

## Self-Interest and Global Responsibility: Aid Policies of South Korea and India in the Making

Alf Morten Jerve  
Hilde Selbervik

**R 2009: 9**



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Price: NOK 50

Printed version: ISSN 0805-505X  
Electronic version: ISSN 1890-503X

Printed version: ISBN 978-82-8062-353-9  
Electronic version: ISBN 978-82-8062-354-6

This report is also available at:  
[www.cmi.no/publications](http://www.cmi.no/publications)

#### **Indexing terms:**

Development assistance  
Aid policy  
Emerging donors  
India  
South Korea

#### **Project number:**

28010

#### **Project title:**

Nye asiatiske givere

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## Abbreviations

APISA	Asia Political and International Studies Association
BJP	Bharatiya Janata Party
CIDC	Committee for International Development Cooperation
CPI	Communist Party of India
EDCF	Economic Development and Cooperation Fund
GCC	Global Cooperation Center
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Grant National Party
HIPC	Highly Indebted Country
IBSA	India Brazil South Africa
ICCR	Indian Council for Cultural Relations
IDI	India Development Initiative
INC	Indian National Congress
ITEC	Indian Technical and Economic Cooperation
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
KAIDEC	Korea Association of International Development Cooperation
KCOC	Council for Overseas Cooperation
KDI	Korea Development Institute
KIEP	Korea Institute for International Economic Policy
KOICA	Korea International Cooperation Agency
KOV	Korea Overseas Volunteers
LDC	Least Developed Country
MEA	Ministry of External Affairs (India)
MOF	Ministry of Finance (India)
MOFAT	Ministry of Foreign Affairs and Trade (South Korea)
MOSF	Ministry of Strategy and Finance (South Korea)
ODA	Official Development Assistance
SARC	South Asian Association for Regional Cooperation
UNDP	United Nations Development Programme
UPA	United Progressive Alliance

## Executive summary

**Understanding ‘emerging’ donors:** This study investigates the aid policies of India and South Korea. Both countries represent a rather diverse group of countries that has been lumped together as ‘emerging’ donors. The role of ‘emerging’ donors is currently at the heart of the international aid discourse, but so far, the knowledge of the emerging donors is inadequate. There is a need therefore to explore what they are representing. The better part of the existing studies on emerging donors is focusing on Chinese aid. Less attention is being devoted to other countries. Together with Japan, the increased aid ambitions of China, South Korea and India herald a growing Asian influence on the global aid architecture. What will be the effects? Will an Asian approach to development assistance emerge? The answers are yet to come, but a comparison of South Korea’s and India’s aid policies does provide some indications. Central to this is how tensions between self-interest and global responsibility are articulated, or glossed over, as some would argue, when Asian donors refer to the principle of “mutual benefit”. The main research questions of this study are:

- What are the overarching rationales and key motivations driving the expansion of Indian and South Korean aid?
- What explains the difference in approach taken towards the traditional donors?
- To what extent are their own experiences as recipients reflected in their aid policies?

**An interesting comparison: The ‘individualist’ vs. the ‘conformist’:** South Korea and India embody unique development experiences, and they represent both interesting similarities and differences. Nevertheless, South Korea and India have chosen very different paths as emerging donors. While India is launching itself as a ‘non-traditional’ donor and is distancing itself from the DAC donor countries South Korea on the other hand has already decided to apply for DAC membership and is taking steps to move its aid practice in conformity with DAC-standards. How are we to understand and explain these differences in their aid policies? And to what extent are their own “first-hand-experiences” as developing countries and aid recipients reflected in their aid policies? This study argues that their new donor agenda is first and foremost driven by an aspiration and perceived need to boost their international standing and political clout. One way of achieving these overarching policy goals is to increase the aid volume and to present themselves as donor countries.

**Why become a donor?** In the post World War II period there seems to be one remarkable feature of the development of modern states. At some point a large number of countries have chosen to become donors. What are the explanatory factors behind this? Some kind of economic success is probably a prerequisite for a donor to expand its aid programme, but it is not a sufficient explanation. Similar to most other donors India and South Korea’s increased ambitions as donors are motivated by a mix of factors. Both countries are in different ways actively and consciously using aid as means in pursuit of economic prosperity and political clout.

**Patterns of aid giving:** The volumes of South Korean and Indian aid are still comparatively small, but with an increasing rate of growth in the last few years. The international financial crisis will mostly likely curb this trend. Disbursement remains skewed in favour of their Asian neighbours, but Africa is becoming a more important region for both Indian and South Korean aid. And the reasons are clearly mixed between self-interest and global responsibility.

**How is aid managed?** In both South Korea and India the aid system is organised along two main pillars, namely the Ministry of Foreign Affairs and the Ministry of Finance. Korea and India differ in this respect from most DAC donor countries, where Finance often plays a minor role and seldom



is involved as an operating agency. Especially in South Korea there is strong power struggle between the Ministry of Foreign Affairs and Ministry of Finance, whereas the Foreign Ministry represents change while Finance champions status quo. In India the aid system is more fragmented, but with the External Affairs in the lead.

**Current official policy and “in-house” aid discourse:** Given South Korea’s and India’s increasing aid ambitions, we would have expected them to be accompanied by corresponding overall aid policies and clearly stated goals. Interestingly, neither South Korea nor India has developed overarching policies, nor do they have unified aid legislations. India has a policy on how to deal with aid as a recipient, but as a donor it does not have one – at least not in public. It is interesting to note that Korea and India are stating their goals not only altruistically, but are openly and explicitly linking their objectives to their national interests as well.

**The public domestic aid discourse:** Even if both South Korea and India have been running aid programmes for a long time, perceiving themselves as donors “proper” is a rather recent phenomenon. In the case of South Korea opinion polls have revealed a broad-based support for Korean development assistance. Raising public awareness on the issue of Korean development assistance is a key goal. In the case of India no public opinion polls exists. There seems to be little debate and knowledge among the general public on India’s role as a donor country.

For many years civil society in South Korea was restrained under authoritarian rule. After the political liberalisation process took off in the late 1980s, there has been a substantial growth in the number of NGOs and many of these new NGOs embody new values and seek to stimulate more volunteerism in the Korean society.

In India on the other hand, the situation is very different. India has a vibrant civil society, but the NGOs are only to a small extent involved with the government’s development assistance. There seems to be little interaction between civil society organisations and government agencies on the aspect of India’s foreign aid.

**Self-interest or global responsibility?** The very initiation and launching of Korean aid was determined by Korea’s trade, security, and foreign policy interests, but in the course of the last decade there has been a change moving aid policy in a less self-interested direction. Perceptions of moral duty and responsibility are motives that are frequently referred to in the aid debates in Korea. Despite this, Korean aid practices reflect yesterday’s political goals of forging closer economic ties with countries in the region and otherwise showing a Korean presence as widely as possible.

The development in India has been quite different and motives related to global responsibility are harder to trace beyond policy declarations. In the case of India it appears quite clear that its motivations are mainly embedded in its national self-interest, but one should be careful not to be too simplistic on this issue.

**What are the implications for “traditional” donors? Will the “Paris Agenda” be undermined?** Undoubtedly, the Paris Declaration on Aid Effectiveness with its emphasis on country ownership and aid alignment to recipient priorities and harmonisation of donor practices is definitely challenged by the emergence of new players – the main reason being that the Paris Agenda, although touted as a partnership in respect of recipient sovereignty, clearly also represents a powerful instrument for donor influence. Hence, many recipient countries have welcomed greater diversity among donors and the benefit of having alternatives, as evidenced by the positive reactions of many African leaders to China’s increased aid involvement.

In the foreseeable future, however, South Korea and India will only marginally affect the aid architecture in poor aid dependent countries – in Africa in particular. Their aid volumes to the LDCs and the Africa region are relatively small today, and this is not likely to change very soon. Rather than clinging to the notion that all donors ideally should fill their aid in the same mould, the traditional donors ought to appreciate the benefits of a more pluralistic “market” for aid.

**Will Korea and India represent alternative donorship – an Asian model?** There is clearly no move towards articulating an alternative vision for good donorship; at least not in Korea and India. It is understandable that new donor countries with a recent experience as recipient of aid will argue that this makes them more sensitive and relevant as development partners. This perspective, however, has not yet been fully articulated in a coherent manner by any of the non-traditional donors although some common features can be found: (i) both Korea and India possess experiences with respect to development strategies and policies that are potentially relevant to developing countries; (ii) for this reason there is a strong emphasis on technical assistance and transfer of (alternative) technology; (iii) aid is conceived as being part of a South-South, people-to-people relationship basically more egalitarian than what characterises aid in a North-South relationship, and (iv) for this reason, aid should be non-conditional and free from patronage.

#### **What can Norway do?**

- Norway could request South Korea and India to share their experiences as aid recipients. There is now the opportunity for a frank assessment of benefits and pitfalls of aid in the two countries, which can provide important lessons for Norway’s current aid partnerships.
- The parties could further explore the concept of ‘mutual benefit’. How to ensure that the benefits are genuinely mutual? How to reconcile this concept with the emphasis on ‘country ownership’ and needs- and rights-based aid? Does this concept represent an alternative perspective to the Paris Agenda?
- Norway could offer cooperation on studies of aid effectiveness. There is clearly a need in both South Korea and India to strengthen the involvement of research institutions in studies of development aid.

# 1. Introduction: why this study?

## Understanding 'emerging' donors

This study investigates the aid policies of India and South Korea. Both countries represent a rather diverse group of countries that has been lumped together as 'emerging' donors.<sup>1</sup> The term carries a double meaning of either being a newcomer or not yet having reached a certain prescribed standard of 'donorship', or both, which is only partly fitting our two case countries. India's record as provider of bilateral assistance goes back to the 1950s, but it is only in recent years that it has stated an ambition to expand its aid programmes. However, India has not identified itself as belonging to the community of donors, while South Korea expects to join OECD-DAC in 2010.

The role of 'emerging' donors is currently at the heart of the international aid discourse (see e.g. Manning 2006; Harmer and Cotterell 2005). What explains the fact that these new actors are given so much attention by development academics, aid bureaucrats and politicians alike? Both researchers and aid bureaucrats have expressed concern about the fact that the emerging donors may threaten 'the aid hegemony' of the traditional donors and hamper what has been achieved in the past. Since many non-DAC countries are providing large amounts of loans it is feared that the external debt of developing countries may rise again after several years of debt relief. For these reasons, it has been argued that it is important to persuade the emerging donors to adhere to the principles agreed upon by the DAC (see Jobelius 2007).<sup>2</sup> But while some researchers believe that new donor countries will take on a key role in international aid in the decades to come others think they will remain minor players. So far, the knowledge of the emerging donors is inadequate. There is a need therefore to explore what they are representing.

The better part of the existing studies on emerging donors is focusing on Chinese aid.<sup>3</sup> Less attention is being devoted to other countries.<sup>4</sup> Even if the size of its aid budget is uncertain and estimates vary, China is undoubtedly a giant among the emerging donors by all definitions. Still, behind China follows South Korea and India with aid programmes already exceeding those of the smallest DAC-members. Together with Japan, which is currently the fourth largest DAC donor (OECD 2008a) the increased aid ambitions of China, South Korea and India herald a growing Asian influence on the global aid architecture. What will be the effects? Will an Asian approach to development assistance emerge? The answers are yet to come, but a comparison of South Korea's and India's aid policies does provide some indications. Central to this is how tensions between self-interest and global responsibility are articulated, or glossed over, as some would argue, when Asian donors refer to the principle of "mutual benefit".

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<sup>1</sup> In recent years numerous countries ranging from South Africa, Brazil, Venezuela, China, Malaysia and India, to Korea and even Thailand fall under the label emerging donors. Many eastern European countries and Arab countries also belong to this category. In contrast to many of the 'traditional' DAC donor countries (such as Norway, Sweden, the USA, and Canada), which initiated their aid programmes more than 50 years ago, the aid history of the so-called emerging donors is generally shorter. Many researchers are referring to this group of countries as non-DAC countries since they are not members of DAC (Manning 2006: 372). 'Emerging donor' and 'non-DAC members' are used interchangeably in this study. When the term 'traditional' donor is used, we mean DAC member countries.

<sup>2</sup> It should be added that many of the DAC countries are struggling to live up to their own principles in practice (see e.g. OECD/DAC 2008c).

<sup>3</sup> In the last few years numerous studies have been undertaken on the role of China as a donor (see e.g. McCormick 2008).

<sup>4</sup> Some studies do exist though, see e.g. Villanger 2007 on Arab aid.

The main research questions of this study are:

- What are the overarching rationales and key motivations driving the expansion of Indian and South Korean aid?
- What explains the difference in approach taken towards the traditional donors?
- To what extent are their own experiences as recipients reflected in their aid policies?

## An interesting comparison: The ‘individualist’ vs. the ‘conformist’

India and South Korea play important economic and political roles in their respective regions. Still, their ambitions go even further, especially in the case of India. Both countries embody unique development experiences.<sup>5</sup> South Korea has developed from being one of the poorest countries in the world to one of the wealthiest ones. India on the other hand is a country in transition and is still in a dual position. Despite tremendous economic success it still receives huge amounts of aid and struggles with mass poverty. In fact, one-third of the world’s poor live in India.<sup>6</sup>

Korean and Indian aid represent both interesting similarities and differences. The sizes of their aid budgets are rather similar – even though one should take precautions when estimating the volume of Indian aid (more on this below). They both have a long history as recipients of aid. The political leadership of both countries is frequently referring to their own experiences as recipients and both countries are emphasising the importance of South-South fellowship and collaboration. The importance of ‘mutual benefit’ is declared as a key principle in their aid co-operation.

Nevertheless, Korea and India have chosen very different paths as emerging donors. While India is launching itself as a ‘non-traditional’ donor and is distancing itself from the DAC donor countries Korea on the other hand has already decided to apply for DAC membership and is taking steps to move its aid practice in conformity with DAC-standards. How are we to understand and explain this difference in aid policy? And to what extent are their own “first-hand-experiences” as developing countries and aid recipients reflected in their aid policies?

This study will argue that Korea’s and India’s emergence as donors is first and foremostly driven by a wish and perceived need to increase their international standing and political clout. Increasing their aid volumes and representing themselves as donor countries is perceived as one way of achieving these overarching policy goals.

Given India’s enormous poverty problems, one may wonder how it has been possible to get political backing for an increase in Indian aid. Based on the Indian context, we hypothesise that India’s aid policy is grounded in national interests and growing foreign policy ambitions rather than in philanthropic convictions. Hence, it is primarily an agenda driven by the top political echelon, largely shielded from domestic debate. This seems to explain the individualist characteristics of India’s aid policy.

For Korea, which is no longer an aid recipient and where the living standard of the general population is much higher, we are hypothesising that the country can “afford” not to be driven by narrow self-interests only. As we shall see, in recent years there has been a growing push to move

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<sup>5</sup> South Koreans do not refer to their country as South Korea, but use the term “my country” or only Korea. South Korea and Korea are used as synonyms in this study.

<sup>6</sup> While Korea has not received foreign aid in recent decades India still receives substantial amounts. In fact, India still receives more than it gives. In 2000 India was the eight biggest recipient of development assistance according to DAC data. In 2006 it ranked as number 28, but in terms of volume in 2006 India received more aid than six years earlier.

Korean aid in a softer and less self-interested direction even if practice still lags behind, which partly explains the embrace of so-called “international best practice”.

## Methodology and literature

This study is not designed as a rigid comparative analysis of Korean and Indian aid. Yet, comparing these two countries can indeed bring forward valuable insights. To our knowledge, few studies have been published in international journals on India as a donor, but some papers and reports on Indian aid policy have been written in recent years (see e.g. Jobelius 2007 and Price 2006). There are some comparative studies of Indian and Chinese aid, but they seem to have a prime focus on China (see e.g. McCormick 2008).

There is a growing focus on and interest in aid in Korea, and several publications appear to be in the pipeline based on the increased attention this topic is given by Korean academics.<sup>7</sup> A Korean research institute, KIEP, which advises the government on a wide range of international issues, aid included, was recently instructed to set up a special ODA unit. KIEP is doing some research on development assistance, but so far most of it has not been published in English. Moreover, the institute is doing little basic research, mainly undertaking studies with an aim to advice Korean government actors on how to adapt to the so-called best practices of the DAC. Few academic articles have been published, but a recent article by Lumsdaine and Schopf (2007) has provided fruitful insights particularly on changing motivations of Korean aid and the rise of voluntarism in Korea over the last years. The special DAC review on Korea, which was published in 2008, is a valuable source on Korean development assistance (OECD/DAC 2008b).

On the two countries' economic and political development and on their foreign policies more generally there is a vast literature. These studies are referred to where relevant. In addition, we make use of newspaper articles, and policy papers, annual reports, annual budgets, and other relevant government documents. We are also employing aid data from the OECD/DAC database, especially on Korea, which has been reporting to DAC for many years. When it comes to India, which is not reporting to the DAC, the aid data is much more fragmented and the figures given must be treated with caution.

In November/December 2008 the authors of this study conducted more than 30 interviews with key stakeholders in both South Korea and India to get some fresh and deeper insights on these countries' aid policies.<sup>8</sup> The interview guides that were used as a point of departure for the discussions are attached as appendices to this report.

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<sup>7</sup> To illustrate the increasing focus on aid in Korea it can be mentioned that a conference on the ‘Emerging Donors and New Approaches to Development Cooperation’ was held in Seoul, 4-5 December 2008. The conference was convened by Global Cooperation Center (GCC), Ewha Women's University, and Korea NGO Council for Overseas Cooperation (KCOC).

<sup>8</sup> For different reasons the authors managed to get fewer key informant interviews in India.

## 2. Why become a donor?

In the post World War II period there seems to be one remarkable feature of the development of modern states. At some point a large number of countries have chosen to become donors. What are the explanatory factors behind this? Can it be so that economic wealth and prosperity turns modern states “soft”?<sup>9</sup> Must basic needs among a majority of the population be met in order to get sufficient public backing for an ambitious aid policy?

Both Korea and India have recently experienced tremendous economic growth rates. Can this explain their recently expressed ambitions as donors? This may be part of the explanation, but it does definitely not explain it all. Some kind of economic success is probably a prerequisite for a donor to expand its aid programme, but it is not sufficient and several puzzles remain unsolved. If it is so that economic prosperity ‘turns modern states soft’, one would expect most donors to be primarily driven by altruistic and humanitarian concerns. That is not the case. Self-interests linked to e.g. trade interests and foreign policies are also key drivers of modern states’ aid programmes. Most donors are motivated by a mix of factors and the degrees of altruism vary among countries and also over time. Aid is more often than not part of the foreign policy armoury of a donor country (Picard et al. 2008; Lancaster 2006; Alesina and Dollar 2000). As we shall see this is also the case with Korea and India.

The use of aid for selfish interests to obtain geopolitical gains rather than explicitly for developmental purposes, it is argued, will most likely make aid less effective (Headey 2005). In this study, however, we are not in the position to evaluate the effectiveness of Korean and Indian aid but will examine various factors influencing patterns of aid giving and the aid modalities adopted. In this chapter we look at the main economic and political factors behind the aid policies currently in the making.

### Economic parameters: growth and inequality

#### South Korea

As one of the Asian Tigers South Korea has for more than four decades been one of the fastest growing economies in the world and is often deemed a model for other countries to emulate (Kim 2008). In less than half a century the country has been transformed from being one of the world’s poorest countries to a country that is highly developed and with a modern economy. In 1996 South Korea became a member of the OECD and the Korean economy is now the thirteenth largest economy in the world and the fourth largest economy in Asia.<sup>10</sup>

In the 1960s and 1970s South Korea adhered to a government-steered development model, but has since then gone through a gradual and successful shift and has adopted a more market-oriented model. Korea has been surprisingly resilient in its pursuit of an export oriented economic policy spearheaded by a few government supported family owned industrial conglomerates – the so-called *cheabols*. In the late 1990s the Korea was seriously hit by the Asian financial crisis, but managed rather impressively and swiftly to regain its previous position in terms of economic growth rates. In 1999 and in 2000 South Korea experienced GDP growth rates of 10% and 9%, respectively.

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<sup>9</sup> See also Buchanan 1975.

<sup>10</sup> <http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf>. In comparison Sweden, Norway and Denmark were ranked as number 19, 23, and 27, respectively.

In the last few years the growth rate has slowed. In the period 2002-2007 the real economic growth rate has ranged between 4 and 5% (EIU 2008a: 19). The current global economic recession has strongly impacted on the Korean economy and is likely to hit Korea more seriously than what will be the case in India (cf. below). In Korea the real GDP growth dropped to 2.2% in 2008. This negative trend will probably continue in 2009. The Economist Intelligence Unit forecasts a negative growth of 5% in 2009. In 2010 the EIU expects improvements and has estimated real GDP growth to 0.6% (EIU 2009d: 16).

Some economists have expressed concern about Korea's future economic development due to structural domestic problems and an aging Korean population (see e.g. *The Economist* 20 November 2008). Still, Korea aspires to match the G7 countries and a key goal of the current government is to become the world's seventh largest economy by 2013. With its growing economic muscles South Korea has also increased its foreign policy ambitions.

South Korea ranks high not only in terms of the size of its economy, but also on broader indices measuring human well-being such as UNDP's Human Development Index. This index has been produced annually since 1990 based on key variables such as life expectancy, literacy, and income measured in purchasing power parity. In 2008 South Korea ranked as number 25 among the 179 countries listed. In 2000, based on 1998 data, South Korea ranked as 31 (UNDP 2000). Nearly a decade earlier it ranked as number 35 (UNDP 1991). A growing and more prosperous middle-class has become a key political factor, also influencing the aid policy.

## India

In economic terms, India has moved more slowly compared to Korea, but has experienced a remarkable economic growth rate, particularly after the turn of the Millennium. This has been related to the major economic reforms of the 1990s (Datt and Ravallion 2002). In 2006 GDP growth reached as high as 9.4%. This was somewhat below the Chinese rate, but it was still approximately double the world average. In the 2007 budget speech the Indian Minister of Finance's prognosis for 2008 was a rate of growth of more than 12%. Nevertheless, the economic financial crisis has also hit India, and economic growth has slowed down significantly. According to figures from the EIU, the growth rate in 2007 was 9% (EIU 2008b: 20), and in 2008 the real GDP growth rate stood at 6.1%.<sup>11</sup> According to forecasts estimated by the EIU, the real GDP growth rates of 2009 and 2010 will be 5.5% and 6.4%, respectively (EIU 2009c: 9). Despite a cooling off of the Indian economy, it is still one of the fastest growing economies in the world and among the world's most important ones. In 2008 India was ranked as the twelfth largest economy in the world, one place ahead of South Korea (World Bank 2008).

Nonetheless, when it comes to the conditions and the well being for the average Indian the situation looks more daunting compared to the situation in South Korea. It is assumed that the economic growth experience prior to the 1990s contributed to reduced poverty, but after that the picture is less unambiguous. Some researchers suggest that the reduction in poverty has been dramatically reduced. Other argues that it has stalled, while some even claim that poverty has increased over the last decades (see Datt and Ravallion 2002). If we look at UNDP's Human Development Index, India's scores are rather low. In the late 1980s India ranked as number 123 on the Human Development Index (UNDP 1991). In 2005 it was ranked as number 128, but in 2008 it had dropped even further down the list and ranked as number 132. India is now even behind Bhutan, which is India's greatest and most important aid recipient. Understandably, therefore, political activists in India have eyes set on domestic inequalities rather than India's global responsibilities.

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<sup>11</sup> Note that the fiscal year in India begins in April 1<sup>st</sup>.

## Political imperatives: security and expansion of influence

A country's foreign policy is the articulation of goals outlining how the country will interact with other countries economically, politically, socially and militarily, including relations with non-state actors. Foreign policy can be analyzed from the perspective of two dimensions: a securing status quo dimension – i.e. the protection of national security and interests; and a change-making dimension – i.e. the pursuit of economic prosperity and ideological ambitions (Palmer et al. 2002). Where in this picture do the development assistance policies of Korea and India fall?

### South Korea

Over the last three decades Korea has experienced great political upheavals. After decades of authoritarian rule, South Korea is now a liberal democracy. The new democratic form of government is embedded in the 1987 constitution. The latest presidential election was held in 2007 and was won by the somewhat right-leaning Grand National Party (GNP). South Korea has three main political parties besides the GNP: the United Democratic Party, the Democratic Labour Party, and the Democratic Party. South Korea is still suffering from its authoritarian legacy and lacks openness particularly on foreign policy issues (see Jaung 2005). Korean politics has been characterised as personalised with weak party discipline making the political landscape rather complicated and somewhat unpredictable.

Nonetheless, a strong economy and liberalisation of the political sphere have paved the way for a new foreign policy. Ruediger Frank is arguing that over the last decades Korea has struggled to chisel out a more independent foreign policy (Frank 2005). Korea's foreign policy has "matured" in this period and has become more expansive. Now, Korea is seeking international recognition, clout, and credibility. It is perhaps against this background that Korea's new and more ambitious aid policy can best be understood, including adopting an aid policy in line with DAC's recommendations.

The literature on Korea's foreign policy focuses predominantly on the North Korea issue, which also represents a cornerstone in the relations with the US, its primary ally. According to the Korean constitution the peninsula is not permanently divided in two sovereign states, and by definition the relationship with North Korea is seen as a domestic affair. Hence, the substantial budget for aid to the North is not classified as ODA. If it had been, almost 50% of Korea's foreign aid would have been in support of the policy goal of reunification.

The approach towards the North Korean regime has been changing with different presidents. The "sunshine policy" of President Kim Dae-jung received international acclaim, including the Nobel Peace prize. He sought to engage North Korea in peaceful cooperation, while denouncing any ambition to absorb the North in any way. The budget for the Ministry of Unification was propped up. In 2003, an article in the *Time* – "A very expensive affair" – commented on the costs and failures of some of the reconciliation projects questioning not only the prize tag but also the foreign policy efficiency.<sup>12</sup> The aid to the North has clearly been dictated by foreign policy interests, to the extent that economic feasibility concerns became of second order. The current President – Lee Myung-bak – took a harsher stance against the North Korean regime when coming to power: North Korea would have to denuclearize first and then lavish aid would follow. The effects of this change remain to be seen. So far, North Korea has refused to give up its nuclear weapons programme.

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<sup>12</sup> [http://www.time.com/time/asia/covers/501030324/nk\\_sunshine.html](http://www.time.com/time/asia/covers/501030324/nk_sunshine.html)



While the aid to the North belongs to the first category mentioned above – national security, the aid to other countries, reported by Korea to OECD-DAC as ODA, belongs to the second category – changing Korea’s international relations. When Korea started its current aid programmes, first with soft credits in 1987 under EDCF and subsequently with grants in 1991 through KOICA, the country was still in an early transition from military-backed autocratic rule to multiparty democracy, initiated with the presidential election in 1987.

That year Roh Tac-woo became the first elected president following 25 years of military rule. He was a former military officer and conservative and gained power much due to the personal rivalry between the two prominent opposition leaders and dissidents Kim Young-sam and Kim Dae-jung. Both later succeeded in winning presidential elections and ruled successively from 1993 to 2003, when Dae-jung was followed by another progressive or left-leaning politician – Roh Moo-hyun, a radical of a younger generation. His turbulent presidency, including his impeachment by the Parliament and subsequent reinstatement, ended a 15 years process of gradual radicalization in Korean politics. The 2007 presidential election then came as a landmark with a dramatic shift in popular sentiments towards more liberal conservative views giving a landslide victory to the incumbent president Lee Myung-bak. According to Chaibong (2008) this represented a replacement of a rhetoric dominated by radical nationalism, dialogue with North Korea, and a dose of anti-Americanism by a concern for growth and job creation.

The second undercurrent in Korea’s foreign policy has been its strive for international recognition. With its remarkably successful economic growth its leaders and the growing educated middle class became increasingly conscious about its role as a modern and aspiring country and as an important power within its region. This prompted a need to reduce dependency on the US, normalise relations with Japan, and expand Korea’s international network. A major decision in this respect has been to promote Korea’s standing in the UN-system and multilateral organizations. Two important events stand out: the memberships in OECD (in 1996) and IDA (in 2005), and the election of Ban Ki-moon, a former Korean minister of foreign affairs, as the UN Secretary General.

The campaign for the candidature of Ban Ki-moon explains the jump in the ODA volume in 2005, according to informants. Bilateral aid went up by about 40%. The same year, multilateral aid more than doubled, largely due to the new IDA contribution. In 2005, Korea also announced a new ODA policy pledging to increase overall ODA and the share given to Low Income Countries, especially in Africa.<sup>13</sup> These events clearly reflect the role of aid policy in promoting Korea as a reliable and *bona fide* international player.

The ascendance of Iraq as the largest recipient of Korean aid is part of the same picture, but is also indicative of Korea’s dependency on the US. It is telling that President Roh Moo-hyun, who had been elected in 2003 riding a wave of anti-American sentiments, responded favourably to the US request for support to the invasion of Iraq by sending an engineering corps and development aid. The decision was highly controversial but has not yet been reversed, making Iraq still the largest recipient; receiving about one-third of total bilateral ODA in 2005 and somewhat less in subsequent years.

The present government was elected on a promise of strengthening Korean-US relations as well as improving relations with Japan, China and Russia. Under the slogan of “Global Korea” there is a continued emphasis on expanding ODA and reinforcing peacekeeping operations. Part of the same rhetoric is increasing Korea’s competitiveness internationally using terms like ‘market friendliness’

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<sup>13</sup> Referred to as “Comprehensive Plan for Improving ODA of Korea”.

and 'pragmatism'. The latter term embraces efforts to expand so-called "resource diplomacy".<sup>14</sup> Like Japan Korea is highly dependent on imports of raw materials and energy. Food imports are also rising. This has given impetus to a debate of whether to use ODA to promote economic relations with resource rich developing countries, similar to what China does. In a recent position paper representatives of Korean NGOs raise the concern that the objectives of Korea's ODA are still based on national economic interests or diplomatic interests, adding that: "Nowadays, this tendency is getting stronger with the so-called 'Diplomacy to secure natural resources'".<sup>15</sup>

## India

Compared to South Korea India has a long democratic legacy. India is the world's largest democracy modelled after the British Westminster type. The Indian National Congress (INC) has been the most influential political party in India together with the Bharatiya Janata Party (BJP)<sup>16</sup> and the Communist Party of India (CPI). From 1998 to 2004 the BJP was leading a coalition government, but in the latest parliamentary election in 2004 the Congress Party and its coalition partners - the United Progressive Alliance (UPA) - took over. India has been a politically stable country and has been spared the political coups experienced by many of its neighbours. Still, Indian politics appear rather chaotic to the outside eye and political decisions are not always very transparent.

India has pursued a rather independent foreign policy since independence in 1947. India had a key role in the foundation of the Non-Aligned Movement and has been a frontrunner in propagating the importance of South-South cooperation. After a few decades where India has been less visible in this respect, it has now taken on a more active role in the South-South discourse. India is moreover playing a key role in WTO, where several battles have been won recently. The South Asian Association for Regional Cooperation (SARC) is also an important regional forum for India.<sup>17</sup>

India is moreover a member of the G-20. The country is no doubt striving for a seat at the international high table generally speaking and a seat in the Security Council more specifically. India is openly demanding changes in the current international order and is working to alter the structures of organisations such as the World Bank and the IMF to give more power to the developing countries.

India's foreign policy has largely been a balancing act between security interests in its own backyard, mainly determined by border disputes with China and Pakistan, and its strategies towards the global superpowers. After the Cold War and the collapse of the Soviet Union, a major ally, a new pragmatism evolved. Relations were improved with United States and China, and India downplayed its ideological stance as a champion of the world's poor nations. Pragmatism also shaped the new economic policy triggered by the financial crisis in 1991. Under Prime Minister Narasimha Rao and finance minister Manmohan Singh the economy was liberalised and opened up to foreign investors. The resulting economic growth, averaging 7% annually since the early 1990s, triggered a growing concern for expanding exports and securing raw materials and energy. India's growth paved the way for reassertion of a role as global player; not any more as a third alternative (i.e. the Nehru-legacy and the Non-Aligned Movement) but as an economic superpower aspiring for a place at the table on par with the G-8.

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<sup>14</sup> <http://www.tokyofoundation.org/en/articles/a-new-era-in-south-korean-foreign-policy>

<sup>15</sup> Representatives of Korean NGOs. 'Position paper of Korean NGOs', March 5, 2008: 3.

<sup>16</sup> BJP or "Indian People's Party", founded in 1980, is a centrist-right party advocating conservative Hindu based values and a foreign policy driven by a nationalist agenda.

<sup>17</sup> [http://www.saarc-sec.org/data/CharterDay2008/ind\\_pm.pdf](http://www.saarc-sec.org/data/CharterDay2008/ind_pm.pdf) (last visited, 12 June 2009).

India's long history of aid to its neighbour states (Nepal, Bhutan, Burma, Bangladesh, Sri Lanka and the Maldives) has clearly been coupled to its national security policy. This kind of foreign policy motivated aid has continued unabated, although in periods constrained by diplomatic tensions (e.g. with Bangladesh and Sri Lanka). More recently, in the wake of the fall of the Taliban regime in Afghanistan, India has enhanced its presence there.

Outside its own backyard, India's development assistance policy have made a turnaround in recent years; away from global responsibility as a legacy of Nehru's policy in the form of technical assistance and training programmes to equal partner countries in the Non-Aligned Movement, towards promoting Indian economic and diplomatic interests. The latter is mostly related to India's clamour for a permanent seat at the UN Security Council, but also bolstering India's position in multilateral negotiations, such as the recent Doha Round within WTO.

Since the turn of the Millennium Indian governments have tried to portray a different India – “Shining India” as the slogan goes – to be reckoned as a global power. A major symbolic decision was the announcement in February 2003, by the then BJP-led government to refuse government-to-government aid from so-called small bilateral donors. This was subsequently defined as donor countries not part of the G-8, and not necessarily the largest donors in terms of aid volumes (see Saxena 2003: 13). The US for example was at the time a rather marginal donor in terms of aid volume. The government's new policy for bilateral development assistance implied that “[...] all bilaterals, except Japan, UK, Germany, USA, EC and the Russian Federation, will now give grants to either multilateral organisations, or to the FCRA registered NGOs for projects of economic and social importance only (quoted in Saxena 2003: 3). India also decided to pay back debt to 15 creditor countries, even prior to maturity. It is noteworthy that no other aid recipient country has ever taken a similar decision. The motives behind the decision were not transparent at the time as it was made in a closed high-level circle. It came as a surprise to both domestic and foreign stakeholders and many actors inside government did not agree on it. The general view is that it was triggered by annoyance with critique and policy conditionality from donor countries directed at India's domestic affairs, coupled with a larger agenda of changing the image of India both at home and abroad.<sup>18</sup> India wanted to demonstrate independence. All in all aid to India constituted less than 1% of its GDP (Saxena 2003), so the decision had limited effect on India's economy as whole. Politically it meant more.

The succeeding Indian government softened its attitude somehow towards the “small” bilateral donors, but the decision not to enter conventional state-to-state aid agreement has not been reversed. To sum up: Indian and South Korean aid policies can be understood both in a ‘change making’ and a ‘securing status quo’ perspective. In different ways both countries have actively and consciously used aid as means in the pursuit of economic prosperity and political clout. However, protection of national security is also important, but probably more so for India than for South Korea.

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<sup>18</sup> See Slob and Jerve (2008) for a broader analysis of the exit of bilateral donors from India.

### 3. Patterns of aid giving

As illustrated in the previous chapter, Korea and India stand out as two economically strong powers with great political aspirations. How is this reflected in aid volumes and patterns of aid disbursement? As we show below, the volumes are still comparatively small, but with an increasing rate of growth in recent years.<sup>19</sup> The international financial crisis will mostly likely curb this trend. Disbursement remains skewed in favour of their Asian neighbours, but Africa is becoming a more important region for both Indian and Korean aid. And the reasons are clearly mixed between self-interest and global responsibility.

#### Aid volumes: still small – but growing

##### South Korea

We have good statistics on Korean ODA. Korea has voluntarily been reporting to the DAC for nearly a decade, which again illustrates its tendency to act as a conformist. In 2006 Korean aid stood at 455 USDM. In 2007 the number had increased substantially and stood at 672 USDM.<sup>20</sup> Since 2000 the volume of Korean aid has more than tripled.

After 1999 Korean ODA as a percentage of GNI has fluctuated between 0.04 and 0.1%. In a DAC context this percentage is rather small. In 2006, the average figure of the DAC countries as a group stood at 0.31%. The Korean government has set an ambitious target of 0.18% by 2010 and 0.25% by 2015. OECD/DAC is indicating that the current government may have to reassess this goal due to the economic situation (OECD 2008b: 7).

It must be underscored that the DAC aid statistics do not provide a fair picture of the volume of Korean aid. As stated above, development assistance to North Korea is not reported to the DAC since this would have been perceived as recognition of North Korea as a sovereign state. The amount of Korean ODA that is channelled to North Korea is significant. In 2007 it was as much as 558 USDM. If aid to North Korea had been included for 2007, the total figure would have been more than 1.2 billion USD.

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<sup>19</sup> Korea and India's aid are about one-tenth of that of China, and on par with countries such as Portugal and Ireland (OECD 2008a). Even if it is also difficult to get the exact figures for China's aid programmes, various sources have suggested that China's ODA stands at about USD 5 billion a year (see e.g. Jobelius 2007: 5).

<sup>20</sup> Source: [data extracted on 2008/10/29 16:06 from OECD.Stat](#)

**Table 1: Korea's development assistance (current prices in USDM, net disbursement)**

YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>TYPE OF AID</b>									
<b>ODA total</b>	<b>212.1</b>	<b>264.65</b>	<b>278.78</b>	<b>365.9</b>	<b>423.32</b>	<b>752.32</b>	<b>455.25</b>	<b>699.06</b>	<b>797.23</b>
<b>Bilateral ODA</b>	<b>131.2</b>	<b>171.54</b>	<b>206.76</b>	<b>245.2</b>	<b>330.76</b>	<b>463.3</b>	<b>376.06</b>	<b>493.47</b>	<b>519.75</b>
Grants	47.8	52.97	66.7	145.4	212.09	318	258.95	361.28	349.2
Non-grant bilateral aid	83.4	118.57	140.06	99.71	118.68	145.3	117.11	132.19	170.55
<b>Multilateral ODA</b>	<b>80.89</b>	<b>93.11</b>	<b>72.02</b>	<b>120.74</b>	<b>92.56</b>	<b>289.01</b>	<b>79.19</b>	<b>205.59</b>	<b>277.48</b>
To UN Agencies	19.6	25.53	21.46	25.1	22.96	38.27	42.86	47.68	48.4
To Regional Development Banks	25.88	24.38	19.49	34.29	28.29	125.92	53.91	56.64	126.24
Other multilateral aid	35.41	43.2	31.07	63.35	41.31	124.82	-16.86*	101.27	102.84
<b>ODA % GNI</b>	<b>0.04</b>	<b>0.06</b>	<b>0.05</b>	<b>0.06</b>	<b>0.06</b>	<b>0.1</b>	<b>0.05</b>	<b>0.07</b>	<b>0.09</b>

Source: [data extracted on 2008/10/29 16:06 and 2009/06/16 13:29 from OECD.Stat](#)

\* The figure is negative due to inter alia large repayments of concessional loans.

## India

It is difficult to gather accurate information on the volume of Indian aid – existing estimates vary significantly. The most common figures range from 100 USDM per year to 300 USDM (see e.g. [www.panetd.org/org/](http://www.panetd.org/org/); Jobelius 2007: 5). These appear to be rather conservative estimates though. Other sources indicate far higher figures. In the 2007 budget speech, the Indian Minister of Finance claimed that India provided development assistance to the tune of 1 billion USD annually. This should be a credible source, but what is defined as development aid is far from clear. India does not adhere to DAC's definition of ODA, and also does not operate with its own definition of development assistance. Such figures must therefore be treated with care. The authors of this study have tried to peruse posts in the Indian budget that may qualify as ODA. We came up with an estimate of 650 USDM in 2007, but this number should also be treated with caution. It is likely that the figure is even higher, since some of the EXIM Bank credits would probably qualify as ODA.

Has there been a substantial increase in Indian aid? If we look at aid funds channelled through the Ministry of External Affairs, there has been an increase over recent years (cf. Table 3 below). The general grants and loans from the Ministry of Finance have not increased substantially. For many of the new and emerging donors it is the concessional lines of credits which have constituted the largest increase in their aid involvements. This is also the case with India. Over the last few years there has been a substantial increase especially in those going to Africa. For example at the African/Indian summit in April 2008 the Indian government guaranteed a line of credit worth 500 USDM operated by the Exim Bank. According to data from the Indian Exim Bank, as of October 2008, 98 credits lines worth 3270 USDM were operational. More than 50% of these credits were directed towards Africa. Of the 7 credits being negotiated in 2008 5 will go to Africa.

## Country allocations: the Lion's share to Asia

Only a minor share of India and Korea's development assistance is directed towards Africa's least developed countries or to other LDCs. Both of them give priority to their neighbours or other Asian countries.

### South Korea

In 2007, the most important receivers of Korean development assistance were Iraq, Cambodia, Sri Lanka, Indonesia, Philippines, Viet Nam, Laos, Angola, and Mongolia (cf. Table 2). The remaining recipients, more than 100 different countries, received 10 USDM or less. Previously China was also an important recipient, but Korean aid to China has gradually been scaled down.

**Table 2: Net Disbursement of Korean ODA (current USDM)**

YEAR	2001	2002	2003	2004	2005	2006	2007
<b>COUNTRY</b>							
Iraq	0.03	0.01	40.57	72.15	149.54	57.09	53.62
Bilateral, unspecified	11.03	10.4	14.66	21.55	25.64	42.5	47.88
Cambodia	1.13	22.71	10.76	23.88	17.77	13.83	35.28
Sri Lanka	10.85	10.93	17.15	5.37	33.21	22.65	33.26
Indonesia	23	14.67	30.17	16.93	18.32	18.9	28.78
Philippines	3.38	6.54	6.04	8.2	7.52	7.06	28.16
Viet Nam	38.13	22.61	12.68	31.35	15.29	10.08	24.67
Laos	0.67	1.47	2.11	3.64	9.77	13.55	17.9
Angola	1.04	..	..	..	0.02	10.09	17.41
Mongolia	2.67	16.47	5.91	1.87	4.66	5.4	12.9

Source: OECD/DAC online database (last visited 20/2-2009).

Even if Korea has decided to increase aid to Africa, this has yet to be reflected in the budgets. As we can see Angola is an up-and-coming recipient, but still only 13% went to countries in Africa. 8% was directed towards East European countries, and 60% of total Korean aid was channelled to Asian countries.

Korean aid is not very poverty oriented. Only 25% is directed towards the Least Developed Countries (LDC). This fact may at least partially indicate that other motives than poverty alleviations have been steering Korean aid transfers. Since 1999 there has been a significant increase in the DAC countries' aid disbursements channelled to LDCs. In 2007 33% of all aid from the DAC member countries went to the poorest nations, but great variations exist among the donors. Small donors tend to be more poverty oriented than large donors. In the period 2005-2007 donors like Ireland and Norway for example disbursed as much as 83% and 68%, respectively, of their total allocable aid to the LDCs (OECD/DAC 2008d).

## India

As mentioned above the data on India is far less accurate and comprehensive than in the case of Korea. The most important receivers of development assistance from the Ministry of Foreign Affairs (MEA) are shown in the Table 3. In addition to Bhutan, Bangladesh, and Nepal, Myanmar and Afghanistan have in recent years become key recipients. Aid to these countries is motivated by security policy, by and large (Jobelius 2007). In the course of the last two years India has started to provide some smaller funds to Latin America countries as well, but the sums are small. Grant aid to African countries has not increased as much as one would have expected, especially in light of the increase in concessional lending to Africa. Furthermore, the total volume is still small. According to our informant in the MEA, India does not manage to spend the funds allocated for Africa. There are too few requests, they claim.<sup>21</sup>

It should be mentioned that in addition to the non-plan grants (cf. Table 3), India does also provide grant and loans from the Planning Commission. These funds may be seen as development assistance, but are mainly directed towards large investment projects, with the clear aim of benefiting India.<sup>22</sup> In the revised budget for 2007-08 grants and loans from the Planning Commission constituted 300 crores of Rupees (or approx. 60 USDM).<sup>23</sup> In the 2008-09 budget, the figure stood at 579 crores of Rupees (or approx. 115 USDM). These funds are mainly grants directed towards Bhutan, Afghanistan, Nepal, Sri Lanka and Myanmar, but also include a substantial loan to Bhutan.

The Ministry of Finance (MoF) is in charge of some grants and loans to developing countries. This includes aid to countries such as Cambodia, Mauritius, and Suriname. Moreover, in both 2008 and 2009 MoF was providing soft loans to Sri Lanka. It is also MoF that is in charge of India's UNDP contributions, but all in all concessional loans and grants from Finance is limited and constituted 107 crores of Rupees (or approx. 21.4 USDM) in the revisited 2007-08 budget. For the financial year 2008-09 it is only budgeted with 47 crores of Rupees (or approx. 9.4 USDM) for the same purposes. Some smaller aid funds were allocated via the Ministry of Shipping to Bangladesh in 2008-2009.

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<sup>21</sup> Interview, New Delhi, December 2008.

<sup>22</sup> Interview, New Delhi, December 2008.

<sup>23</sup> 1 crore = 10 million. The current exchange rate is approx. 1 USD = 50 Indian Rupee

**Table 3: Non-Plan Grants to foreign governments from the MEA (in million US Dollars)**

	Revised Budget 2003-04	Revised Budget 2004-05	Revised Budget 2005-06	Revised Budget 2006-07	Revised budget 2007-08	Proposed budget 2008-09
Bangladesh	4.79	4.93	11.75	4.42	14.92	4.0
Bhutan	52.27	69.81	93.09	107.63	131.76	135.07
Nepal	13.07	14.73	14.91	46.39	24.86	25.01
Africa	15.6	23.78	13.77	4.42	12.43	20.01
Central Asia	1.15	1.89	2.03	3.76	4.97	7.0
Sri Lanka	3.27	3.41	5.65	6.19	6.96	8.5
Maldives	0.65	0.71	2.98	1.33	4.85	4.44
Myanmar	0.87	1.38	4.97	8.84	4.97	3.75
Other dev. countries	37.47	77.51	111.78	107.4	44.77*	44.16*
Latin America	0	0	0	0	0.38	1.05
Afghanistan	0	0	0	0	83.28**	90.05
ITEC	0	0	0	0	14.92***	16.26
<b>Total</b>	<b>129.15</b>	<b>198.16</b>	<b>260.94</b>	<b>290.37</b>	<b>349.07</b>	<b>359.31</b>

Sources: various budgets at <http://indiabudget.nic.in>, exchange rates from <http://www.rbi.org.in/home.aspx>

Note: Exchange rate dollar/rupee average of daily rates during budget year (April 1 – March 31), except proposed budget 2008-2009 (rate at beginning of budget year)

\*Here the amount of aid Afghanistan is given separately. \*\*This is the first year that the figures for Afghanistan were separately. The previous years, aid to Afghanistan were included in aid to "other developing countries". \*\*\* For the previous years, ITEC's aid budget is given under different headings.



## 4. How is aid managed?

This chapter maps the key actors and the institutional set-ups of aid management. In both Korea and India the aid system is organised along two main pillars, namely the Ministry of Foreign Affairs and the Ministry of Finance. Korea and India differ in this respect from most DAC donor countries, where Finance often plays a minor role and seldom is involved as an operating agency. The main aim in the following is not to review the different actors in detail, but to assess whether India's and South Korea's rising ambitions as donors are reflected in their institutional set-ups.

### South Korea: two pillars – both strong and in opposition

In Korea, the term “two pillars” frequently appears in the aid debate. This reflects that the Ministry of Foreign Affairs and Trade (MOFAT) is first and foremost in charge of Korea's bilateral grant aid and technical assistance, whereas the Ministry of Strategy and Finance (MOSF) has the responsibility of concessional lending and subscriptions to the multilateral development banks.

The Korea International Co-operation Agency (KOICA) is the implementing agency under MOFAT, while the Korea Exim Bank's Economic Development and Co-operation Fund (EDCF) is the operating agency under MOSF (OECD/DAC 2008b). In addition, approximately 30 other ministries are involved in aid-giving, but generally with far smaller amounts (OECD/DAC 2008b). According to our sources, approximately 10% is channelled via other ministries other than MOSF and MOFAT.<sup>24</sup>

MOFAT formulates strategies for grant aid and technical co-operation and has the main dialogue with the DAC (OECD/DAC 2008b: 19). In an effort to increase efficiency of Korean aid a new and unified aid entity within MOFAT was launched in 2007, namely the Bureau for Development Co-operation. KOICA was set up in 1991 and is not involved in policy making and strategy formulation as such, but is designing, identifying and reviewing projects. There appears to be a power struggle between KOICA and MOFAT, where KOICA wants a more independent role vis-à-vis the Ministry. Fractions within KOICA want KOICA funds to be de-linked from Korean foreign policy interests.

MOSF prepares annual budgets and is responsible for EDCF's concessional lending policies together with the Exim Bank. MOSF also decides the amounts, terms and lending conditions. EDCF is mainly an operating agent and is in charge of feasibility studies and appraisals (OECD/DAC 2008b: 19).

In 2006, the government decided to set up a Committee for International Development Cooperation (CIDC) chaired by the Prime Minister. The launching was clearly linked to Korea's ambitions to become a DAC member in 2010. The mandate of CIDC is to assess both current and future plans for Korean development assistance. The committee has not had that many meetings yet, but has been heavily involved in the plan to accede to the OECD/DAC in 2010.

### India: two pillars – but with External Affairs in the lead

In India it is the MEA which is the lead ministry in aid. This ministry is in charge of aid to all the large recipients such as Bhutan, Bangladesh, Nepal, and Afghanistan. The division of External Affairs under the Ministry of Finance is the operating agent for assistance to some countries but

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<sup>24</sup> Interview, Seoul, November 2008.

these are only minor funds compared to the aid channelled via the MEA. On all important grant aid issues the Ministry of Finance is guided by the MEA.

On the other hand, it is the Ministry of Finance which has the main responsibility for India's concessional lending via the Exim Bank. In addition, the Ministry of Commerce is providing concessional lines of credit supervised by the Ministry of External Affairs and also other ministries such as the Ministry of Water and Resources, the Ministry of Women and Child Development, and the Ministry of Agriculture are involved with some funds (see also Price 2005). India's Embassies and High Commissions abroad are important in the administration of Indian aid, especially with regard to technical assistance, but have no independent responsibility for allocation of funds. There are also several important offices within these two ministries that play important and more or less independent roles, such as Indian Technical and Economic Cooperation (ITEC) and Indian Council for Cultural Relations (ICCR).<sup>25</sup>

ITEC is a separate unit under the MEA. It was launched as early as 1964. ITEC is often being described as a main channel for Indian development co-operation (see e.g. Price 2005). Since its inception, ITEC has provided approximately USD 2 billion to different developing countries. In recent years ITEC has had an annual budget of approximately 60 crores of Rupees (or 12 USDM). All ITEC funds are tied. ITEC provides mainly technical assistance and training. It divides its work into five main components: (i) training in India of nominees of ITEC countries; (ii) project and project related activities; (iii) secondments of Indian experts abroad; (iv) study tours; and (v) aid for disaster relief (<http://itec.nic.in/about.htm>).

ITEC should embody long-term capacity and competence in India's development assistance, but it does not seem to play an important role in India's growing ambitions as a donor. Instead, we found that the work of ITEC seems to be weakly linked to other departments in Ministry of Finance and External Affairs dealing with aid. Hardly any of our informants had even heard about ITEC. The few that had claimed that ITEC's exchange programmes are still popular among African students, but held that they are not very appealing for Indians. Salaries and conditions are not good enough to attract Indian experts.<sup>26</sup>

The Indian Exim Bank is only an operational entity and is signing the documents on behalf of the Indian government. Exim Bank credits are only provided on government guarantee. The Bank is fully owned by the government and the credits are largely political. As one of the informant phrased it: "From a Banking point of view, the increase in the 'lines of credits' going to Africa is not a good thing, but it is all political".<sup>27</sup> In stark contrast to for example the Korean Exim Bank, the Indian Exim Bank has since the beginning been experiencing severe repayment problems, but when repayment problems occur, they are dealt with politically.<sup>28</sup> All loans are being negotiated on a case by case basis. Normally the interest rate is 2-3 per cent. The payment period vary from 1 to 20 years. In October 2008 the Exim Bank had 98 operational lines of credit, whereas 7 were being negotiated.

But to what extent are these concessional loans defined as ODA? And how large is in fact the grant component of these loans? Concessional lending is most often assessed as an aid modality, but interestingly the Indian Exim Bank does not perceive itself as an actor in the aid business. The Exim Bank does not employ a definition of ODA and does not measure the grant component of its loans. Instead, the concessional loans from the Exim Bank are a mixture of several things, and according

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<sup>25</sup> The Ministry of External Affairs does also provide cultural aid via the ICCR.

<sup>26</sup> Interviews, New Delhi, December 2008.

<sup>27</sup> Interview, New Delhi, December 2008

<sup>28</sup> Interview, New Delhi, December 2008.

to an informant: “it is not purely aid, not purely business. It’s a mixture of politics, diplomacy, and business”.<sup>29</sup>

Thus, in principle the organisation of the Indian aid system is also designed with two pillars, but in practice it appears more as a multi-pillar system with little contact, coordination, or shared strategies and goals among the units and actors involved. This may of course explain why the MEA in 2007 was launching a plan to set up a separate aid agency (MEA 2007: 45; Ministry of Finance 2007). The decision was characterised as a “landmark step” (MEA 2007: 45). Nonetheless, information on the new agency is still extremely scarce. When interviewing people for this project amazingly few people had heard about it, and the few that had lacked any substantial information. According to one informant in the Ministry of Foreign Affairs the work has even reached its final stage and soon a proposal will be brought before the parliament. The initial idea has presumably been to set up an umbrella for India’s various aid programmes and schemes and act as a co-ordinating body. However, it seems unlikely that the new agency will be similar to KOICA for example.

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<sup>29</sup> Interview, New Delhi, December 2008.

## 5. Current official policy and “in-house” aid discourse

Given South Korea’s and India’s increasing aid ambitions, we would have expected them to be accompanied by corresponding overall aid policies and clearly stated goals. Interestingly, neither South Korea nor India have developed overarching policies, nor do they have a unified aid legislation (for a more detailed elaboration on this issue in the case of Korea, see paper by Sukyung Park, included as Annex 4 to this report). India has a policy on how to deal with aid as a recipient, but as a donor it does not have one – at least not in public.

It is interesting to note that Korea and India are stating their goals not only altruistically, but are openly and explicitly linking their objectives to their national interests as well. Does the stated objective indicate that Korea and India are less altruistically motivated in their aid policy than most other donor countries?

### South Korea

With respect to Korea, MOFAT claims that: “[The] Korean government sets the elimination of poverty, attainment of economic development and the improvement of the development capability as the core objective of Korea’s development co-operation” (Republic of Korea, Ministry of Foreign Affairs and Trade 2008: 2). Nonetheless, if we look at KOICA and EDCF – e.g. the two “pillars” – their respective goals send a different signal. KOICA has four key policy objectives for its operations (see Box 1) reflecting both a global responsibility for reducing poverty and an emphasis on ‘mutual benefits’ – i.e. that the benefits to Korea have equal weight to those of the recipients. The goals of EDCF have a similar bias; (i) self-reliance of partner countries; (ii) mutual economic cooperation with partner countries; and (iii) participation in development efforts of the international community (Economic Development Cooperation Fund 2007: 11). Thus, it is difficult to single out one overall goal; it seems as if Korea is balancing interests such as poverty alleviation and mutual benefit against narrower national interests, especially related to improving its image.

Looking at the distribution of ODA grants and loans by country the benefit to Korea has so far been pursued mainly in terms of expanding relations, resulting in a staggering number of 125 recipient countries, by 2005, for a relatively modest aid budget. This was then reduced to 58 countries, of which currently 19 are designated priority countries. Still, KOICA keeps a representative office in 27 partner countries. There is yet no clear evidence of ODA being used as an instrument in “resource diplomacy”, but it is probably only a matter of time. Korean companies have been expanding their foreign investments in less developed countries in Africa and Central Asia, in particular.

**Box 1: Policy objectives of KOICA, adopted in 2006\***

- ▶ Assistance for poverty alleviation and the sustainable socio-economic development of developing countries
- ▶ Enhancement of friendly and cooperative relations with developing countries
- ▶ Establishment of an advanced aid program in conjunction with public participation
- ▶ Advancement of national interests through and improved national image

\* Source: KOICA 2006: 11

The regional bias is clearly foreign policy motivated in the sense of promoting Korea's relations with its Asian neighbours, similar to what Japan did in its first decades as a donor country. Following Iraq, Indonesia, Vietnam and Sri Lanka were the largest recipients of grant aid. Another striking pattern is the high share of lower middle income countries, amounting to about half of all ODA (grants and concessional loans), with the ratio surprisingly higher for grants than for loans. These characteristics confirm one apparent trend linked to foreign policy, namely forging economic relations in the region with countries that have potential as trading partners.

Since the establishment of EDCF 70% of all ODA loans have been given to Asian countries. According to EDCF, "(t)his reflected Korea's close economic and diplomatic ties with many Asian countries".<sup>30</sup> Today, EDCF has made Indonesia, Vietnam and the Philippines the main priority countries for economic and political reasons. The Philippines, for instance, "is the home of the largest number of overseas Koreans in South Asia".<sup>31</sup> The current EDCF Strategic Management Plan 2006-2009 confirms that countries with economic cooperation potential will be prioritized: "In line with the principle of 'focusing strategy', the EDCF will select priority countries with high development cooperation prospects where aid effectiveness can be maximized with the limited financial resources".<sup>32</sup>

We would argue that Korean aid policy currently is at a threshold. While the current presidency has embraced the 2005 ODA Plan, arguing that Korea has an obligation to contribute a greater proportion of its material wealth to international development with the goal of increasing the aid volume to 0.25% of GNI by 2015, the way this will be implemented depends much on strategic foreign policy choices. There is a choice between moving the ODA policy closer to the established OECD-DAC agenda, as formulated in the 2005 Plan, disentangling it further from national strategic interests, or retaining ODA as an instrument for achieving mutual benefits, including securing Korea's resource needs. While the proponents of the first choice seem to have had the upper hand, the international financial crisis coupled with the declared 'economic pragmatism' of the Lee Myung-bak presidency may change the cards.

The rivalry between the MOFAT and MOSF further complicates the picture. MOSF, traditionally the most influential ministry and with close ties to the powerful business community, does not want

<sup>30</sup> Economic Development Cooperation Fund 2008: .63.

<sup>31</sup> Ibid.: 64.

<sup>32</sup> Ibid.: 42.

to relinquish ODA policy making and management to MOFAT. In a recent book published by the EDCF, it is argued in favour of transferring responsibility for all foreign aid related to the economic development and infrastructure development to MOSF, whereas humanitarian and diplomatic ODA should be under MOFAT.<sup>33</sup> The outcome of this ministerial turf battle will clearly influence the direction of Korean ODA policy.

While MOFAT seems eager to follow up on most of the DAC's recommendations of so-called "good DAC donorship", e.g. by increasing the grant component and by integrating all aid activities under the Foreign Ministry, this has met strong resistance from MOSF. Even under the session with the DAC special review team that visited Korea in 2008, open and strong disagreements on key issues between the two Ministries were spelled out. It seems very unlikely therefore that MOFAT and MOSF aid will be unified in any foreseeable future. Nevertheless, as a response to recommendations by the DAC, several institutional and policy changes have been made recently.<sup>34</sup> Internal resistance may however contribute to slow down the pace of the ongoing reform processes of the Korean aid machinery, and a long-lasting economic crisis will probably have a similar effect. Still, there is no doubt that DAC-membership remains the goal.<sup>35</sup>

The pressure for restructuring the dichotomized Korean ODA administration does not only come from OECD-DAC and Korean NGOs (see below), but is also amplified by Japan's merger of JBIC and JICA, with the latter becoming the umbrella institution. However, Japan's motives are not entirely altruistic, observers argue, since the decision to strengthen JICA is partly driven by the competition in Africa from China especially.<sup>36</sup>

## India

Contrary to South Korea, the Indian Government has avoided adopting the DAC-vocabulary when presenting its international development cooperation. There is no reference to the term ODA, and also the word 'donor' is avoided where possible. In its strategy for partnership with African states the point is made that the relationship "is not one of donor-recipient but of partnership for mutual interest"<sup>37</sup>. According to Jobelius (2007: 2) "India appears as a donor in another country only when it is also an investor, trade partner, or political ally, or can become one".

According to the Ministry of External Affairs the aim of India's development assistance has been "to supplement the efforts of our development partners and also to share with them our knowledge and experiences gathered over the years during India's own economic development" (Ministry of External Affairs 2008: 2). Aid is also perceived as a tool "to develop stronger bonds of friendship and cooperation with the countries in India's extended neighbourhood and with the countries in Africa and Latin America" (Ministry of External Affairs 2008: 1). ITEC proclaims that its programmes are "about cooperation and partnership for mutual benefit. It is response oriented and addresses the needs of developing countries" (<http://itec.nic.in/about.htm>). India's Exim Bank states its goals more in terms of self-interest: "finance, facilitate and promote India's international trade" ([www.eximbankindia.com/glo-nepad.pdf](http://www.eximbankindia.com/glo-nepad.pdf)). Neither in the literature nor in interviews for this study

<sup>33</sup> Economic Development Cooperation Fund 2008.

<sup>34</sup> The most important reforms are: (i) introduction of country assistance strategies, (although MOSF and MOFAT are preparing separate ones, and not all of their priority countries coincide); (ii) agreement on a roadmap for untying aid (currently 98% of all Korean aid is tied, but it has been decided that 50% of KOICA's aid shall be untied by 2010); (iii) EDCF loans are now provided on much softer terms than previously; and (iv) an increase in the share of aid going to the least developed countries (currently only 25% of Korean aid are targeted for LDC countries).

<sup>35</sup> As evidence of this commitment should be mentioned that Korea, as the only non-DAC member, voluntarily participated in the monitoring study on the Paris Declaration in 2008, even if such participation is extremely demanding.

<sup>36</sup> See article in Time, October 3, 2008, "Japan to Dispense Billions in Foreign Aid".

<sup>37</sup> Quoted in Jobelius (2007) from "St. Petersburg G-8 Summit – Indian Non-Paper on 'India's Partnership with Africa'", Government of India, 16.07.2006.

did we come across references to explicit altruistic arguments for India's development assistance. What can be termed India's self-interests, however, do not appear as a coherent set of policies – partly for historic reasons and partly due to the fragmented structure of the Indian public administration.

2003 was a landmark year in India's remaking of its aid policy and not only because of the decision to terminate government-to-government aid from small bilateral donors. This was also the year when India's Development Initiative (IDI) was launched as a way "to promote the idea of India as a donor country".<sup>38</sup> As part of the initiative, the debts of seven HIPC countries were written off. The following year, soft loans and grants to the tune of USD 700 million was allocated.

One intriguing question is to what extent the events in 2003 marked an important shift in India's aid policy and whether they symbolised that India once and for all intended to take the step from being a recipient to become a donor proper. The fact that the IDI has not been followed up after 2003/04 may indicate that the decision around this incidence and the launching of the new policy was not thoroughly thought through. At the end of the day, may be India was not prepared to become a donor proper yet? Nevertheless, it has been difficult for the new government to reverse the decision. Currently it seems to be highly unclear where India is heading.

Contrary to South Korea, there is in India no influential political lobby or advocacy groups preoccupied with ODA policy. How India spends its ODA-type resources is by and large the prerogative of different ministries and agencies outside any scrutiny by politicians or NGOs. "Less than ten organizations are aware of the issue of India as a donor", a representative of a leading development NGO commented.<sup>39</sup>

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<sup>38</sup> India's former Minister of External Affairs, Yashwant Sinha, quoted in *India Daily*, 27 September 2004.

<sup>39</sup> Interview, New Delhi, December 2008.

## 6. The public domestic aid discourse

Even if both Korea and India have been running aid programmes for a long time, perceiving themselves as donors ‘proper’ is a rather recent phenomenon. In this chapter we will look at to what extent the public is supporting the governments’ ambition to emerge as donors as reflected in opinion polls and the media, and through the engagement of the civil society.

### Public opinion and media coverage

#### South Korea

In the case of Korea several opinion polls have been conducted in recent years. They have revealed a relative broad-based support among the public for Korean development assistance. In a poll conducted in 2005, 44% of the respondents stated that they were aware of Korea’s development aid, while another 46% had “heard but were not fully aware of ODA” (quoted in DAC 2008b: 11). 18% of the respondents were strongly in favour of an increase of the current ODA level, whereas 35% supported a modest rise. 28% thought that the current level was about right, while only 13% wanted a reduction in the volume of Korea’s aid (OECD 2008b: 11-12). Other surveys have also revealed a rather strong backing for the government’s ambition to emerge as a donor (see OECD 2008b). Raising public awareness has been one of KOICA’s main objectives. Several measures have been implemented, but an overall strategy is still missing.

Compared to many so-called traditional donors the knowledge of Korean aid is probably rather low among the general public, according to our informants. However, the percentage of the Korean public that is in favour of a – moderate or significant – increase of the aid level is amazingly high – 53%. In comparison, if we look at Norwegian opinion polls in the period 1972-2003 approximately 50% of the respondents perceives the current aid level at any given time as adequate. This percentage is relatively stable over the whole period. Only a minority thinks that it should increase (Selbervik and Nygård 2006: 31). Even though the aid budget has been increasing dramatically in the same period, this has not impacted on the percentage that believes that the current level at any given time is about right. It is interesting to notice that the percentage that favours an aid increase in South Korea is higher than what is the case in a country like Norway. Based on the available data this is difficult to explain, but may add support to Lumsdaine and Schopf’s findings, which will be discussed in more detail in the following.

#### India

In the case of India no public opinion polls exist and the government does not seem to spend any earmarked funds to raise public awareness on aid issues. Generally speaking, there seem to be little debate and knowledge among the general Indian public on India’s role as a donor country, according to our informants.<sup>40</sup> The informants interviewed for this study were of the opinion that the media coverage on India’s development assistance was extremely limited. Many even claimed that the role of India as a donor in fact was a ‘non-issue’ domestically. It is worth noting that several of our informants shared the view that if there were a large increase in India’s foreign aid budget and this was communicated to the public an outcry would have been the result due to the enormous domestic poverty problems.<sup>41</sup>

<sup>40</sup> Several interviews, New Delhi, December 2008.

<sup>41</sup> Interviews with Indian stakeholder, New Delhi, December 2008.



## The role of civil society in development assistance

In many traditional donor countries NGOs have been very important actors and stakeholders in the aid business. What has been the role of NGOs in South Korea's and India's development assistance?

### South Korea

For many years civil society in South Korea was restrained under authoritarian rule. After the political liberalisation process took off in the late 1980s, there has been a substantial growth in the number of NGOs. Lumsdaine and Schopf argue that many of these new NGOs were embodying new values and sought to stimulate more volunteerism in the Korean society. Development assistance is in this context just a part of the picture. In recent years there has moreover been an expansion in welfare arrangements. Lumsdaine and Schopf claim that the change of Korea's aid policy in a less self-interested direction is a reflection of this "shift in Korean values" and the "rise of volunteerism" (Lumsdaine and Schopf 2007: 204). They largely attribute this change to the emergence of a more vibrant civil society.

There are many NGOs in Korea, but only a few working in the field of development aid. The NGOs working on development assistance are perceived as very knowledgeable and competent (OECD 2008b). Many have taken on an activist role. They are putting pressure on the government to increase the aid budget and raise the grant component at the expense of loans. If loans are to be provided, they must be 100% untied and global standards must be adhered to, they request. Poverty reduction and sustainable development should be *the* overall goals for Korean development assistance and Korean aid should not be linked to Korean national self-interests, according to these NGOs.<sup>42</sup>

Some of the NGOs are closely monitoring the Korean ODA policy, and are also overseeing the implementation of the reform plan. Korean development NGOs are running several international development education programs and they do also run programs to increase people's awareness on aid issues. Several NGO representatives do also function as advisers to KOICA and EDCF. This is quite a recent phenomenon, however. Previously civil society organizations were not considered as equal dialogue partners. They were perceived as recipients themselves and not as 'partners in the development' (Representatives of the Korean NGOs 2008). DAC has recommended that the government rely on these NGOs even more.

### India

In India on the other hand, the situation is very different. India has a vibrant civil society, but the NGOs are only to a small extent involved with the government's development assistance. There seems to be little interaction between civil society organisations and government agencies on the aspect of India's foreign aid. Indeed, the public sector traditionally has been sceptical towards private and voluntary organisations.<sup>43</sup> Many of our informants claimed that there is in fact no dialogue on aid issues between the government and the civil society.<sup>44</sup> This may partly explain why there seems to be surprisingly little knowledge among civil society organisations on India's role as a donor.

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<sup>42</sup> Interview with NGO representatives, Seoul, November 2008.

<sup>43</sup> It must be noted that in some sectors, focusing on domestic development, NGOs have become increasingly more involved and foreign aid to India has in several respects been a catalytic factor.

<sup>44</sup> Interview with Indian informants, New Delhi, December 2008.

As mentioned above, the country is in the process of setting up an agency to coordinate its aid activities, but none of the NGOs representatives that were interviewed had heard about it. Indian NGOs involved in development that also receive donor funds themselves seem virtually de-linked from the government's aid initiatives abroad.

How are we to explain why there seems to be little mobilisation among the largest NGOs in India on the aid issue. The NGOs have not taken on any watchdog function vis-à-vis the government's aid policy: "There has been zero discussion and there is zero understanding on India being a donor among the NGOs", one of our informants maintained.<sup>45</sup> As opposed to the Korean case where many development NGOs have been pushing to increase the level of aid, the development NGOs in India do not function as pro-aid lobbyists. To the contrary, several NGOs representatives were extremely negative to India's rising aid ambitions: as one informant formulated it: "I think that the world would be better off without India being a donor".<sup>46</sup> It was claimed that India first and foremost needed to put its own house in order.

Another factor is that most leading Indian development NGOs are themselves major recipients of aid. Potential domestic sources of funding, whether public or private are limited, which directs their attention towards international sources. Many Indian NGOs are today active in other developing countries and represent a formidable repository of development experience and knowledge. Although some observers note that the idea that NGOs can supplement the aid efforts of MEA has "found some traction in policy circles" (Agrawal 2007: 14), there does not seem to be a mutual interest in developing partnerships.

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<sup>45</sup> Interview with Indian NGO representative, New Delhi, December 2008.

<sup>46</sup> Interview with Indian informants, New Delhi, December 2008.

## 7. Concluding discussion: self-interest or global responsibility?

We started out asking the following main questions:

- What are the overarching rationales and key motivations driving the expansion of their aid?
- What explains the difference in approach taken towards the traditional donors?
- To what extent are their own experiences as recipients reflected in their aid policies?

### Key motivations

Evidently, officially stated goals do not always coincide with underlying motivations. In the literature on motivations for aid giving, we are often left with a discussion around the dichotomy of self-interests vs. global responsibility or altruism. In his book *Moral Vision in International Politics* David Lumsdaine takes an idealistic view on aid giving. He claims that a moral and altruistic determination has largely and generally been underpinning aid transfers from most donor countries (Lumsdaine 1993). His argument is based on an analysis of ‘the foreign aid regime’ in the period 1949-1989, where he found that most donors did favour the neediest. Lumsdaine acknowledges that there are other motivations as well, but holds that the most altruistically motivated donors were most generous.

Nonetheless, such findings are not undisputed. More realist oriented researchers claim that aid giving is primarily driven by political self interests of the donor countries (see e.g. Easterly 2002; Eberstadt 1988). Aid is given for many different reasons, such as colonial links, geopolitical interests, trade-relationships, humanitarian needs, etc. The mix differs from country to country and do also vary over time. Schraeder, Hook, and Tylor in a study of American, Japanese, French and Swedish aid, argue that the determinants of these four northern industrialised countries were “complex and varied” (1998: 11). Alesina and Dollar offer some support to the findings of this study, but in their work they investigate a larger number of countries. They conclude that colonial past and political alliances were key in determining countries’ aid giving. They also claim that the major determinants vary from country to country, but argue that especially the Nordic countries “respond more to the “correct” incentives, namely income levels, good institutions of the receiving countries, and openness” (Alesina and Dollar 2000: 3). This means that the aid transfers of the Nordic countries to a lesser extent have been linked to their narrow self interests than what has been the case in most other donor countries. Where do South Korea and India fit in?

### South Korea: global responsibility prevails – but for how long?

In the case of Korea, Lumsdaine and Schopf (2007) claim that there has been an interesting shift in recent years, towards an aid policy more strongly driven by humanitarianism and an urge to take global responsibility. They maintain that the very initiation and launching of Korean aid was purely determined by Korea’s trade, security, and foreign policy interests, but argue that in the course of the last decade, in particular, there has been a change accompanied by a gradual shift of values in Korean society moving aid policy in a less self-interested direction. Perceptions of moral duty and responsibility are motives that are frequently referred to in the debate (Position Paper of Korean NGOs 2008). As one Korean informant puts it: “when we reached a certain standard of living, I think it is time to be less egoistic and make an effort internationally. Previously we were more

egoistic”.<sup>47</sup> There are, however, powerful forces threatening to halt this trend, namely the financial crisis combined with the emphasis of the current President on securing Korea’s vital economic interests, including access to energy and raw materials.

Interestingly, none of the two motivations depicted above – humanitarianism and global responsibility – were prominent when we looked at the current pattern of aid disbursement. This still reflects yesterday’s political goals of forging closer economic ties with countries in the region and otherwise showing a Korean presence as widely as possible.

### India: self-interest prevails – but to the benefit of recipients?

The development in India has been quite different and motives related to global responsibility are harder to trace beyond policy declarations. As is underscored by Jobelius (2007), while ‘traditional donors’ often are hiding or under-communicating political and economic motives, India is quite frank about them. One Indian informant formulated it this way: “It is better to be driven by enlightened self-interest than being an altruistic hypocrite.”<sup>48</sup> “Creating goodwill” and “enhancing business opportunities for Indian firms” are expected outcomes of a majority of the Indian aid interventions (Ministry of External Affairs 2008). Even the expected outcomes of ITEC’s training programmes are “enhancement and improvement of bilateral relations” (Ministry of External Affairs 2008: 38). In the case of India it appears quite clear that its motivations are mainly embedded in its national self-interest, but one should be careful not to be too simplistic on this issue (Naidu 2008: 125).

India has been and still sees itself as a spokesperson for the developing world. It has supported a multi-polar world with strong multilateral institutions (Agrawal 2007). It has been quite instrumental in enhancing the voice of developing countries in these institutions, including WTO, UN and the World Bank, and has actively supported multilateral groupings of developing countries, such as G-77, Non-Aligned Movement, and the India-Brazil-South Africa (IBSA) Dialogue Forum. Furthermore, India claims that its own development experience, expertise and industrial products are genuinely applicable to developing countries. Therefore, India’s “self-interest”, played out in the right manner, may in fact be supportive of the interests and needs of poorer and politically marginal countries. However, the more recent peddling of soft loans to resource rich African countries show that there is another side of the coin.

### Approach towards “traditional” donorship

We have seen that Korea and India have taken two rather contrasting positions.

#### South Korea: the ‘conformist’

Korean development assistance was originally initiated to serve rather narrow Korean self interests, but over the last two decades the picture has become more complex. Being a ‘do-gooder’ in the aid business by trying to adapt its aid system to DAC standards is a way to achieve international recognition and to improve Korea’s standing: or as one of our informants said that the aim is to give Korea “political clout and respect in the world”.<sup>49</sup> This is no doubt in Korea’s self interests. However, this goes hand in hand with demands from the development NGOs and a presumed growth of voluntarism in the Korean society. Conflicting interests both within government and in the business sectors may succeed in slowing down the pace of the reform plan of the Korean aid

<sup>47</sup> Interview with Korean informant, Seoul, November 2008.

<sup>48</sup> Interview with Indian informant, New Delhi, December 2008.

<sup>49</sup> Interview with Korean informant, Seoul, November 2008.

system. Nevertheless, with strong backing from the development NGOs the government has decided to send the application for DAC membership in 2009, and as one informant claimed: “there are no stumbling blocks towards DAC membership for Korea”.<sup>50</sup>

Korean’s are not shy of admitting that they are freshmen in the aid business, and as the country has demonstrated in several walks of life the national psyche is one of attaining the highest international standards. This drive to do things “right” – not just the right thing – underpins much of the current practical work of reforming the ODA management.

### India: the ‘individualist’

According to MEA itself: “[India] is not a donor as understood in the traditional sense of the word”.<sup>51</sup> Evidently, India cannot be China in terms of aid volume nor can it compete with the traditional donors in that respect. Therefore, India cannot afford to set ambitious goals such as meeting the UN target on 0.7% of GNI. Such a goal would be totally unrealistic for India in any foreseeable future. Even a goal similar to Korea’s 0.25% is untenable, both economically and politically. Currently India could not have joined the DAC even if it wanted to.

India’s ‘go it alone’ approach might be appreciated by several recipients countries welcoming alternatives to the DAC-group of donors, but there are reasons to question the effectiveness of much of India’s aid. At least, as confirmed by our informants, there are no systematic attempts to review the development effectiveness of India’s aid engagements.

### Own experience

“Own experience” is in both Korea and India generally perceived as ‘development experience’. Both countries, South Korea in particular, claim that aspects of their development experience can be emulated by other countries. We were surprised, however, by the fact that very few of our informants, in both countries, mentioned the aspect of being an aid recipient and the experience of handling huge amounts of aid. In the international aid discourse the issue of aid modalities runs very high on the agenda, and one would have expected that Korea’s and India’s own experiences with aid modalities have impacted on their own aid policy making. This, however, seems not to have been the case.

### South Korea: own experience actively marketed

Both KOICA and the Ministry of Finance place “own experience” centre stage. Technical assistance, training and exchange programmes (including a volunteer programme<sup>52</sup>) constitute a major share of bilateral grant aid (about 30% is classified as technical cooperation, cf. Table 1). Much of this is inspired by a “sharing of experience” volition.

The Ministry of Finance has established its own Knowledge Sharing Programme managed by the Ministry’s own Korea Development Institute (KDI). According to the Programme brochure it “offers advantageous perspectives stemming from its own economic history, providing a blueprint for a smoother economic transition to economic advancement”. The five programme areas are: (i) government-led economic development strategy, (ii) industrialisation and export promotion, (iii) knowledge-based economy, (iv) economic crisis management, and (v) human resources development.

<sup>50</sup> Interview with Korean informant, Seoul, November 2008.

<sup>51</sup> Ministry of External Affairs 2008: 1.

<sup>52</sup> At present about 1500 Korea Overseas Volunteers (KOVs) are working in 45 countries.

According to KDI, Vietnam has expressed an interest in Korea's ODA management experiences, especially with respect to loan aid. Korea received mainly project aid, and programme aid or budget support, which today are heralded as the best modalities, were not part of its aid relationships. Concessional loans constituted as much as 80% of the total aid Korea received between 1945 and 1999, a large share of which flowed into economic infrastructure development. The Economic Planning Board was like a super ministry during the military rule period, and was responsible for coordinating ODA resources. Some interviewees maintained that that this experience represents lessons likely to be valid for today's aid recipient, while others argued the opposite. Development experiences directly related to aid management are not well documented and many of the civil servants actively involved in aid negotiations and management have passed away or are not available to KDI.

Korea's own aid experience is not referred to in aid policy documents, except for stating that ODA played an important role in its development and that it is now time to pay back. But indirectly, two types of influence seem to be there. One is the principle of respecting the leadership in partner countries and a corresponding reservation against policy conditionality. The second is a continued strong support for ODA loans as an important aid modality, particularly in the Ministry of Finance, contrary to the recommendation of DAC.

#### India: double standards

ITEC is in some respect the equivalent of Korea's Knowledge Sharing Programme, albeit with a much longer history, but it seems that India to a lesser extent markets particular aspects of its own development experience. Currently, almost half of the ITEC training slots are related to information technology. English-language proficiency is also a sought after subject. None of these subjects relate specifically to India's own development experience.

India's experiences as aid recipient seem not be an important reference point in the current policy-making process. In fact, India seems to find itself in the awkward position of exposing double standards – one as a recipient and one as a donor. India, as a signatory to the Paris Declaration on Aid Effectiveness, has acted from the perspective of a major aid recipient. As an aid donor, to the contrary, India prefers to 'go it alone' despite the fact that when endorsing the Declaration India strongly argued for the need to strengthen donor coordination. There is also a lack of transparency in aid management, and the aid is mostly tied to procurement of goods and services in India – all of which are aspects India as a recipient has been strongly criticising.

India, similar to China, comes from a history of Third World activism and solidarity, and is in many ways ill-prepared for how to handle the asymmetry of power characteristic of aid relations. The claim to 'mutual benefits' may not be equally appreciated on the recipient side, and friends may turn antagonistic, as China has experienced in Zambia with miners protesting against working conditions in Chinese-owned copper mines. Critics claim that China's investment in Africa "revives old colonial fears".<sup>53</sup> India may soon find itself subject to similar criticism.

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<sup>53</sup> *The Guardian* 5.2.2007, <http://www.guardian.co.uk/world/2007/feb/05/china.chrismcgrear>.

## 8. What are the implications for “traditional” donors?

While the expansion of the donor community and the overall volume of aid is appreciated, there is a concern among traditional donors that it can result in a set-back to the current agenda for enhancing aid effectiveness.

### Will the “Paris Agenda” be undermined?

Undoubtedly, the Paris Declaration on Aid Effectiveness with its emphasis on country ownership and aid alignment to recipient priorities and harmonisation of donor practices is definitely challenged by the emergence of new players – the main reason being that the Paris Agenda, although touted as a partnership in respect of recipient sovereignty, clearly also represents a powerful instrument for donor influence. If and when donors close the ranks, poor aid dependent countries have few options but to abide by the policy advice of the donors. The welcoming of China by African leaders as an alternative to the traditional donors clearly sends the message that the leaders of recipient countries seek to expand their sovereignty and policy space.

In the foreseeable future, however, South Korea and India will only marginally affect the aid architecture in poor aid dependent countries – in Africa in particular. Their aid volumes to the LDCs and the Africa region are insignificant today, and this is not likely to change soon. Moreover, South Korea is committed to aligning its aid to national development plans and Poverty Reduction Strategies. In practice, Korea is not likely to actively involve itself in policy dialogues. The emphasis will continue to be on smaller projects where high Korean involvement and visibility are achievable. India, as we have explained, has not made a similar policy commitment, and will stay away from joint donor forums and processes. Indian grant aid projects are generally small and mainly serve as diplomatic gestures, whereas concessional loans in some instances may have political significance.

Rather than clinging to the notion that all donors ideally should fill their aid in the same mould, the traditional donors ought to appreciate the benefits of a more pluralistic “market” for aid. The tendency of seeing the degree of donor harmonisation by itself as an indication of aid effectiveness needs to be discouraged. Diversity in aid relations is not a priori tantamount to aid wastage, and South Korea’s and India’s development histories are in fact testimonies to this. Rather, the focus should be on internationally accepted standards and principles for planning and implementation of development interventions. These are partly enshrined in UN conventions and partly in the policies of multilateral institutions. New or non-traditional donors, as signatories to these conventions and as members of multilateral institutions, should be held accountable to these standards.

### Will Korea and India represent alternative donorship – an Asian model?

There is clearly no move towards articulating an alternative vision for good donorship; at least not in Korea and India (see also Jerve 2007). In Japan, on the other hand, there is a lively debate in aid circles where some quarters argue that traditional Japanese aid has been successful, especially in Asia, despite the criticism by DAC and development scholars for being highly tied and with a high share of concessional loans. They emphasise in particular Japan’s long term commitment, its focus on investments in key infrastructure essential to economic growth, and attention to technology transfer and quality of implementation (Jerve and Nissanke 2008). It is argued that untying of aid through international competitive bidding may reduce cost but at the expense of long term capacity building and technology transfer. Similarly, China claims that it is guided by principles of

donorship that are more favourable to the recipient. Essential to this are the notions of mutual benefit and non-interference.

It is understandable that new donor countries with a recent experience as recipient of aid will argue that this makes them more sensitive and relevant as development partners. This perspective, however, has not yet been fully articulated in a coherent manner by any of the non-traditional donors although some common features can be found: (i) both Korea and India possess experiences with respect to development strategies and policies that are potentially relevant to developing countries; (ii) for this reason there is a strong emphasis on technical assistance and transfer of (alternative) technology; (iii) aid is conceived as being part of a South-South, people-to-people relationship basically more egalitarian than what characterises aid in a North-South relationship, and (iv) for this reason, aid should be non-conditional and free from patronage.

## What can Norway do?

Norwegian development aid policy has with the incumbent government distanced itself somewhat from the Paris Agenda in two important ways. Firstly, the government more actively make use of aid as a foreign policy instrument to influence global political agendas or support or stimulate political developments in particular countries. Secondly, the government has introduced self-interest as an acceptable motive for aid giving, besides mere altruism. One may infer that Norwegian aid policy has become more “Asian”. Norway shall cooperate primarily in sectors where it has comparative advantages in terms of own experiences and know-how.

These shifts in Norwegian policy, we would argue, create a good starting point for Norway to engage in a bilateral policy exchange with South Korea and India. On the one hand, Norway, no longer so closely adhering to the litany of DAC, can be an interesting dialogue partner for non-traditional donors, and on the other hand Norway clearly can learn from South Korea and India.

Norway should consider opening bilateral aid policy dialogues with South Korea and India.<sup>54</sup> Some relevant issues from a Norwegian point of view are:

- Norway could request South Korea and India to share their experiences as aid recipients. There is now the opportunity for a frank assessment of benefits and pitfalls of aid in the two countries, which can provide important lessons for Norway’s current aid partnerships.
- The parties could further explore the concept of ‘mutual benefit’. How to ensure that the benefits are genuinely mutual? How to reconcile this concept with the emphasis on ‘country ownership’ and needs- and rights-based aid? Does this concept represent an alternative perspective to the Paris Agenda?
- Norway could offer cooperation on studies of aid effectiveness. There is clearly a need in both South Korea and India to strengthen the involvement of research institutions in studies of development aid.

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<sup>54</sup> There is contact already with South Korea and a joint seminar is planned for 2009.



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## Annexes

### Annex 1: List of informants

1. Ahn, Mi-bo (Ms.), Associate Manager, EDCF Planning Office, Korea EximBank, Seoul, 27 November 2008.
2. Bandyopadhyay, Kaustuv K. (Mr.), Director PRIA, New Delhi: 2 December 2008.
3. Chatterjee, Arun Kumar (Mr.), Director (finance), Ministry of External Affairs, New Delhi, 3 December.
4. Dubey, Ajey (Mr.), Centre for West Asian and African Studies, JNU, New Delhi: 3 December 2008.
5. Lamba, Sanjay (Mr.), Chief Manager, Exim-Bank, India, New Dehli: 1 December 2008.
6. Lee, Chang Lee (Mr.), Director, Center for International Development Cooperation, KIEP, Seoul, 24 November.
7. Lee Tai Hee (Mr.), Senior Specialist, Office for Development Cooperation, KDI, Seoul, 26 November 2008.
8. Lim, Hoon-min (Mr.), Director, Development Policy Division, Ministry of Foreign Affairs and Trade, Seoul, 27 November 2008.
9. Hyekyung, Kim (Ms.), Secretary General, Global Civic Sharing, Seoul, 24 November 2008.
10. Joergensen, Jori (Ms.), Senior Adviser, Norwegian Embassy, Seoul, 27 November 2008.
11. Johannessen, Lasse Bjørn (Mr.), Minister Counsellor, Norwegian Embassy, New Delhi, 1 December 2008.
12. Jung, Jione (Ms.), Associate Research Fellow, Center for International Development Cooperation, Seoul, 24 November 2008.
13. Kim, Pyung-Suk (Ms.), Senior Manager, EDCF Planning Office, Seoul, 27 November 2008.
14. Kumar, Nagesh (Mr.), Director-General, RIS, New Delhi, 5 December 2008.
15. Kveinen, Else (Ms.), First Secretary, Deputy Head of Mission, Norwegian Embassy, Seoul, 27 November, 2008.
16. Kwon, Yul (Mr.), Head of ODA Studies, Center for International Development Cooperation, Seoul, 24 November 2008.
17. Mehta, Ajay S. (Mr.), Executive Director, National Foundation for India, New Delhi: 4 December 2008.
18. Min-Soon, Song (Mr.), Member of National Assembly, Foreign Affairs, Trade and Unification Committee, (previous Minister of Foreign Affairs), Seoul, 26 November 2008
19. Park, Jae-Young (Mr.), Professor, Department of Political Science, Seoul, 24 November 2008.
20. Patnaik, Berej (Mr.), Principal Adviser of the Commissioners to the Supreme Court, New Dehli, 2 December 2008.
21. Ray, Nivedita (Ms.), Fellow, African Studies Association of India, New Delhi, 3 December 2008.
22. Renu, Wadehra (Ms.), Norwegian Embassy, New Dehli, 1 December 2008.
23. Saxena, Naresh C. (Mr.), National Development Council, currently working with UNICEF, preciously with the Planning Commission, New Delhi: 3 December 2008.
24. See-jeong, Chang (Mr.), Vice President, Korea International Cooperation Agency, Seoul: 27 November 2008.
25. Tønseth, Didrik (Mr.), Ambassador, Royal Norwegian Embassy, Seoul, 27 November 2008.

26. Um, Sung-yong (Mr.), Senior Deputy Director, EDCF Planning Office, Korea Eximbank, Seoul, 27 November 2008.
27. Varughese, George (Mr.), President, Development Initiative, New Delhi, 2 December 2008.
28. Yoon, Hyun Bong (Ms.), Secretary General, Korea NGO Council for Overseas Cooperation, Seoul, 26 November 2008.
29. Kyung Soon Song (Mr.), Korea Expert Consulting Group, Seoul, 25 November 2008.
30. Choi Su Young (Ms.), Program Officer, Citizen Coalition for Economic Justice, Seoul, 25 November 2008.
31. Tae Joo Lee (Mr.), Prof. Hansung University, Seoul, 25 November 2008.

## Annex 2: Interview guide India case study

Alf Morten Jerve and Hilde Selbervik, CMI, Norway

New Delhi, December 2008

1. What are the *overriding principles* of India's development assistance (ODA) policy? To what extent has it changed in recent years? India wants to share its own development experience – how is this translated into its ODA policy?
2. In your opinion, what are the *main motives* for India's raising ambition as a donor? How and why have these motives changed in recent years? What are India's self-interests? Are the motives driving India's aid to Asian countries different from those behind its aid initiatives in Africa or Eastern Europe? In what ways/how?
3. Is there an active *domestic debate* in India on issues related to giving of aid? Which stakeholders/groups are active/influential in this debate, and what are their positions? How would you characterise the historical evolution of the domestic aid discourse? How much is it domestically driven – e.g. related to the needs and problems of India, and what are the international influences – e.g. from UN, OECD-DAC, US/War on Terror etc.?
4. What are the linkages between *aid and foreign policy*? To what extent is ODA linked to the stimulation of trade, strengthening of diplomatic relations, engagement in global fora and political processes (e.g. UN, World Bank, WTO, Kyoto Protocol etc.), or security issues (e.g. Afghanistan)?
5. India has its own *experiences as recipient of aid*. How is this experience articulated, and how is aid policy/practice influenced by the lessons India has made as an aid recipient country?
6. India is adhering to the *Paris Declaration on aid effectiveness* of 2005. To what extent has the content of the Declaration impacted on its policies as aid donor? What is the Indian stance on harmonisation, co-ordination, alignment and tying of aid? Is there a pressure to change India's policy on these issues?
7. In your opinion, does it make sense to speak of a special *Asian model or approach* to development assistance? In your view, have other Asian donors, such as Japan or China, been a role model for India on the issue of development assistance?

## Annex 3: Interview guide South Korea case study

Alf Morten Jerve and Hilde Selbervik, CMI, Norway

Seoul, November 2008

1. What are the *overriding principles* of Korea's ODA policy? To what extent has it changed in recent years? Korea wants to share its own development experience – how is this translated into its ODA policy?
2. In your opinion, what are the *main motives* for South Korea's raising ambition as a donor? How and why have these motives changed in recent years? What are Korea's self-interests? Are the motives driving Korea's aid to Asian countries different from those behind its aid initiatives in Africa or Eastern Europe? In what ways/how?
3. Is there an active *domestic debate* in Korea on issues related to aid? Which stakeholders/groups are active/influential in the Korean aid discourse, and what are their positions? How would you characterise the historical evolution of the domestic aid discourse? How much is it domestically driven – e.g. related to the North Korea issue, and what are the international influences – e.g. from UN, OECD-DAC, US/war on terror etc.?
4. What are the linkages between *aid and foreign policy*? To what extent is ODA linked to the stimulation of trade, strengthening of diplomatic relations, engagement in global fora and political processes (e.g. UN, World Bank, WTO, Kyoto Protocol etc.), or security issues (e.g. Afghanistan)?
5. Korea has its own *experiences as recipient of aid*. How is this experience articulated, and how is aid policy/practice influenced by the lessons Korea made as an aid recipient country?
6. Korea is adhering to the *Paris Declaration on aid effectiveness* of 2005. To what extent has the content of the Declaration impacted on its policies on development assistance? What is the Korean stance on harmonisation, co-ordination, alignment and tying of aid? Is there a pressure to change Korea's policy on these issues?
7. In your opinion, does it make sense to speak of a special *Asian model or approach* to development assistance? In your view, have other Asian donors such as Japan for instance been a role model for Korea on the issue of development assistance?



## Annex 4: Korea's ODA Act

Paper contributed by **Sukyung Park**,  
Researcher, ODA Team, Korea Institute for International Economic Policy (KIEP)

### Background

Korea, as a new and emerging donor, has yet to have an overarching legal framework for development cooperation. Two official development assistance (ODA) implementation agencies were established by separate acts with distinctive purposes under the Economic Development Cooperation Fund (EDCF) Act enacted in 1986 and Korea International Cooperation Agency (KOICA) Act in 1991. The EDCF was established “in order to support industrial development and economic stability of developing countries and to stimulate economic cooperation” between the developing countries and Korea, including “the increase of economic exchange” between them. KOICA, on the other hand, was established “to contribute to the promotion of international cooperation” and “to support economic and social development” of these countries. Additionally, a few more relevant acts such as the recent Overseas Emergency Relief Act (2007), Korean Foundation for International Healthcare Act (2005), and Act regarding Korea's Entry into International Financial Institutions (1963) compose the current legal framework in Korea.

Given the 20-year of short history in development cooperation, it was around the 1990s when Korea actively initiated an aid discourse on the ODA Act. Especially, the anticipation of ODA's increasing volume up to 0.25% of ODA/GNI ratio by 2015 and the corresponding need for greater aid effectiveness and policy coherence expedited the discussion around the ODA issue. In 2003, the Presidential Commission on Sustainable Development (PCSD), through the ‘ODA Policy Improvement Strategy,’ asserted the need to enact ODA law and ODA charter to consolidate a legal foundation. Followed by the PCSD initiative, the Board of Audit and Inspection (BAI) also conducted a policy audit for the two ODA implementation agencies and released a report in 2004 indicating the drawbacks of separated systems of ODA in the form of grants and loans under the two different entities. Again in 2005, the Office for Government Policy Coordination released the ‘ODA Improvement Strategy’ through which gradual improvement of the Korean ODA system is aimed by: 1) strengthening coordination and consultation among grant implementation agencies; 2) enhancing consultation and adjustment between grant and loan implementation agencies; and 3) setting up a separate organization wholly responsible for ODA. The strategy suggests 16 administrative measures to improve the overall quality of ODA in four main areas, including the management system, efficiency, infrastructure, and public engagement. In terms of aid infrastructure, the Committee for International Development Cooperation (CIDC) chaired by the Prime Minister's Office was established in March 2006 as a result.

However, there has been no progress in terms of ODA law enactment specified in the strategy as one way to strengthen the ODA infrastructure although some initiatives were taken by a few congressmen. In detail, four drafts of the ODA Act<sup>1</sup> were proposed during the 17<sup>th</sup> and 18<sup>th</sup> National Assembly over the period of 2006-2008 and these were either abandoned or withheld without reaching any consensus or progress for enactment. The Act is expected to work as an umbrella law that supervises and stipulates all ODA-related regulations, management systems as well as the due processes of establishing main policy priorities and project plans. It also aims to overcome the inefficiency and costs in the absence of the overarching coordination framework to manage the overall ODA system.

The core of the debate in regards to Korea's ODA was based on the establishment of a national aid philosophy and its objectives as well as setting up a unified policy framework and consolidating multiple players in development assistance. It further triggered a debate on who will take the lead and initiative in ODA business, which accordingly raised the tension between the Ministry of Foreign Affairs and Trade (MOFAT - KOICA) and Ministry of Strategy and Finance (MOSF - EDCF) administering the two major components of Korean aid. As such, the discussion to promote a whole-of-government development policy has been stalled due to the vested interests and different priorities of each actor.

Considering this background behind the emergence of the ODA Act discussion, below we present in greater detail the main actors involved in the process, the key issues discussed, , and possible future directions of the law making process.

### **Main Actors**

The process around the Act is mostly led by congressmen through bipartisan effort as well as the participation of government bodies, development NGOs, and advocacy organizations. It is widely recognized and agreed among politicians that it is difficult to provide a clear legislative mandate for multiple actors to coordinate and cooperate without an overarching legal framework.

Several congressmen, such as Minsoon Song (July 2008), Young Jin (July 2008), Moosung Kim (June 2007), Younggil Kwon (May 2007), Jechang Woo (March 2007), and Boogyom Kim (December 2006), competitively proposed draft ODA Acts throughout the previous 17<sup>th</sup> and current 18<sup>th</sup> National Assembly.

In addition to the congressmen named above, the government has been at the center of this process. MOFAT in 2003 proposed a law under the title of 'International Development Cooperation Act.' This proposal suggests providing aid to the countries/regions listed by Organisation for Economic Co-Operation and Development (OECD)/ Development Assistance Committee (DAC) and setting up an independent commission to decide ODA policies. According to this proposal, the main framework of the two-pillar system will remain the same while the commission will be led by MOFAT.

MOSF took a different approach; MOSF suggested having an ODA charter or policy statement instead of enacting a law by proposing the 'International Development Cooperation Charter.'<sup>ii</sup> The proposed charter focuses on the balanced approach to address global issues and pursue national interest. Despite the different format, the law and charter could be regarded as supplementary rather than contradictory as they share similar perspectives on overall ODA philosophy except the distinctive approach of how it can be managed.

The NGO sector consists of the third main pillar of the discussion. It is not until the mid 1990s when Korean NGOs turned their eyes into foreign 'markets' from the domestic business. A few NGOs have since then emerged as an influential group working on development issues focusing on ODA policies. Global Civic Sharing is a leading NGO in this arena and the Korea Council for Overseas Cooperation (KCOC), representing about 62 members of development NGOs in Korea, works as a pressure group. Besides, advocacy organizations such as Citizen Coalition for Economic Justice (CCEJ)'s 'ODA Watch' team and People's Solidarity for Participatory Democracy (PSPD)'s International Solidarity Committee are performing an oversight function on ODA policy and practice.

In terms of policy, Korean civil society organizations strongly urge policy makers to put an effort to achieve the pledged ODA/GNI goal amid the global financial crisis and to improve overall transparency and effectiveness of Korean ODA. They are also actively participating in the ODA law making process. Additionally, 'Citizen Network for Eradication of World Poverty (CNEWP)' (Korean cooperative organization of 'Global Call to Action against Poverty') drafted an International Development Cooperation Act in 2007 in coalition with its member NGOs. CNEWP completed its own ODA bill proposal in May 2007 through the subcommittee for the ODA Act<sup>iii</sup>. The subcommittee is composed of four representatives such as Suyong Oh (former KCOC president), Hyekyoung Kim (Secretary General of Global Civil Sharing), Hyesoo Shin (former member of National Human Rights Commission, former chairman of ODA Subcommittee of Korean National Commission for Sustainable Development), and Jeongsoo Lee (former Secretary General of Korea Council of Citizens Movement). The representatives from civil society groups including development NGOs are also participating as members of the Committee for International Development Cooperation (CIDC) representing NGO's interest in the ODA policy making process.

### **Main Issues around the Proposed ODA Act**

As noted above, each proposal shows various interpretations and approaches on ODA policy and implementation. They cover issues on how to set the definition, objectives, scope, and management system as specified below.

In terms of basic principles and objectives of ODA, all the proposed bills more or less share a similar perspective in terms of the role of ODA in poverty eradication, sustainable development, humanitarianism, global peace, and prosperity. The most recent ODA Act draft (Song, 2008) explains the purpose of ODA as to pursue global peace and prosperity by contributing to the poverty reduction and sustainable development of the developing countries (Article 2, Basic principle and goal). In detail, the main objectives are listed as: 1) to contribute to poverty reduction and better life quality; 2) to promote economic and social development and the improvement of relevant institutions and conditions required; 3) to strengthen cooperation and exchange with developing countries; 4) to expand opportunities for developing countries to participate with global economy; and 5) to contribute to the global development issues.

Despite some similarities across the proposals in terms of principles and objectives, there are also a few disagreements around the ODA aiming to promote mutual economic cooperation in pursuing national economic interest and economic participation or integration of developing countries into the global system. The bills proposed by Boogyom Kim (2006) and Woo (2007) express the idea of mutual economic cooperation as one of the ODA objectives.

Civil society representatives actively participating in the process expressed their concerns around this arbitrary interpretation of ODA. As an example, Hyuksang Sohn<sup>iv</sup> of People's Solidarity for Participatory Democracy represented a view from NGO's perspective at a public hearing in October 2008. He asserted that an ODA law should be based on the universal and humanitarian value of development assistance rather than on the pursuit of economic value and national interest. He also warned that the perspective stressing the participation and integration of developing countries into the global economy through ODA may not be an appropriate approach given the unclear linkage between economic integration and poverty reduction. Jinho Song<sup>v</sup> also raised a similar concern about the subjective definition of development assistance in some of the proposed bills confusing economic effectiveness and aid effectiveness.

Another important issue has been the myriad of discussions and initiatives on how to apply Korean development experiences in developing countries and this ambition is well represented in the proposed bills as well.<sup>vi</sup> Two concerns in particular have been raised. Dissemination of the Korean development experience and economic growth model may not be applicable to developing countries considering the uniqueness of the domestic/international context. Furthermore, it may cause conflicts with international standards and principles which other DAC member countries might follow.

The last main question is whether the creation of a sole agency to manage Korea's overall aid is necessary, and if so, who would be the most appropriate body to take the responsibility. Amid this contest, the recent drafts of ODA Act expressed the need to create a single entity with an independent authority led by MOFAT (Kwon, 2007) or integrate the system centered around MOFAT and KOICA (Moosung Kim, 2007 and Song, 2008), but without getting the consensus of other ministries including the Ministry of Strategy and Finance. On the other hand, Boogyom Kim (2006) and Woo (2007) suggested that the current two-pillar system remains while a new mechanism should be devised to better coordinate the ODA policy. However, this approach has a high risk of intensifying the current status of quo. Furthermore, enacting ODA law while keeping the current system would be meaningless and inefficient because the current system has two distinctive sources of finance, and different country assistance strategies, lists of partner countries, and project implementation and evaluation mechanisms.

The approach to set up a single body governing the overall ODA failed due to the conflicting views between the two major ministries. Even so, the majority of civil society and academia strongly supports the idea of creating an integrated management system. Hyekyung Kim of Global Civil Sharing and Hyuksang Sohn of PSPD share the same view that ultimately the most desirable solution is to build one unified system to integrate the ODA policy implementation system and thus to enhance efficiency and maintain ODA policy consistency.

## **A Hazy Road Ahead**

The above mentioned ODA bills proposed so far were laid before the National Assembly Standing Committee under Foreign Affairs and Trade subcommittee as of December 2008 while some of them, submitted during the previous 17<sup>th</sup> National Assembly, were abandoned as the session finished. As the first session of the 18<sup>th</sup> National Assembly officially finished in December 2008 without any progress on the ODA law enactment process, partially due to the overwhelming domestic issues to tackle, the discussion around the ODA bill will be passed on to the next session.

The fundamental problem behind this stormy passage of the ODA Act is the contention among ministries and the struggle of who to take a lead in the overall ODA system. As long as the rivalry between the two ministries continues, as witnessed in the past years' struggles, a gradual approach to improve the ODA management system suggested in a series of improvement strategies seems to be the only plausible option at the moment.

However, what are the longer-term options for Korea? Firstly, it should go back to the fundamental question of why Korea needs and wants the ODA Act. The law per se is not the final destination Korea and even a simple policy statement could achieve more or less the same outcome. Korea needs more than just a declaration that mirrors the status quo of Korean ODA. The bottom line is to have an ODA Act that should be able to function as a realistic solution to the current problems and prevents a haphazard approach. To do so, Korea should ask why it needs to enact an ODA law and how it will serve as an overarching legal framework to govern the overall ODA and thus deliver

more effective aid. If the law is a mere tool to strengthen each stakeholder's political interest and position amid the power struggle, it has to be reconsidered. If the law is to hurriedly demonstrate a skin-deep progress of the Korean ODA system in light of OECD/DAC accession in 2009, it would only be superficial and cause enormous political and administrative costs.

Secondly, it is necessary for each player to embrace the diverse voices around Korean ODA. A huge amount of efforts were put in by all participants in the Korean ODA sector to prove the validity of their own perspective, while there has been a lack of endeavors to appreciate the others' view. This has left the ODA discussion at an 'either-or' level which eventually brought little headway. MOFAT could play a role in this regard as a leading body to embrace all different forms and players of ODA. By doing so, it could lay a foundation for the integration.

Thirdly, a lot more issues lie ahead for the country to address as a soon-to-be member of the international donor community: strengthening local and sectoral expertise, building a strategy to participate in international discussions and partnership networks, and delivering better aid. Some may argue that an overall legal framework should precede these issues, but the political costs involved in the law making process so far much surpass the benefits expected. Furthermore, it has distracted the overall aid capacity and left the discussion only at the macro level which has not helped strengthen donor capacity. Witnessed in other donor countries' case, where legal institution is not a prerequisite for better aid, Korea may not be able to justify the cost involved in this heavy discourse.

It is not very easy to predict how the ODA Act discussion would evolve in the near future. However, one plausible scenario is that the global economic crisis coupled with other pending domestic issues may remove the agenda from the priority list. However, as the Korean government is on schedule in the application process to OECD/DAC accession by filing the document in January 2009, it could provide a new momentum. The accession process has been smooth and the Prime Minister's strong will to keep the ODA agenda on top together with the ongoing pressure from the NGO's sector are expected to drive the discussion forward. However, one important precondition remains. The political contest to take a lead among the different ministries and agencies as a major stumbling block on the road ahead should be resolved.

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<sup>i</sup> The title of proposed bills varies such as ODA Act, International Development Cooperation Act or Overseas Development Cooperation Act. Considering the content of each bill does not show the great level of variance under each title, this paper will use the term 'ODA Act' to indicate all the proposals.

<sup>ii</sup> NGOs raised a concern about the Charter as it emphasizes the importance of national economic interest on the surface. Accordingly, it raised a question on the validity of ODA philosophy and the appropriateness as an ODA document. ODA Watch Newsletter. Vol 8. 2006. International Solidarity Committee. People's Solidarity for Participatory Democracy.

<sup>iii</sup> International Development Cooperation Bill (proposal). Citizen Network for Eradication of World Poverty (2007).

<sup>iv</sup> Sohn is a chairperson of International Solidarity Committee of People's Solidarity for Participatory Democracy. International Solidarity Committee monitors government's activities in the international arena and promotes international networking for human rights and democracy, especially among Asian countries. The committee monitors the Korean government's ODA policies. In 2004, PSPD obtained a special consultative status with the ECOSOC of the UN.

<sup>v</sup> Song is a Planning Officer of YMCA Korea and a co-chairperson of Citizen Network for Eradication of World Poverty.

<sup>vi</sup> The proposals from Song and Jin (2008) specify that the Korean ODA should play a role to share and disseminate the Korean development experience and model.





## SUMMARY

How can we understand the emerging donors? The role of 'emerging' donors is currently at the heart of the international aid discourse, but so far, the knowledge of these actors in aid is inadequate. There is a need to explore what they are representing. This study investigates the aid policies of India and South Korea. Both countries represent a rather diverse group of countries that has been lumped together as 'emerging' donors. The better part of the existing studies on emerging donors is focusing on Chinese aid. Less attention is being devoted to other countries. Together with Japan, the increased aid ambitions of China, South Korea and India herald a growing Asian influence on the global aid architecture. What will be the effects? Will an Asian approach to development assistance emerge? The answers are yet to come, but a comparison of South Korea's and India's aid policies does provide some indications. Central to this is how tensions between self-interest and global responsibility are articulated, or glossed over, as some would argue, when Asian donors refer to the principle of "mutual benefit".

**Printed version: ISSN 0805-505X**

**Electronic version: ISSN 1890-503X**

**Printed version: ISBN 978-82-8062-353-9**

**Electronic version: ISBN 978-82-8062-354-6**

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