

IV

REGIONAL DEVELOPMENT COOPERATION IN ASIA AND THE PACIFIC

INTRODUCTION

ODA has been an important resource in the process of economic growth and social advancement of developing countries, including those in the Asian and Pacific region.¹ It will remain so for the foreseeable future. Indeed, external aid is seen as one of the principal means to enable developing countries to achieve the poverty reduction and human development goals set by the United Nations Millennium Summit in its Declaration adopted by the General Assembly in September 2000. It is thus a major catalyst to socio-economic development, particularly in those countries which have the right policy environment but lack the infrastructure and capabilities necessary to mobilize sufficient domestic resources and to attract private capital flows.

External aid is a principal means for developing countries to reduce poverty

The Secretary-General of the United Nations, in his report entitled “Road map towards the implementation of the United Nations Millennium Declaration”,² urged industrial and other donor countries to provide ODA equal to 0.7 per cent of their GNP; to distinguish between the portion of aid spent on development and that spent on humanitarian assistance so as to prevent erosion of the former; and to allocate ODA to

¹ ODA as defined by the Development Assistance Committee of OECD comprises those flows to developing countries and multilateral institutions provided by official national agencies mainly for the promotion of economic development and welfare. It includes technical cooperation. ODA is concessional in nature and has a grant element of at least 25 per cent. Flows meeting this test but directed to countries and territories in transition, including more advanced developing countries, are considered to be official aid (OA). Thus, ODA grants made by Governments or official agencies are transfers, in money or in kind, for which no repayment is required (unrequited official transfers). ODA/OA loans are those with maturities of over one year and meeting the criteria of ODA. However, repayment of both principal and interest in convertible currencies or in kind is required. Other official flows are official transactions whose main objective is not primarily development or whose grant element is below the 25 per cent threshold. Private sector transactions consist of direct investment, bank lending, investment in bonds and equities and export credits. Total net resource flow is defined as the sum of net ODA, net other official flows and net private sector flows.

² A/56/326.

countries that need it most as well as to those whose policies are effectively directed towards reducing poverty. The Third United Nations Conference on the Least Developed Countries reconfirmed that 0.15-0.20 per cent of the GNP of developed countries should be directed to the least developed countries as ODA. The special role of development assistance in facilitating the realization of the millennium development goals is to be considered at the International Conference on Financing for Development, scheduled to be held at Monterrey, Mexico, in March 2002. The Secretary-General of the United Nations has urged the Conference to adopt an additional \$50 billion in ODA, a doubling of current levels, as an interim, short-term target, achievable within two or three years.³

These targets are challenging in themselves, given the number of issues pertinent to development cooperation arising in the Asian and Pacific region:

ODA to the ESCAP region declined, notwithstanding reforms

- Several developing countries, including many in Asia and the Pacific, undertook major economic and political reforms in the 1990s, a decade which also witnessed a considerable improvement in the fiscal situation of most donor countries. However, the overall level of ODA to developing countries in the region declined, instead of increasing, throughout most of the decade.
- Development assistance has tended to flow towards recipient countries able to create and sustain an environment in which ODA could have a rapid and measurable impact on socio-economic development and poverty alleviation.
- This suggests that a dilemma between aid and need may have emerged. Countries that remained the least able to implement ancillary economic reform and restructuring measures effectively were often among the poorest and least developed. However, those countries did not necessarily receive the level

A dilemma between aid and need may have emerged

³ The report of the High-level Panel on Financing for Development (known as the "Zedillo report") estimated the additional cost of achieving the millennium development goals at approximately \$50 billion per year (see "Recommendations of the High-level Panel on Financing for Development" transmitted to the General Assembly as part of the above report, in document A/55/1000). More recently, the World Bank has estimated that attaining these goals will require between \$40 and \$60 billion annually in additional ODA, provided that the recipient countries improve their policy and institutional environment to make them more conducive to aid and assuming that FDI flows and the world trading system remain essentially unchanged (see World Bank, "The costs of attaining the millennium development goals", available at <<http://www.worldbank.org/html/extdr/mdgassessment.pdf>>).

of assistance, or, for that matter, FDI, needed to enable them to take full advantage of the wide range of concessions and preferences accorded them, especially in their global integration efforts, including trading relationships with the donor community itself.⁴

- A more judicious convergence of donor interests and preferences, and recipient capabilities in aid absorption, is needed to maximize the total impact of financial and non-financial ODA. Better coordination of aid programmes and projects, including those of a bilateral nature, is also necessary. Moreover, the active participation of recipient countries in the design and implementation stages could enhance ODA effectiveness. At the same time, ways and means should be found to lessen administrative burdens, particularly in smaller recipient economies.⁵
- Development cooperation is no longer confined exclusively to financial and technical flows from developed to developing countries, especially in Asia and the Pacific. In fact, certain components of the ODA programmes of several developing countries in the region are comparable in size and scope to those offered by traditional, developed country donors. Indeed, in several cases, the duality of their roles (as both aid recipients and donors) could help considerably in the development of unique yet effective partnerships between those countries and a wide range of ODA recipients.
- Effective coordination of programmes and projects from developing country donors, as well as between those donors and developed countries, combined with local ownership of projects and programmes, could generate considerable synergies. A good case in point is embodied in such triangular modalities as third-country training programmes conducted by local experts and consultants from developing countries but funded or sponsored by developed countries.

*Donors' preferences
and recipient
capabilities need to
converge more
judiciously*

*South-South
cooperation is
increasing in
importance*

*Triangular
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considerable
synergies*

⁴ The role of ODA in meeting the financing gap of the least developed countries, and associated trade policy issues, was discussed in *Review of Implementation of the Programme of Action for the Least Developed Countries for the 1990s: Asia and the Pacific* (ST/ESCAP/2121) and *Review of Implementation of the Programme of Action for the Least Developed Countries for the 1990s: Subregional Studies* (ST/ESCAP/2084).

⁵ For an analysis of issues concerning aid administration and effectiveness from the recipients' points of view, see ESCAP, *Enhancing Effectiveness of Aid* (United Nations publication, Sales No. E.99.II.F.63), in which case studies from Bangladesh, the Lao People's Democratic Republic, Nepal and Vanuatu are presented.

- The continuing support for those programmes by the donor community, including international and regional funding agencies, is encouraging. Nevertheless, the untying of bilateral aid from traditional donors is often a prerequisite to technical and other assistance of a triangular nature.

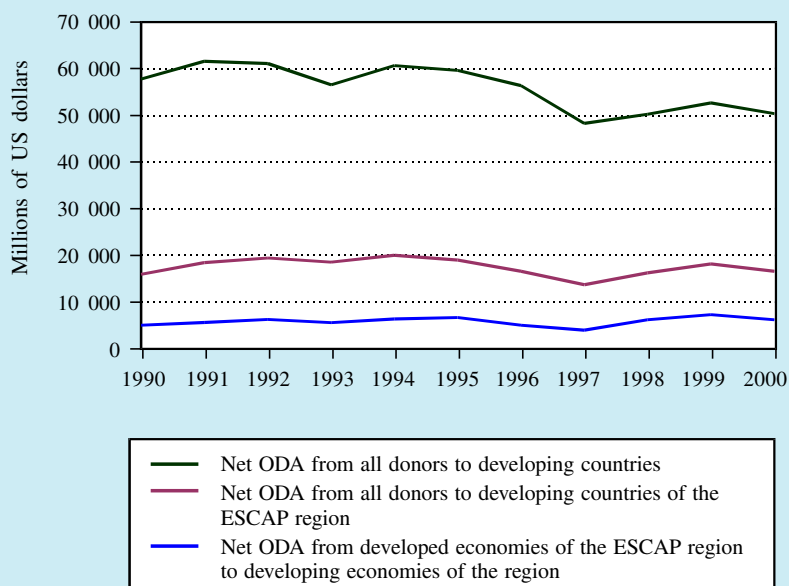
PATTERNS OF DEVELOPMENT COOPERATION IN ASIA AND THE PACIFIC

Global aid flows into the region

Aid flows recovered in 2000

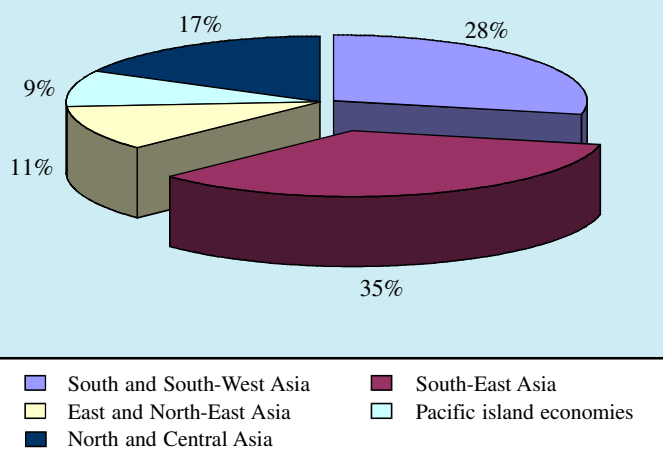
The net flow of ODA from all donors to developing economies of the ESCAP region fell from a peak of over \$19 billion in 1992 to around \$14 billion in 1997, but recovered to over \$16 billion in 2000 (figure IV.1). The proportion of global ODA going to those economies fluctuated between a low of 27.6 per cent in 1990 and a high of 34.4 per cent in 1999. In 2000, the share was 32.9 per cent. On a subregional basis (figure IV.2), economies in South and South-West and South-East Asia were

Figure IV.1. Net ODA by donor and recipient groups, 1990-2000



Sources: OECD, *International Development Statistics* (CD-ROM), 2001 and OECD web site on international development statistics online databases.

Figure IV.2. Geographical distribution of net ODA from all donors to the ESCAP region, 2000

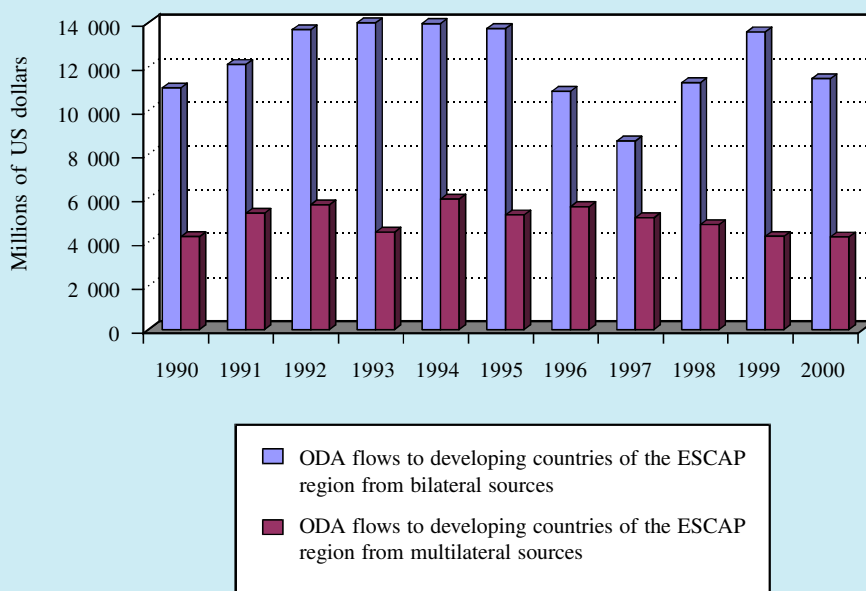


Sources: OECD, *International Development Statistics* (CD-ROM), 2001 and OECD web site on international development statistics online databases.

the destination for over \$10 billion in ODA in 2000; China and Indonesia each received more than \$2 billion a year, while Bangladesh, India, Thailand and Viet Nam were allocated at least \$1 billion each. In the Pacific island economies, French Polynesia, Micronesia (Federated States of), New Caledonia and Papua New Guinea were the largest recipients in 2000. Net ODA flows to the economies in transition in North and Central Asia rose significantly, from \$2 billion in 1992 to nearly \$3 billion in 2000. Most of these flows were directed to the Russian Federation. Over the same period, the economies in Central Asia and the Caucasus, where aid flows had been relatively small in the early 1990s, saw a 20-fold increase in ODA. Bilateral donors provided nearly three quarters of ODA to Asia and the Pacific in 2000 (figure IV.3), in part reflecting sharply increased assistance in the aftermath of the 1997 crisis.⁶ Multilateral flows reached a peak in 1994, decreasing more or less continually thereafter.

⁶ Notably, developing countries in the Middle East provided an estimated total of \$6 billion to other developing countries in 1990 and net flows to the ESCAP developing region peaked at more than \$1 billion in 1991, Afghanistan, Bangladesh and Turkey being among the major recipients. With the collapse of oil prices in the last decade, net ODA from countries in the Middle East amounted to just over \$12 million in 1999.

Figure IV.3. Bilateral and multilateral net ODA flows to developing countries of the ESCAP region, 1990-2000



Sources: OECD, *International Development Statistics* (CD-ROM), 2001 and OECD web site on international development statistics online databases.

Japan's share of ODA to Asia was 45 per cent

In Asia, the top three donors in 1999 were Japan, the International Development Association and the United States (table IV.1). Japan accounted for a very substantial share of ODA, 45 per cent, to Asia, which received 62 per cent of all Japanese aid. In the Pacific, France accounted for over 50 per cent of ODA flows (mainly to its territories in the region), followed by Australia and the United States. Among the recipients in Asia, China, Indonesia and the Russian Federation received the most ODA flows, while in the Pacific, French Polynesia, New Caledonia and Papua New Guinea headed the list (table IV.2).

ODA in per capita terms takes on a different nuance

ODA takes on a different nuance in per capita terms (table IV.3). Reflecting the fall-off in global ODA in absolute terms, external aid per head of population in the ESCAP region declined from \$4.1 in 1995 to \$3.2 in 2000. Economies in the Pacific continued to receive the most ODA on a per capita basis, although the amount declined considerably

Table IV.1. ODA donors to regional ESCAP members

<i>Top 10 donors in Asia, 1999</i>				<i>Top 10 donors in the Pacific, 1999</i>			
<i>Donor</i>	<i>Millions of US dollars</i>	<i>Percentage of all ODA^a</i>	<i>Percentage of donor ODA^b</i>	<i>Donor</i>	<i>Millions of US dollars</i>	<i>Percentage of all ODA^a</i>	<i>Percentage of donor ODA^b</i>
Japan	6 609	45	62	France	724	51	17
International Development Association	1 895	13	46	Australia	229	16	31
United States	1 053	7	15	United States	183	13	2
Asian Development Fund	914	6	88	Japan	138	10	1
Germany	886	6	26	New Zealand	66	5	65
European Union	582	4	11	Asian Development Fund	22	2	2
United Kingdom	463	3	20	United Kingdom	20	1	1
Australia	267	2	37	United Nations Transitional Administration in East Timor	9	1	2
France	240	2	11	European Union	8	1	<1
Netherlands	238	2	6	International Development Association	5	<1	<1
Others	1 700	11	14	Others	20	1	<1
Total	14 847	100	28	Total	1 424	100	2

Sources: OECD, *International Development Statistics* (CD-ROM), 2001 and OECD web site on international development statistics online databases.

^a Aid from each donor to ESCAP economies in Asia and the Pacific as a percentage of aid from all donors to ESCAP economies in Asia and the Pacific.

^b Aid from each donor to ESCAP economies in Asia and the Pacific as a percentage of aid from each donor to all aid recipients.

between 1995 and 2000.⁷ South-East Asia and North and Central Asia both received over \$9 in ODA per capita in 2000, while East and North-East Asia and South and South-West Asia received less than \$2 per capita in the same year. South and South-West Asia consist of economies with

⁷ This result is likely to be a statistical artifact owing to the transfer of French Polynesia and New Caledonia from the list of ODA-eligible territories to OA countries in 2000.

Table IV.2. ODA recipients among regional ESCAP members

<i>Top 10 aid recipients in Asia, 1999</i>			<i>Top 10 aid recipients in the Pacific, 1999</i>		
<i>Recipients</i>	<i>Millions of US dollars</i>	<i>Percentage of all Asian economies</i>	<i>Recipients</i>	<i>Millions of US dollars</i>	<i>Percentage of all Pacific economies</i>
China	2 385	14	French Polynesia	352	25
Indonesia	2 216	13	New Caledonia	315	22
Russian Federation	1 946	12	Papua New Guinea	216	15
India	1 491	9	Micronesia (Federated States of)	108	8
Viet Nam	1 429	9	Marshall Islands	63	4
Bangladesh	1 215	7	Wallis and Futuna	50	4
Thailand	1 010	6	Solomon Islands	40	3
Pakistan	733	4	Vanuatu	37	3
Philippines	696	4	Fiji	34	2
Nepal	351	2	Palau	29	2
Others	3 260	19	Others	181	13
Total	16 732	100	Total	1 424	100

Sources: OECD, *International Development Statistics* (CD-ROM), 2001 and OECD web site on international development statistics online databases.

the lowest GNP per capita as well as the largest concentration of poverty in the Asian and Pacific region. On this basis, aid does not appear to have flowed to the countries most in need of it.

Table IV.3. ODA and GNP per capita in ESCAP subregions

(US dollars)

	<i>1990</i>		<i>1995</i>		<i>2000</i>	
	<i>ODA per capita</i>	<i>GNP per capita</i>	<i>ODA per capita</i>	<i>GNP per capita</i>	<i>ODA per capita</i>	<i>GNP per capita</i>
ESCAP region	3.8	632.0	4.1	977.9	3.2	1 051.6
South and South-West Asia	3.2	505.6	2.4	509.4	1.7	615.3
South-East Asia	9.5	689.8	8.8	1 320.3	9.2	1 082.2
East and North-East Asia	1.3	738.2	2.1	1 187.7	1.1	1 469.4
North and Central Asia	8.6	1 903.0	9.6	1 308.1
Pacific	204.4	961.5	246.7	1 195.9	80.5	1 844.1

Source: DAC.

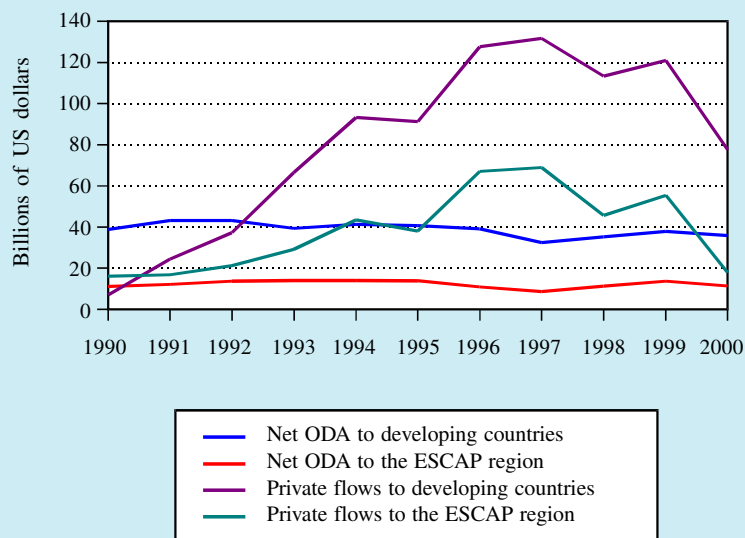
Note: Figures are in current prices.

Regional aid inflows from all DAC member countries

The net amount of ODA to developing countries from member countries of DAC (figure IV.4) also declined, from about \$43 to \$36 billion, between 1991 and 2000.⁸ However, DAC-based aid to developing countries of the ESCAP region had expanded by nearly a third of the total flow to all developing countries to reach over \$13 billion in 1999, partially as a response to the severity of the 1997 economic crisis in East and South-East Asia, before falling back to \$11 billion in 2000.

Regional aid flows from DAC members were also down

Figure IV.4. Total net ODA and private financial flows from DAC to all developing countries and to developing countries of the ESCAP region, 1990-2000



Sources: OECD, *International Development Statistics* (CD-ROM), 2001 and OECD web site on international development statistics online databases.

⁸ DAC members are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom of Great Britain and Northern Ireland, the United States of America and the Commission of the European Communities.

Grants to developing economies in the region from DAC members, at \$8.3 billion, continued to exceed loans, totalling \$7.6 billion, in 2000. Nearly 49 per cent of the loans were directed to countries in South-East Asia, the region most seriously affected by the 1997 economic crisis (figure IV.5a). In contrast, a third of ODA grants, were directed to that subregion in 2000 (figure IV.5b). It is notable that the grant component exceeded the amount of loans extended to Pacific island economies by a factor of seven, a clear indication of the special needs and greater economic vulnerability of this subregion.

Figure IV.5a. Loans^a to developing countries of the ESCAP region from DAC members by subregion, 2000

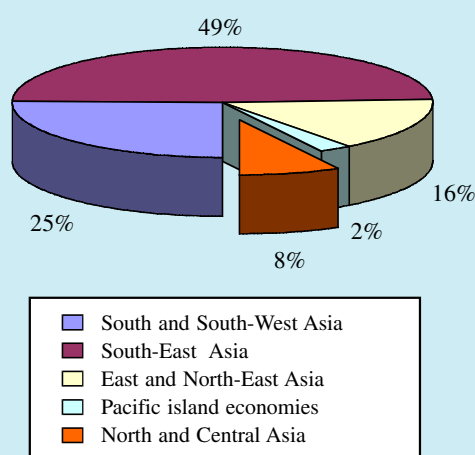
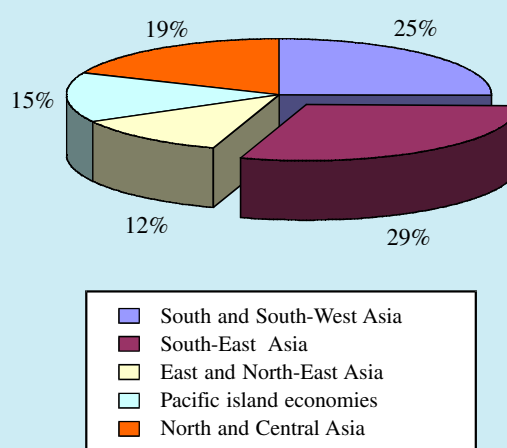


Figure IV.5b. Grants^b to developing countries of the ESCAP region from DAC members by subregion, 2000



Sources: OECD, *International Development Statistics* (CD-ROM), 2001 and OECD web site on international development statistics online databases.

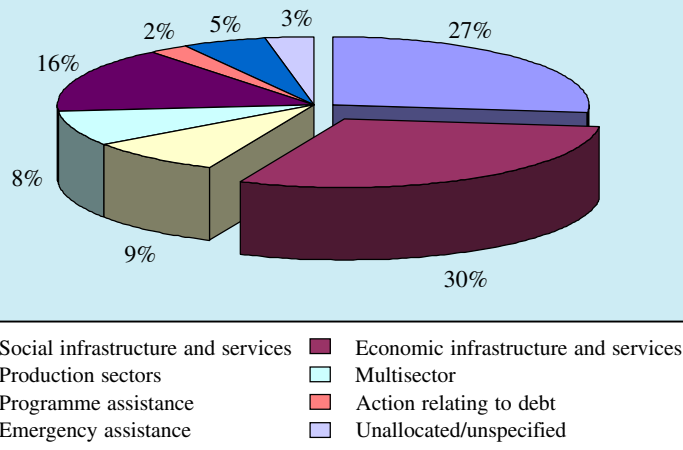
^a ODA loans gross.

^b ODA grants.

Allocations to the social sector were increased

Bilateral, DAC-based ODA commitments to economic infrastructure and services, and to the production sectors of the developing countries of the ESCAP region, have shown a gradual decline. However, ODA channelled to social infrastructure and services, programme assistance and emergency assistance recorded a significant increase. The allocations for economic and social infrastructure and services were 30 and 27 per cent respectively of the total net bilateral ODA commitments in 1999 (figure IV.6). Again, this pattern of aid allocation partially reflects donor response to the growing impact of the Asian economic crisis.

Figure IV.6. Sectoral allocation of net ODA for developing economies of the ESCAP region, 1999



Source: OECD, *International Development Statistics* (CD-ROM), 2001.

The most striking trend in the 1990s, however, was the phenomenal rise in DAC-based private financial flows to developing countries prior to the 1997 crisis (figure IV.4) and the almost equally dramatic subsequent fall. The instability of these flows to developing countries of the ESCAP region was notable, from \$16 billion in 1990 to \$68.8 billion in 1997, falling to \$55.5 billion in 1999 and just under \$18 billion in 2000. Private financial flows had overtaken ODA from DAC countries as the major type of development finance for the region as a whole. However, their great volatility presents a challenge to policy management for stable and sustainable growth. In addition, the flows are concentrated heavily in a small number of East and South-East Asian economies. Clearly therefore, for most of the relatively poorer economies in Asia and the Pacific, private financial resources are not yet a substitute for ODA.

Private financial flows increased greatly, but were volatile

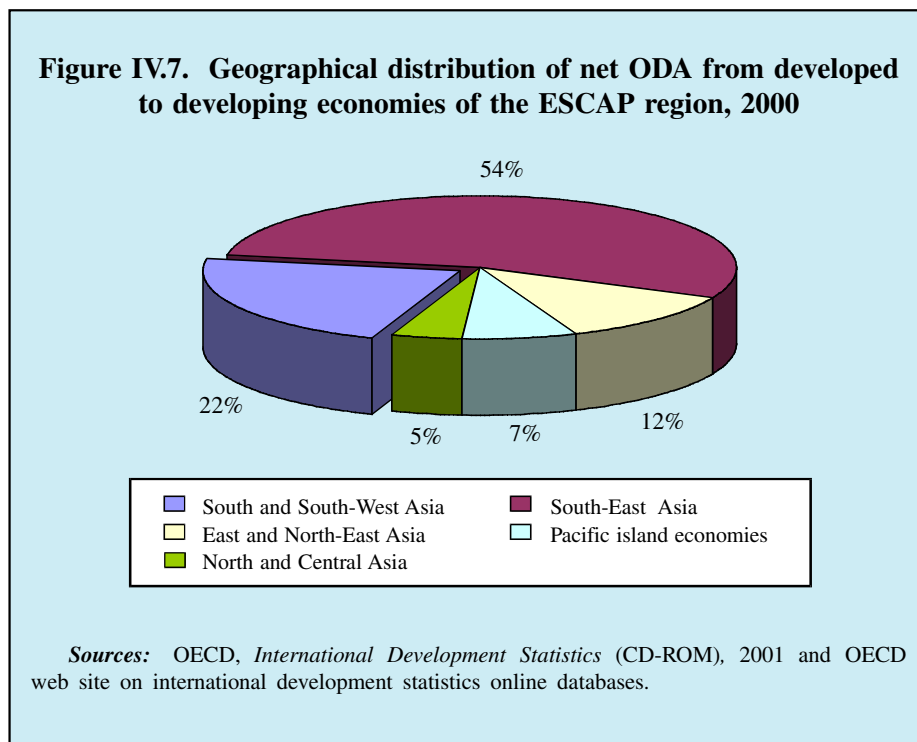
Regional aid inflows from regional member countries of DAC

Amount and distribution

ODA from ESCAP regional members in DAC, Australia, Japan and New Zealand, went up from less than a third to nearly half of total ODA to the ESCAP developing region during the period 1991-1999. South-East Asia received the lion's share of intraregional aid, accounting for nearly 54 per cent in 2000 (figure IV.7). Japan, which devoted 0.35 per cent of GNP

Regional DAC members increased their share of ODA to the ESCAP region to half

Figure IV.7. Geographical distribution of net ODA from developed to developing economies of the ESCAP region, 2000



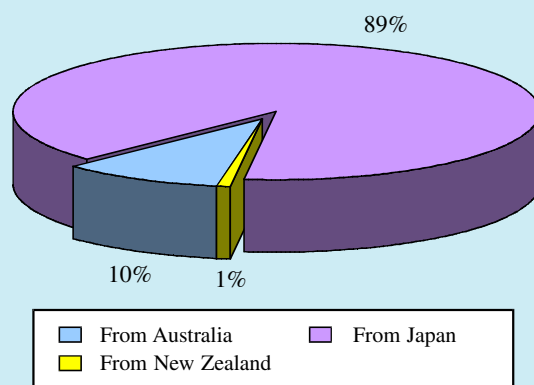
to aid in 1999 and is the world's largest donor, has been the region's biggest source of aid by far for over a decade, providing \$5.5 billion in 2000, or 89 per cent of such intraregional ODA, compared with \$4.5 billion in 1990 (figure IV.8). Indeed, nearly two thirds of Japan's global ODA has been directed towards developing countries in Asia and the Pacific (table IV.1). The 10 largest recipients of this assistance were all in Asia; among them, China, India, Indonesia and Thailand together were allocated more than \$5 billion in 1999, China and Indonesia alone receiving over \$1.5 billion each.

Low- and lower-middle-income countries in the region received three quarters of Japanese aid

Generally, some three quarters of Japan's gross bilateral ODA in 1998-1999 was channelled to low- and lower-middle-income countries, and a tenth to all least developed countries. A third of Japan's overseas assistance was used for the development of economic infrastructure; this was followed in importance by aid for the production sectors, programme assistance, and education, health and population.

An issue of much concern is the possible decline in intraregional aid from the three developed member countries in the ESCAP region, particularly Japan, whose ODA was cut by 10 per cent under the fiscal reform package announced in 1997. The prospects for higher assistance have become uncertain, in spite of the offsetting provision of new aid resources and the freezing of further cuts.

Figure IV.8. Net ODA from developed to developing economies of the ESCAP region, 2000



Sources: OECD, *International Development Statistics* (CD-ROM), 2001 and OECD web site on international development statistics online databases.

Net ODA from Australia declined gradually after 1995, when it peaked at nearly \$705 million, before recovering to reach \$620 million in 2000, while that from New Zealand fell from its peak of almost \$73 million in 1997 to about \$54 million in 2000. The Australian Agency for International Development estimates that the ODA-to-GNP ratio declined to 0.26 per cent in 1999, compared with the highest ratio of 0.65 per cent reached in 1975. However, Australia supports the United Nations target for ODA of 0.7 per cent of GNP and will try to maintain aid at the highest level, consistent with the needs of partner economies and its own economic circumstances and capacity to assist. In contrast, New Zealand has maintained the share of GNP devoted to ODA at 0.27 per cent; it ranked thirteenth in terms of this ratio among DAC member countries in 1999 and fifteenth in 1998.

With regard to geographical distribution, Papua New Guinea and East Timor received nearly a quarter of gross bilateral ODA from Australia on average in 1998 and 1999; Indonesia, the Philippines and Viet Nam were also in the top five recipients. However, the 10 largest recipients of New Zealand aid were from the Pacific island subregion, with the exception of Indonesia. New Zealand also directed nearly a quarter of its aid to least developed countries in the ESCAP region. More than half of Australian and New Zealand aid was allocated to the sectors of education, health, population and other social infrastructure.

Aid from Australia and New Zealand declined in the 1990s

Countries in the immediate geographical vicinity were major aid recipients

Recent changes in orientation and management

There have recently been fundamental changes in both the policy direction and the organization of the development cooperation programmes of Australia, Japan and New Zealand. Generally, more resources are channelled directly to programmes targeted at the poor and the basic sources of poverty, with poverty alleviation and eradication in recipient countries being the ultimate goal of development. In particular, against the visible negative impact of the Asian economic crisis, Japan has increasingly endorsed the idea that economic growth is only a means to achieve human-centred development and enhance people's welfare.

More importance will be attached to quality in Japanese aid programmes

The future direction of Japanese ODA, as outlined in the report prepared by Japan's Council on ODA Reforms for the 21st Century in January 1998, involved reprioritization of the areas for ODA assistance. The report provided guidelines on refocusing aid programmes from quantity to quality considerations and stressed the need for heightened public understanding of the ODA process (box IV.1). The Japanese philosophy on ODA is largely based on the country's own experience after the Second World War, when it obtained World Bank loans to develop its core infrastructure and industry. However, in many developing countries, the capacity to use external aid effectively, a highly literate population, a burgeoning private sector and a solid national planning system with an effective revenue collection capacity are still missing, and the parallel to the Japanese experience often does not exist. In May 2001, the Second Consultative Committee on ODA Reform was established, and tasked with proposing, among other things, measures for a more focused, effective and efficient ODA programme, and clarifying the philosophy and target of assistance as well as its role in foreign policy, given Japan's domestic economic difficulties and fiscal constraints and the rapid changes in the international environment.

Development cooperation is a strand of Australia's external policy

An Australian White Paper on foreign and trade policy, entitled "In the national interest", issued in 1993, integrated development cooperation as a strand of external policy, along with foreign trade, defence and immigration policies. Thus, overseas aid is seen to advance the national interest in helping developing countries to reduce poverty and achieve sustainable development. It is to be governed by six key principles for policy formulation and programme implementation: it must promote partnerships, be responsive to urgent needs and development trends, practical, targeted and outward-looking, and incorporate an Australian identity. Health, education, agriculture and rural development, infrastructure and governance are the five sectors accorded priority attention, along with two critical cross-cutting issues: gender equality and the environment. The approach of the Australian Agency for International

Box IV.1. Recommendations of the Council on ODA Reforms for the 21st Century for improving Japanese ODA

Effectiveness	<ul style="list-style-type: none">• Emphasis on efforts in poverty alleviation and social development with a focus on human-centred development• Accent on basic education and primary health care• New directions in infrastructure development, using ODA only for projects that cannot be funded privately; more bundling with technical assistance; and teaming-up with multilateral institutions• Emphasis on environmental issues• Support for women in development• Stronger emphasis on human resources development• Formation of global partnerships• Increase in cross-border regional cooperation• Assistance in conflict prevention and post-war conflict development• Technical cooperation in legal and financial systems• Enhancement of the role of the private sector
Modalities	<ul style="list-style-type: none">• Increased public participation, particularly by non-governmental organizations and recipient country stakeholders• Disclosure of information; enhanced development• Fostering of international aid experts for placement in multilateral institutions
Implementation	<ul style="list-style-type: none">• Increased collaboration of agencies• Increased delegation of authority to the field• Improved evaluation by the inclusion of other donors, examination of the environmental and social impacts, and disclosure of more information• Enhanced collaboration with the private sector and multilateral institutions• Increased policy dialogue with recipient countries

Source: DAC.

Development to poverty reduction therefore emphasizes investment in human and social capital and the protection of the most vulnerable groups in society.

Through ODA, the contribution of New Zealand to the promotion of economic and social advancement, maintaining security and protecting the environment is well known, especially in the Pacific island subregion. As the principal beneficiaries and partners of New Zealand's aid are small island economies, the focus and management of bilateral country programmes, which also tend to be administratively intensive,

New Zealand's focus on the small island economies of the Pacific is well known

Box IV.2. Trust funds

Trust funds and revenue equalization reserve funds have been introduced in Kiribati, the Marshall Islands, Tonga and Tuvalu to smooth out the periodic variations in government receipts as a result of high reliance on external aid, royalties from natural resources and other volatile forms of revenue. The Tuvalu Trust Fund, for example, was established in 1987 as a publicly-owned investment fund, the earnings of which are used to help to bridge the gap between government revenue and expenditure. In addition to the Tuvalu Government itself, other major contributors to the Fund are Australia, New Zealand and the United Kingdom. Together with smaller grants from Japan and the Republic of Korea, the Fund totalled \$27 million at its inception and, through reinvested earnings and additional donor inputs, its estimated value was \$66.6 million in September 2000.

Source: Department of Foreign Affairs and Trade, Australia.

constitute a challenge. The pursuit of poverty reduction, including by addressing the multisectoral characteristics of the issue, adds another dimension to budget allocations in support of activities in health, environment and good governance, which are comparatively modest. Australia and New Zealand have both contributed to revenue equalization and trust funds in the Pacific island subregion (box IV.2). The importance of these funds is difficult to overestimate.

Debt relief and the untying of aid

Japan has made grants for debt relief

The high levels of external indebtedness of many developing countries and the associated financial difficulties, including in debt servicing, have both domestic and international implications. Elements of moral hazard are involved in debt-forgiveness considerations, and Japan's approaches are mediated mainly through making grants for debt relief. For example, the related assistance provided to a total of 14 developing countries to cover interest and principal due to Japan was worth \$233 million in fiscal year 1997. The cumulated effects of some measures were equivalent to debt cancellation of over 80 per cent.

Australia has contributed to the Heavily Indebted Poor Countries Initiative

Although Australia now has only a grant aid programme, the country is owed about \$2.2 billion in sovereign debts as of March 1999; mixed credits were previously extended as part of the discontinued Development Import Finance Facility. While debt relief is not a substitute for development assistance, the World Bank and IMF Heavily Indebted Poor Countries Initiative is viewed as the most credible way to provide debt relief.⁹ Through supplementary allocations to the aid budget, Australia contributed \$19 million in June 1998, followed by a commitment of another \$19 million in September 1999.

⁹ The Lao People's Democratic Republic, Myanmar and Viet Nam are the only three countries in the region to qualify for the Initiative. A decision point has not as yet been reached for the first two; the debt level in Viet Nam has been judged to be potentially sustainable.

Aid tends to be tied to the offsetting purchase of goods and services from the donor country for various reasons. Tied ODA can lead to greater support for aid programmes and increase their visibility. However, it can also function as a subsidy to enterprises and service providers in donor countries. It is estimated that tied aid could raise the cost of procured goods and services by 15 to 30 per cent and increase the administrative burden on both recipients and donors. Moreover, it could also favour projects requiring capital-intensive imports or donor-based techniques, which do not always conform to the priorities or absorptive capacity of the recipient countries.¹⁰ The gradual untying of aid could thus increase the impact of development assistance through ongoing capacity-building leading to greater and better aid absorption in recipient countries.

***The tying of aid
can lead to
inefficiency and
greater costs***

Japan has been one of the most prominent and vocal advocates of untied aid and virtually all (over 90 per cent) of its ODA is now untied. However, procurement under grant projects and technical cooperation activities is normally limited to Japanese goods and service providers. The procurement procedures and contract information for ODA loans are already fairly open and, to increase transparency, information is provided on bidders and contracts for both grant aid and loans. DAC has encouraged Japan to promote further untying of its ODA, particularly to least developed countries.

***Virtually all
Japanese aid is
untied***

Australia and New Zealand are reviewing the way in which their aid programmes could integrate the provision of goods and services from developing countries. In particular, although a third of Australia's bilateral ODA is tied, four fifths consist of goods and services supplied from Australia. Furthermore, only firms registered with the Australian Securities and Investments Commission, or with a head office in Australia or New Zealand, can be engaged to manage projects. As a result, the principle of promoting the Australian identity needs to be reconciled with considerations of partnership (through the building up of local ownership and capacity), cost-efficiency and impact maximization. However, the field operations of the Australian Agency for International Development encourage local partners to take greater leadership roles whenever this can be done effectively and accountably. The use of local talent, currently limited mainly to project review and implementation, could be broadened, as appropriate, to include accounting and financial management services.

***Australia and New
Zealand are seeking
to increase the
provision of goods
and services from
developing countries***

¹⁰ OECD, "Untying aid to the least developed countries", Policy Brief (*OECD Observer*, July 2001).

DEVELOPMENT COOPERATION AMONG DEVELOPING COUNTRIES

ODA has traditionally been viewed as the flow of resources from developed countries (commonly referred to as the North) to developing countries (the South). Such resource transfers, whether in cash or in kind, aim at supporting programmes and activities that build and upgrade capacity, help the poor, protect the environment and stimulate socio-economic growth as well as opportunities for domestic and foreign investment in the South. In this context, the world's commitment to the developing countries embodies not only a moral imperative but also a desire to address problems of common concern or promote matters of mutual interest.

South-South cooperation

*Major gains in
development efforts
can be realized
through cooperation
between developing
countries*

There is heightened awareness, however, that major gains in development efforts can be realized through the promotion of South-South cooperation. Such cooperation enables developing countries themselves to bring their experience to bear on similar development problems in other developing countries. It also provides a cost-effective way to utilize the financial resources and technical expertise available from multilateral assistance programmes and activities. In this respect, the process can be greatly facilitated and extended through "triangular" or "trilateral" cooperative arrangements whereby developed countries provide the necessary inputs in support of South-South cooperation initiated and implemented by the developing countries themselves.

During the 1970s, South-South cooperation formally emerged as a strategy to support mutual development among developing countries and to promote their collective self-reliance. It was needed to ensure their more effective participation in global affairs and as a complement to the extensive economic relationships between the developed and developing countries.¹¹ The role of the United Nations in promoting this type of cooperation is described in box IV.3.

¹¹ Denis Benn, "South-South cooperation: a strategic dimension of international development cooperation" (web site <<http://www.undp.org/tcdc/benn4.htm>>). The principles behind South-South cooperation were reflected in the Action Programme for Economic Cooperation among Non-Aligned and Other Developing Countries, adopted by the Conference of Foreign Ministers of Non-Aligned Countries held at Georgetown in 1972; the Buenos Aires Plan of Action on Promoting and Implementing Technical Cooperation among Developing Countries, adopted at the United Nations Conference on Technical Cooperation among Developing Countries held at Buenos Aires in 1978; and the Caracas Programme of Action on Economic Cooperation among Developing Countries, adopted by the Group of 77 in 1981. From the framework of these broad principles came various initiatives designed to strengthen South-South cooperation through formal arrangements for subregional and regional integration, as well as through more informal modalities with a focus on strengthening subregional and regional trade and financial interaction, and technical capabilities.

Box IV.3. The role of the United Nations in the promotion of South-South cooperation

The United Nations has played an important role in the promotion of South-South cooperation since the 1970s. In particular, the Economic and Social Council and the General Assembly have endorsed programmes of action on TCDC and ECDC and have called upon the organizations and agencies of the United Nations system and the international community to support such programmes.

UNCTAD and UNDP have special responsibility for the promotion of ECDC and TCDC. The Special Standing Committee on ECDC provides broad policy guidance on programmes implemented by the UNCTAD secretariat. Within UNDP, the Special Unit for TCDC serves as the secretariat for the High-Level Committee on the Review of Technical Cooperation among Developing Countries. This is a subsidiary body of the United Nations General Assembly and meets biennially to review progress on TCDC within the United Nations system as a whole. Its report and recommendations are submitted to the General Assembly through the Economic and Social Council.

In its consideration of the agenda item New directions for TCDC, as a response to the imperatives of, and impulses from, economic globalization and liberalization, in June 1995 the High-Level Committee called for the promotion of high-priority TCDC activities in such areas as trade and investment, debt, macroeconomic coordination and aid management, poverty alleviation and the environment. In addition, it emphasized the need for closer operational integration between TCDC and ECDC, the identification of pivotal countries in each region to serve as catalysts for TCDC and the introduction of new modalities, especially the concept of “triangular cooperation” whereby developed countries would be encouraged to become involved in providing direct financial and technical support for the promotion of TCDC activities.

At the regional level, ESCAP has facilitated the implementation of TCDC and ECDC among developing countries. This is mediated through the strengthening of TCDC national focal points, particularly in least developed, landlocked and island developing countries, and economies in transition, and through facilitating the participation of developing countries in the region in the operational TCDC activities implemented by the ESCAP secretariat. In collaboration with the Government of China, the secretariat thus organized the Workshop on TCDC National Focal Points, held at Hangzhou, China, in November 2000. Its objective was to ensure better awareness, including through information dissemination, of the opportunities available in the TCDC programmes of China, Malaysia, the Philippines, Singapore and Thailand.

In 2000, the ESCAP secretariat funded the participation of 55 officials from least developed, landlocked and island developing countries, and economies in transition, in TCDC activities implemented through third-country training programmes. These included training courses on national economic management, poverty eradication and IT management in the public sector within the cooperation framework between ESCAP and the Government of Malaysia. Training courses implemented in collaboration with the Government of Singapore were focused on tourism management and development.

Sources: ESCAP, “Technical cooperation activities of ESCAP and announcement of intended contributions” (E/ESCAP/1221); and Denis Benn, “South-South cooperation: a strategic dimension of international development cooperation” (web site <<http://www.undp.org/tcdc/benn4.htm>>).

South-South cooperation embraces both TCDC and ECDC, but they are often pursued as separate initiatives. The High-level Committee on the Review of Technical Cooperation among Developing Countries, meeting in New York in 1995, recognized the need for closer operational integration between TCDC and ECDC, with TCDC being seen as an instrument for achieving the broader objectives of economic cooperation.

***South-South
cooperation is both
technical and
economic***

Under the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries, the UNDP/TCDC modality to promote a partnership for development at the global, regional and bilateral levels was based on cost-sharing between participants, with the recipient country being responsible for international travel costs and the host country absorbing all local costs.

National and collective self-reliance is fostered through TCDC modalities

The TCDC modalities foster goals of national and collective self-reliance while broadening the scope and quality of international cooperation. Under TCDC, institutions of developing countries share experiences, pool and exchange information, transfer technical skills and strengthen organizational capacity to manage development activities, using their own human and financial resources as well as assistance from external sources. Such modalities often require the establishment of broad partnerships between Governments, international agencies, non-governmental organizations, community-based organizations and the private sector. In general, the modalities for TCDC are: (a) the identification and replication of effective or best practices; (b) the compilation and dissemination of information on capacities of developing countries; (c) subject-specific meetings and workshops; (d) study tours; (e) capacities and needs matching; (f) facilitating the establishment of networks; (g) the “pivotal country” approach; and (h) third-country cooperation arrangements.

South-South cooperation in the ESCAP region¹²

Growth in incomes and increased development are fostering South-South cooperation in the ESCAP region

In the Asian and Pacific region in particular, development cooperation is no longer confined exclusively to financial and technical flows from developed countries to their developing counterparts. There has been an ongoing upward movement in the income and development of many regional developing countries over the past three decades. Both Hong Kong, China, and Singapore have standards of living and per capita incomes comparable to those of many industrialized countries, while the Republic of Korea and Turkey are now OECD member countries. In fact, the ODA programmes of several developing countries in the region are comparable in size and scope to those offered by traditional donors, expanding as they have from the TCDC modality to include ODA loans and country-based programmes. In some cases, development cooperation programmes have shed the political identity of South-South cooperation.

¹² The secretariat circulated surveys on current development cooperation activities to developing member countries of the region in order to prepare this section. Responses were received from the Republic of Korea; Singapore; Sri Lanka; Thailand; and Turkey. Responses were also received from Hong Kong, China; and Macao, China.

Development cooperation among developing countries in Asia and the Pacific is possible as a result of differences in geographical location, income, human and financial resources and technological capability among countries in the region. Owing to these differences, the development experiences of countries in the region vary greatly and all have an opportunity to learn from the successful and unsuccessful experiences of their neighbours. Developing countries thus emphasize that their development cooperation programmes reflect their own first-hand development experience and differ to some extent from those offered by developed countries. Box IV.4 illustrates China's development cooperation programmes with least developed countries in the Asian and Pacific region. Another illustration of South-South cooperation is provided in box IV.5, in which Bangladesh's development cooperation activities are discussed.

Development cooperation between developing countries rests on first-hand experience

Box IV.4. China's development cooperation programmes with the least developed countries of the region

China, one of the strongest advocates of South-South cooperation, has long underlined its commitment by providing assistance to a diverse group of countries, including its neighbouring least developed countries. Scholarships have been made available to exchange students from Afghanistan, Bangladesh, Kiribati, the Lao People's Democratic Republic, Nepal, Samoa and Vanuatu and, starting in 2001, Bhutan. Fifteen exchange visits in various fields, ranging from the arts to sports, broadcasting and photography, are made every year with Nepal. Since 1990, medical teams have been sent to Kiribati, Samoa and Vanuatu.

China has also provided technical assistance in strengthening the industrial capacity and infrastructure of least developed countries in South Asia. Areas covered in bilateral exchange visits and cooperation projects with Bangladesh include flood control and regulation of rivers, water conservation, dike arrangement, watercourses and silt movements relating to sections of the Brahmaputra River. Under the first agreement on economic and technological cooperation between China and Maldives, signed in August 1981, assistance was provided in the installation of small power generators and in apartment-building in connection with the Male housing project. Subsequently, six similar agreements were concluded, the most recent being in February 2000, involving the provision of grant aid worth Y10 million to Maldives. Nepal was granted some \$645 million in aid during the period 1956-1999, while around 25 contract projects in a wide range of production activities have been implemented since 1981. Materials and equipment ranging from grain and table salt to trucks and trolleys were also made available to Nepal.

With regard to least developed countries in South-East Asia, China has development cooperation agreements with Cambodia, the Lao People's Democratic Republic and Myanmar. The many economic and technical assistance activities include a joint economic and trade commission with Cambodia; the establishment of television satellite ground stations and hydropower and electricity grid stations in the Lao People's Democratic Republic; and some 22 construction projects, including the Yangon-Thanyin bridge, in Myanmar, where bilateral economic and technological cooperation with China started in 1961.

Source: Ministry of Foreign Affairs, China.

Box IV.5. Bangladesh and its development cooperation activities

Although Bangladesh is still a least developed country, it has offered capacity-building in areas where it has specific expertise, such as microcredit, population policies and rural development. The Bangladesh Academy for Rural Development, the Rural Development Academy and the Bangladesh Public Administration Training Centre have considerable expertise in microcredit, rural banking and income-generation activities, and can cater for the training needs of developing countries. Grameen Bank has also organized microcredit training programmes for participants from Indonesia, Malaysia, Nepal and countries in Africa, and played an active role in organizing a summit on microcredit, which was held in Washington in February 1996. Bangladesh has a strong track record in establishing population policies, programmes and services that have helped to improve the general conditions of maternal and child health, lower birth rates and slow population growth. In recognition of this, the Partners in Population and Development secretariat was established in Dhaka to provide technical cooperation in the field of family planning to Colombia, Egypt, Indonesia, Kenya, Mexico, Morocco, Thailand, Tunisia and Zimbabwe.

Source: Ministry of Finance, Bangladesh.

Size of programmes

Given the administrative costs of managing development cooperation programmes, developing countries without the regional presence to administer their programmes independently have traditionally participated in development cooperation through grants and capital subscriptions to multilateral organizations.¹³ Countries with extensive bilateral programmes thus tend to be upper-middle-income developing countries, such as the Republic of Korea, Singapore and Turkey, or large developing countries, such as China and India with significant domestic institutional capacity.

Developing countries of the ESCAP region received nearly 66 per cent of the Republic of Korea's aid in 2000

In 1999, the Republic of Korea provided \$317.5 million of ODA, equivalent to 0.08 per cent of its GNP, of which two fifths were bilateral aid and the rest multilateral. Although this falls far below the 0.24 per cent average of DAC member countries, the volume of ODA in 1999 was five times larger than in 1991. Around 30 per cent of bilateral assistance was grant aid and technical cooperation, while the rest consisted of concessional development loans. Developing countries in the ESCAP region received approximately 82.5 per cent of ODA from the Republic of Korea in 1998-1999, but this share declined to 65.6 per cent in 2000. Aid from Turkey, which, together with the Republic of Korea, is a member of OECD but not of DAC, to all developing countries amounted to \$44.8 million in 1998 but has fallen steadily since then, to \$25.8 million in 2000. Developing countries of the ESCAP region, mainly in North and

¹³ Both Hong Kong, China, and Macao, China, contributed to the Asian and Pacific Development Centre. Hong Kong, China, also contributed to UNDP and the Asian Development Fund established by ADB.

Central Asia, received 72.4 per cent of the total in 1998, but this share had also fallen to 49.3 per cent in 2000. Likewise, as the Asian economic crisis affected middle-income developing countries such as Thailand, their development cooperation programmes measured in dollar terms declined in some cases to as low as a quarter of previous levels. Despite these difficulties, however, Thailand still contributes \$2.3 million to programmes focused on the promotion of closer economic ties with countries in Indochina.

Distribution and focus

Although most development cooperation programmes of developing countries are extended primarily to their immediate neighbours, some member countries maintain programmes with a global coverage. India's bilateral assistance programme, the Indian Technical and Economic Cooperation Programme, launched on 15 September 1964, and the Special Commonwealth African Assistance Plan have provided technical assistance to 130 developing countries in Asia, Africa, Latin America and Eastern Europe. The Republic of Korea's aid programme has placed primary emphasis on countries in Asia and provided its strongest support to China, Indonesia, Kazakhstan, Mongolia, the Philippines, Sri Lanka, Uzbekistan and Viet Nam in 2001. The Russian Federation maintained one of the largest programmes until the 1990s, giving extensive financial and technical assistance to Cambodia, the Lao People's Democratic Republic, Mongolia and Viet Nam as well as to countries which had formed part of the former Soviet Union. A significant proportion of Turkey's grant and technical cooperation was directed to Azerbaijan and Turkmenistan. Assistance programmes have been extended to cover member countries of the Black Sea Economic Cooperation region, the Organization of the Islamic Conference and CIS.

Development cooperation among developing countries focuses on strengthening the capacity of those countries through human resources development and supporting their efforts to combat poverty through the sharing of experience (box IV.6). In addition to these overall themes, developing countries have cited as objectives of their development cooperation efforts the need to promote a market economy and free trade, build capacity for policy development and administration and address global issues such as environmental degradation, population and women in development. The Republic of Korea, for example, points out that humanitarian considerations, enlightened self-interest and solidarity among all people to address common problems and pursue common aspirations drive its development cooperation programmes. Since poverty reduction is its ultimate objective, the programme is furthermore seen as a political and diplomatic instrument to contribute to peace and prosperity, advance vital and mutually beneficial economic interests and reflect the humanitarian

Immediate neighbours are usually the major beneficiaries

Human resources development is the principal focus

Box IV.6. Human resources development

Training courses and study visits

India

Since 1964, the Indian Technical and Economic Cooperation Programme has provided civil training to improve human resources in diplomacy, foreign trade, management, audit and accounts, banking and IT to Cambodia, the Central Asian republics, Indonesia, Mongolia, the Philippines and Viet Nam. Under the study visit programme, in which India bears all expenses, senior decision makers are invited to India for an exchange of views and guided exposure to Indian capacity in small-scale industry, agriculture, health and education and trade. Between 1995 and 1998, delegations from Azerbaijan, Kyrgyzstan, Mongolia and the Russian Federation visited agricultural universities, export processing zones and research laboratories.

Philippines

The Philippine Technical Cooperation Program offers non-degree and other training courses in areas in which the Philippines has developed expertise and which are relevant to the development efforts of beneficiary countries, such as aquaculture management, entrepreneurship and management programmes for women, and energy management. When it is more feasible, Filipino experts and trainers may be sent to countries requesting such assistance.

Republic of Korea

To assist the development of technical and managerial skills, the Republic of Korea invited nearly 10,000 government officials, technicians and researchers for training between 1991 and 2000. The Invitation of Trainees Program is the core programme to assist developing countries in human resources development. The kinds of training provided cover regular training courses at the request of developing countries; region-specific training courses for a country; joint training courses with the cooperation of international organizations and donor agencies of other countries; on-the-job training at industrial locations to give first-hand experience; and long-term diploma courses for policy makers.

Singapore

Under the administration of the Technical Cooperation Directorate of the Singapore Ministry of Foreign Affairs, bilateral technical assistance programmes of the Singapore Cooperation Programme provide training courses and study visits on communications and transport, economic development, trade promotion, management and productivity for developing countries. The Singapore Technical Assistance Programme for Sustainable Development, for example, assists developing countries in achieving economic progress without damaging the environment by training officials in urban planning, transport management, water treatment and environmental health. Other components of the Programme include Singapore Cooperation Programme Training Awards, the Small Island Developing States Technical Cooperation Programme and the Viet Nam-Singapore Technical Training Centre, which offer courses designed to foster technical manpower development by training high-school graduates in technical skills.

Thailand

For Cambodia, the Lao People's Democratic Republic, Myanmar and Viet Nam, the bilateral programme under the Thai International Cooperation Program provides group training courses in education, health and agriculture designed according to the specific needs of each group. The courses are supplemented by the provision of experts and equipment and the implementation of technical projects. For other developing countries, the Department of Technical and Economic Cooperation organizes a series of international training courses, implemented by Thailand's academic and technical institutions, to address a variety of development concerns. It provides fellowships to support participation by developing countries.

Advisers

India

Indian experts are on a long-term mission to the Lao People's Democratic Republic to advise the Government on technical subjects.

Republic of Korea

The Republic of Korea has dispatched 22 medical doctors to 19 countries in Africa, Asia and the Pacific. Experts in agriculture, forestry, fisheries and electronics were sent to provide guidance, research and training in 42 countries. Korea Overseas Volunteers has provided training to technicians in auto maintenance, computer education and civil engineering, and has helped to increase rural incomes by teaching advanced techniques in agriculture, livestock-raising and fisheries in 24 countries. Other volunteers have worked as nurses, public health managers and nutritionists to improve health in the communities in which they serve, while others have specialized in the community development and social welfare.

Feasibility studies

Republic of Korea

As a type of technical grant aid, Development Study covers feasibility studies for socio-economic development projects through the sharing of specialized technical know-how to improve planning. It provides Governments with policy-making data prior to project implementation and, based on a field study, reviews the economic and technical implications of the proposed project. After completion of the study, a final report is forwarded to the recipient Government for use in policy-making or as a basis for securing project loans from international development banks or aid agencies, including possible loans from the Economic Development Cooperation Fund.

Source: DAC; Ministry of External Affairs, India; Korea International Cooperation Agency; Ministry of Foreign Affairs, Singapore; and Department of Technical and Economic Cooperation, Thailand.

concern of its people.¹⁴ In the case of Thailand, the emphasis on strengthening social infrastructure to support human resources development and rural poverty alleviation is clearly visible in the sectoral distribution of aid; three quarters of its budget was spent on education, health and social development. Spending on agriculture also received a significant share.

As the focus of development cooperation programmes organized by developing countries is mainly on human resources development, most of the activities involved are mediated through the modalities of group training and the provision of study visits and technical advisers. However, countries such as China, India and the Republic of Korea have greatly widened the scope of their activities and implemented country projects as well as providing equipment to recipient countries.

Technical cooperation can be a link to furthering economic ties between countries. Malaysia is currently the largest foreign investor in Cambodia, and its exports to, and imports from, Cambodia amounted to \$71.8 million and \$17.2 million respectively in 2000. Cambodia and Malaysia have also signed agreements and cooperation frameworks such as the Bilateral Trade Agreement, the Investment Guarantee Agreement and the Economic, Scientific and Technical Cooperation Agreement to improve economic relations and facilitate trade and investment flows between the

***Modalities include
group training,
study visits and
technical advisers***

***Technical
cooperation and
economic ties often
go hand-in-hand***

¹⁴ Korea International Cooperation Agency (<<http://www.koica.or.kr>>).

two countries. As part of its initiative to assist Cambodia, Malaysia has extended assistance and cooperation to Cambodia in the area of human resources development. Through the Malaysia Technical Cooperation Programme, Malaysia has provided training in human resources development, project planning, fisheries, veterinary sciences, property valuation and cooperative management, and trade and investment, to 195 Cambodian officials at various training institutions in Malaysia. A 16-member technical team led by the Economic Planning Unit visited Cambodia in September 2000 to assist in the preparation of a blueprint for the economic development of Cambodia.

***India and Bhutan
have a special
relationship***

There is a special relationship between India and the landlocked country of Bhutan. India extended financial assistance to Bhutan from the launch of the First Five-year Development Plan in 1961 and continues to be the principal donor to Bhutan. Of Bhutan's eight five-year plans, the first two were completely financed by India, whose contribution comprised around 28 per cent of the total resources for all plans. A significant portion of India's assistance has focused on infrastructure development in Bhutan, with hydropower generation and the construction of roads, bridges and hospitals among the priority sectors. Other major projects carried out with Indian assistance were the Paro airport, Bhutan Broadcasting Service, the electricity distribution systems for Thimphu and Paro and the Indo-Bhutan microwave link. The Penden cement plant, a gift from India, began commercial production in 1982 and exports surplus cement to neighbouring Indian States. India will also provide financing for the Dungsum cement plant, plans for which were initiated during the Seventh Five-year Development Plan.

Institutional and managerial arrangements

***Coordination of aid
programmes is
usually done by
existing institutions***

Separate institutions to administer aid are maintained by only a few donor developing countries in the ESCAP region, since many of their aid programmes are relatively small but often cover a wide range of substantive areas. In general, the role of coordinating the development programme is delegated to an existing agency, while various academic and government institutions are responsible for its actual implementation. The Singapore Cooperation Programme, established in 1992, brings various technical assistance programmes within one framework. In Thailand, the Department of Technical and Economic Cooperation, under the Office of the Prime Minister, is responsible for the administration of technical cooperation between the Government of Thailand and foreign Governments and international organizations, and handles cooperation in which Thailand is a donor as well as recipient. The Department coordinates closely with the Ministry of Foreign Affairs in policy formulation and with the Ministry of Finance and the Bureau of the Budget in programme financing. At the implementation level, the Department coordinates with line agencies to provide training as well as training partners (box IV.7). In the Philippines, the Technical Cooperation Council, which has the

Box IV.7. Bank of Thailand and regional development cooperation

Although a single agency is usually responsible for coordinating development cooperation programmes, different agencies of the Government may be responsible for the actual implementation of activities. The Bank of Thailand, for example, participates in two regional forums aimed at strengthening institutional capacity. The Conference of Governors of South East Asian Central Banks (SEACEN), provides a forum for its member countries to exchange information and ideas on matters affecting their economies and financial systems; the SEACEN Research and Training Centre, opened in 1977 in premises provided by Bank Negara Malaysia, provides training courses led by resource persons from member countries and international organizations in various areas of central banking, including financial programming, monetary policy and financial accounts. SEACEN recently established an expert group on capital flows to draft proposals on capital flow management. The Bank of Thailand also participates in the Conference of Governors of Central Banks in South-East Asia, New Zealand and Australia which aims to strengthen central bank human resources through central bank training courses organized every two years on a rotation basis. In line with the Thai Government policy to pursue closer cultural, economic and trade links with countries in Indochina, the Bank of Thailand and Thammasat University organized an MBA course and offered scholarships in economics, banking and finance in the Lao People's Democratic Republic. The Bank of Thailand has also provided grants and training programmes in connection with the establishment of the National Bank of Cambodia.

Source: Bank of Thailand.

responsibility for formulating and executing the technical cooperation programme, is co-chaired by the Department of Foreign Affairs and the National Economic and Development Authority and includes members drawn from other relevant departments and technical centres.

As development cooperation becomes an increasingly important component of national policy and trade, however, aid programmes tend to be administered by separate agencies. Among countries that maintain separate institutions are the Republic of Korea and Turkey. The Korea International Cooperation Agency, under the Ministry of Foreign Affairs and Trade, administers aid and technical cooperation programmes, while the Export-Import Bank of Korea administers the Economic Development Cooperation Fund of the Ministry of Finance and Economy and the Ministry of Foreign Affairs and Trade. In Turkey, the Turkish International Cooperation Agency, founded in 1992, executes development cooperation programmes along with other government agencies. The State Planning Organization coordinates technical cooperation activities, while the State Institute of Statistics keeps the requisite statistics.

Countries higher up the income scale have created special coordinating institutions

Multilateral and triangular cooperation programmes

A number of developing countries in the ESCAP region offer multilateral cooperation programmes, either through third-country training programmes or on a cost-sharing basis, in which the Government co-sponsors the provision of group training, subregional cooperation programmes, partnership programmes and TCDC activities with other

Many countries offer multilateral and triangular cooperation programmes

countries or international organizations. Singapore's participation in these programmes is illustrated in box IV.8. Thailand, for example, organized research studies, training programmes and study tours in Thailand for participants from other developing countries who were sponsored by international organizations or donor countries. The Department of Technical and Economic Cooperation executes these programmes and covers administrative costs, while sponsoring agencies absorb the programme costs. Thailand has placed particular emphasis on co-funding for technical development projects in human resources development, agriculture, forestry, fisheries, industry, science and technology, and communication and transport management for neighbouring developing countries.

Box IV.8. Singapore and third-country training programmes

In joint training, otherwise known as third-country training programmes, assistance is provided to recipient countries in collaboration with another developed or developing country, or an international organization. Singapore has third-country training programmes with 11 countries, including Australia, Japan, the Republic of Korea and Thailand, as well as international organizations such as ADB, the Colombo Plan Secretariat, the Commonwealth Secretariat and ESCAP. In these programmes, the experience, expertise and resources of two partners are combined to provide training programmes for the benefit of developing countries in Asia as well as in other regions. Singapore and IMF signed an agreement in September 1997 to establish the IMF-Singapore Regional Training Institute in Singapore. The Institute, which is the first IMF regional training institute in Asia, offers joint training courses for developing countries in the region in the area of macroeconomics, statistics and national income accounting. Similarly, the World Bank Institute and the Ministry of Foreign Affairs offer joint training courses in banking, environmental management and public finance under the Singapore-World Bank Third Country Training Programme. Singapore also works jointly with UNDP to extend technical assistance under the TCDC programme. The Japan-Singapore Partnership Programme, established in 1994, offers joint training courses to participants from the Asian and Pacific region, while the Japan-Singapore Partnership Programme for the 21st Century, signed in May 1997, extends technical assistance from the Asian and Pacific region to Africa.

Source: Ministry of Foreign Affairs, Singapore.

The Philippines has also implemented triangular programmes such as the Japan/ASEAN/Cambodia Rural Development Programme, in which the Technical Cooperation Council of the Philippines facilitated the deployment of 10 agricultural experts to assist in the rehabilitation and reconstruction of Cambodia, and the UNIDO/Japan/Philippines/Kyrgyzstan Export-oriented Investment Promotion, under which experts from the Board of Investments conducted a two-week training course/workshop designed to develop Kyrgyzstan's capabilities in export-oriented investment policy formulation, the development of SMEs and export market penetration. For these programmes to be successful, however, the untying of aid is essential, so that donor countries which fund the multilateral cooperation programmes are able to fund programmes that best fit the needs of the recipient countries.

Since the 1957 issue, the *Economic and Social Survey of Asia and the Pacific* has, in addition to a review of the current situation of the region, contained a study or studies of some major aspect or problem of the economies of the Asian and Pacific region, as specified below:

- 1957: Postwar problems of economic development
 - 1958: Review of postwar industrialization
 - 1959: Foreign trade of ECAFE primary exporting countries
 - 1960: Public finance in the postwar period
 - 1961: Economic growth of ECAFE countries
 - 1962: Asia's trade with western Europe
 - 1963: Imports substitution and export diversification
 - 1964: Economic development and the role of the agricultural sector
 - 1965: Economic development and human resources
 - 1966: Aspects of the finance of development
 - 1967: Policies and planning for export
 - 1968: Economic problems of export-dependent countries. Implications of economic controls and liberalization
 - 1969: Strategies for agricultural development. Intraregional trade as a growth strategy
 - 1970: The role of foreign private investment in economic development and cooperation in the ECAFE region. Problems and prospects of the ECAFE region in the Second Development Decade
 - 1971: Economic growth and social justice. Economic growth and employment. Economic growth and income distribution
 - 1972: First biennial review of social and economic developments in ECAFE developing countries during the Second United Nations Development Decade
 - 1973: Education and employment
 - 1974: Mid-term review and appraisal of the International Development Strategy for the Second United Nations Development Decade in the ESCAP region, 1974
 - 1975: Rural development, the small farmer and institutional reform
 - 1976: Biennial review and appraisal of the International Development Strategy at the regional level for the Second United Nations Development Decade in the ESCAP region, 1976
 - 1977: The international economic crises and developing Asia and the Pacific
 - 1978: Biennial review and appraisal at the regional level of the International Development Strategy for the Second United Nations Development Decade
 - 1979: Regional development strategy for the 1980s
 - 1980: Short-term economic policy aspects of the energy situation in the ESCAP region
 - 1981: Recent economic developments in major subregions of the ESCAP region
 - 1982: Fiscal policy for development in the ESCAP region
 - 1983: Implementing the International Development Strategy: major issues facing the developing ESCAP region
 - 1984: Financing development
 - 1985: Trade, trade policies and development
 - 1986: Human resources development in Asia and the Pacific: problems, policies and perspectives
 - 1987: International trade in primary commodities
 - 1988: Recent economic and social developments
 - 1989: Patterns of economic growth and structural transformation in the least developed and Pacific island countries of the ESCAP region: implications for development policy and planning for the 1990s
 - 1990: Infrastructure development in the developing ESCAP region: needs, issues and policy options
 - 1991: Challenges of macroeconomic management in the developing ESCAP region
 - 1992: Expansion of investment and intraregional trade as a vehicle for enhancing regional economic cooperation and development in Asia and the Pacific
 - 1993: Fiscal reform. Economic transformation and social development. Population dynamics: implications for development
 - 1995: Reform and liberalization of the financial sector. Social security
 - 1996: Enhancing the role of the private sector in development. The role of public expenditure in the provision of social services
 - 1997: External financial and investment flows. Transport and communications
 - 1998: Managing the external sector. Growth and equity
 - 1999: Social impact of the economic crisis. Information technology, globalization, economic security and development
 - 2000: Social security and safety nets. Economic and financial monitoring and surveillance
 - 2001: Socio-economic implications of demographic dynamics. Financing for development
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