officials. On the question about the relationship between poverty reduction and economic growth (which one comes first), three senior KOICA officials looked puzzled. But soon they answered – “our [Korean] approach is similar to the Japanese approach. However, economic growth will ultimately take care of poverty. Our development experience is a living proof for that” (Interview with KOICA, December 2010). Korea’s case again suggests its similarity with Japan.

- However, although the divergence is clearly visible in its emphasis on economic growth, Korea also has shown some convergence in the area of poverty reduction. Korea's ODA has a more 'hands-on' poverty reduction programmes including Semaui (new village) movement. This particular rural development programme has been implemented via combination of income doubling plans (for e.g. Laos 2007-2008).
- interesting case as Korea via Semaui movement programme has been promoting its own 'unique' rural development (and poverty reduction) experience – yet simultaneously applying such differentiated experience to achieve the globally shared goals and targets.



- some convergence (although superficial) to the DAC norms – while some strong resistance have shown in particular to the neoliberal development agenda including SAP and WC.
- **the idea about what constitute as an effective economic development** → both JP&KR – and the case of other emerging donors like China – are vocal on this particular area.
- JP&KR have not been able to fully comply with the DAC norms and principles as highlighted in the peer review reports.
- Unlike the very idea of ‘good’ economic development dispute, the DAC norms themselves were not seen as something to challenge – but rather the domestic constraints (including power struggle and vested interests of private sector) have hindered its aid reform (to comply with the DAC norms).

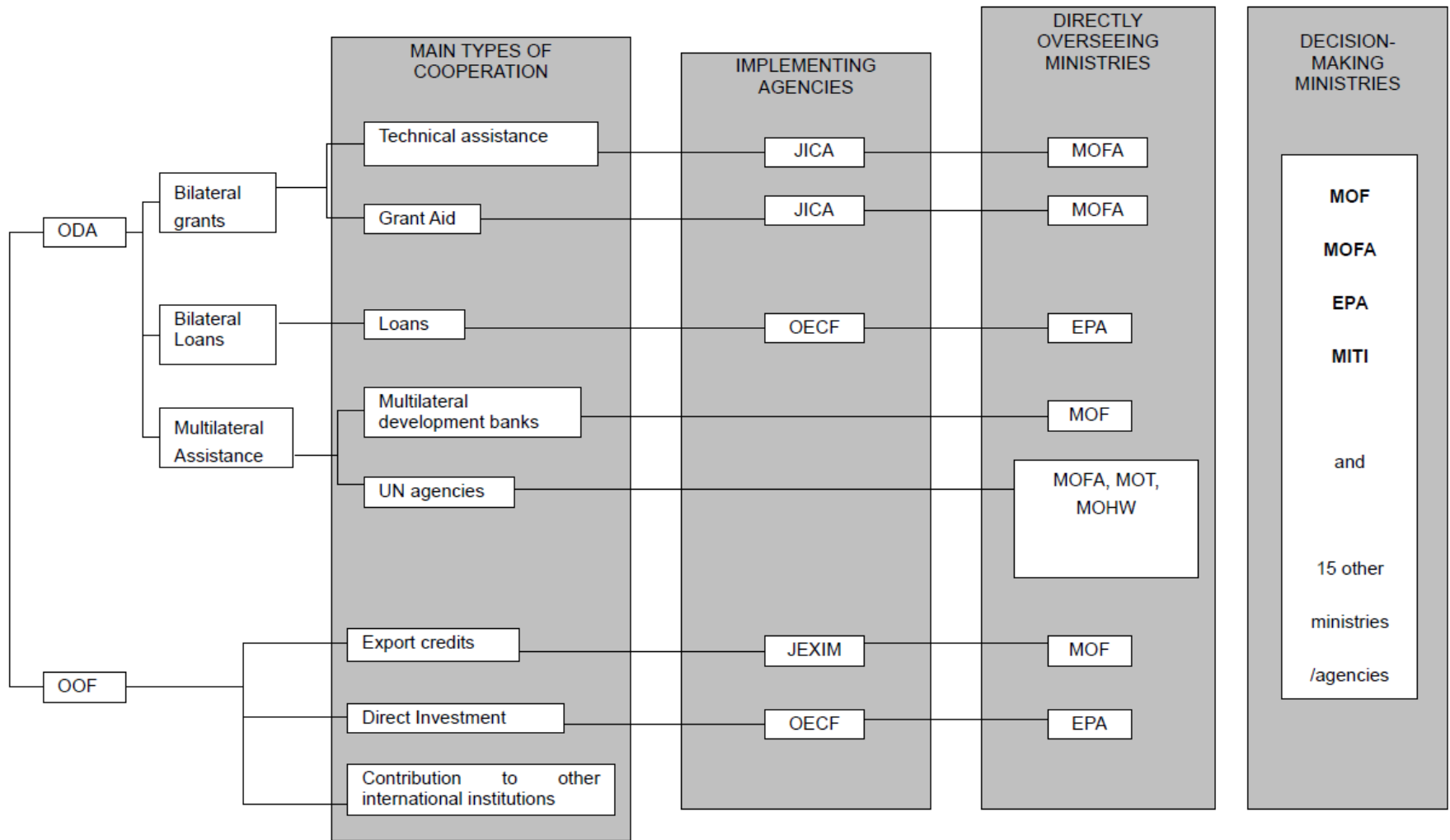
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# **Streamlining the disjointed aid systems : Japan**

# organisational restructuring

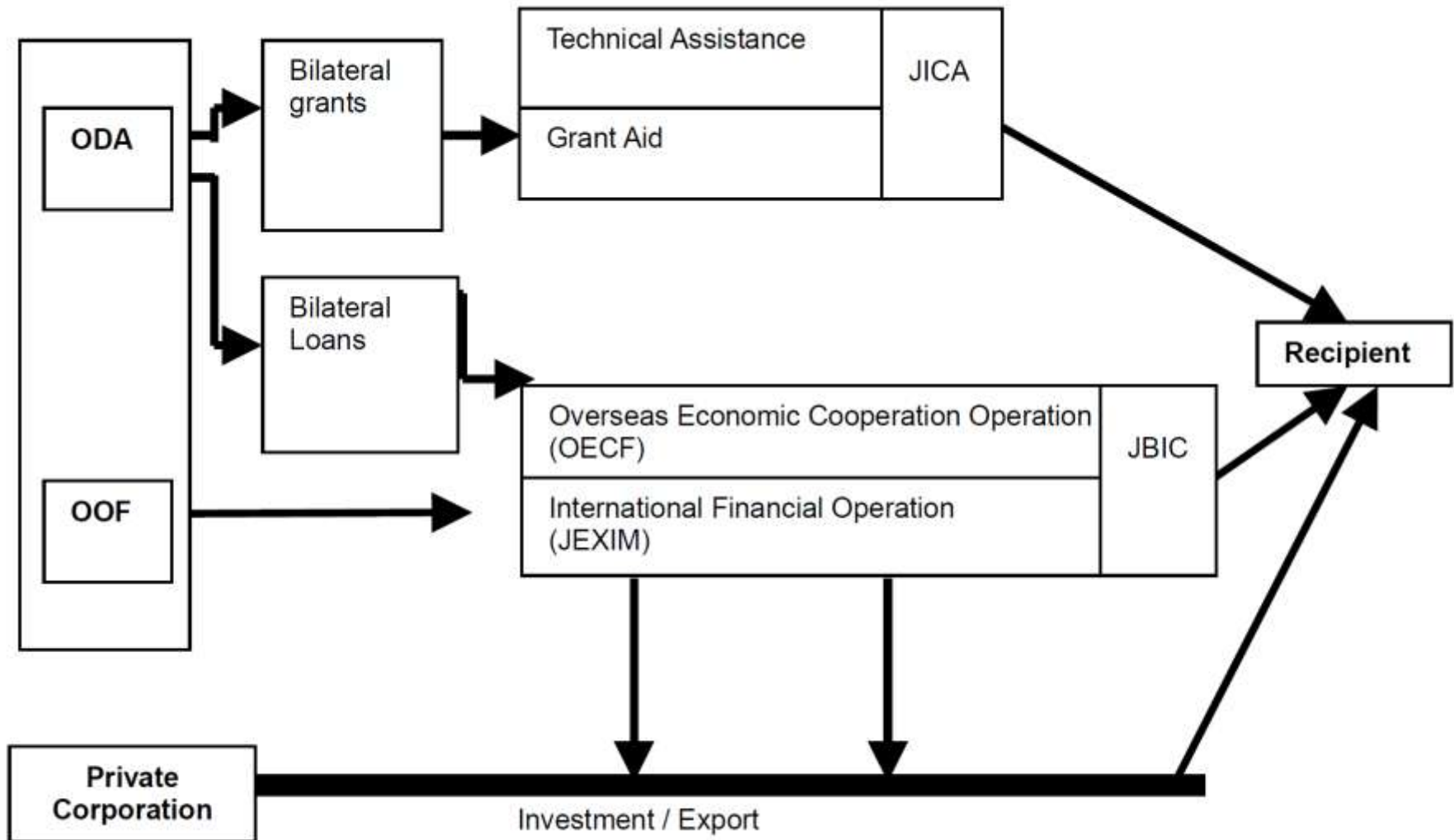
- OECF (as a bilateral ODA loan agency) separated from the JEXIM to comply with the DAC recommendation in 1961
- The birth of Japan Bank for International Cooperation (JBIC) in 1999 - merging the two different operations of ODA (OECF) and OOF (JEXIM) together
- these reforms largely highlight Japan's convergence was to a larger extent influenced by its own domestic political economy context.

# Pre- 1999



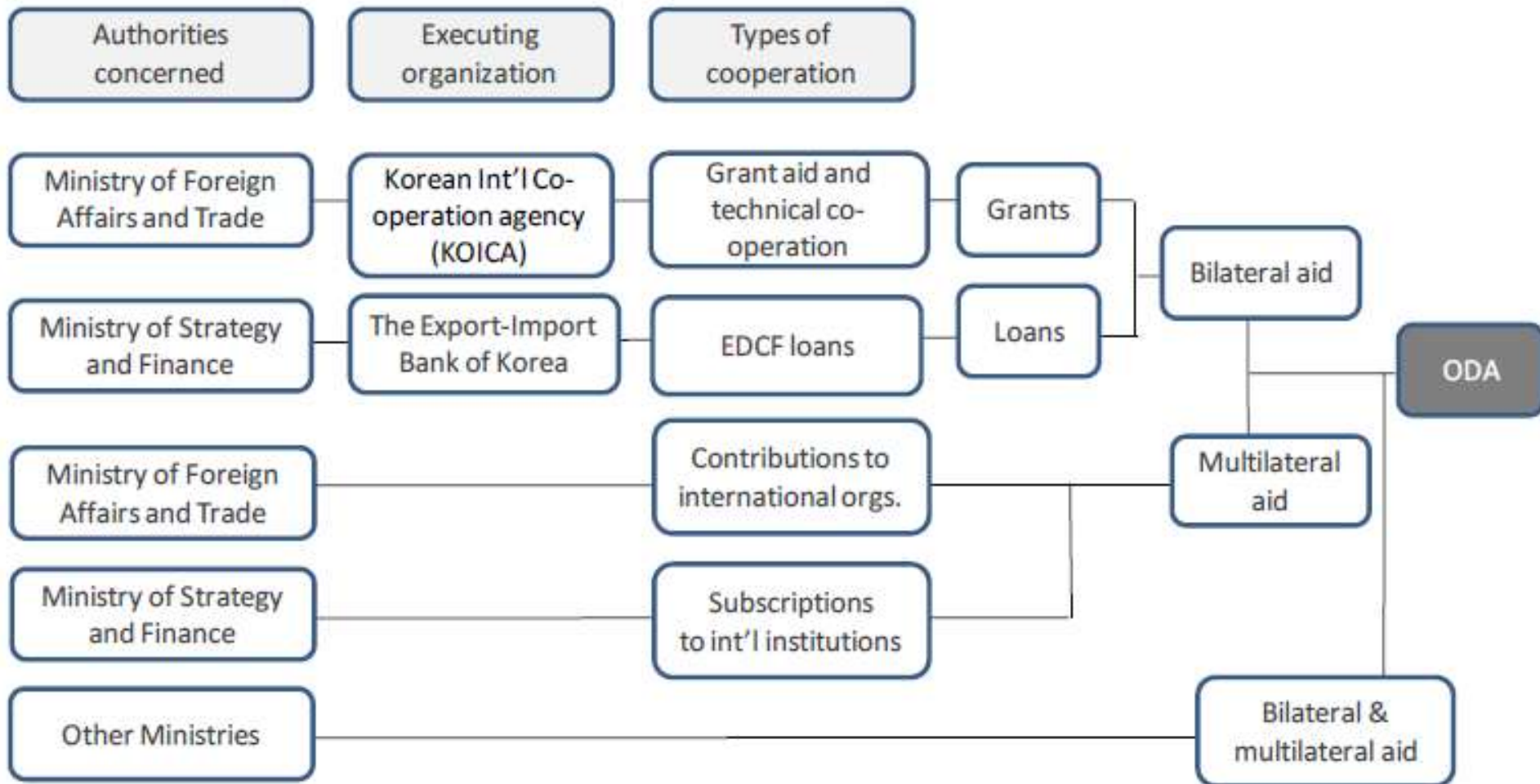
Note: MOFA – Ministry of Foreign Affairs; EPA – Economic Planning Agency; MOF – Ministry of Finance; MITI – Ministry of International Trade and Industry; MOT – Ministry of Transport; MOHW – Ministry of Health and Welfare.

# Pre-New JICA structure after 1999 JBIC merger



- this merger: “nothing more than a part of the government policy of sliming down the administration” – a series of reforms to realign ministries/agencies in 1998 and 1999 – rather than a rationally thought out restructuring of the aid system by conforming to the DAC recommendation of one single ODA implementing agency
- some officials (rather proudly) maintained that JBIC could work more effectively and improve financial cooperation with (and outcomes for) developing country recipients by coordinating public ODA and private OOF efforts and financing
- other insiders commented that, despite the merger, “each operation still minds their own business”, the JBIC legal framework was created by “stapling hard copies of OECF and JEXIM laws together”
- lack of consistency and long-term strategy to make Japan’s aid more effective -- criticised that it has (so far) not amply focused on how to *improve* Japan’s aid system but epitomised the power struggles among politicians and ministries (for this time even the Prime Minister) to gain control over the aid decision-making process and to secure deep-rooted vested interests

# Korea



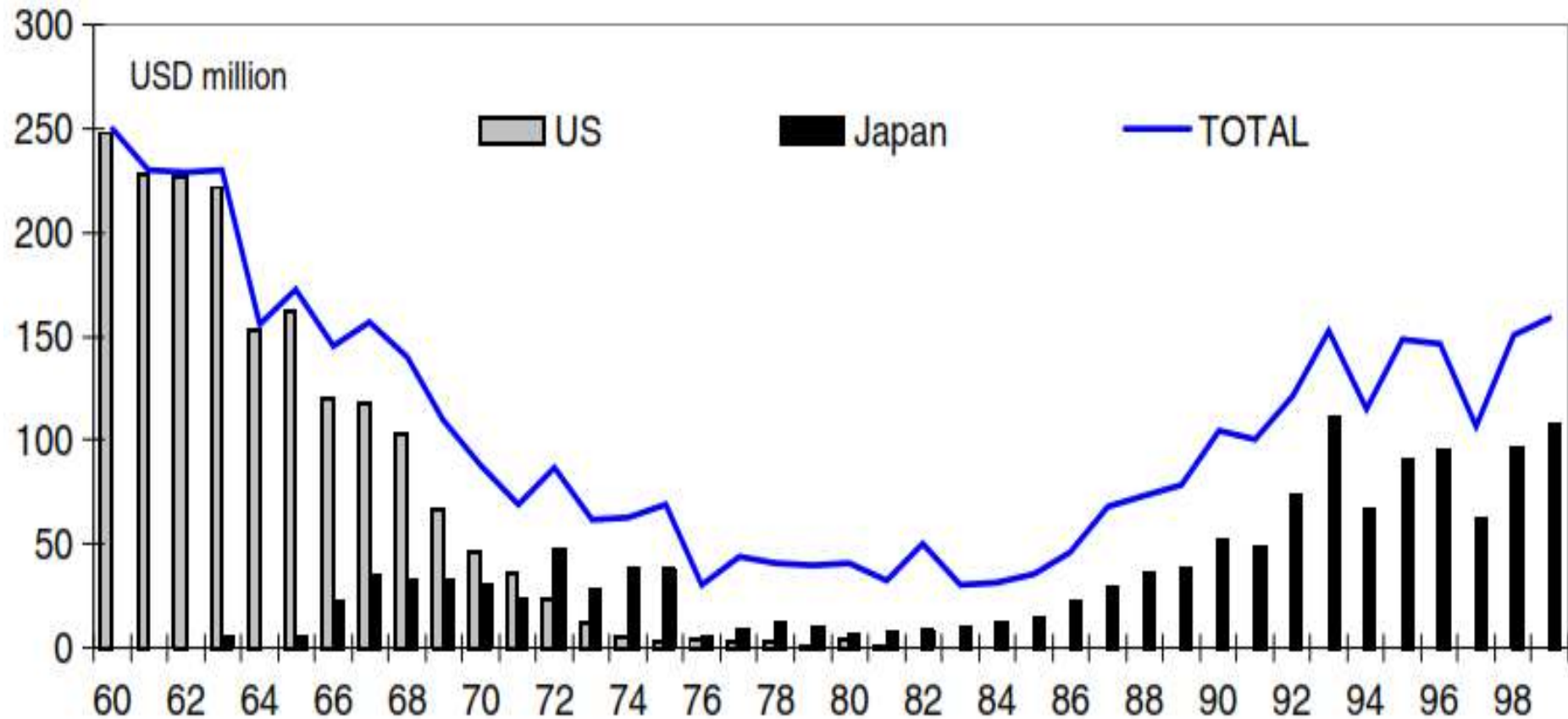


- modelled on the Japanese one – shares great similarities
- ‘inherited’ Japan’s non-DAC-able features – i.e. fragmented aid organisation/management identified as a major obstacle for effective aid delivery
- two major ministerial powers Ministry of Foreign Affairs and Trade (overseeing KOICA) and Ministry of Strategy and Finance (overseeing EDCF), about 30 other ministries/ agencies/ municipalities execute their own ODA budget/ projects in DCs

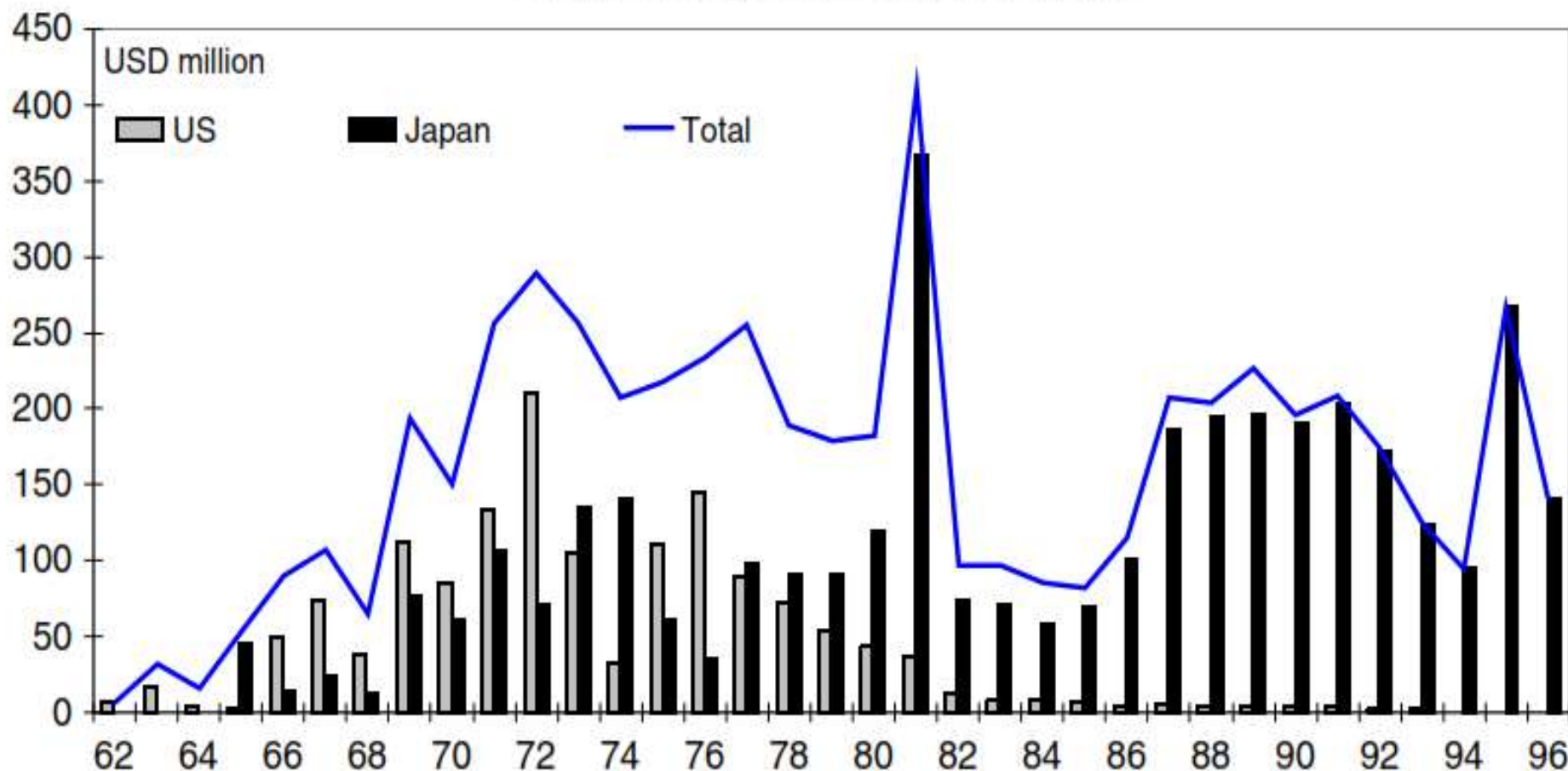
# Why copying Japan?

- what is interesting yet important on this ‘copying’ is the reason why Korea has turned to a non-DAC-able Japanese model in the early 1990s over other DAC-able (what Korea calls as ‘advanced’) donors such as UK or US for its new aid system.
- In the early 1990s, DAC-ability was not at all an issue for Korea - because, Korea was neither a member/ a keen candidate of DAC nor of OECD.
- unlike China or Japan, Korea neither had significant international presence (political and economic) – and it did not have the similar level of enthusiasm, ‘burden’, or ‘benefits’ to promote overseas aid

# ODA grants, Gross disbursement



## ODA Loans, Gross disbursements



\*The amount of grants and loans presented in the data each year is valued at the prices of the year in question (OECD, 2001).

Source: OECD.Stat

# **Mutually beneficial cooperation and its ambiguity: untying aid**

Japan

- contradicts the DAC ODA norms/principles – because ODA is in principle should not yield any gain in return
- historically one of the fundamental (although more implicitly promoted) principles
- Such ‘reciprocity’ (see Mawdsley forthcoming for similar discussion on other emerging donors) firmly anchored in its aid philosophy
- posing many difficulties for Japan to comply with the DAC norms – especially its attempt to untying aid
- two closely interlinked issues with the principle of mutually beneficial cooperation: an emphasis on ***economic cooperation*** and **non-interventionism**.

- these two cannot be effectively explained without reference to Japan's 'ethical debts' as an aggressor of the WWII that required a great deal of political and diplomatic sensitivity in providing its aid

# ‘ethical’ non-interventionism

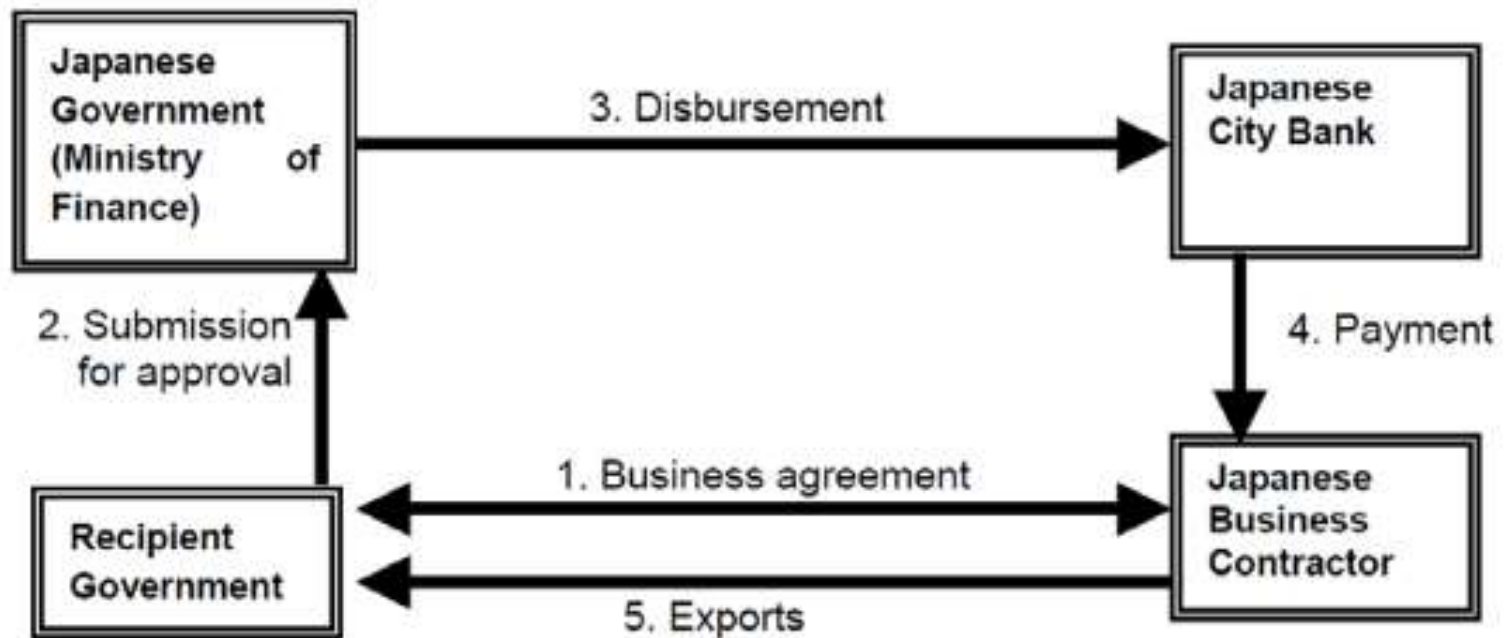
- JP officials often emphasise that aid is neither charity nor moral obligation (Lehman 2010: 29). But the historical root of JP ODA stems from its post-war reparation to repay ‘**ethical debts**’ (Takahashi 2010: 40-42) and to compensate ‘**original sin**’ (Takahashi & Owa 2010).
- This historical ‘ethical’ burden made Japan more hesitant as a donor to intervene ***politically*** in the recipient’s domestic issues (Takahashi 2010; Takahashi and Owa 2010).
- JP long tradition of promoting **non-interventionism** – has had an ***explicit aversion to the use of political conditionality*** (see below).
- ‘rational’ for Japan (and its diplomacy) especially considering that its top recipients have historically been Asian neighbours in which its aggression was most devastating.



## **mutually beneficial, mainly *economic cooperation***

- observable during the post-war reparation negotiation- the former PM Shigeru Yoshida : “our counter-parts disliked the term investment, so, as per their wish, we used the term reparation. But, from our point of view, it is an investment”
- The rationale for reparations in theory is to compensate for war damage (‘debts’) perpetrated by the aggressor. However, as seen in Yoshida’s remark, was expressed as “economic recovery and development ... (and) the improvement of social welfare” rather than as something associated with war guilt
- the request-based approach

- Each reparation case was identified and then negotiated with the recipient government by the JP private sector
- mostly performed by business diplomacy
- Japanese private corporations, approaching the



- still present in the relationship between JP consulting companies and recipient governments: most recent case → a Vietnamese official received a life sentence in prison for accepting bribes (USD 262,000) from executives of Pacific Consultants International for a JICA-funded road project he managed. This scandal prompted Japan to suspend aid to Vietnam for several months.
- also sparked hostile resentment among the Southeast Asian countries in the 1970s – including Malari Riot of 1974 in Indonesia during Japanese Prime Minister Kakuei Tanaka's visit. The anti-JP sentiments were largely aimed at the increased Japan's influence via its mercantilist approach to the region (including a flood of Japanese products) and the Southeast Asian government's whole-hearted embrace of Japanese investment – and aid was a part of the package (n.b. the anti-Chinese riots reported in Africa?)

- private sector's active and proactive participation in Japan's ODA activities (even before an actual formal request was made) - evident in their role as contractors via tied aid.
- JP business groups have pushed the JP gov to use greater amounts of 'tied aid' for the benefit of JP business
- Once aid is untied, the degree of mutual benefits demises
- JP's efforts to untie ODA – always bashed... why?

**Table 2. Untying ratio of Bilateral ODA by Individual DAC Members, 1997- 2009**

Commitments (excluding technical co-operation and administrative costs)

Unit: percentage %

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	63.1	92.8	86.7	77.4	59.3	56.7	67.2	77.1	71.9	0.0	98.4	96.7	90.8
Austria	60.6	68.6	39.8	59.2	..	69.0	51.4	52.2	88.7	89.5	86.6	82.3	55.2
Belgium	49.9	50.0	39.0	39.0	89.8	-	99.1	92.7	95.7	90.7	92.0	91.9	95.5
Canada	33.4	34.5	29.6	24.9	31.7	61.4	52.6	56.7	59.4	62.9	74.6	90.8	98.3
Denmark	71.6	81.4	70.8	80.5	93.3	82.1	71.5	88.8	86.5	95.3	95.5	98.5	96.6
Finland	76.8	78.6	84.7	89.5	87.5	82.5	85.8	-	95.1	86.5	90.7	92.3	90.3
France	65.1	65.1	66.8	68.0	66.6	91.5	93.1	94.7	94.2	95.6	92.6	81.9	89.2
Germany	73.6	86.5	84.7	93.2	84.6	86.6	94.6	92.2	93.0	93.3	93.4	98.2	97.1
Greece			3.3	23.5	17.3	13.9	93.8	23.0	73.6	39.1	42.3	37.9	49.8
Ireland	-	-	..	..	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Italy	45.6	63.9	22.6	38.2	7.8			-	92.1	77.0	59.8	78.0	56.2
<b>Japan</b>	<b>99.6</b>	<b>93.6</b>	<b>96.4</b>	<b>86.4</b>	<b>81.1</b>	<b>82.8</b>	<b>96.1</b>	<b>94.4</b>	<b>89.6</b>	<b>95.6</b>	<b>95.1</b>	<b>96.5</b>	<b>94.7</b>
<b>Korea</b>				<b>0.8*</b>	<b>1.5*</b>	<b>1.6*</b>	<b>2.5*</b>	<b>4.2*</b>	<b>2.6*</b>	<b>1.9*</b>	<b>24.7*</b>	<b>35.8**</b>	<b>48.3</b>
Luxembourg	95.1	94.0	96.1	96.7	..	-	-	-	99.1	100.0	100.0	100.0	100.0
Netherlands	90.0	85.9	94.1	95.3	91.2	88.6	-	86.8	96.2	100.0	81.1	94.5	80.8
New Zealand	-	-	..	..	..	76.0	81.4	81.2	92.3	90.2	87.8	92.7	90.1
Norway	91.1	89.8	99.1	97.7	98.9	99.1	99.9	99.6	100.0	99.8	99.9	100.0	100.0
Portugal	99.0	82.6	96.6	98.2	57.7	33.0	93.7	99.2	60.7	61.3	58.0	29.1	27.9
Spain	-	26.1	26.1	47.2	68.9	59.9	55.8	67.7	86.6	82.8	89.1	69.1	76.6
Sweden	74.5	79.3	91.5	85.4	86.5	93.6	78.5	87.5	98.3	100.0	100.0	99.9	99.9
Switzerland	94.9	71.7	96.8	93.6	96.1	95.1	96.4	87.5	98.3	96.3	99.7	97.3	99.2
UK	71.7	79.6	91.8	91.5	93.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>US</b>	<b>-</b>	<b>28.4</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>68.5</b>	<b>75.0</b>	<b>69.8</b>
<b>TOTAL DAC</b>	<b>83.2</b>	<b>72.2</b>	<b>83.8</b>	<b>80.8</b>	<b>79.1</b>	<b>84.8</b>	<b>92.0</b>	<b>90.6</b>	<b>91.8</b>	<b>94.5</b>	<b>84.6</b>	<b>87.3</b>	<b>84.5</b>

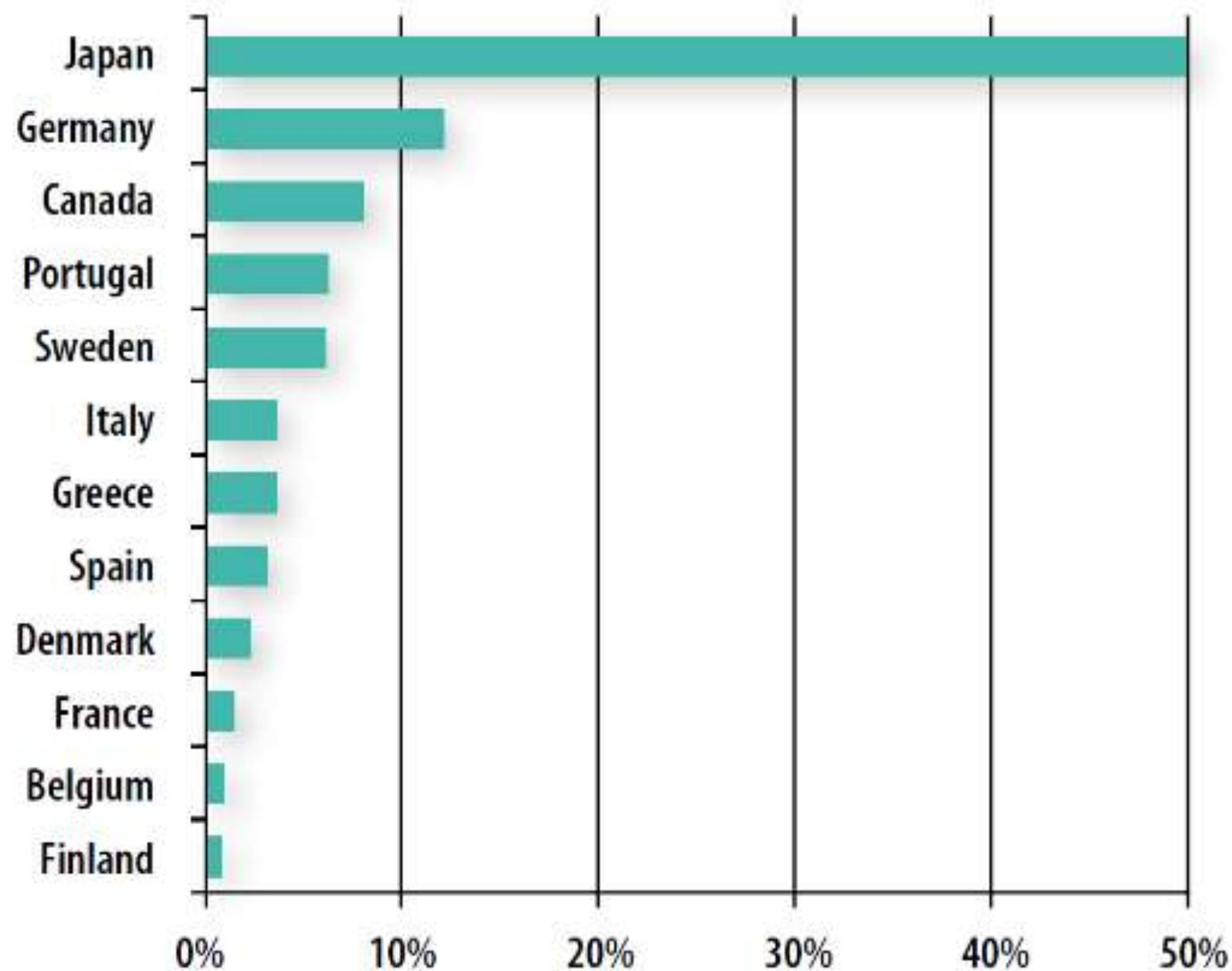
\* : figures from PSPD (2010 : 13-14) ; \*\* : figure from Chun et al. (2010: 793)

Adapted from MOFA Japan ODA White Paper Online (1999, 2001, 2005, 2007, 2010);

- JP untying ratio has been consistently high – when comparing with other big donors including Canada, France, and especially the US (***only began to report in 2006!!!!***). It is indeed interesting to note why JP has been singled out for this particular issue – despite the fact that it actually has significantly increased its untying ratio and other major DAC donors have been even worse in some cases. Currently, JP untying ratio is 94.7% (as of 2009)
- The reasons for such criticism are highlighted in the 2010 DAC peer review report: ***the incomplete and non-reporting, introducing an attractive tied loan programme, and large share of Japanese contractors***. There has been ***a lack of transparency in Japan's reporting to the DAC***. For example, in 2007, more than 50% of Japan's bilateral aid was not reported – which is significantly higher than other DAC members (Clay et al 2009: 9, see Figure 5).



Figure 5. Donor share of not reported bilateral ODA - commitments in current USD



Source: Clay et al (2009: 9)

- Since 2002, Japan has also introduced a tied loan programme Special Terms for Economic Partnership (STEP). STEP loans are explicitly tied to the procurement of Japanese goods and services. Further, Japan made STEP loans more concessional than its untied loans, which are more 'attractive' for recipients



Table 3. Terms and Conditions of Japanese ODA Loans (Effective from April 1, 2010)

Category		Standard/ Option	Interest Rate (%)	Repayment Period (Year)	Grace Period (Year)	Conditions for Procurement
Low-Income Countries	General Terms	Standard	1.20	30	10	Untied
		Option1	0.90	25	7	
		Option2	0.75	20	6	
		Option3	0.65	15	5	
	Preferential Terms	Standard	0.55	40	10	Untied
		Option1	0.45	30	10	
		Option2	0.40	20	6	
		Option3	0.30	15	5	
	STEP	Standard	0.20	40	10	Tied
		Option	0.10	30	10	
Lower- Middle Income Countries	General Terms	Standard	1.40	30	10	Untied
		Option1	0.80	20	6	
		Option2	0.70	15	5	
	Preferential Terms	Standard	0.65	40	10	Untied
		Option1	0.55	30	10	
		Option2	0.50	20	6	
		Option3	0.40	15	5	
	STEP	Standard	0.20	40	10	Tied
		Option	0.10	30	10	
Middle- Income Countries	General Terms	Standard	1.40	25	7	Untied
		Option1	0.95	20	6	
		Option2	0.80	15	5	
	Preferential Terms	Standard	0.65	40	10	Untied
		Option1	0.55	30	10	
		Option2	0.50	20	6	
		Option3	0.40	15	5	
	STEP	Standard	0.20	40	10	Tied
		Option	0.10	30	10	

# DAC donors: geographical distribution of contracts awarded in 2007

Donor	Total contracts awarded		Within donor country				Other OECD and non-DAC countries		Developing countries (excl. LDCs)		LDCs	
	No. of contracts	US\$ mn	No. of contracts	US\$ mn	as % of total contracts awarded (n)	as % total contracts awarded (value)	No. of contracts	US\$ mn	No. of contracts	US\$ mn	No. of contracts	US\$ mn
Australia	12	100.5	10	96.3	83.3	95.8	0	0.0	1	1.4	1	2.8
Austria (2)	..	..	..	..	..	..	..	..	..	..	..	..
Belgium	5	18.2	1	2.8	20.0	15.4	0	0.0	2	2.1	2	13.3
Canada	1	16.1	1	16.1	100.0	100.0	0	0.0	0	0.0	0	0.0
Denmark (3)	6	6.5	5	6.5	83.3	100.0	1	0.0	0	0.0	0	0.0
Finland	3	5.5	3	5.5	100.0	100.0	0	0.0	0	0.0	0	0.0
France	66	350.3	16	57.4	24.2	16.4	7	119.7	32	134.3	11	38.9
Germany	52	171.8	29	75.9	55.8	44.2	3	6.7	4	6.4	16	82.9
Greece (4)	0	0.0	..	..	..	..	..	..	..	..	..	..
Ireland (2)	..	..	..	..	..	..	..	..	..	..	..	..
Italy (5)	0	0.0	..	..	..	..	..	..	..	..	..	..
Japan (6)	23	..	20	..	87.0	..	2	..	0	..	1	..
Luxembourg	..	..	..	..	..	..	..	..	..	..	..	..
Netherlands	1	4.0	1	4.0	100.0	100.0	0	0.0	0	0.0	0	0.0
New Zealand	7	10.5	6	9.1	85.7	86.7	1	1.4	0	0.0	0	0.0
Norway	1	6.0	0	0.0	0.0	0.0	0	0.0	1	6.0	0	0.0
Portugal	1	1.4	0	0.0	0.0	0.0	0	0.0	1	1.4	0	0.0
Spain (4)	0	0.0	..	..	..	..	..	..	..	..	..	..
Sweden (4)	0	0.0	..	..	..	..	..	..	..	..	..	..
Switzerland (2)	..	..	..	..	..	..	..	..	..	..	..	..
UK	54	293.7	44	258.4	81.5	88.0	4	13.3	4	12.6	2	9.3
USA	95	1917.0	65	1207.4	68.4	63.0	6	20.2	20	650.2	4	39.2
Total DAC	327	2901.3	201	1739.4	61.5	60.0	24	161.2	65	814.3	37	186.4

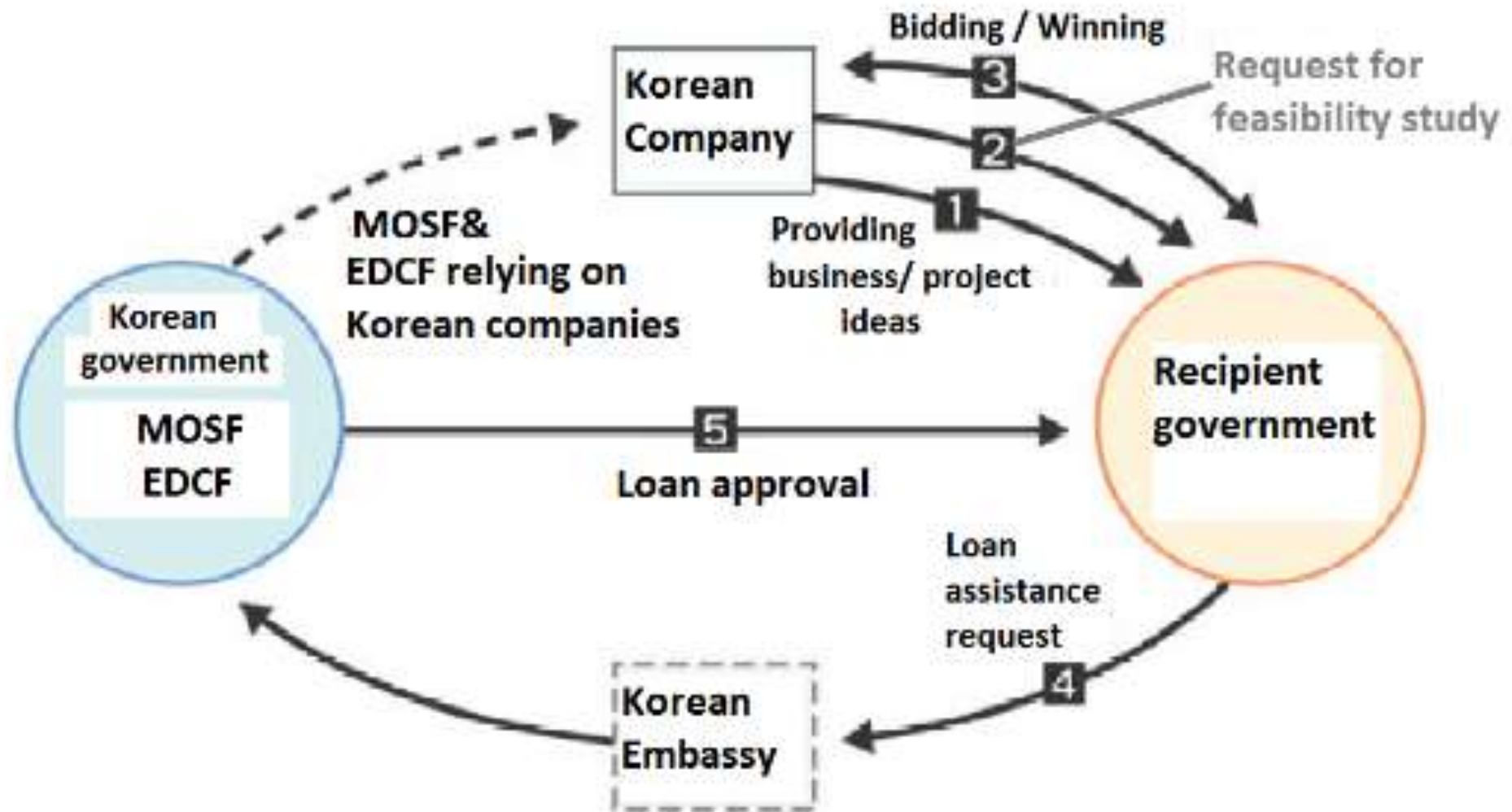
Source: Clay et al (2009: 17)

**Korea**

- A similar rhetoric of mutually beneficial economic coop is observable in KR policy : Article 3 of the *Framework Act on International Development Cooperation* : “ODA is promoted to facilitate the mutually beneficial *economic* partnership between KR and recipients
- CSOs - raising questions over ↑: non-DAC-able going directly against the intl norms of ODA
- Interview: via promoting technical ‘software’ cooperation, they were hoping to eventually facilitate future ‘hardware’ business talks → mutual outcomes of economic cooperation
- majority of tied aid projects contractors : major Korean conglomerates. Almost 60% of EDCF (bilateral ODA loan) contracts awarded to four major Korean conglomerates

Rank	Conglomerate	Number of contracts (%)	Contracted amount (%)
1	Samsung	24.76	24.36
2	LG	9.52	14.92
3	Hyundai	10.47	11.47
4	Daewoo	12.38	8.5
	Total	57.13	59.25

## EDCF model



the striking similarity with the earlier model of Japan's aid

- The KR corporate cosy relationship with the recipient govnts
- many Korean companies approach recipient governments with their own feasibility studies or provide the recipient governments with financial support for such study to formulate potential projects
- such 'collaboration' → eventually win contracts even before the official project implementation formally begins: e.g., 2000 - 2010, apprx 30% of approved EDCF projects were awarded to KR companies that performed feasibility studies of those projects
- The significant influence of large Korea conglomerates stems from the lack of resources (both financial and human) and local knowledge in EDCF as well as the recipient governments
- BOTH JP and KR cases underscored, such cosy relationships are more likely to hinder efforts to achieve good governance in developing countries as well as the transparency of JP&KR players who are involved in ODA projects.