

# HPG Background Paper

## **Diversity in donorship: the changing landscape of official humanitarian aid**

### **Aid donorship in Asia**

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## Acronyms

APEC	Asia-Pacific Economic Cooperation
ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
CCF	China Charity Federation
CDB	China Development Brief
CAITEC	Chinese Academy of International Trade and Economic Cooperation
CASS	Chinese Academy of Social Sciences
CRC	Chinese Red Cross
DAC	Development Assistance Committee of the OECD
DAFC	Department for Aid to Foreign Countries, Ministry of Commerce, PRC
DFID	UK Department for International Development
ECOSOC	UN Economic and Social Council
ESCAP	UN Economic and Social Commission for Asia and the Pacific
ESCWA	UN Economic and Social Commission for Western Asia
G77	Group of 77 at the United Nations
IBRD	International Bank for Reconstruction and Development
ICRC	International Committee of the Red Cross
IFRC	International Federation of the Red Cross and Red Crescent Societies
IMF	International Monetary Fund
KIFHAD	Korean International Foundation for Health and Development
KOICA	Korean International Cooperation Agency
KRC	Korean Red Cross
KSM	Korean Sharing Movement
MFA	Ministry of Foreign Affairs
MOCA	Ministry of Civil Affairs, China
MOFAT	Ministry of Foreign Affairs and Trade, South Korea
MOFCOM	Ministry of Commerce, China
MOFE	Ministry of Finance and Economy, South Korea
NAM	Non-aligned Movement
OECD	Organisation for Economic Cooperation and Development
SAARC	South Asian Association for Regional Cooperation
UN	United Nations
UNDP	United Nations Development Program
UNHCR	United Nations Office of the High Commissioner for Refugees
UNICEF	United Nations Children's Fund
WFP	World Food Program
WHO	World Health Organisation

## 1. Background

In the past, very few Asian states were significant aid donors, not least because, as developing countries, they were themselves recipients of international assistance. There are three OECD Development Assistance Committee (DAC) donors in the Asia-Pacific region (Japan, Australia and New Zealand), and they channel sizeable portions of their aid programme into the region. As members of the DAC, these donors have often referred to the principle of burden-sharing and appealed to other members of the ‘traditional’ aid club for a greater concentration of effort in an area that hosts the majority of the world’s poor.<sup>1</sup>

In the 1980s and 1990s, the economic ‘miracle’ of the ‘tiger economies’ – first South Korea, Taiwan, Singapore and Malaysia, then China, India and Thailand – promised much. Economic growth in the region soared, and low-income countries entered the ranks of lower-middle-income developing countries. However, the East Asian financial crisis of the late 1990s dented hopes for a smooth economic transition. Graduation strategies for a number of aid recipients were put on hold.<sup>2</sup> DAC donors and development departments of recipient countries refocused their efforts on improving economic governance, private sector development and public sector reform. They also focused more closely on a more diverse set of social issues, in order to balance the market-driven approach to economic growth. Natural disasters in the region continued to affect development, and the internal capacity for disaster response and preparedness was often supplemented by assistance from the international humanitarian community.

As confidence in the region has recovered, there has been a growing recognition of the important role Asia’s non-DAC donors play in assisting their neighbours. China, India and South Korea, the case study countries covered in this paper, have become increasingly active in responding to a range of humanitarian crises, including in Afghanistan, Iraq and North Korea. The recent unprecedented response to the Indian Ocean tsunami in 2004 signalled the possibility of a significant future shift in aid donorship in the region, not only in terms of volumes and domestic support for international assistance, but also in the use of multilateral channels and efforts at dialogue and coordination, both across government and with the international humanitarian system as a whole.

However, officials from all three case study countries emphasise that they are still developing countries (China and India remain net aid recipients), and face economic and social challenges at home – and on their borders. The region as a whole is vulnerable to external shocks because of a high dependency on export-led growth. India has high rates of child malnutrition,<sup>3</sup> and over a quarter of its population remain below the poverty line.<sup>4</sup> China is estimated to account for one-fifth of the world’s poor.<sup>5</sup> Alongside a sometimes sceptical domestic constituency for aid, there are many challenges to advancing aid donorship.

This background paper is one of three regional studies looking at the role of non-DAC donors in humanitarian action. The papers primarily focus on official humanitarian assistance (OHA), rather than development assistance and financing more broadly, but they recognise that distinctions between humanitarian and other forms of assistance may not always be clear. This paper focuses on the official aid programmes of China, India and South Korea as illustrative of changing international donorship in Asia.<sup>6</sup> A further separate study, on which this paper draws, looks in more detail at India alone (Price 2005). The other studies examine aid-giving in Central Europe and the

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<sup>1</sup> Two-thirds of the world’s poor, some 800 million people, live in the Asia-Pacific region, yet receive less than one-third of total aid flows.

<sup>2</sup> For example, Thailand’s graduation from Australia’s aid programme had to be put on hold and Australia’s budgeted contribution increased and extended.

<sup>3</sup> UNICEF’s figures for 1995–2003 reported that 47% of under-5s were underweight, and 46% suffered from stunting. See: [www.unicef.org/infobycountry/india\\_india\\_statistics.htm#2](http://www.unicef.org/infobycountry/india_india_statistics.htm#2).

<sup>4</sup> India country brief, World Bank, September 2004: [www.worldbank.org/in](http://www.worldbank.org/in).

<sup>5</sup> In China, 160 million people live on less than \$1 a day, and 486 million live on less than \$2 day (DFID: <http://www.dfid.gov.uk/countries/asia/china.asp>).

<sup>6</sup> These countries are the largest non-DAC donors in the region in terms of overall volumes, and in terms of GDP per capita. These countries are also significant for their apparent or stated intention to make the transition from aid recipient to donor country. Also active in official aid donorship are the governments of Malaysia, Singapore and Taiwan.

Persian Gulf. The case studies inform HPG's research project on the growing diversity of official donors in humanitarian action.<sup>7</sup>

Section 2 analyses the key historical influences and geopolitical and economic drivers that have informed the development of aid donorship in these three countries. Section 3 analyses contemporary aid policy and the aid architecture in each of the donor countries. Section 4 examines trends in aid financing, including volumes, recipients, forms and types, as well as channels for disbursement. This leads to an analysis of local organisations and the private sector as channels for assistance in Section 5. Section 6 explores the regional and international fora for dialogue on aid coordination and cooperation, and Section 7 examines the prospects for aid in the future. The paper concludes with a series of policy recommendations for local, regional and international stakeholders.

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<sup>7</sup> The other two studies focus on the new European Union member countries (the Czech Republic, Poland and Slovenia) and the Gulf States (Kuwait, Saudi Arabia and the United Arab Emirates).

## 2. Historical influences and drivers for aid donorship

China, India and South Korea have all experienced significant levels of economic growth over the past two decades, with average growth rates of 7.9%, 6.5% and 5.8% respectively from 1998 to 2003 (ADB 2003). As such, their capacity to provide financing for international crises – and their perceived importance both regionally and internationally – have increased. This is particularly so for China and India, as their economic growth has reinforced their growing international power.

Whilst economic growth is no doubt the cornerstone to the emergence of these countries into the international aid community, it is not the sole driver for international humanitarian response, nor was it the first. Historical experiences and geopolitical and ideological issues are key. This section explores three particular themes: the influence on aid policy on countries' experience of being a recipient and the politics of transition; solidarity and ideological drivers; and the relationship of aid donorship to these countries' geopolitical and security interests.

### *2.1 The politics of aid as a recipient and in transition*

In each of these countries, and perhaps particularly in South Korea, international assistance to other countries is seen as an obligation to allow others the same benefits and opportunities that the donor country received in its own developmental process. However, there are some striking differences between each country's aid receivership experiences, and these have in turn influenced contemporary aid policy.

Until recently, India's primary relationship with aid has been as a recipient rather than a donor (Price 2005). Despite the non-alignment and anti-colonial policies of the country's first independent Prime Minister, Jawaharlal Nehru, India became increasingly reliant on foreign aid in order to finance public expenditure. India's attitude towards aid was informed in particular by the belief that assistance is given for political or economic purposes, that it can be a highly effective means of improving relations,<sup>8</sup> and that conditional or tied bilateral aid can be degrading for the recipient. These experiences influenced India's changing policy to receiving aid.<sup>9</sup> In June 2003, India announced that only five countries (Germany, Japan, Russia, the UK and the US) and the European Union (EU) would be allowed to continue providing assistance. The move was justified by the need to reduce administrative costs and increase the efficiency of aid, but it was also likely to reflect India's growing global aspirations and its desire to demonstrate its importance as a regional and international player.

In contrast to India's reliance on aid, and despite the significant presence of international organisations and donor governments in Beijing and the provinces, official aid has played a comparatively small role in supporting China's development over the past few decades, particularly compared to other forms of external financing.<sup>10</sup> Thus, there is little evidence that receiving aid has influenced China's own foreign aid objectives, particularly given the historical roots of Chinese donorship (discussed below).

South Korea's experience as a significant recipient of ODA is today quite dated. Its heavy reliance on external financing in the 1970s and 1980s came at a time when there was a strong belief in the international community that the development of a technical and infrastructural base was the single most important route to economic growth. This experience continues to inform South Korea's ODA policy, despite changes in aid orthodoxy elsewhere.

### *2.2 Solidarity and ideological ties*

China has one of the oldest articulations of foreign aid policy, including in comparison to DAC donors. In 1964, on a visit to Africa, then Premier Zhou Enlai outlined eight principles to guide

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<sup>8</sup> India's receipt of US food aid was frequently cited as an effective means of improving relations with India. The US sent a shipment of two million tonnes of wheat to India in 1951, and in 1956 signed an agreement worth \$360 million, enabling India to buy agricultural commodities. Between 1951 and 2001, the US sent India food aid worth \$7.8 billion (see [www.usaid.gov/in/UsaidInIndia/Act\\_FoodAid.htm](http://www.usaid.gov/in/UsaidInIndia/Act_FoodAid.htm)).

<sup>9</sup> This subject is dealt with at length in Price (2004), [www.chathamhouse.org.uk/pdf/research/asia/WP200904.pdf](http://www.chathamhouse.org.uk/pdf/research/asia/WP200904.pdf).

<sup>10</sup> China utilises around \$5 billion of official financial flows per year, which accounts for less than 1% of China's GDP. This compares with the more than \$40 billion in direct foreign investment that has been coming in annually in recent years.

China's foreign aid work. This statement, and another detailing five principles guiding China's relations with Arab and African countries, established the basic norms governing China's relations with other developing countries (see Annex 2). There was an emphasis on equality and mutual benefit, and respect for the recipient's sovereignty.

This early articulation seems to have been driven by China's concern to strengthen its relations with other Asian nations and developing countries more broadly. A catalyst to defining this approach (much of which it shares with India) was the 1955 Bandung conference in Indonesia, and the beginnings of the Non-Aligned Movement (NAM). For China, there was concern to allay the fears of some anti-communist delegates at the meeting as to China's intentions in the region. China continues to regard aid as a tool of soft power in the region (discussed further in Section 7). North Korea has consistently been one of the largest recipients of aid from China and South Korea. This is based on an expression of solidarity with the people of North Korea; however, the country also represents the largest security concern for officials in both Beijing and Seoul. In this respect, solidarity and regional security agendas may be seen to be mutually reinforcing in their influence on aid policies (discussed further below).

India's aid programme began in the 1950s, when it provided assistance to Nepal. As the architect of NAM, India has continued to pursue its five key principles in its aid relations and in its commentary on the policies of many 'Western' donors. NAM's principles are respect for territorial integrity, mutual non-aggression, mutual non-interference in domestic affairs, equality and mutual benefit, and peaceful co-existence. Price (2005) argues that India has continued to emphasise the importance of unconditional aid, which is focused on technical assistance and is presented as a partnership – an example of South–South co-operation – rather than as aid.

### *2.3 Geopolitical drivers: responsible powers and power politics*

For India and China, a desire to promote their national interests on the regional and international stage, in addition to regional security concerns, has shaped the evolution of their aid programmes.

India's decision in 2003 to reduce the number of donors from whom it would accept aid demonstrated its growing global aspirations – receipt of aid was seen as hindering India's ability to play a greater global role, and India resented criticism from donors following its nuclear tests in 1998, and the outbreak of communal violence in Gujarat in 2002 (Price 2005). India's decision to repay its bilateral debt to all but four countries was similarly driven by the desire to demonstrate the country's growing strength, and was made possible by soaring foreign-exchange reserves.<sup>11</sup> These moves were coupled with the launch of the India Development Initiative, intended to 'leverage and promote [India's] strategic economic interests abroad'.<sup>12</sup> This marked the expansion of India's outward assistance. This has complemented India's acknowledged role as one of the world's leading contributors to UN peacekeeping. Currently, India contributes around 6,000 troops and personnel to UN peacekeeping forces, making it the third-largest contributor after Pakistan and Bangladesh.<sup>13</sup> In total, over 55,000 Indians have worked as peacekeepers in 35 UN operations.<sup>14</sup> Humanitarian relief provided by Indian troops includes medical care, rehabilitation and resettlement of refugees and the provision of water supplies. As India's bid to gain a permanent seat on the UN Security Council gains momentum, it will continue to highlight its role as a contributor to peace and collective security endeavours, both through peacekeeping and via its expanding aid programme.

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<sup>11</sup> The Ministry of Finance announced that it would repay bilateral credit owed to 15 countries (the Netherlands, Russia, Canada, Sweden, Italy, Denmark, Belgium, Austria, Kuwait, Spain, Switzerland, Saudi Arabia, Australia and the Czech and Slovak Republics). This involved the repayment of Rs74.9 billion (\$1.6 billion), and followed the prepayment of almost \$3 billion of debt owed to the ADB and the World Bank in 2002/03. See Ministry of Finance (2003).

<sup>12</sup> 2003/04 Union budget speech: [www.indiabudget.nic.in/ub2003-04/bs/speecha.htm](http://www.indiabudget.nic.in/ub2003-04/bs/speecha.htm).

<sup>13</sup> As of 31 March 2005, India had contributed 303 civilian police, 57 military observers and 5,649 troops to peacekeeping operations. See [www.un.org/Depts/dpko/dpko/contributors/2005/March2005\\_1.pdf](http://www.un.org/Depts/dpko/dpko/contributors/2005/March2005_1.pdf).

<sup>14</sup> The operations in which Indian troops have been involved include Korea, the Middle East, Indochina, Congo and Yemen. Recently, Indian troops have been involved in the UN Iraq–Kuwait Observer Mission (UNIKOM) following the first Gulf War, Namibia, Mozambique and Somalia, Angola and Sierra Leone. India has also hosted workshops and seminars on UN peacekeeping.



South Korea's interest in international aid donorship, aside from aid to North Korea, began at the time of its hosting of the 1988 Seoul Olympics. This international display of goodwill prompted both internal and external calls for the country to do more, and a corresponding desire to be seen to be engaging and influencing the development trajectories of other countries in the region. Any hope for expansion of its aid programme has, however, been challenged by the situation in North Korea. For all its pride in the philosophy of *juche* ('self-reliance'), North Korea has been highly dependent on outside support for the welfare of its people, on which the government in turn depends for its political survival. North Korea receives the largest share of South Korea's aid budget (contributions totalled \$217 million between 2001 and 2004). North Korea is also heavily dependent on its giant neighbour, China, for oil supplies and food aid.<sup>15</sup>

For China, the most influential factor in terms of changing aid flows has probably been its relations with Taiwan. In 1971, China gained international recognition when it replaced Taiwan in the United Nations. Taiwan subsequently attempted to offset China's diplomatic victory by establishing new or firmer relations with developing countries, particularly newly independent states in the Pacific region, as well as in Latin America and the Caribbean (Lin 2001). Foreign aid became an important instrument of diplomatic rivalry between China and Taiwan. The aid competition that ensued (cash grants, soft loans and technical assistance to recipient countries in return for favourable foreign policy support) marked a specific policy change within China to supporting 'friendly' countries that recognised Beijing's stance on Taiwan (its One China policy).<sup>16</sup> The approach has two impacts. First, it undoubtedly changed the early ideal of solidarity with the South to a political solidarity with those countries that supported the One China policy. Second, recent attempts to make aid more effective are unlikely to be achieved via this route, particularly as there is evidence that recipients play China off against Taiwan to achieve maximum economic and political benefit. DAC donors have recently sought to provide incentives to reduce this cheque-book diplomacy (discussed in Section 7).

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<sup>15</sup> China meets around 70% of North Korea's oil needs.

<sup>16</sup> Grenada in the Caribbean provides a useful example of the chequebook diplomacy approach. Until recently, Taiwan had been Grenada's biggest bilateral donor, and with \$20 million of debt it is also its leading bilateral creditor. In response to Hurricane Ivan, Taiwan allocated \$4.7 million in emergency grants and promised another \$40 million to rebuild a wrecked and uninsured sports stadium. Grenada had hitherto been one of Taiwan's 26 remaining allies, but in response to an impressive aid package from China it recently made a dramatic shift to support the One China policy.

### 3. Aid frameworks: policy and architecture

#### *3.1 Aid policy and distinctions between humanitarian and other forms of assistance*

Contemporary aid policy differs in each of the three case study countries, but inherits many of the drivers analysed above and involves some common themes. In particular, because each of these countries still considers itself ‘developing’, aid is regarded as a form of mutual assistance and South–South cooperation. Aid therefore is designed to enhance trade relations, as well as mutually beneficial economic growth. The link between development aid and trade promotion is also reflected in the nature of the aid architecture.

South Korea is the only country of the three with plans to formalise its approach in a legislative framework – a Basic Act for Grant Assistance.<sup>17</sup> It is proposed that the Basic Act will outline the objectives of ODA, policy coordination and a specific emergency relief component. It is due to be passed in parliament at the end of 2005. If it is passed, South Korea will be one of the few governments in the world with a legal framework that specifically defines the use of humanitarian assistance, as a distinct category. The broader goal of South Korea’s grant ODA is to further democracy, human rights and market economics, and to make a contribution to world peace and security (MOFAT 2005). The routes to achieving these goals include a focus on poverty reduction, human resource capacity, investment in overcoming the digital divide, improvements in health and gender equality and the delivery of emergency assistance (MOFAT 2005). South Korea’s development loans, particularly to other Association of Southeast Asian (ASEAN) countries, are linked with promoting exports and widening markets within the government’s overall economic cooperation development policy.

Whilst Chinese officials were keen to stress that China provides aid without any preconditions and without seeking any special privileges, humanitarian aid is seen as a way of enhancing friendly relations and cooperation, and of gaining the support of recipient governments and peoples and the approbation of the international community. China documents its contributions to humanitarian crises as separate activities (though it is not clear whether this correlates to budgetary reporting). However, the term ‘humanitarian’ is a recent entry into China’s aid discourse, employed primarily for the purposes of dialogue at the international level. It was suggested that, whilst China’s assistance to North Korea from the 1950s would be called humanitarian assistance now, at the time China would have described it as ‘connecting ourselves with North Korea’.

Similar to China, India has its own disaster management and response system; however, this has not translated into policy development for humanitarian or emergency assistance to other countries, and there is no separate budget allocation for humanitarian assistance in any given year. Humanitarian assistance is listed under the Ministry of External Affairs’ ‘non-plan grants’, along with technical and economic assistance.

#### *3.2 Aid management and structure*

In each of the three countries, a number of departments are involved in emergency response, and are responsible for different aspects of development and economic cooperation. The relationship between aid and trade and commerce is institutionalised in the aid management structure of all three countries. However, ministries of foreign/external affairs maintain a leading role in policy-setting, particularly in relation to emergency assistance and in contexts which are politically or diplomatically sensitive.

In China, the key ministries responsible for humanitarian aid are the Ministry of Commerce (MOFCOM) and the Ministry of Foreign Affairs (MFA). MOFCOM is responsible for managing and coordinating incoming and outgoing foreign aid. The department’s responsibilities for three important external relations issues – aid, commerce and trade – suggests the potential for a strong correlation between these areas in decision-making for aid responses. The primary department for

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<sup>17</sup> The South Korean Foreign Ministry has established legislation to govern KOICA and the use of the EDCF facility, but not for policy-making and coordination in relation to ODA as a whole. In order to develop the ODA Act, MOFAT undertook a comprehensive survey of other DAC countries’ systems.

external assistance in MOFCOM is the Department for Aid to Foreign Countries (DAFC).<sup>18</sup> The MFA plays a greater role in humanitarian assistance than development assistance or other forms of cooperation, and can authorise responses to emergencies or in sensitive political or diplomatic contexts, such as China's relations with Taiwan. However, the decision to respond to an emergency also requires the approval of the State Council.<sup>19</sup> The Ministry of Finance sets the overall budget for foreign aid on the basis of MOFCOM's annual budgetary requests.

The key ministries in South Korea are the Ministry of Foreign Affairs and Trade (MOFAT), which is responsible for overall policy-setting and the grant element of South Korea's ODA (including support to the UN and its humanitarian agencies), and the Ministry of Finance and Economy (MOFE), which is responsible for the overall aid budget and for economic and development cooperation in the form of loans and technical assistance. An implementing agency, the Korean International Cooperation Agency (KOICA), was established in 1991 under MOFAT to centralise and improve the efficiency of grant-making functions, which had previously been spread across many different departments.<sup>20</sup> The Ministry of Unification is responsible for all assistance issues to North Korea, and is therefore vital to the majority of South Korea's humanitarian assistance.

The lead agency in India's assistance strategy is the Ministry of External Affairs (MEA), which is directly responsible for assistance to Bhutan, Nepal and Afghanistan. The MEA advises the Ministry of Finance's Department of Economic Affairs (DEA) regarding assistance to other countries, and also advises other relevant ministries involved in various forms of aid. The focus of much of India's assistance is explicitly related to economic and political concerns. Given that boosting trade is a key consideration, the MEA coordinates with the Ministry of Commerce in relation to lines of credit. Following the tsunami, the decision to provide rapid assistance – primarily to Sri Lanka and the Maldives – was taken at the Prime Ministerial level, and the air force, army and navy were employed.

All three countries use their Export–Import (EXIM) Banks to manage and administer various aspects of their international aid programmes. In India, the DEA has recently begun supporting the EXIM bank to extend lines of credit, rather than extending these from its own budget. The EXIM bank in South Korea implements and administers the country's Economic Cooperation and Development Fund loans.

In each of these countries, a number of other ministries are also involved in aid, and often compete for a share of the ODA budget. These include ministries of civil affairs or the interior (often with responsibility for internal disaster relief capacity).<sup>21</sup> The ministries of customs, information and communications, health and water resources,<sup>22</sup> along with the military, perform key functions in relation to each country's aid.

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<sup>18</sup> DAFC is responsible for the provision of project-type assistance, and for the coordination, delivery and implementation of ODA [PRC UN]. Together with the MFA, it shares some responsibility for policy setting, analysis and guidance and for aid management.

<sup>19</sup> The State Council is the executive, approved by the National People's Congress (NPC).

<sup>20</sup> KOICA is modelled on Japan's structure of ODA management.

<sup>21</sup> The first, in 1995 (on behalf of China's Central Government), channelled \$2 million in in-kind assistance to the government of Japan for the Kobe-Osaka earthquake. The tsunami was the second time where the MCA served as national monitor and management organisation.

<sup>22</sup> In India, the Ministry of Water Resources is involved in financing hydroelectric projects in Nepal and Bhutan.

Figure 1: The structure of China's ODA management

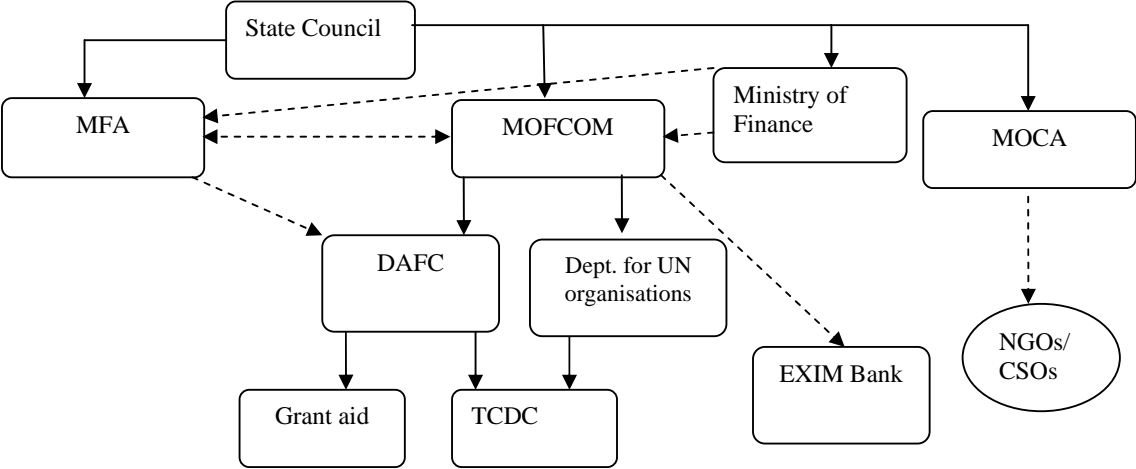
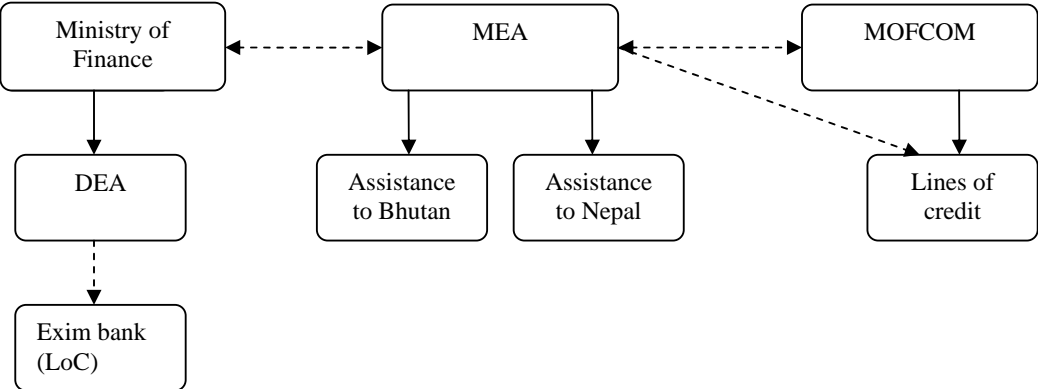
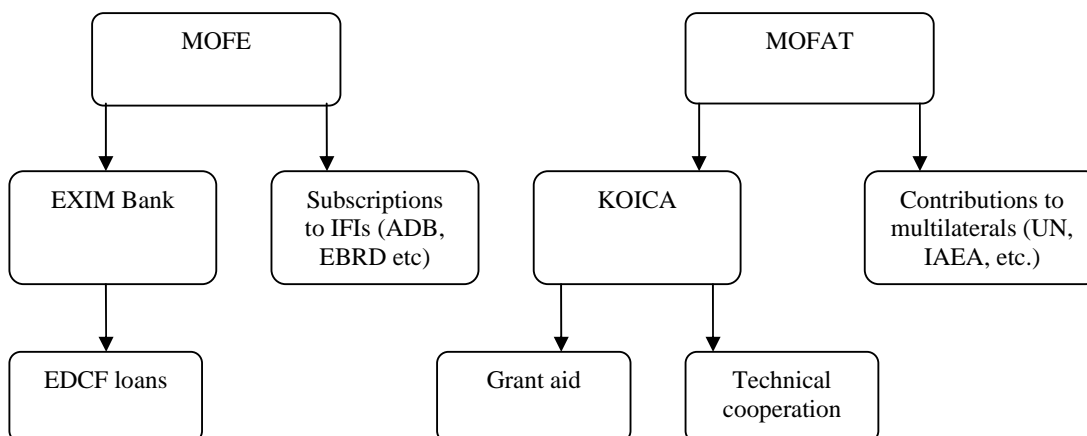


Figure 2: The structure of India's ODA management



**Figure 3: The structure of South Korea's ODA management**



### 3.3 Coordination and decision-making

A diffuse bureaucracy, combined with a hierarchical structure of decision-making, make coordination and effective dialogue on aid policy, principles and priorities across the government apparatus particularly challenging. With the increasing emphasis on foreign aid since the 1990s, however, and perhaps particularly following the response to the Indian Ocean tsunami, there have been a number of initiatives to improve coordination.

Part of the objective of the proposed legislation for Korea's ODA is to confirm the MFA's coordination role, and to reclaim coordination control over the ODA budget from other ministries. The decision to develop an emergency relief component within the legislation came about as a response to the tsunami.<sup>23</sup> South Korea has also established a committee composed of around ten ministries and the EXIM bank, which meets to determine major policy issues in relation to the Economic Cooperation and Development Fund. There is a similar committee under the Ministry of Foreign Affairs, in relation to grants.

China's Ministry of Commerce has established a panel which meets periodically to present major international or regional issues to relevant departments. In 2003, with a view to improving administration, the Ministry of Commerce formally began drafting 'Regulations on China's aid to Foreign Countries' (Hanjiang 2004). In addition, the 2004/05 tsunami response marked a significant development in cooperation within and across the government in humanitarian response. The government established a new 'Emergency Response Mechanism', bringing together a range of ministries.<sup>24</sup>

In both India and South Korea, due to the scale of the response to the tsunami, the prime minister's office took direct responsibility for coordination, not only across government but including NGOs and private actors. Whilst in South Korea this was a temporary arrangement and unique to the tsunami, in India the spending limits accorded to ministries mean that any expenditure of over Rs1 billion requires cabinet (and by implication prime ministerial) approval.

<sup>23</sup> The tsunami was the largest relief action that the government had ever carried out. It worked in close cooperation with civil society, and tasked the military to transport relief donated by NGOs, but prior to this the government had no legal framework for using military assets for humanitarian response.

<sup>24</sup> Including the Ministry of Commerce, the Ministry of Foreign Affairs and other key ministries such as the Ministry of Civil Affairs.

## 4. Trends in aid financing

### 4.1 Volumes

All three countries emphasise that, given continuing development needs domestically, volumes of external assistance cannot be as high as that expected from the DAC countries. Between 2000 and 2003, total humanitarian contributions reported on OCHA's Financial Tracking System from China, India and South Korea were \$9 million, \$21 million and \$244m respectively.<sup>25</sup> Nonetheless, all three governments envisage volumes increasing with levels of development – in recent years this has been the case, particularly in response to Iraq, Afghanistan and the tsunami. South Korea has stated its intention to increase the percentage of its ODA against GDP to 0.1% by 2009. Its current ODA is approximately 0.06% of GDP (though this figure would increase to around 1.2% with the inclusion of assistance to North Korea).

**Table 1: South Korea's ODA (US\$m)**

Type	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 (tentative)
Total	116	159	185	183	317	212	265	279	366	397
Bilateral aid	71	123	111	125	131	131	172	207	245	318
Grants	50	53	55	37	39	48	55	67	146	203
Loans	21	70	56	88	92	83	119	140	100	115
Multilateral aid	45	36	74	58	186	81	93	72	121	79
ODA as % of GNP	0.03	0.03	0.04	0.06%	0.08%	0.05%	0.06%	0.06%	0.06%	0.06%

Source: Data compiled from the Ministry of Finance and Economy<sup>26</sup>

Although China and India's aid programmes date back to the early 1950s, it is difficult to trace volumes or country allocations during the early years. In China, even today, state expenditure in this area is considered a matter of state concern and is rarely reported publicly. Despite this, there is evidence of Chinese bilateral and multilateral assistance, as well as twinning programmes with other donor governments, from as early as 1988.<sup>27</sup> Assistance at this time was modest in comparison to incoming assistance from the international community.<sup>28</sup> It is, however, possible to trace a steady trend upwards, primarily in gifts-in-kind (GIK) and technical assistance (the latter provided both in the recipient country and in China). The emphasis on GIK makes valuation very difficult, especially for the purposes of comparison with other donors. The most recent figures reported suggest that, in 2004, the Chinese government provided 30 countries with 36 'batches' of humanitarian and cash assistance for emergency disaster relief.

Whilst China's assistance has been directed to a large number of countries, the amounts have often been relatively small. The \$83 million in disaster relief which China pledged<sup>29</sup> in response to the tsunami in 2004 is even more significant in that light. Since then, total aid from China for tsunami relief is estimated to be in the region of RMB1.2 billion (approximately \$145 million), of which around RMB700 million (\$85 million) was provided by the government and RMB500 million (\$60 million) was donated by the public, the Chinese Red Cross and the China Charity Federation (CCF).<sup>30</sup>

<sup>25</sup> UN OCHA Financial Tracking System, April 2004.

<sup>26</sup> Compiled from KOICA Annual Report 2003, Korean International Cooperation Agency, and 2003–04 tentative figures from MOFE.

<sup>27</sup> Tian (1988), p. 64. It was recognised that third-party participation (in this case by the Canadian government) can enable a limited foreign aid fund to play a bigger role in the economic development of Third World countries.

<sup>28</sup> For example, in 1998 the government offered the UN development system \$4.04 million, while it received \$250 million from international organisations and donor governments.

<sup>29</sup> Official pledge at 11/01/05. See: <http://www.alertnet.org/thenews/newsdesk/L05533984.htm>.

<sup>30</sup> Source: CAITEC. The next largest contribution, RMB15 million in relief supplies, was in response to the earthquake in Bam, Iran, followed by goods valued at RMB10 million in response to the Ryongchon railway station explosion in North Korea; RMB10 million to Russia for the Beslan hostage crisis and RMB5 million to the victims of the Morocco earthquake.

Indian assistance is estimated to total around \$2 billion since 1964.<sup>31</sup> Under the MEA's Indian Technical and Economic Cooperation division (ITEC), India spends around Rs500 million annually. Within this, aid for disaster relief forms one of five key components on ITEC's programme.<sup>32</sup> Through this, India has provided relief supplies such as rice to Cambodia and North Korea, blankets to Algeria and medicines to Mongolia, Laos, Vietnam, Suriname and some Central American countries.<sup>33</sup>

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<sup>31</sup> See: <http://itec.nic.in/about.htm>.

<sup>32</sup> ITEC's five components are: (1) providing training to partner country nominees within India; (2) project-related activities including feasibility studies and consultancy services; (3) deputation of Indian experts abroad; (4) study tours; (5) aid for disaster relief. See <http://itec.nic.in>.

<sup>33</sup> See <http://itec.nic.in/about.htm>.

Table 2: Basic data (figures are four-year totals 2000–2003 unless indicated)

Country (in descending order of 2002 GDP)	Total humanitarian contributions 2000–2003 (US\$)	CAP contributions (US\$)	Contributions to OCHA (US\$)	GDP 2002 (US\$)* (millions)	GDP per capita population (US\$)*	GDP per capita growth rate (annual average 1992–2002)*	Total humanitarian contributions (annual average) as % of GDP	% of total humanitarian contributions in-kind**	Largest recipient country & year
China	9,127,202	96,772	40,000	1,237,145	966	8.0%	0.0002%	36%	Pakistan (drought), April 2000
India	20,713,044	8,583,595	–	515,012.4	491	4.2%	0.0010%	99%	Iraq crisis, 2003
South Korea	243,775,943	57,683,672	270,230	476,690.1	10,006	4.4%	0.0128%	94%	North Korea, 2002

\* As reported by the World Bank or CIA World Factbook.

\*\* Most countries also made in-kind contributions with no reported value; these therefore appear in neither side of this fraction.

Source: UN OCHA, FTS, April 2004; humanitarian aid figures are only the *reported* figures to OCHA, and therefore could underestimate total aid allocations.



#### 4.2 Recipients

Recipient countries of all three case study countries' aid are mostly within Asia, and mostly neighbouring countries. For South Korea and China, North Korea and South/Southeast Asian countries, which are considered closely related ('our kin'), are accorded priority on this basis. China is one of the largest recipients of South Korea's Economic Cooperation and Development Fund. ASEAN countries average around 65% of South Korea's development assistance, and although KOICA remains heavily development-focused, it increased its emergency assistance considerably in response to Afghanistan and Iraq (as of 2003, Iraq was the largest recipient of South Korean ODA thus far).<sup>34</sup>

**Table 3: KOICA's top-ten partner countries for 2001 and 2002**

2001			2002		
Country	%	US\$m	Country	%	US\$m
Vietnam	19.7	4.8	Afghanistan	7.7	4.8
Pakistan	17.7	4.3	Vietnam	7.6	4.7
Philippines	12.4	3.0	Indonesia	4.5	2.8
Uzbekistan	9.5	2.3	China	3.9	2.4
Mongolia	8.7	2.1	Egypt	3.0	1.9
UNHCR*	8.3	2.0	Philippines	2.9	1.8
Indonesia	7.9	1.9	Cambodia	2.8	1.8
China	6.8	1.7	Nepal	2.6	1.6
Nepal	4.7	1.1	Myanmar	2.5	1.6
Cambodia	4.3	1.1	Laos	2.3	1.4
<b>TOTAL</b>	<b>54.7</b>	<b>24.5</b>		<b>39.8</b>	<b>24.7</b>

\* This refers to contributions to UNHCR for Afghan refugees in 2001.

Whilst the vast majority of South Korean and Chinese assistance goes to a relatively small number of countries (particularly in terms of humanitarian or emergency assistance), there is a long tail of smaller contributions to a wide range of countries and regions: in 2004, it is estimated that China provided assistance to around 120 countries in total; South Korea to around 130. Whilst the amounts involved are relatively small, these aid relationships are an important expression of support. China provides aid to 'friendly' developing countries, and on the basis of China's own capabilities [MofCom].<sup>35</sup> Whilst no assistance from China to Africa is reported on OCHA's Financial Tracking System (FTS), China's own reports<sup>36</sup> suggest that a large number of African countries have been recipients of China's aid.<sup>37</sup>

India's assistance is also heavily concentrated on neighbouring countries, particularly Nepal, Bhutan, Sri Lanka, the Maldives, Myanmar, Bangladesh and Afghanistan, though again Africa is increasingly considered to be a priority region.

Both South Korea and India's assistance is closely tied to trade promotion and economic relations in the region. For assistance to flow to countries further afield, and for a greater proportion to be channelled to Africa and elsewhere, it was suggested that greater efforts at raising awareness of these countries and the issues they face would be required, both within the government and amongst the public more broadly.

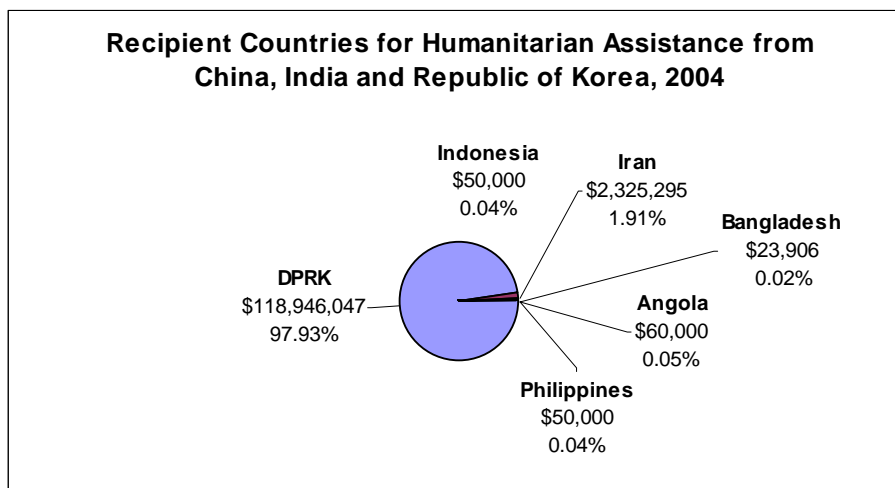
<sup>34</sup> In October 2003, the government pledged \$0.26 billion to Iraq from 2003 until 2007 (total ODA in 2003 was \$366 million). The first \$50 million was allocated in 2005.

<sup>35</sup> Around 120 countries receive regular assistance from China, including Sri Lanka, Cambodia, Nepal, the Maldives and Angola. Asian countries receive the largest proportion of assistance, but Africa is also a priority region, with around 40–45 countries receiving assistance.

<sup>36</sup> Ministry of Commerce (2004).

<sup>37</sup> In 2004, over 20 countries received small amounts of humanitarian assistance from China, including Iran (Bam earthquake), Morocco, Madagascar, North Korea, Russia, Bangladesh, Sri Lanka, Mali, and for a hurricane in the Pacific region. Together, these crises absorbed around 10% of China's total ODA. Since 2000, China has also provided assistance to Afghanistan, Liberia and Iraq. The Chinese Red Cross allocated 17% of its \$2.3 million of humanitarian expenditure to Sub-Saharan Africa for the period 2001–2004, and a further 33% to Low Income Countries in South Asia excluding Afghanistan.

Figure 1: Recipient countries for humanitarian assistance from China, India and South Korea, 2004<sup>38</sup>



#### 4.3 Forms and types of aid

Aid from all three countries is in the form of preferential loans and grants, and in the case of China joint ventures and cooperation in projects.<sup>39</sup> In both China and South Korea, humanitarian assistance is estimated to constitute on average around 10–15% of overall assistance provided. China and India both participated in the IMF and UN debt-relief programme to Highly Indebted Poor Countries (HIPC). India has written off around \$24 million owed by seven HIPC countries since 2003,<sup>40</sup> and debt forgiveness in China has progressed at a similar pace.

Gifts-in-kind (GIK) and technical assistance are popular in all three donors, far more so than cash contributions. Much of the assistance provided by China and India is in the form of GIK for projectised aid, including physical and infrastructure development, such as the building of railways, hospitals, schools and stadiums.<sup>41</sup> In 2004, India gave only in-kind contributions, and in the same year South Korea and China gave the majority of their humanitarian aid as GIK (93% and 97% respectively) (Randel 2005). India allocates a high proportion of its assistance to food, spending \$9 million in 2004. South Korea allocates a fifth of its humanitarian assistance to food – this amounted to \$57 million between 2002 and 2004.

Technical expertise and training form a core part of the aid programmes of all three donors. China's policy of 'Bringing home, going global', developed in 2002, is designed to provide training for personnel in developing countries.<sup>42</sup> The history of China's technical cooperation dates back before the institutionalisation of Technical Cooperation among Developing Countries (TCDC) within the UN system (Xiufen 1995). Technical expertise in areas such as disaster management and refugee rehabilitation has also been a key feature of India's assistance, for example in South Asia, Zambia and Zimbabwe. South Korea has a number of programmes providing technical expertise, including its 'dispatch of experts' programme; the country also offers training to foreign counterparts in South Korea.

#### 4.4 Channels of aid

Most aid from the three donor countries is channelled bilaterally, either directly to the recipient government, or through local NGOs or the national Red Cross societies (see the discussion of NGOs

<sup>38</sup> Randel, 2005 (unpublished).

<sup>39</sup> In South Korea loans are approximately 60% concessional, with an interest rate of between 0.5 and 3%.

<sup>40</sup> This includes debts owed to India from Mozambique, Tanzania, Zambia, Guyana, Nicaragua, Ghana and Uganda.

<sup>41</sup> On the current model, China generally sends personnel, including managers, engineers and technical experts, and both China and India contract domestic companies to carry out the projects. In China, these contracts are managed by the Ministry of Commerce, and the contracted companies are subject to a fairly extensive set of terms and conditions. The aim is to send only a core of trained and skilled personnel, and to recruit the rest of the staff at the country level to work under Chinese technical personnel.

<sup>42</sup> Ministry of Commerce Yearbook, 2002. For example, assistance to Iraq included technical training in engineering for Iraqis in China. China also dispatches medical and rescue teams, for example to tsunami-affected countries.

in Section 5 below). Humanitarian assistance is generally provided on the basis of requests through foreign embassies, and much of it is channelled either directly to the recipient government or through the embassies in the affected countries.

Chinese and South Korean embassies also have small funds of their own for providing small-scale project or emergency assistance, and retain some discretion in how to use this. This mechanism is in no small measure responsible for the highly projectised and dispersed distribution of assistance, to over 120 and 130 countries respectively. Whilst there has been discussion of concentrating assistance to improve aid effectiveness, these moves will inevitably be met by resistance in the embassies. These mechanisms are also held to be conducive to the rapid disbursement of funds to the recipient country, as well as fostering diplomatic relations, and China in particular prides itself on the speed of its response.<sup>43</sup> Indian embassies and high commissions similarly provide the in-country contact points for India's ITEC assistance.

It is estimated that as much as 95% of China's assistance is provided direct to the recipient country government. Despite India's preference for receiving aid through multilateral channels, the bulk of its international assistance is also channelled bilaterally. On the basis of UN agency and international organisation data, South Korea is the biggest non-DAC contributor to the UN and international organisations; its largest contributions go to WFP,<sup>44</sup> followed by UNHCR (for Afghanistan and Iraq) (Randel 2005).<sup>45</sup> To counter the trend of bilateral spending, some UN agencies are developing strategies to engage with these donor governments in order to build new partnerships.

WFP has developed innovative ways to encourage donors to select WFP as a preferred channel.<sup>46</sup> This includes visibility packages, sharing the associated costs of commodity contributions with a 'traditional' donor and increasing dialogue and awareness in the region about WFP's work. Since the 1990s, India has increasingly channelled food aid, both domestically and to Afghanistan, Iran and Iraq, through WFP. In 2004, for example, India contributed \$7.8 million in cash and almost \$16 million in-kind to WFP. China has contributed regularly to WFP since at least 1998, usually giving just over \$1 million each year, although it gave over \$4.5 million in 2000 and 2004.

UNHCR began to increase its focus on Asia in 2004, recognising that South Korea was already contributing a significant amount, but India, China, Malaysia, Thailand, Singapore and the Philippines were also emerging for UNHCR as potentially significant supporters. Randel notes that China has been a fairly regular contributor to UNHCR since at least 1996, albeit with relatively small amounts (in the region of \$0.25–0.3 million).<sup>47</sup> UNHCR's strategy, however, is only in its infancy, and it is combined with broader goals of maintaining good relations with the respective governments and advancing sensitive policies. In South Korea this includes advising on policy on inter-Korean issues. In China, there was been an emphasis on advancing policy development and appropriate legislation to implement the 1951 UN Convention on refugees, and in India, where the government is not a signatory to the 1951 Refugee Convention or its 1967 Protocol, the lack of a legal framework is a significant barrier to managing refugee matters (Price 2005).

Unlike WFP and UNHCR, UNICEF has a decentralised approach to fundraising, and relies on its in-country capacity through its national committees and the relations that country teams have with the recipient government. The Korean Committee raises significant volumes of funds for UNICEF each year, but the majority of this comes from private fundraising rather than the government. In addition, the government made a substantial donation of \$4.8 million in 2003 to UNICEF global

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<sup>43</sup> For example, China claims to have disbursed more than 50% of the estimated \$150 million total raised for tsunami relief by the end of March 2005.

<sup>44</sup> This is largely for North Korea – for instance, in 2003 \$16 million was allocated to WFP by South Korea for North Korea, and \$23 million in 2004.

<sup>45</sup> South Korea has contributed at least \$1 million each year to UNHCR since 1997 (rising to a high of \$2.5 million in 2003 before falling back to \$1.5 million in 2004).

<sup>46</sup> WFP's regional engagement with these countries is managed from its Bangkok office, established in 2001. However, donor relations work started only in 2003. The key donors are China, India, Thailand, Malaysia and Vietnam, as well as the South Korean private sector.

<sup>47</sup> China did not provide funding in 1999 and 2000. China also covers most of the costs of Vietnamese refugee assistance within China, with UNHCR contributing only around \$50,000 per annum. From January 2005, this credit fund was passed over to the management of the Chinese government.

appeals. India also made a one-off contribution in 2002, but no contributions are recorded for the previous five years, or for the following year (Randel 2005).

## 5. Local organisations and the private sector

### *5.1 Development and internationalisation of NGOs*

Despite the phenomenal growth of the NGO community worldwide, there is limited capacity building and support for international work of indigenous NGOs in any of the three countries, either by the government or by most foreign donors. There are signs, however, that this is slowly changing in South Korea and China.

With the exception of the Indian Red Cross,<sup>48</sup> very few Indian NGOs are involved in the provision of humanitarian assistance. However, India's large micro-finance organisations have experience in international assistance efforts, particularly in the recent tsunami response. Most NGOs lack the capacity to respond internationally, largely because of financial and operational constraints. However, given India's recent policy to require smaller donors to India to channel their assistance through NGOs, this capacity may increase. To date, the Indian government has not demonstrated an interest in channelling its assistance through Indian NGOs (Price 2005). If the government did channel its assistance through national implementing partners, the most likely organisation is the Indian Red Cross, which has close links with the government.<sup>49</sup>

In both China and South Korea, the number of domestic NGOs has increased significantly in recent years. The pace of NGO growth has been most dramatic in China, particularly following the 1995 International Women's Conference in Beijing. However, despite the huge number of non-profit organisations, in addition to the Red Cross society, only the China Charity Federation has been involved in international assistance, when it collected and administered public donations in 2005 in response to the tsunami.

Overall, Chinese NGOs usually receive only around 10% of their income from private donations and fundraising, but the public is beginning to pay more attention to international humanitarian assistance,<sup>50</sup> and support is likely to increase. Private donations to the tsunami relief effort exceeded \$12.2 million. If sustained, these levels of public support will have significant implications in terms of the government's support of, and relationship with, NGOs.

#### **Box 1: The Chinese Red Cross Society**

The Chinese Red Cross (CRC) was founded in 1904 as an office of the ICRC in Shanghai. After the 1911 revolution, it became a national society. International assistance has been part of the CRC's activities almost since its inception. During the First World War, the CRC sent aid (in cash) to European countries, as well as medical teams to Japan. When the CRC's domestic activities were all but stopped during the Cultural Revolution, it continued to survive as an organisation in part because it offered the government a channel to provide aid to other countries.

Since 1978, the CRC has again become active in domestic work, which forms the core of its activities. All of China's provinces now have branches of the CRC, and there are a total of 156,000 grassroots units at the town/village level. CRC has around 22 million members and 400,000 volunteers. The CRC has an annual budget of around RMB5–6 million from the government. It provides assistance to between 16 and 20 countries annually – usually through the national Red Cross Society in the affected country or through the IFRC. Whilst the CRC also receives some funding from the private sector for domestic appeals and major international crises (such as Iraq, Afghanistan and the tsunami), the amounts are still small.

<sup>48</sup> The Indian Red Cross has provided gifts-in-kind in response to humanitarian crises such as the earthquake in Bam, Iran.

<sup>49</sup> The president of the IRC is also president of India, the chairperson is the Minister of Health and the district collector is the chair of the IRC at district level.

<sup>50</sup> It has been estimated that more than 1% of the Chinese population donates some of their income every year to recipient countries abroad [CAITEC].

**Box 2: The China Charity Federation**

The China Charity Federation (CCF) was established in 1994. It has branches in most provinces, and is active in fundraising, organising activities and providing a network for distribution at the local level, either direct to beneficiaries or to social welfare organisations. Since its inception, the CCF has raised around RMB1.8 billion in cash and kind, with a further RMB5 billion raised at the local branch level. Of the RMB1.8 billion, approximately half is raised domestically and half internationally. The overwhelming majority of donations come from domestic and international companies. CCF engaged in international humanitarian assistance for the first time in response to the tsunami in December 2004, raising over RMB200 million. Most of the funds were channelled through Chinese embassies or directed on the advice of recipient country embassies in China.

In South Korea, the Korean Red Cross is also an important actor. It provides assistance to a large number of countries, but in volume terms North Korea receives by far the largest share. In most years (with the exception of some significant gifts-in-kind to North Korea), the Korean Red Cross' income comes overwhelmingly from sources other than the government.

A number of South Korean NGOs have been active in international assistance since the early 1990s, and the sector has grown considerably over the decade. However, the government provides only around 10–15% of NGO funds for international programmes and assistance to North Korea. Korean NGOs, through the two umbrella bodies for NGOs providing North Korean and international assistance, are actively seeking to encourage the government to channel a greater proportion of its assistance through NGOs. Out of an estimated total annual budget of around \$400 million for inter-Korean assistance, only around \$15 million is channelled through Korean NGOs. Of the international assistance provided by KOICA, the proportion channelled through NGOs is only around 5%.<sup>51</sup> Two major international NGOs founded in Korea are World Vision and Good Neighbours International.

**Box 3: South Korean international NGOs**

South Korea is the birthplace of World Vision, today one of the largest INGO federations in the world. Established as a country office to aid the poor during the Korean War, World Vision Korea became financially self-sufficient in 1991 and began its own international assistance. Since then, its programmes have increased from an original \$152,000 to \$7.2 million across ten countries in 2004. South Korea and Taiwan are the only World Vision offices to run both national and international programmes.

Good Neighbours International (GNI) was founded in Korea in 1991. By 1993, GNI was involved in relief programmes in Ethiopia and Somalia, and the following year was involved in refugee assistance in Rwanda and Goma. In 1996, GNI became the first Korean NGO to obtain consultative status with ECOSOC. The international programme has continued to expand, and in 2005 GNI was planning to work in 17 countries.

Both World Vision and GNI aim to work through local partner organisations or their own offices in recipient or neighbouring countries. Whilst both began their international assistance programmes with development projects, Good Neighbours now uses its humanitarian and emergency programmes as a way of expanding its development projects outwards.<sup>52</sup> This provides an interesting reversal of China's policy of prioritising emergency assistance to those countries it supports developmentally.

*5.2 Regulations and limitations for local organisations in China*

Of the estimated three million NGOs in China, only around 280,000 (less than 10%) are legally registered. This means in effect that the government is unable to supervise 90% of the country's NGOs or their activities. Part of the reason for this is the complicated procedure involved in

<sup>51</sup> Good Neighbours, for example, received approximately 15% of the funding for its work in Bangladesh, Ethiopia and Kenya from KOICA. The share of funding from the government for GNI's work overall is approximately 5.4%.

<sup>52</sup> For example, having used Nairobi as a base for the Rwanda operations, GNI opened a development project in Kenya the following year.

registration itself. NGOs need to register not only with the Ministry of Civil Affairs, which has responsibility for NGO registration and oversight, but they also need to secure the sponsorship of the relevant ministry for their sector/s of work, for example the Ministry of Health or Education. Only once an organisation has registered with both will the government authorise a bank account for private fundraising by the organisation.

Even for those NGOs which are registered, reporting requirements are either weak or inconsistently applied.<sup>53</sup> Reporting requirements for NGOs are likely to increase as the legislative framework for China's aid is developed, but some streamlining of the regulatory environment is likely to be a prerequisite. Regulation is complicated and its structure is fragmented: there is separate regulation for the administration of social organisations, non-profits and foundations. There is also a lack of counterpart legislation of, for instance, tax or customs, which would create the necessary framework on the government side.<sup>54</sup> A further weakness in the regulatory framework is the gap between central policy and its interpretation at the local, municipal and provincial levels of government. The Ministry of Civil Affairs has limited capacity to regulate or ensure compliance with its regulations at the local level, and relies on the provincial-level governments to implement its policy.<sup>55</sup>

There are also broader barriers to NGOs becoming active in international assistance or dialogue in China. Perhaps the most oft-cited reason is that China itself is still a developing country, and China's NGOs have responsibilities in poorer regions of China. It is likely that the government has its priorities for NGOs in China, which include the provision of vital welfare services to the poorest areas, as well as labour associations. This has also limited the opportunities available to NGOs to develop the capacity required for international assistance work. Second, NGOs are not allowed to engage in international assistance without government approval, and this is not easy to obtain.<sup>56</sup> It was suggested that part of the reason for this was that the government wants to retain a 'monopoly on foreign policy', and that China's foreign aid policy is understood to be the concern of government and not of NGOs.

### *5.3 Coordination and dialogue with implementing partners*

NPO Net is a network of the ten largest Chinese NGOs. It is consulted by government agencies on specific issues/themes, such as leadership, fundraising, accountability and management. It also offers training and capacity-building. There are now also some activities with government backing, such as the China Association of NGO Cooperation (CANGO), which have increasing contacts with international NGOs and collaborate with them, in addition to their domestic activities. The International Cultural Exchange Association has a government background and engages in high levels of international cooperation. Over the past three years, China's MFA has begun to promote the involvement of Chinese NGOs in the UN and has encouraged them to apply for consultative status with ECOSOC. Seventeen Chinese NGOs now have consultative status.

South Korea similarly has a number of NGO umbrella bodies: the Korean Committee for Overseas Cooperation, which acts as a forum for communicating with both the media and the government, and the Korean NGO Consortia for Cooperation with North Korea, which seeks to liaise with the Ministry of Unification on policy and funding issues relating to North Korean assistance. South Korea's MOFAT has also encouraged NGOs to apply to ECOSOC, and around 10% of Korean NGOs have obtained special consultative status.

### *5.4 Prospects for private sector interests*

In India and China, the private sector is likely to play an increasingly important role in international assistance. In India, both private and state-owned companies provided cash and in-kind contributions for the tsunami relief effort, and have been a key means of extending South-South

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<sup>53</sup> The China Charity Federation, one of the largest NGOs in China, last reported formally in 1998.

<sup>54</sup> The Ford Foundation, China Development Brief and the British Council have all been involved in research to better understand and support the development of Chinese NGOs and, in the latter case, to identify ways in which the regulatory environment could be streamlined and improved, as well as a set of principles for guiding the relationship between government and civil society at the local and national levels.

<sup>55</sup> Thus, despite the official directive that charities are not allowed to have more than one branch, the China Charity Federation has more than 50, each registered separately at the provincial level rather than the central ministry.

<sup>56</sup> During the tsunami, the China Charity Federation and the Chinese Red Cross were the only organisations mandated by the government to raise and allocate public funds for the tsunami response.

cooperation from India, for example through lines of credit. China has also demonstrated its interest in bidding for supply and consulting services (particularly in engineering) to the ADB.

Many of the UN agencies, including UNHCR and UNICEF, note the importance of China and India as current (and potentially significant) supply and resource bases for procurement and contracts. In 2003, India was UNICEF's third-largest supplier (to the value of \$71 million), and South Korea (\$12 million) and China (\$6 million) were both in UNICEF's top 20 list of suppliers – primarily for vaccines, selected pharmaceuticals and school materials. This is not unimportant for UNICEF's global appeal – seven of UNICEF's top supplier countries host UNICEF programmes for children, and one-third of UNICEF's total procurement is from suppliers in developing countries. There is an acknowledged interest in reducing GIK and having the cash support to buy supplies at market rates, which is more sustainable for UNICEF's business model in the longer term. Thus, there may be interest in developing alternative ways of supporting UNICEF's work from donors that traditionally provide much of their support in-kind.

UNICEF is working with China on possible options for increasing its pharmaceuticals and vaccine supplies. There are currently nine vaccine suppliers and five principal pharmaceutical companies, and UNICEF would like to increase awareness and interest so as to attract at least one addition to its procurement options. The significant challenge is providing the stimulus for a state-owned and state-dominated sector to respond to business propositions. In November 2004, UNHCR established a Senior Procurement Officer post to explore procurement options in Yiwu in Zhejiang province, from where Kuwait buys commodities to send to Africa (and probably to UN agencies).



## 6. Regional and international cooperation

Given the increasing emphasis on humanitarian aid by these donors, particularly following the tsunami disaster in December 2004, the three Asian governments are interested in building more cooperative partnerships. However, the highly bilateralised approach to aid spending in the past has meant that the routes for increased cooperation and dialogue remain underdeveloped.

### *6.1 Regional cooperation*

Aid coordination with other bilaterals in Asia, or with the multilateral system, is not systematic. South Korean officials note that the country will actively coordinate on the basis of recipient country requests, but that it would not voluntarily coordinate a donor conference meeting. Similarly, whilst South Korea has in some respects used Japan as a model for the development of its own programme, to date there has been limited dialogue between the two countries about South Korea's aid.

China began hosting forums for an aid dialogue in the late 1990s, but invitations were primarily extended to officials responsible for receiving China's aid, not to other aid donors in the region. In 2000 and 2002 China hosted a China–Africa Cooperation meeting, where pledges of renewed commitment to assistance in Africa were made, including significant debt relief. China has also pursued specific strategic partnerships at the regional level. For example, China engages in meetings for Asia-Pacific cooperation, and various forms of economic cooperation are discussed at the Shanghai Cooperation Organisation. China is also a member of the ADB (and recently pledged a \$20 million fund to promote regional cooperation and poverty reduction among developing countries in Asia.<sup>57</sup>

In 2004, India attended the Nepal Development Forum, and was one of the Group of Four donor states, along with the US, Australia and Japan, that led the co-ordination of the response to the tsunami. The group was wound up in mid-January 2005, when the UN took over the co-ordinating role. For India, the chance to be regarded as a key player in the relief effort was a major political opportunity, which may change its attitude to co-ordination in future disasters (Price 2005).

ASEAN plus 3 (see Annex 3) provides a forum for dialogue on regional cooperation. However, with the exception of Japan and South Korea, all ASEAN members are currently net recipients rather than donors, and coordination to date has been economic rather than aid-related. It will take both time and political interest to establish ASEAN as a mechanism for regular donor dialogue at the regional level. A special ASEAN meeting in Jakarta on 6 January 2005 was used to announce governments' contributions to relief and reconstruction in tsunami-affected countries. ASEAN members also agreed to progress a number of initiatives under the 'prevention and mitigation' headline goal. This has led to the establishment of an ASEAN Agreement on Disaster Management and Emergency Response in July 2005.<sup>58</sup>

### *6.2 International cooperation*

At the international level, there have been tentative moves towards increasing engagement in both the work of the UN development arm and its agencies, and other international fora such as the DAC. Until recently, opportunities for these donors to engage with the latter fora were very limited, but opportunities are slowly opening up. There are also signs that the political benefits of coordination are becoming evident.

### *6.3 UN agencies and international organisations*

Whilst cooperation with multilateral agencies has been limited, it has begun to increase in recent years, particularly in response to major humanitarian crises such as the earthquakes in Iran and Algeria, and in Afghanistan, where each donor has sought to cooperate with the relevant UN agencies. UN agencies were often noted by officials in China and South Korea as trusted institutions that could channel their aid efforts in a neutral manner, particularly in contested environments such

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<sup>57</sup> The regional fund was the first such fund to be set up by a developing member country of ADB and the first financed by China at any institutional institution.

<sup>58</sup> See <http://www.aseansec.org/17579.htm>.

as Iraq. India has also contributed to the IMF's Emergency Assistance fund,<sup>59</sup> which supports recovery from natural disasters and armed conflicts.

UNDP plays a facilitating role and has partnerships with the Chinese government on specific activities; it often covers the airfares or associated costs for China's training of experts programme, with the costs of training and the expenses in-country being covered by China. Cooperation through various forms of TCDC has been happening for at least ten years. Since the establishment of the UN's Department of Humanitarian Affairs in 1992, China has provided the DHA and now OCHA with an annual contribution of \$20,000. However, generally OCHA had very little support from the region until the tsunami.

The OECD-DAC's engagement with non-member countries began in the early 1990s, but from 1998 to 2004 it largely dropped off the DAC's agenda. Re-engagement began in the context of the Millennium Development Goals (MDGs), especially MDG8, and the need to extend the aid effectiveness debate and agenda into a much wider pool of stakeholders. In February 2005, the DAC and UNDP hosted a 'forum on partnerships for more effective development cooperation', at which China and South Korea were represented by high-level officials. India did not send a delegation to the forum. The meeting was considered successful, in part because the emphasis was on creating space for a dialogue of 'mutual benefit', and the issues had been presented in a way that encouraged dialogue, including support of South-South cooperation. Following the February meeting, the DAC set up a 'Centre of Cooperation for non-members'. However, there remain funding and resource constraints within the DAC, and it is as yet unclear how this work will advance. Through a separate initiative, the UK Department for International Development (DFID) is discussing the possibility of including China as an observer in the DAC peer review of DFID's aid programme, which is scheduled for 2006.

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<sup>59</sup> India's contribution was SDRs1.5 million (approx. \$2.74 million) as of mid-April 2005, according to IMF statistics ([www.imf.org](http://www.imf.org)).

## 7. Transition

The rapid economic growth and political aspirations of these three countries has been a key factor in the emergence of aid programmes. The potential contribution these countries could make to humanitarian efforts in the region and globally is exceptional. However, the shift to aid donorship is complicated by the process of ‘graduating’ countries from assistance programmes. Each financial and technical assistance provider has its own criteria for ‘graduation’, and the timeframes for the transition process differ considerably.<sup>60</sup>

DFID has initiated a ‘Global Development Player’ programme in China, marking the beginnings of the ‘graduation’ of China from DFID’s aid programme. It is not a rapid exit. The programme is set to end in 2012. However, in the interim, the programme will focus on a series of development issues, including trade, the environment and aid effectiveness and harmonisation in Africa. The two governments are also exploring possibilities for greater field-level cooperation where they are operating in the same settings, and Tanzania and Ghana have been identified as starting points for increased cooperation. Australia has initiated an informal dialogue with China regarding aid efforts in the Pacific. There is an interest in developing a greater dialogue on aid effectiveness in the region, to encourage a sustained commitment to the development challenges in the Pacific, and to ensure predictability in budget allocations.

Amongst the UN agencies, positions are mixed as to whether the emphasis should be on assisting the vulnerable populations in India and China, or building internal capacity for domestic and international assistance mechanisms. WFP has aimed to build internal capacity and at the same time has been quick to identify the resource mobilisation potential in these countries. WFP is the only UN agency with which China has completed the transition from recipient to donor.<sup>61</sup> From 2006, WFP’s office in Beijing will become a liaison office, focusing exclusively on building WFP’s relations with the Chinese government, primarily for fundraising.

India’s shift from aid recipient to donor is illustrated through its relationship with WFP. Over the past 42 years, WFP has provided India with around \$1 billion of assistance. Like other UN bodies, the WFP has tried to work in collaboration with the government on small-scale pilot projects. India’s food stocks grew in the 1990s – a result of a succession of good monsoons – and over the last couple of years India has become one of the major donors to the WFP. India provides the bulk of the food distributed internally by the WFP, and has also provided assistance through the WFP to Afghanistan, Iran and Iraq.

Other UN agencies maintain that their presence in the region, whilst shifting to policy advice and capacity-building, remains as important as two decades ago. In interviews with government officials in China, there was an emphasis on sharing knowledge and expertise in the transitional process with other countries in the developing world, and UNDP plans to develop programmes along these lines in both South Korea and China, emphasising the importance of the MDGs, in particular MDG8. UNICEF will also concentrate on capacity-building, policy development and enhancing knowledge and information-sharing.

As for domestic support for aid programmes, the picture is mixed. Close historic and kinship ties, economic relations and regional security concerns are at times the driver for increased support to foreign aid. However, at other times, for example regarding relations with North Korea and its nuclear capacity, the effect is in the opposite direction. Despite the collective momentum to assist during the tsunami, it is unclear whether more sustained support will be possible.

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<sup>60</sup> For example, the World Bank’s ‘graduation threshold’ is the point at which discussions to begin formal graduation from borrower to donor status with the World Bank would normally begin. The ‘graduation threshold’ is \$5,115 (2001 prices) GNI per capita. India and China remain two of the largest borrowers from the World Bank and Asian Development Bank.

<sup>61</sup> The final shipment of grain arrived on Thursday 7 April 2005, marking an end to China’s recipient status.

## **8. Conclusions and policy recommendations**

Whilst each country's international assistance policy is in a state of transition, the focus will probably continue to be on aid as a form of mutual assistance and South–South cooperation, with the aim of enhancing trade relations, as well as developmental and humanitarian concerns. Relations with near neighbours will continue to be a focus of aid programming. Aid, and particularly humanitarian aid, will also continue to reflect other, broader geopolitical ambitions, particularly when crises occur in the region. Bilateral preferences for channelling assistance may continue to predominate, primarily because this is a diplomatic gesture of cooperation between two countries, not an official contribution to the international financing pot. If this is to change, the dividends of other channels for assistance will have to be demonstrated by others in the international community, both donors and international organisations. These efforts would need to target not only the political and administrative realms of the donor governments, but increasingly their publics, who make up the majority of the world's poor.

### **Policy recommendations for Asian donors**

1. Consider options for the development of communications and public awareness campaigns on the role of official development and humanitarian assistance.
2. Consider multilateral channels for humanitarian action, respecting the regional focus and in line with considerations of capacity, reach and humanitarian principles, including impartiality.
3. Examine the opportunities for developing a supportive regulatory framework for international humanitarian action for indigenous NGOs and other organisations.
4. Consider options for establishing a regional dialogue between Asian aid donors in fora such as ASEAN and others hosted by UN agencies or the regional financial institutions, such as the ADB.
5. Increase the transparency and accountability of official aid, both in the interests of visibility and trust and to improve the performance and reporting of official aid expenditure, including reporting all humanitarian aid expenditure to OCHA's Financial Tracking system.

### **Policy recommendations for international organisations and donor governments**

1. Explore opportunities to increase policy dialogue with Asian donors on humanitarian issues, including options for sharing technical expertise in disaster aid management.
2. Explore options for supporting and increasing capacity for monitoring and reporting aid flows.
3. Consider options for twinning and cost-sharing of interventions in third countries.
4. Increase capacity by investing in Asian channels for assistance at times of humanitarian crisis in the region, including the national Red Cross and local organisations.
5. Share guidelines on private sector engagement in humanitarian action and support indigenous approaches to private sector.

## Annex 1 List of interviewees

Toru Shibuichi	Asian Development Bank
Chris Spohr	Asian Development Bank
Dong Hua Wei	China Charity Federation
Nick Young	China Development Brief
Xue Hong	Chinese Academy of International Trade and Economic Cooperation, Ministry of Commerce, PRC
Cao Jinli	Chinese Academy of International Trade and Economic Cooperation, Ministry of Commerce, PRC
Xiaohua Wang	Chinese Red Cross
Hu Zhang	Chinese Red Cross
Yu Ying Fu	Department for Aid to Foreign Countries, Ministry of Commerce, PRC
Kebur Azbaha	Department for International Development, China, British Embassy
Holger Grundel	Department for International Development, China, British Embassy
Yeong June Kim	Development Cooperation Division, Ministry of Finance and Economy, Republic of Korea
Dohnson Yang	Development Cooperation Division, Ministry of Finance and Economy, Republic of Korea
Kim Min-Sun	Development Cooperation Division, Ministry of Foreign Affairs and Trade, Republic of Korea
Andrew Watson	Ford Foundation, China
Kim In Hee	Good Neighbors International
An Seung Jin	Good Neighbors International
Sung-Ho Chung	Korea International Cooperation Agency
Chang Hyung-sik	Korea International Cooperation Agency
Claire Choi	Korea International Foundation for Health and Development
Cho Do-Yeon	Korea International Foundation for Health and Development
Kong Han Chul	Korea International Foundation for Health and Development
Kim Hyun Kyong	Korea International Foundation for Health and Development
Juja Kim	Korean Red Cross
Yong-Hoon Rheem	Korean Red Cross
Hwang Jay	Korean Sharing Movement
Lee Jong Moo	Korean Sharing Movement
Wang Min	Tsingua University
Li Tianwu	Permanent Mission of the People's Republic of China to the United Nations
Hong-gi CHOI	Permanent Mission of the Republic of Korea to the United Nations
Andrew Claypole	UNICEF, People's Republic of China
Park Dong-Eun	UNICEF, Republic of Korea
Kang Nam Wook	UNICEF, Republic of Korea
Anne-Isabelle Degryse-Blateau	UNDP, Republic of Korea
Lu Lei	UNDP, People's Republic of China
Bert Wu	UNDP, People's Republic of China
Marion Hoffmann	UNHCR, Republic of Korea

## **Annex 2**

### **Eight principles for China's aid to foreign countries, Premier Zhou Enlai, 1964**

1. Chinese Government always bases itself on the principle of equality and mutual benefit in providing aid to other countries. It never regards such aid as unilateral alms but as something mutual.
2. In providing aid to other countries, the Chinese Government strictly respects the sovereignty of the recipient countries, and never attaches any conditions or asks for any privileges.
3. China provides economic aid in the form of interest-free or low-interest loans and extends the time limit for repayment when necessary so as to lighten the burden of the recipient countries as far as possible.
4. In providing aid to other countries, the purpose of the Chinese Government is not to make the recipient countries dependent on China but to help them embark step by step on the road of self-reliance and independent economic development.
5. The Chinese Government tries its best to help the recipient countries build projects which require less investment while yielding quicker results, so that the recipient governments may increase their income and accumulate capital.
6. The Chinese Government provides the best-quality equipment and material of its own manufacture at international market prices. If the equipment and material provided by the Chinese Government are not up to the agreed specifications and quality, the Chinese Government undertakes to replace them.
7. In providing any technical assistance, the Chinese Government will see to it that the personnel of the recipient country fully master such techniques.
8. The experts dispatched by China to help in construction in the recipient countries will have the same standard of living as the experts of the recipient country. The Chinese experts are not allowed to make any special demands or enjoy any special amenities.

### **Annex 3**

#### **Member countries of regional fora**

##### **Association of Southeast Asian Nations (ASEAN)**

Brunei  
Cambodia  
Indonesia  
Laos  
Malaysia  
Myanmar  
Philippines  
Singapore  
Thailand  
Vietnam

##### **ASEAN *plus 3*** (in addition to the above countries)

China  
Japan  
South Korea

##### **Asia-Pacific Economic Cooperation (APEC)**

Australia  
Brunei  
Canada  
Chile  
China  
Hong Kong  
Indonesia  
Japan  
Korea  
Malaysia  
Mexico  
New Zealand  
Papua New Guinea  
Philippines  
Russia  
Singapore  
Taiwan  
Thailand  
United States  
Vietnam

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- DFID: <http://www.dfid.gov.uk/countries/asia/china.asp>
- ITEC: <http://itec.nic.in/about.htm>
- UNICEF: [www.unicef.org/infobycountry/india\\_india\\_statistics.htm#2](http://www.unicef.org/infobycountry/india_india_statistics.htm#2)
- USAID: [www.usaid.gov/in/UsaidInIndia/Act\\_FoodAid.htm](http://www.usaid.gov/in/UsaidInIndia/Act_FoodAid.htm)