

# 한국과 베트남의 성공적 수원 사례

Successful ASIAN RECIPIENTS

: Case Studies of Korea and VIETNAM<sup>1)</sup>

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1) This is a draft paper written as a part of the KOICA–JICA–Brookings joint study “Catalyzing Development: A New Vision for Aid” in preparation for the 4th High Level Forum on Aid Effectiveness. This version of the paper does not include the Indonesia and Cambodia case studies. The study is drawn upon literature reviews, semi-structured interviews, and workshops with various experts in Korea, Vietnam and the U.S. representing a wide array of development players including bilateral donor agencies, partner countries, non-state actors, international organizations, think-tanks, and universities (see the list of interviewees and workshop participants).

## I. Introduction

Given that the 4th High Level Forum on Aid Effectiveness (HLF-4) will be held in Asia, it offers an excellent opportunity to showcase successful episodes of growth facilitated through aid in Asian countries. This essay aims to explore the successful utilization of aid in selected countries and sharpen the dialogue on themes leading up to the HLF-4. The Busan Declaration will be an opportunity to shift the story from “aid is wasted and does not work” to “aid works, and we now have simpler and constant principles to make it work even better.”

Among countries which received a sizable amount of development assistance, South Korea and Vietnam, are exemplary models that catalyze development and reduce poverty with a relatively modest increase in inequality. Korea was the one of the top three recipients of U.S. aid from 1946 to 1980<sup>2)</sup>. It has gone through the entire spectrum of aid, from receiving grants for humanitarian assistance after its devastation in war, to development loans, and now recently becoming a donor nation in its own right. Even before an explicit recipe for aid effectiveness was introduced, external assistance to the country was translated into the socioeconomic advancement of the country. Vietnam, too, has been one of the world's largest recipients of ODA in recent years<sup>3)</sup>, reflecting a global trend toward supporting results-producing performers. As a more recent success story, Vietnam is known internationally for making effective use of ODA to promote its development goals (The World Bank, 2009, ODA IMTF, 2009). It seems not to have a micro-macro paradox, showing excellent outcomes both on a macro and a project level. It is also generally considered a frontrunner in the application of the Paris Declaration.

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2) Between 1946 and 1980, total aid less repayments and interest to Vietnam and Korea totaled USD 22 billion and USD 12 billion, respectively. The other major recipients were Israel (USD 15 billion) and Taiwan (USD 5 billion) who were of geostrategic importance to the U.S. Source: Office of Planning and Budgeting, Bureau for Program and Policy Coordination, USAID, U.S. Overseas Loans and Grants and Assistance from International Organizations, July 1, 1945–September 30, 1980.

3) From 2006~2008, Vietnam ranked as the number five recipient followed by Iraq, Nigeria, India, and Afghanistan according to OECD statistics. Its aid volume continues to grow. The committed ODA was only about USD 1.5 billion in 1995, but it reached approximately USD 4 billion (USD 2.6 billion disbursement) in 2008 (OECD Statistics), representing an increase of 42.5% in nominal terms over in 2006.

## II. The Case of South Korea

Aid to Korea has been **adapted to changing country circumstances** as shown in Table 1. Before and immediately after the Korean War (1950~53), aid to Korea was focused on military support and humanitarian relief, which was crucial for the survival of the country. The American occupation government helped Korea achieve education and land reform, which contributed to development potential in years to come (Krueger, 1979)<sup>4</sup>. As Korean institutions became more stable and capable from the 1960s, development interventions were scaled up, first by graduating from grants to concessional credits, then on to non-concessional financing, and finally mobilizing private finance.

〈Table 1〉 The Changing Nature of Aid

Year	Purposes and Needs	Forms and Modalities	Sectors and Compositions <sup>5)</sup>	Reliance on Aid	Major Donors <sup>6)</sup>
1942 ~1952 Korean War	Short-run relief	Grant (100%), relief goods	Education, land reform, consumer goods	Only foreign savings <sup>7)</sup>	U.S.
1953 ~1961 Rhee	Defense, stability, rehabilitation	Grant (98.5%), commodities, technical cooperation	Agriculture, non-project aid, military aid, consumer & intermediary goods	Heavily dependent on aid <sup>8)</sup>	U.S. U.N.
1962 ~1975 Park	Transition, long-term growth	Concessional loans (70%), technical cooperation, volunteers <sup>9)</sup>	SOC, import-substituting & export-oriented large industries, project aid, intermediary & capital goods	Diminution of the absolute & the relative importance of aid <sup>10)</sup>	U.S. Japan
1976 ~1996 Chun, Roh T.W.	Balance b/w stability and growth	Non-concessional financing	Sector loans	Removal from the IDA lending list	Japan Germany IFIs
1997 ~2000 Kim Y.S.	Financial crisis	IMF bailout packages	Structural adjustment program	Graduation from the ODA recipients	IMF/IBRD

4) From 1945 to 1948, the number of elementary school pupils rose by 82% and the number of secondary school pupils increased by 183%. Simultaneously, the number of available teachers increased by 55%, 569% and 268% at the elementary, middle, and secondary levels, respectively. In addition, substantial land reform had been accomplished, and agricultural output was considerably above its 1945 level (Krueger, 1979).

Korea's case highlights “lopsided aid relations” and bottlenecks with regard to ownership. As the U.S. meddled in the level and composition of aid imports, particularly the use of counterpart funds<sup>11)</sup>, the Korean government had little room to maneuver on how aid has to be spent. The Korean government clearly wanted the separation of economic aid from military aid, an increase in the support for investments, and long-term predictable aid in accordance with the national development plan<sup>12)</sup>. For example, Korea wanted to build a fertilizer plant instead of continuously importing fertilizers from Japan. However, the U.S. prohibited Korea from using relief and military aid as investment funds, and arbitrarily imposed aid supply according to its domestic circumstances, for instance, by shipping 3,500 tons of cotton that was not even on the aid goods list (Lee, 2009). The U.S. put a greater emphasis on stability instead of growth, partly because of outdated assumptions that Korea

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- 5) Food, beverages, and manufactured items are classified as “consumer goods” crude materials, fuels, and chemicals are “intermediate goods” or “raw materials” and machinery and transport equipment are classified as “capital goods.” “The project aid” was directed toward carrying out specific projects. The majority (77%) was allocated to public overhead capital reconstruction and modern industrial sectors such as manufacturing, mining, transportation, and communication. On the other hand, “the non-project aid” consisted of surplus agricultural commodities provided either under Public Law 480 or with USD 92 million of development loans that were used to purchase agricultural commodities.
  - 6) From 1953~61, 83% of all assistance and 99% of bilateral aid came from the U.S. During the period from 1962~75, the share of U.S. assistance was reduced to 61.25% while Japan became the second largest donor next to the U.S., accounting for 29.04% of the total aid, Japan from 1976 to 1990, came to the forefront, making up almost 63.04% of total aid to Korea. During this period, the size of aid coming from countries such as Japan (+104%), and Germany increased (+194%) compared to the previous period, while that of the U.S. visibly decreased (-77%). Data Source: OECD Statistics.
  - 7) The average per capita aid figure for the 7 years from 1945 to 1953 was about USD 5.50 per annum (10% of per capita income in the prices of that time). The total aid was USD 853 million and averaged about USD 105 million.
  - 8) By all means, Korea relied heavily on aid for day-to-day functioning, for defense and for reconstruction prospects. Aid as a share of GDP was on average 14%, making up almost 100% of foreign savings and 72% of imports (Chung, 2007). More than half of the tax revenue (54.1%) in 1957 came from a counterpart fund derived from the sales of foreign aid supply (KDI, 1991).
  - 9) The Peace Corps started to serve in Korea in 1966 to promote social reform, empowerment, and local capacity building.
  - 10) Overall assistance was declining, which peaked in 1957 at USD 383 million and gradually fell thereafter. It was sharply reduced to USD 232.3 million in 1962. The average annual economic aid during 1962~1967 was USD 155 million, or USD 3.60 per person. In the 1970s, the Korean government maintained cordial relationships with the IFIs, but did not count on them for substantial financing, even during the oil crisis in 1973~1974. In the dynamic environment of 10% growth rates, the long delays generally experienced in approving and implementing foreign assistance projects often proved more of a drag than a help to Korea's development (Mason et al., 1980).
  - 11) When aid-financed commodities are sold in the domestic market, the receipts from their sales are called “counterpart funds.”
  - 12) According to the “Long-Range Program for Korean Rehabilitation and Reconstruction,” the first economic development plan written by the Ministry of Reconstruction in March 1956.

was still under war-like conditions<sup>13</sup>). As an external donor, America also focused on simpler, short-term goals: curbing inflation and increasing domestic savings to substitute for aid, which implies relatively short-lived, non-project aid programs<sup>14</sup>). These donor-dominant practices were ineffectual in that the Korean government diverted attention from the real impediments to growth and delayed the country taking the drivers' seat (Mason et al., 1980)<sup>15</sup>).

Nevertheless, the fact that **Korea knew what it wants and was not intimidated into arguing against the U.S. policy preference** was different from many subordinate recipients in the present. Korean political leaders and government officials wrote to newspapers about the battle over aid negotiations between Korea and the U.S., resisted the provision of tied aid from Japan, and asked for the involvement of Koreans in the management of aid programs. In contrast, many African governments such as Ghana, Zambia, Mali, and Mozambique are unwilling to chart a development strategy outside of the purview of donors, as they are afraid of risking reduction in aid that could undermine their political support (Whitfield & Maipose, 2008). Assertive positions under the Rhee regime in Korea also indicate that aid dependency does not necessarily entail a loss of ownership<sup>16</sup>).

In Korea, the establishment of unique organizational structures that reflected Korea's special circumstances demonstrated strong country-led development. When the USOM system, in which the American ambassador held jurisdiction over the disbursement of aid, was deemed inappropriate for Korea due to its complicated channeling process including the United Nations Korea Reconstruction Agency (UNKRA) and the Korea Civil Assistance Command (KCAC), it gave rise to the creation of the Office of the Economic Coordinator (OEC) in

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13) U.S. took the inaccurate assumption that Korea is still under war-like conditions even in 1956 when domestic consumption was restored to pre-war levels (Macy, 1956).

14) The Rhee administration wanted to rebuild the capacity destroyed in the war, maintain a strong military force, and increase the standard of living.

15) Some might argue that Korea did not have ability to be an independent driver at this time. However, the country seemed to have used its foreign resources for economic development much more effectively than most other developing nations did, and concerns for absorptive capacity can be ruled out except during the years immediately after the war (Chung, 2007).

16) This is also the case in Botswana, which was heavily dependent on UK aid at independence. Aid to the country as a percentage of GNI averaged 22.7% during 1966–1970, but the government still maintained strong ownership (Whitfield & Maipose, 2008). Right after independence, the Botswana government made sure that aid was integrated into its own national budgeting and planning procedures, while turning down funding that did not fit well with its own priorities or tailoring donor activities to the government's way of doing business.

1955. The OEC was responsible for the upstream policy coordination among various actors<sup>17)</sup>, whereas responsibilities for delivery were devoluted to UNKRA and KCAC. In 1956, the OEC absorbed the functions of KCAC and UNKRA, and became the only aid coordinating agency in Korea. Unlike an earlier period where Japanese engineers and UN personnel in Tokyo were responsible for Korean aid, the OEC was placed in Seoul and Busan, hiring almost 900 Koreans along with 300 foreigners (Lee, 2009). A consolidated and **decentralized structure** enabled the OEC to formulate harmonized assistance policies among key donors, and to aptly customize their strategies to changing local conditions. Moreover, increasing and extensive participation of Korean economic bureaucrats in the Combined Economic Board (CEB) as a permanent member improved mutual understanding between Korea and the U.S. and helped further reflect local voices in the aid delivery.

Korean government under the Park administration **set out its own development path** through Five-Year Economic Development Plans (EDPs) **on which aid management can be linked to the country's planning and budget process**, and thus promote policy coherence for development (PCD). Launched in 1961, the Economic Planning Board (EPB)<sup>18)</sup> was not only responsible for development planning and annual budget preparation but also the coordination of foreign aid and attraction of foreign investment<sup>19)</sup>. The EPB headed by high-ranking officials was intended to be a stronger operational unit than its counterparts in other Asian countries (Wolf, 1962)<sup>20)</sup>. In addition to the EDP, the Government of the Republic of Korea (ROK) persuaded the WB to organize Consultative Group meetings called the International Economic Consultative Organization for Korea (IECOK) to coordinate external assistance to the country from 1966 until 1984 (Kim, 1997b).

17) The head of the OEC was a representative of the FOA Korea mission, as well as an advisor of the CINCUNC. The Office also delegated a representative of the country office to the Combined Economic Board (CEB). The OEC was focused on the establishment of policy, planning and coordination.

18) The nerve center of Park's economic development strategy with its mandate of designing five-year EDPs.

19) Created in 1961, the EDB allocated resources, directed the flow of credit, and formulated all of South Korea's economic plans. In the late 1980s, the power to allocate resources and credit was restored to the functional ministries. In 1990 the Economic Planning Board primarily was charged with economic planning; it also coordinated and often directed the economic functions of other government ministries, including the Ministry of Finance. The board was complemented by the Korea Development Institute, an independent economic research organization funded by the government.

20) The EPB was headed by a chairman having the rank of Deputy Prime Minister, and assisted by a vice chairman with the rank of cabinet minister.

A **positive synergy between domestic and international actors** during this time created an enabling environment where aid can fuel economic growth. Under the Kennedy administration, the U.S.'s stance on Korean aid was modified to foster long-term growth through the medium of loans instead of grants and under the conditions of the agreed national development plan (Park, 2007)<sup>21</sup>). The shrinking aid volume and shifting aid form from grants to soft loans<sup>22</sup>) also brought about the need for self-sustainable economic growth. The preparation of Korea's EDP was propped up by the USAID Mission, a number of American economists<sup>23</sup>) and Korean academics (Mason et al., 1980). The 1962~1966 EDP was revised in 1964, accommodating more export-oriented strategies. The revision corresponded to the view of Americans as well as the track record of performance in previous years<sup>24</sup>).

The Korean government was willing to follow its own development plan even when this path was not agreeable to its main donors. The Park administration maintained a policy focusing on large-scale enterprises, which was the opposite of the U.S.-advised SME-oriented policy for Korea that was devoid of capital and technology<sup>25</sup>). Korea sought to overcome the lack of investments and core technology through the means of aid, and the financing of investments with foreign aid was directed toward large-scale, capital and technology-intensive projects in targeted sectors. Most of the assistance in Korea was allocated to **finance the government's industrial and financial policies**, implemented by Jaebeol, particularly in import-substituting or export-oriented large private enterprises (KEXIM, 2008; Chung 2007)<sup>26</sup>). What this implies was that investment in health<sup>27</sup>) and

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21) According to the USAID website, neither the International Cooperation Administration (ICA) nor the Development Loan Fund (DLF) addressed the need for a long-range foreign development program before 1961. U.S. aid began to take the form of loans instead of grants to fulfill a pledge to long-term development assistance while reducing the budget deficit, (Park, 2007). The first loan to Korea was USD 12.3 million from the AID in 1959.

22) After 1962, the ratio between grants and loans shifted from 99:1 to a ratio of 34:66. The terms of aid hardened, with higher interest rates, shorter maturities, and hard-currency repayments: the average grant element narrowed from 30% in 1965 to 11% in 1975. Loan aid compared to grant aid was concentrated more on financing economic infrastructure and services such as energy and transport. Approval procedures for loans were also more rigorous than for grants.

23) Unlike the Eisenhower government, where traditional diplomats, such as Briggs, Lacy, and Dowling, served in Korea, economists in the Department of State, such as Wolf, Cole, and S.D. Berger, served as ambassadors from the U.S. (Lee, 2009).

24) The import-substituting EDP was reformed because the volume of export on industrial products was twice more than expected in comparison to agricultural and processed mineral products which performed extremely poorly than expected (Lee, 2008).

25) Progress Report, August 24, 1961, FRUS 1961-1963, Vol. XXII, p. 518.

26) Many of these public investments (77%) were multimillion-dollar projects and administered through the

education<sup>28)</sup> was given low priority as it was majorly financed by Korean society (CBO, 1997). Among many, POSCO and the Gyeongbu Expressway were remarkably successful cases where the recipient government took the initiative to plan and implement the project despite the unfavorable outlook it elicited internationally. Donor groups raised questions on the feasibility of such huge construction projects<sup>29)</sup> and eventually withdrew their support<sup>30)</sup>. Korea, in an effort to mobilize foreign capital, normalized relations with Japan in 1965, and Japanese repatriation settlements<sup>31)</sup> paid for much of the project costs, providing USD 300 million in grants and USD 200 million in public loans over a 10-year period from 1965~1975. Korea disagreed with Washington, not only in the area of economic policy, but also in terms of governance-related policy. The U.S. stressed on fighting corruption in order to improve the efficiency of the economic aid and absorptive capacity. Instead of penalizing corrupt businessmen, however, Park expropriated their bank stocks and assigned them to invest in key import-substitution industries such as fertilizers, wheat mills, cement, and synthetic fiber (Park, 2007).

**Significant local resources and time having been devoted to project implementation** showed that Koreans truly owned the projects. While Korea sought to improve the quality of development projects by hiring leading foreign institutes<sup>32)</sup>, the planning and implementation

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government, Jaebeol (23%) or public-private partnerships. From 1966 to 1972, public loans were expanded, amounting to USD 1.13 billion, and 32% of total foreign resources. According to a KEXIM report, 45.3% of borrowing was disbursed to agriculture, 43.6% was disbursed to social overhead capital and the remaining 10.2% was disbursed to the manufacturing sector. During this period, foreign aid contributed to alteration of the nation's economic structure, owing to its focus on import substitution and export-promoting industries in line with an export-driven development strategy. Between 1973 and 1978, the proportion of public loans for SOC and other services drastically rose to 75.3%, whereas the agriculture, forestry and fishery sector fell to 20.3%.

27) Between 1954 and 1964, the United States spent about 3 percent of its project assistance on the health sector.

28) It was domestic actors, the Korean government and especially Korean society, that paid heavily for education.

29) The estimated cost of the Gyeongbu Expressway construction project was KRW 30 billion when the annual budget for the government was KRW 300 billion, which prompted a project plan on a nationwide scale.

30) The report on Korea's economic trends submitted by the International Bank for Reconstruction and Development (IBRD) stated that Korea rather needed to develop labor-intensive machine industries. From the developing country's perspective, government support is needed to attract investments and promote local industries. On the contrary, the U.S. argued from the market economy's point that the steel mill industry could distort the price structure and hinder the development of a market economy with its preferential treatment from the government (Lee, 2004).

31) Strictly speaking, a reparation repayment did not constitute aid, but had the same effect as aid as one sizable official transfer (Krueger, 1979).

32) For instance, the technical assistance for the overall construction of the Gyeongbu Expressway starting in 1968 was commissioned to De Leuw Cather International, a service company from the U.S.



responsibilities were largely in the hands of local people. Among many examples, the Korea Institute of Science and Technology (KIST) illustrated the kind of initiative Koreans actively took throughout the project design process. Initially, Dr. Donald Hornig, President Lyndon Johnson's advisor, proposed the idea of creating a technology college modeled after the Bell Institute<sup>33</sup>). Yet the project manager Dr. Choi Hyung-sup designed the KIST to be a research institute modeled after the Battelle Institute and whose findings could be immediately applicable to the business sector (Kim, 2003). In addition, Koreans themselves carefully picked the most qualified experts at the Battelle as advisors to the KIST instead of waiting for any experts to be sent. In the case of the Gyeongbu Expressway, the President designed the project by himself, inspired by the autobahn motorway system during his visit to Germany in 1964 (The Korea Herald, 2010)<sup>34</sup>). During the implementation stage of POSCO, Park Tae-joon, the Chairman, lived with construction workers at sites when building steel mills. It can be said that the strength of South Korea was obvious in the implementation stage as well (Mason et al., 1980)<sup>35</sup>).

Throughout the aid process, Korea worked on **capacity building**. Over 1,500 experts were sent to Korea by donor nations, and additionally over 7,000 Koreans received training abroad between 1962 and 1971. A high proportion of the senior personnel in the government, business, and the academic spheres have been exposed to foreign training, mainly in the U.S., under either the economic or military assistance programs<sup>36</sup>). The Peace Corps, which started to serve in Korea in 1966, and the Colombo Plan are other channels of technical training and services<sup>37</sup>).

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33) The scope of American assistance was limited to feasibility studies, consulting services and the training of KIST researchers.

34) Park was credited with the design of the expressway and had been known to obsessively sketch blueprints and schematics on memo pads. He also made many visits to construction sites.

35) By cutting the red tape, the disbursement of loans was speedy. Feb. 1967. "Strategies to Make Foreign Resources More Effective" National Archives

36) Training of Korean military personnel was held in organization, management, and technical skills. Military personnel also undertook the construction of roads, bridges, and other infrastructure in areas that were important for the support of military operations near the demilitarized zone.

37) The U.S. dispatched Peace Corps volunteers from 1966 to 1981, during which a total of USD 30.6 million, i.e., annually around USD 2 million, of capital was used. Source: Agreement Relating to the Peace Corps between the Government of the Republic of Korea and the Government of the United States of America (June 14, 1966 – memorandum)

Technical cooperation came mainly through tied provisions from the U.S. and Japan<sup>38</sup>). U.S. technical assistance after mid-1960s was on research, economic planning, and assistance with the export program (Mason et al., 1980). Modern American technology was also transferred through project financing, development loans, and the provision of large numbers of technical experts before foreign direct investment (FDI) grew considerably in 1972. Although the transfer was often flawed as a consequence of confusing administrative arrangements and the use of inexperienced foreign personnel, its process technology in individual manufacturing projects was excellent (Amsden, 1989). With the cessation of U.S. aid, Japan soon became Korea's major technical assistant. As Japan was a newly industrialized nation, the possibilities of catching up with the West were more communicable. Though it is difficult to find evidence as to what degree of difference such training and technical cooperation (TC) had actually made, **continuous access to technical assistance from two major sources**, Japan and the U.S., might certainly have placed Korea in an enviable position compared to other late-industrializing countries.

### III. The Case of Vietnam

Aid history in Vietnam is only about 10 years long. Much of Vietnam's success in accelerating socioeconomic development has been home-grown, resulting from committed national efforts, broad public support and economic reform agenda (ADB, 2006). Since 1986, cautious economic liberalization, building upon a foundation of investments in human development and egalitarian land distribution, has brought high growth and an extraordinary rate of poverty reduction (OECD, 2008). Though Vietnam is one of the top 5 ODA recipients, by all means it is not a nation relying on aid. Its ODA represents only about 4% of Vietnam's GDP, 12% of the national budget, and 33% of public sector investments, whereas in aid-dependent countries such as Burundi, Afghanistan and the Democratic Republic of the Congo (DRC), the ODA inflow as a proportion of recipient GNI in 2009

38) Under the “buy American policy” stated in the Foreign Assistance Act of 1961 as Amended (Public Law 87–195) Part III Section 604, the Korean government had to purchase goods and services from the U.S., and ship aid goods only on American vessels. Aid was strictly tied to goods and services from Japan in the early years. Washington sought to reorganize the Asian economy with Japan in its center by assigning Japan as the relief goods supplier (Pub. L. No. 87–195, 75 Stat. 424). When Korea resisted such measures, the U.S. deliberately delayed shipment of relief goods to Korea as a countermeasure without consulting the CEB (Lee, 2007).

is about 52%, 37%, and 27%, respectively. The form of aid is mostly loans<sup>39)</sup>, which is becoming less concessional as the country is entering a new stage of development. Despite the small share of ODA in the total government budget, ODA introduces new technology and facilitate political and economic cooperation with industrialized countries. The Government of Vietnam (GoV) regards ODA as an important catalyst for other investment flows and a key source of finance for the development of social and economic infrastructure.

Vietnam shows strong **ownership** of its aid receipts, led by the Ministry of Planning and Investment<sup>40)</sup>. Owing to its ability to manage a centrally-planned economy<sup>41)</sup>, the country excels at laying out and implementing the national plan. Coordination is based on an internally drafted Socio-Economic Development Plan (SEDP)<sup>42)</sup> in replacement of imported Comprehensive Poverty Reduction and Growth Strategies (CPRGS), and a local version of the Paris Declaration (PD) referred as the Hanoi Core Statement (HCS)<sup>43)</sup>. The government has driven the poverty reduction agenda rather than donor groups. Examples of such strong leadership can be seen when Vietnam has different priorities from its donors. After the 1997/98 East Asian crisis, Vietnam focused on stabilizing its economy and reforms progressed very slowly until 2001, leading to a halt in structural adjustment lending from the World Bank. Only when the leadership felt comfortable did reforms start up again. Vietnam also allowed its program with the IMF to lapse over disagreements with the pace of financial sector reform and audits of the Central Bank. It has resisted donor pressures for greater

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39) From 1998 to 2008, 70~80% of ODA consisted of loans.

40) Yet, the policy and planning capacity at lower levels of government as opposed to centralized decision making processes is less encouraging.

41) Interview with MPI officials

42) From 2005, external partners agreed to align their development assistance strategies to the SEDP as its poverty reduction strategies. Currently, donors' country assistance strategies are consistent with four main pillars of the SEDP. As examples of donors that align their support to the SEDP, ADB, the World Bank, Japan and DFID are working closely together and with GoV to come up with a common analytical framework for their new countries assistance strategies. Other donors including Australia, New Zealand and Ireland aim to fill gaps in donor support to the four core SEDP areas, based on the principle of comparative advantage and complementarity. The EU's Road Map for future assistance to Vietnam formulated in 2005 is also based on the SEDP (Partnership Group on Aid Effectiveness, 2006).

43) Some indicative HCS targets for 2010 are even more ambitious than those in the PD. For example, the PD target is to reduce by 2/3 the stock of PIUs by 2010, whereas HCS targets by the same year are not allowing any PIUs. The PD target is to achieve 66% of aid flow in the context of PBA compared to the HCS's target of 75%. The HCS target for 2010 is 76% of joint analytic work that is higher than 66% of the PD target. HCS targets were deliberately set at a challenging level, and Vietnam has made significant progress toward its ambitious targets.

freedom of journalism, corruption, and civil society development<sup>44</sup>). These examples are not meant to indicate that the decisions made by the government of Vietnam were always best from a development perspective, but to demonstrate that serious dialogue and disagreements between development partners may occur even in cases of success. The critical issue is to find ways of fostering cooperation in areas where agreement and progress can be made.

A result of strong country ownership is that aid in Vietnam has been relatively **aligned with country priorities**. The Aid Effectiveness Forum (AEF) is one of processes of the Consultative Group Meeting for Vietnam<sup>45</sup>), with its coverage area of aid partnership and effectiveness. Despite concerns over stagnated disbursement and a large number of parallel project implementation units (PIUs)<sup>46</sup>), the growing use of budget support, accounting for 25% of total ODA disbursed in 2007 (OECD, 2008), has led to progress on alignment. All ODA provided through budget support is automatically subjected to reasonably transparent financial reporting systems. It also has been disbursed on schedule in contrast to the rate of disbursement of project support that has often fallen well short of schedule due to implementation bottlenecks (OECD, 2008). Budget support enables various projects to be organized and work with complementarities under the broad umbrella programs.

The Poverty Reduction Support Credit (PRSC), Program 135<sup>47</sup>) and Education for All (EFA)<sup>48</sup>), spearhead the new aid modality for increased alignment and harmonization. In particular, the PRSC is an exemplary practice on policy dialogue in a mature development partnership. Managed by the World Bank on behalf of 12 participating donors, it provides

44) The Worldwide Governance Indicators 1996~2008 showed that among relatively successful Asian countries (Taiwan, South Korea, Malaysia, Thailand, China, Indonesia, Vietnam and Cambodia), Vietnam is only better than Cambodia but worse than all others in terms of “control of corruption,” “voice and accountability,” and “government efficiency.” (Kaufmann et al., 2009).

45) Annual CG meetings have been held in Vietnam since 1999 and co-chaired by the MPI and the World Bank, which support the close collaboration between the government and external partners (The World Bank, 2006).

46) (Six Banks, 2010) Interview with donors

47) Program to Reduce Poverty in Communes Facing Extreme Hardship in Ethnic Minority and Mountainous Areas, known as Program 135, attempts to address regional disparities in access to essential basic services and markets (The World Bank, 2009).

48) The EC together with five other donors, the World Bank, Spain, Belgium, DFID, New Zealand and Canada agreed in 2006 to support the Vietnam National Education for All (EFA) plan through sector budget support (EuropeAid, n.d.). However, the Sector Budget Support was less encouraging than the GBS. Dealing with a large number of donors preparation and negotiation process were necessarily complex, which even took more than two years in the case of EFA.

direct budget support to the government based on the SEDP and annual policy actions. Donors link their annual funding decisions to progress against the previous year's benchmarks, which are derived from annual negotiations between government and donors<sup>49</sup>). Given the high level of leadership and capacity demonstrated by the government, the instrument provides a soft financial incentive in place of conditionality. The instrument is well aligned with Vietnam's budget calendar, and the process is welcomed by line ministries, who see it as a chance to signal their priorities (Capacity Development for Development Effectiveness Facility). There was a general consensus among the banks, the government and donors that the PRSC has been a tool to realize an investment-led economy in the context of its overall structural reform agenda (Japan MOFA, 2006).

One challenge that Vietnam faces is that its aid is becoming more fragmented as donors are attracted by its success<sup>50</sup>). Vietnam has become a “donor darling” with over 30 donors. In the health sector alone, there are around 75 ongoing projects, mostly under USD 50,000 in size (OECD, 2008). The number of missions conducted by some donors appears extremely disproportionate to the amount of aid they provide. For example, UN agencies together provide less than 1% of the total ODA, but the number of agencies operating in Vietnam increased from four in 2006 to 12 agencies in 2007. The Paris Monitoring Survey of 2008 reported that Vietnam hosted 752 donor missions in 2007, more than three missions per working day. This is well above the number of missions carried out in Indonesia (590), Laos (569), and Tanzania (407) in the same period.

To improve **harmonization**, donors complement and coordinate their efforts. Most of the commitments from the Six Bank group<sup>51</sup>) were to finance large infrastructure. On the other hand, the smaller donors, such as the Like-Minded Donor Group (LMDG)<sup>52</sup>), the EC, and

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49) The dialogue is also open to non-funding partners and CSOs, and makes use of existing sectoral dialogue processes.

50) A record ODA pledge of USD 6 billion in support of the SEDP priorities is a sign of donors' confidence in the excellent poverty reduction and growth performance of Vietnam and the fact that fulfillment of development objectives of donor projects is close to universal (The World Bank, 2009). In particular, the sixth Joint Portfolio Performance Review (JPPR IV) reviewed assesses that Vietnam continues to use ODA resources well with a high level of success upon project completion by all of the Six Banks (ODA IMTF, 2009).

51) A Six Bank group, composed of the World Bank, ADB, AfD, KfW, Kexim & JICA, is a major provider of loans.

52) Australia, Canada, Denmark, Finland, Ireland, Germany, the Netherlands, New Zealand, Norway, Sweden, Switzerland, Belgium and the UK.

the UN, typically work in areas not served by the larger donors, addressing topics like social inequality and exclusion. The UN's Delivering as One initiatives are another example of reforms that are currently underway. The government and representatives of 14 resident UN organizations decided to implement the One Plan, One Budget, One Leader, One Set of Management Practices, and One UN House, to support the SEDP 2006~2010. According to a recent evaluation report, the most radical change under the one plan has been the successful introduction of Program Coordination Groups, constructed around program outcomes (Poate et al., 2010). Management practices are consolidated as well<sup>53</sup>). Interestingly, however, there is no general consensus that such fragmentation is on balance harmful to Vietnam. A group of donors are concerned that considerable waste and overlap are occurring while the others believe that the larger number of donors is probably a net positive for Vietnam<sup>54</sup>).

Vietnam's relative success as an aid recipient is also based around the following identifiable themes. First, Vietnam has a strong **relationship with its major donors** 60% of its aid comes from its top three donors, Japan, the World Bank and Asian Development Bank. Among bilateral donors, Japan ranked number one for its average ODA of USD 975 million<sup>55</sup>) between 2007 and 2008, followed by South Korea with its assistance amounting to an average of USD 274 million in the same period. The World Bank is the largest multilateral donor, providing USD 9.49 million. Second, **infrastructure development has** been identified as the key focus of aid money. Economic infrastructure and services received the most assistance, accounting for almost 48% of the bilateral sector allocable aid<sup>56</sup>) from 2007 to 2008. Specifically, the sub-sectors receiving the most assistance were road transportation, power generation, water supply and sanitation systems. Considering the predominant portion of loans over grants, it is not surprising that most of ODA funds have been channeled through infrastructure building.

53) Examples include the Harmonized Approach to Cash Transfer (HACT) approach, the Harmonized Program and Project Management Guideline (HPPMG), and the EU-UN Cross-Norms.

54) Interview with donor agencies

55) All commitment values in this paper are in current USD unless otherwise indicated.

56) It excludes from the denominator a number of items such as commodity aid and general program aid, action related to debt, humanitarian aid, administrative costs of donors, support to NGOs, refugees in donor countries, and unspecified/unallocated aid.

## IV. Common Themes from Case Studies

Some common themes emerge from these case studies.

### 1. Catalytic Role of ODA in Development

In both countries, the political decisions that lead to fast economic take-off are largely internal economic transformations based on regime survival. Often such reforms were gaining momentum with external security challenges and diminishing foreign exchange holdings. In that sense, **aid was not a driver, but a catalyst of development.** In South Korea, the new Park administration made economy its first priority in order to gain legitimacy for his government<sup>57)</sup> and defense against North Korea. Moreover, the threat of reduced aid in part triggered a remarkable transformation of the Korean economy that began to take place from 1963 to 1964. Similarly, in Vietnam, the Doi Moi (Innovation) process<sup>58)</sup> intended to recover from the ravages of war, the rigidities of a centrally-planned economy, and the loss of financial aid from the old Soviet Bloc. Most Western aid flowed into Vietnam in the mid-1990s<sup>59)</sup> when the critical Phase I reform for growth had domestically taken place or even slowed<sup>60)</sup>.

Yet, the fact that an unexpected catalyst for development was a change in the scale (scale down) and composition of aid (grants to loans) does not advocate the use of loans over grants or the reduction of aid. It was American economic assistance that kept the South Korean economy, with living standards, no lower than in many other less-developed countries in the mid-1940s and 50s (Mason et al., 1980). Even during the high-aid era, Korea's

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57) The military's single claim to government was its ability to create a sustainable mechanism to raise national income. As an illustration, while General Park had defeated the opposition candidate only by a slim margin immediately after the coup, he won a landslide victory in the election two years later because growth had accelerated.

58) Beginning in 1986, the reforms improved the security of individual land tenure, enhanced the provision of agricultural extension services and permitted freer trade in agricultural products, resulting in a drastic increase in farm production and a reduction in rural poverty. At a macro level, the country has implemented structural reforms needed to modernize the economy and to produce more competitive trade-led growth strategies.

59) Except for a few donors such as the U.N. and Sweden.

60) Interview with Professor David Dapice and donors in Vietnam

production ability was excellent by international comparison (Amsden, 1989)<sup>61</sup>). In addition, the relative contribution of aid to the transition of the economy appears greater than concessional borrowings by the early 1960s (Krueger, 1979)<sup>62</sup>). Furthermore, giving a loan over grants does not necessarily guarantee more sensible use of the aid money as seen in the case of Heavily Indebted Poor Countries (HIPC), particularly in the DRC under the kleptocratic regime of President Mobutu<sup>63</sup>). The absence of aid would have resulted in some substitution of domestic savings, encouraging patterns of outward-looking policies<sup>64</sup>), but this would have been more difficult to achieve in the immediate post-war period when per capita incomes were very low and many people were living at little better than a subsistence level (Mason et al., 1980).

The two stories do not tell about the failure of aid but confirm that aid money has a bigger impact when countries have made substantial progress in reforming their policies and institutions (World Bank 1998). Although U.S. aid totals were much smaller in the 1960s and 1970s than in the 1950s, their contributions to development per dollar of aid benefited from the more sensible economic policies followed by the Korean government (Mason, 1980). For the same reason, Vietnam was able to gain an international reputation for using ODA resources well and fulfilling development objectives of development projects, as it has implemented structural reforms needed to modernize the economy.

It should be also noted that **aid coordinating arrangements** in Korea and Vietnam are closely linked to the economic planning and budgetary institutions, **making it easy to translate aid actions to the development outcomes**. The integrated role of the EPB in planning the

61) Between 1953 and 1958, the average annual rate of change in the volume of production of both heavy and light manufactures was the highest in Korea of all 36 countries for which UN data was available.

62) The fact that the earlier aid had been on a grant basis also gave the country leverage in borrowing large amounts of commercial loans in the latter half of the 1960s.

63) The IMF and the World Bank kept lending loans to the Mobutu regime even when the IMF-appointed staff and the private sector saw that the creditors had no chance of getting their money back.

64) Trade and exchange-rate policy under the Rhee administration was centered on the issues of obtaining as much aid as possible. When it comes to the settlement of military obligations, the Korean government had strong motivations to overvalue the exchange rate at which dollar amounts could be reimbursed for won advances. The unrealistic exchange rate inevitably resulted in inflationary forces and the stimulation of import-substitution industries. From the American perspective, attempts to receive more aid could in turn have prevented Korea from becoming able to earn its own source of imports (Krueger, 1979). Some other negative consequences of abundant aid include dependency on foreign capital and government-orchestrated finance. Large food supply through the PL 480 also undermined the agricultural sector (Chon, 1987).



five-year EDP, allocating resources, and securing foreign resources was strategic to produce and implement the whole-of-the-government perspectives on development. At the same time, the IECOK as a consultative group played an important role in aligning external funding decisions to domestic policy making. In Vietnam, the transformation of the Partnership Group on Aid Effectiveness (PGAE) to the Aid Effectiveness Forum (AEF) have been designed to add value by raising the level of discussion at aid effectiveness to a more strategic level considering how best to configure aid's contribution to the core development issues (Aid Effectiveness Forum, 2010).

## 2. Strong Ownership

Among many principles, **ownership is probably the foremost vital factor** for aid to help yield significant development outcomes in case countries. For the most part, Asian countries have been able to receive aid in a form appropriate to their situation. This has been driven by strong articulation of country needs, expressed by central government leadership of the aid agenda. Even though Korea had to go through numerous challenges around aid funds<sup>65</sup>, it was instrumental in harnessing development grounded on the will of the nation. On the same account, most development actors in Vietnam agreed that the main success factor behind the country's performance is its solid ownership. Political willingness to own the national development plan is real and the country wants to become a model case as well as an influential actor<sup>66</sup>.

A question that naturally follows might then be, “What is ownership in practical terms?” The answer would require exploring beyond the abstract PD description. Ownership might include aspiration for self-help; the management of aid as part of the entire development process; and the ability to embark on policies tailored to the country's own context, including non-orthodox alternatives (Ohno et al., 2005), for a sustained period of time. According to these views, the degree of ownership between countries or different regimes in the same country can be roughly estimated, thereby indicating areas of potential improvement. For example, the Rhee government compared to the Park regime had

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65) Content of the assistance was largely dictated from the donor side strictly tied aid supply; and high volatilities and weak predictabilities.

66) Interview with donors

relatively weak ownership in that national leaders were less committed to build a self-sustaining economy, and that aid relationships were more central, rather than integral, parts of development coordination. Vietnam has managed donor relationships fairly well. To reach the level of autonomy exercised by Korea or Thailand, however, it still needs to improve the capacity to translate desirable development strategies into concrete and concerted actions of all administrative bodies. A lack of creative ownership might be illustrated in the case of Jamaica; its economy did not take-off despite the possession of many recommended institutions emulating today's best practices for governance (Goldsmith, 2010).

Certainly, ownership should be **inclusive** and backed up by broader social consensus. The highly educated Korean public was ready and capable of accommodating the government's economic development policies (Park, 2007). In addition, the role of private businesses in influencing major economic policies should not be discounted. The coherent state and a small number of powerful business groups were able to benefit from the close relationship with the other, but neither could ever gain the upper hand, thereby overly constraining rent seeking and corruption (Kang, 2002). Likewise, reform in Vietnam was largely a bottom-up process. Policy was responsive rather than proactive and should be seen as an endogenous element of the transition process (Fforde & Vyllder, 1996). The historical starting point for development was also bound up with Vietnam's relatively abundant human resources at relatively better education levels<sup>67)</sup>. Vietnamese elite institutions also require the construction of broader coalitions of policymakers, placing more constraints on executive decisions compared to other single-party regimes such as China (Abrami et al., 2008).

### 3. Leveraging Long-term, Diverse Partnerships

Aid has been effective in countries that have **stable donors**, who are invested in the success of their projects and in the development of their partner over a significant period of time. The U.S. and Japan had a geopolitical reason for committing its support to Korea. Vietnam is an emerging market where donors are eager to extend their commercial investments<sup>68)</sup>.

67) Most people in the North had completed eight years of schooling and the rate of literacy was better than in many Third World countries with far higher average incomes.

68) Donors such as GTZ, USAID, the Netherlands, JICA and KOICA who emphasize economic cooperation are planning to maintain or scale up their ODA. On the other hand, donors who have articulated solidarity, global responsibility and humanitarian assistance as major factors influencing their allocation of aid, such

The stable and long-term cooperation with primary donors can give greater confidence to recipients to experiment with its own ideas rather than being submissive to donor prescriptions. Other examples include Ethiopia and Rwanda, which have been politically and geostrategically important to key Western donors, and thereby have a strengthened ability to negotiate in main policy areas (Whitfield and Maipose, 2008).<sup>69)</sup>

The Asian examples point to the need for aid to be sustained for a generation or more to fully capture all development benefits. For example, Germany with its nearly 30-year assistance contributed to the formation of technical and vocational education and training (TVET) systems in Korea(Lee, 2004)<sup>70)</sup>. Asian countries have also benefited from a diverse array of development partners and often have been able to secure assistance from one partner even when another has been unconvinced of the approach. This “competition” among development partners is not just a new phenomenon due to China, but goes back to U.S./Japanese differences in approaches in Korea, the World Bank/IMF or Six Banks/LMDG differences in approaches in Vietnam, and the division of labor among donors in Indonesia. These groups work in various sectors, maintaining a mix of aid channels. Even beyond aid, partnership was extended military aid, FDI, trade, and migration served as the main vehicle for interacting with Asian countries.

Another common ground of two studies is the emphasis on investment in **large economic infrastructure and services**. Overall, the role of foreign assistance in promoting social services does not appear to have been a large one in both countries. However, the donor community tends to be very risk-averse to fund huge construction projects, whose management is likely to be taxing with frequent delays, misuse, underestimated costs, and occasional staff turnover<sup>71)</sup>. That explains why donors turn down projects like POSCO and

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as Switzerland and Nordic countries, are planning a graduation strategy.

69) In particular, Rwanda, as the first country in sub-Saharan Africa to set out a national aid policy, has shown significant leadership in planning for the implementation of the PD and AAA at the country level. OECD (2010). Key Themes for Busan 2011: Possible Contributions for Clusters and Workstreams. DAC Working Party on Aid Effectiveness DCD/DAC/EFF(2010)5.

70) Largely influenced by the German model of cultivating a pool of technicians, the Korean Ministry of Labor, not the Ministry of Education, Science and Technology, was in charge of overseeing the TVET systems and the National Technical Qualification Test.

71) Issues with project managements can be found with Cheongpyeong dam, Chungju fertilizer plan, and a soda ash plant by the Oriental Chemical Company in Korea. In Vietnam, there has recently been a well-publicized corruption scandal involving ODA funding for transport investments as seen in the example

the Gyeongbu Expressway. As the proverb goes, however, “if you do not make mistakes, you do not make anything.” A more nuanced view of risk needs to be taken, and issues involved with micro-management of projects should not dominate aid discourse. What deserves more attention is the broader goals each project aims to achieve, and the potential developing countries have in achieving the project objectives. Here comes the importance of a “learner's approach”<sup>72)</sup> and “trust” instead of a “blueprint approach” and “auditing.” Just as too much emphasis on economic growth and a blind belief on the trickle-down theory can backfire, so can an exclusive emphasis on governance and social spending.

## V. Implications for Paris ++

Considering that the most important element in Korea, Vietnam and other Asian countries such as China, Indonesia and Cambodia, is the principle of ownership, this **principle needs to be more clearly spelled out**. It will be possible by streamlining the definition, breaking down key determinants of ownership and identifying the role of donors and partners. The introduction of guidance, policy assessment tool kits, international best practices and evidence-based recommendations that answer questions such as the management of tension between domestic accountability based on broad in-country ownership and accountability to donor taxpayers, tests for ownership at the project level, and good practices on mutually agreed conditionality might be helpful.<sup>73)</sup> Targets for ownership can also be made more concrete. Currently, only one target is set for ownership in the PD while detailed and technical alignment targets are predominant.

The new principles should, not just in principle but in practice, recognize the **extreme diversity of the demand for aid** and heterogeneity of partners. Although the PD calls for

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of the Project Management Unit (PMU)-18 and Vinashin Shipyard project. However, these corruption scandals might be overstated with a tendency for a negative narrative on aid and development to dominate media attention.

72) David Korten's “Learner's approach” William Easterly's “Searcher's approach”, David Ellerman's “Doer's approach”

73) A good test for ownership at the project level could be: 1) where the plan originated, 2) how much local time and resources are going into the projects, 3) in what way the local community terminates, adapts and develops the project, and 4) who reports to whom on what templates. Interview with Ngaire Woods, Oxford University

adaptation to differing country situations, such as fragile states or countries in need of humanitarian assistance, it assumes that the typical recipient state is poor, relies heavily on aid, and has low government capacity (Severino & Ray, 2010). For example, aid integration into governments is a critical problem only for countries whose core public services are funded principally from external actors (OECD 2003). For countries capable of expressing their demand and can afford to refuse funding when it does not fit its own priorities, harmonization and alignment principles might be excessive.

Thus, countries like China, Tunisia, Brazil, Turkey, India and Morocco are in less need of a standardized offer but rather need competition between donors which offer innovation. Countries in transition like Vietnam might be willing to work with a wide range of donors to forge new diplomatic and commercial partnerships through the medium of ODA. Such states in a post-ODA environment perceive aid as a resource among others, such as FDI, market loans and bond emissions, to finance their public policy priorities. Division of labor mechanisms in general have also been criticized on the grounds in that an agreed division of labor is only organized by donors themselves. As an MPI official in Vietnam pointed out, donors tend to avoid specific types of projects that are still in demand, such as irrigation, due to environmental concerns.

Finally, it is necessary to come up with strategies that ensure **long-term development partnerships** leading to increases in the size, duration and predictability of assistance. One strategy is to promote mutual benefits between donors and recipients as in the case of China and African countries. A caveat against this approach would be that some countries<sup>74)</sup> are likely to be left out due to political, commercial, or security issues. In this case, regional cooperation in tandem with multilateral cooperation can be considered. Instead of

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74) For example, 25 countries, most of which are small island countries, have fewer than 5 donors in total. They include Libya, Barbados, Dominica, Grenada, Micronesia, Fed. Sts. Tuvalu, Seychelles, St. Lucia, St. Vincent & Grenadines, Oman, Cook Islands, Marshall Islands, Saudi Arabia, Nauru, Niue, Palau, St. Helena, Anguilla, Antigua & Barbuda, Montserrat, St. Kitts–Nevis, Turks & Caicos Isl., Tokelau, Wallis & Futuna, and Mayotte. In 14 countries, the total country programmable aid is less than USD 10 million. They are Belize, Dominica, Seychelles, Oman, Cook Islands, St. Vincent & Grenadines, Barbados, Antigua & Barbuda, Anguilla, St. Kitts–Nevis, and Turks & Caicos Isl (OECD, 2009). Among fragile states, Guinea, Nigeria, Uzbekistan and Yemen are receiving less aid than would be predicted given their high levels of need, compared to countries with similar policy and institutional performance ratings. Three bilateral donors provide 65 percent of total ODA to Central African Republic, Côte d'Ivoire, Liberia, and the Republic of the Congo (OECD, 2007).

looking at individual developing countries, group-to-group cooperation could evolve as an alternative aid arrangement as long as it overcomes efficiency and legitimacy problems. When assistance goes to a regional unit, less attractive and more risky countries in that region will not be neglected. It would be particularly advantageous when it comes to regional public goods, cross-border infrastructural needs<sup>75)</sup>, and experience sharing or knowledge transfer. In Asia, the members of the Association of Southeast Asian Nations (ASEAN) might be good candidates to oversee region-wide projects, such as the Mekong River Development Project<sup>76)</sup>. Through the Common Market for Eastern and Southern Africa (COMESA), donors could support the creation of an African Graduate School of Regional Integration focusing on innovation and development in East Africa<sup>77)</sup>. In addition, compacts for development with accountability for both rich and poor countries could be taken into account. Examples are Millennium Challenge Account or financial tranches such as Cash on Delivery modalities<sup>78)</sup>. New financing mechanisms can be designed to enhance the possibility of developing countries to be selected on a competitive basis based on relative development results, programs to be designed by the country itself, and countries to be entitled to receive funds for a substantial period. Lastly, the management of an international aid database to match supply and demand of development funds and proposed programs can be designed.

## V. Conclusion

The paper examines experiences of Asian aid recipient countries with the examples of Korea and Vietnam. The two countries' success was built upon the following factors:

- In order to use ODA to catalyze development, embarking on domestic economic reform and establishing state institutions combining strong planning and budgetary functions with aid coordination.
- Robust country ownership and leadership underpinned by a sustained and coherent vision and commitments of the state, competent civil servants, broad-based political support, and

75) Such as fiber optic cables connecting Ghana, Uganda and Burundi

76) Seminar on Challenges in Cooperation and Communication for Development in Southeast Asia, April 26–27, 2010, Hanoi, Vietnam

77) Interview with Professor Calestous Juma

78) The MCA screening process is not without controversy.

a highly educated general public.

- Long-term reliable partnerships with primary donors and a positive synergy between domestic and international actors.
- Mobilize various sources of finance: Leverage of donor diversity and combination of non-ODA instruments such as trade, investment, military aid, export credits, and public-private partnerships (PPPs) with ODA.
- Attention to project design and implementation.
- Capacity development as an integral part of aid.
- Composition, sector and forms of aid being adapted to changing country circumstances.
- Good alignment of aid with national objectives through aid being given as budget support and for large infrastructure projects.
- Promote investment in large infrastructure in support of broader development goals in emerging economies with good government capacity.

Lessons distilled from the case studies shed light on the elements of the Busan Declaration. Country-based development needs to be highlighted, putting ownership in its center and connecting aid effectiveness procedures with substantive development outcomes. Moreover, aid effectiveness guidelines ought to be differentiated in recognition of varying country groups including fragile states and high-capacity states. On top of the traditional bilateral assistance, it is also necessary to come up with ways to guarantee long-standing cooperation. There will be few disagreements on these conclusions, but the next, more challenging step for the development community is to find out “how” to internalize and embody the propositions in their policies and practices.

## List of Interviewees and Workshop Participants

## Interviewees in Vietnam

Name	Organization	Title
Akihiko Nakano	Embassy of Japan	Adviser for Economic Affairs
Alain A. Barbu	The World Bank	Manager, Portfolio and Operations
An Sung Gu	POSCO	Deputy Chief Representative (Deputy General Manager)
Andrew Smith	Canadian International Development Agency, Government of Canada	Head of Aid / Counsellor (Development)
Arai Toru	JICA, Vietnam Office	Senior Aid Coordination Advisor
Ayumi Konishi	Asian Development Bank (ADB)	Country Director for Vietnam
Benito Álvarez Fernández	AECID (Technical Cooperation Office, Spanish Agency for International Development Cooperation), Embassy of Spain Vietnam	Resident Representative
Benoît Massuyeau	Agence Française de Développement	Senior Programme Officer, Head of Partnership and Studies Unit
Cao Manh Cuong	Ministry of Planning and Investment	Deputy Director General/ Foreign Economic Relations Department
Christiane Oermann	DED (Deutscher Entwicklungsdienst)	Head of Asia Desk
Dang Thi Thu Trang	KOICA	Programme Assistant
Jesper Morch	UNICEF, United Nations Children's Fund Vietnam Country Office	Representative
Kerry Groves	Australian Government, Australian Embassy Hanoi (Aid Program)	Counsellor
Kwon Kyoung Doug	KOTRA (Hanoi KBC)	Deputy Director / Economist
Lee Dong-Hyun	KOICA	Deputy Resident Representative
Lee Wook-Heon	KOICA	Resident Representative
Mags Gaynor	Irish Aid, Embassy of Ireland	Deputy Head of Development (Vietnam, Lao PDR, Cambodia)
Mette Frost Bertelsen	The World Bank	Special Assistant to the Country Director
Michael Foster	USAID, Vietnam	Supervisory Program Officer
Moon Jae-Jeong	EDCF Vietnam Resident Mission, Korea Eximbank	Deputy Director
Ngo Thi Quynh Hoa	DFID(Department for International Development)	Development Effectiveness & Infrastructure Sector Manager
Nguyen Thi Thanh An	Agence Française de Développement	Programme Officer, Partnerships and Studies Unit
Peter Lysholt Hansen	Embassy of Denmark	Ambassador of Denmark
Pham Hung Vinh	Ministry of Planning and Investment, Socialist Republic of Vietnam	Director, North-East Asia Foreign Economic Relations Department
Pham Ngoc Linh	GTZ (German Technical Cooperation)	Programme Coordinator, GTZ Office Hanoi



Pham Nguyen Ai Nhan	Embassy of the Kingdom of the Netherlands	Program Officer, Cross-Cutting Issues
Quach Thi Thu Huong	DFID (Department for International Development)	Head of Management, Communications and Compliance
Steven Collet	Koninkrijk der Nederlanden	Deputy Chief of Mission / Counsellor
Tsuji Kensuke	JICA, Vietnam Office	Representative
Ulrike Maenner	CIEM (Central Institute for Economic Management)	Coordinator for the Priority Area of Sustainable Economic Development/Economic Policy German Development Cooperation

#### Interviewees in the U.S.

Name	Organization	Title
Ahmad Ahsan	The World Bank	Lead Economist, East Asia and Pacific Region
Alice Amsden*	MIT	Professor
Anne Krueger	Johns Hopkins University	Professor
Brigitte Burgler	UNIICEF	Consultant
Calestous Juma	Harvard University, Belfer Center for Science and International Affairs	Professor
Chris Davids	UNIICEF	One UN Senior Advisor
Chul Ju Kim	The World Bank	Senior Economist, East Asia and Pacific Region
Cinammon Doinsife	Johns Hopkins University	Professor
Daniel Seymour	UNIICEF	Head of Gender & Rights Unit
David O. Dapice	Tufts University, Harvard Kennedy School	Economist, Vietnam Program
David Roodman	Center for Global Development	Senior Fellow
Eugenia McGill	Columbia University	Associate Professor of Practice, School of International and Public Affairs
George Adams	Oxfam America	Director of Aid Effectiveness
Honda Shunichiro	JICA	Research Associate, JICA Research Institute
Hosono Akio	JICA	Senior Research Fellow, JICA Research Institute
Jane Nelson	Harvard Kennedy School, Mossavar-Rahmani Center for Business & Government	Senior Fellow, Director, Corporate Social Responsibility Initiative
Jeeyang Rhee Baum	Harvard University, ASH Institute for Democratic Governance and Innovation	Research Fellow
Makino Koji	JICA	Director, Development Partnership Operations Strategy Department
Murotani Ryutaro	JICA	Research Associate, JICA Research Institute
Mwangi S. Kimenyi	Brookings	Senior Fellow, Africa Growth Initiative, Global Economy and Development
Myla Taylor Williams	The World Bank	Country Program Coordinator for Vietnam
Ngairé Woods	Oxford University	Professor
Raquel Gomes	Oxfam America	Research Manager

Rita Perakis	Center for Global Development	Program Coordinator to the President
Samantha Muwafaq Constant	Brookings	Associate Director, Middle East Youth Initiative, Wolfensohn Center for Development
Selva Ramachandran	UNDP	Chief, North East Asia and Mekong Division
Takeuchi Shinichi(Ph.D.)	JICA	Senior Research Fellow, JICA Research Institute
Tariq Ahmad	Oxfam America	Head of Research
Ted Maly	UNICEF	Senior Adviser (Government Relations), Public-sector Alliances & Resource, Mobilization Office(PARMO)
Tsunekawa Keiichi(Ph.D.)	JICA (Japan International Cooperation Agency)	Vice-President, JICA/ Director, JICA Research Institute
Victor Damjanovic	UNICEF	Report Specialist
Vu Thanh Tu Anh	Harvard Kennedy School, Asia Program	Fellow
Yulia Oleinik	UNICEF (United Nations Children's Fund)	Research Officer, Multilateral System Analysis, Governance, UN & Multilateral Affairs

\* Phone interview

#### Workshop in Korea

Name	Organization	Title
Kim Bokhee	KOICA	Director of the Training Team
Kim In	KOICA	Managing Director, Research Office
Kim Jiyoung	Ewha University	Ewha-KOICA Program Professor
Kim Sang-Tae	Hankyung University	Director, Technical Cooperation Institute for Developing Countries
Kwon Yul	KIEP	Head of ODA Studies
Lee Tae Joo	Hansung University ODA Watch	Professor Representative

Workshop at Brookings

Name	Organization
Alan Gelb	CGD
Alex Shakow	Independent
Amar Bhattacharya	G24
Andrew Steer	The World Bank
Angela Clare	AusAID ODE
Antonio de Lecea	Delegation of the European Union
Barbara Lee	The World Bank
Bjorn Gillsater	UNICEF
Brenda Killen	OECD-DAC
Bruce Jenks	Kennedy School of Government, Harvard University
David Roodman	Center for Global Development
Dennis Whittle	Global Giving
Ezra Suruma	Brookings
Han Fraeters	The World Bank
Homi Kharas	Brookings
Jackie Peace	DFID
Jane Nelson	Kennedy School of Government, Harvard University
Jeremy Weinstein	NSC
Joanna Perrens	DFID
Johannes Linn	Brookings
John Davidson	AusAID ODE
Jonathan White	German Marshall Fund
Kang-Ho Park	Brookings
Keiichi Tsunekawa	JICA
Kemal Dervis	Brookings
Ken Watson	Independent
Koji Makino	JICA
Laurence Chandy	Brookings
Leonardo Martinez-Diaz	USAID
Mwangi Kimenyi	Brookings
Nancy Birdsall	Center for Global Development
Nancy Yuan	The Asia Foundation
Ngairé Woods	Oxford University
Noam Unger	Brookings
Paul O'Brien	Oxfam America
Phillip O'Brien	UNICEF
Rebecca Winthrop	Brookings
Ruth Levine	USAID
Sam Worthington	InterAction
Samantha Constant	Brookings
Yulia Oleinik	UNICEF
Hideharu Tachibana	JICA
R. Kyle Peters	The World Bank
Tatsuhiko Mitamura	JICA
Lindsay Coates	InterAction
Akio Hosono	JICA

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