

The role of aid in Asia's development

Learning from success

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Introduction

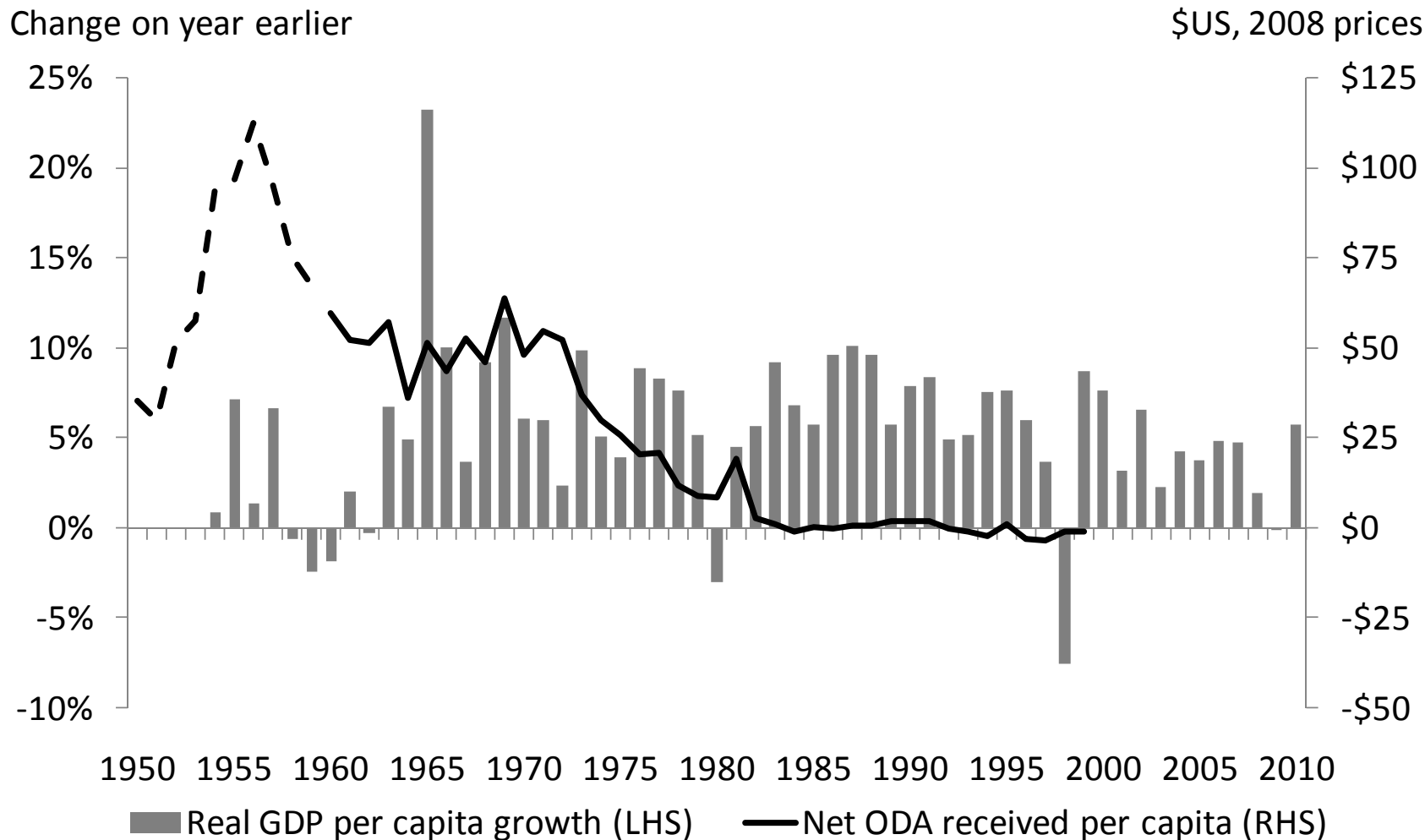
- East Asia has been an economic success story. Yet a number of previous studies have concluded that aid was irrelevant in the transition process or was detrimental. This paper reassesses the importance of aid relative to domestic economic policies and other factors.
- This research undertakes a qualitative analytical assessment of the timing, volume and key principles of ODA to East Asia. Aid examined through a broad lens of political economy and policy reform.
- Focus is on six nations: South Korea, Taiwan, China, Singapore, Malaysia and Thailand.

Did aid stifle growth and delay the transition?

“Scarcity of resources...is good for reform. One of the pieces of conventional wisdom about the Korean...reforms of the 1960s is that these reforms took place in large measure because US aid, which had been plentiful during the 1950s, was coming to an end.”

Dani Rodrik (1995)

South Korea: Aid receipts and economic growth



Source: OECD (DAC), World Bank WDI, US Green Book, Penn World Tables

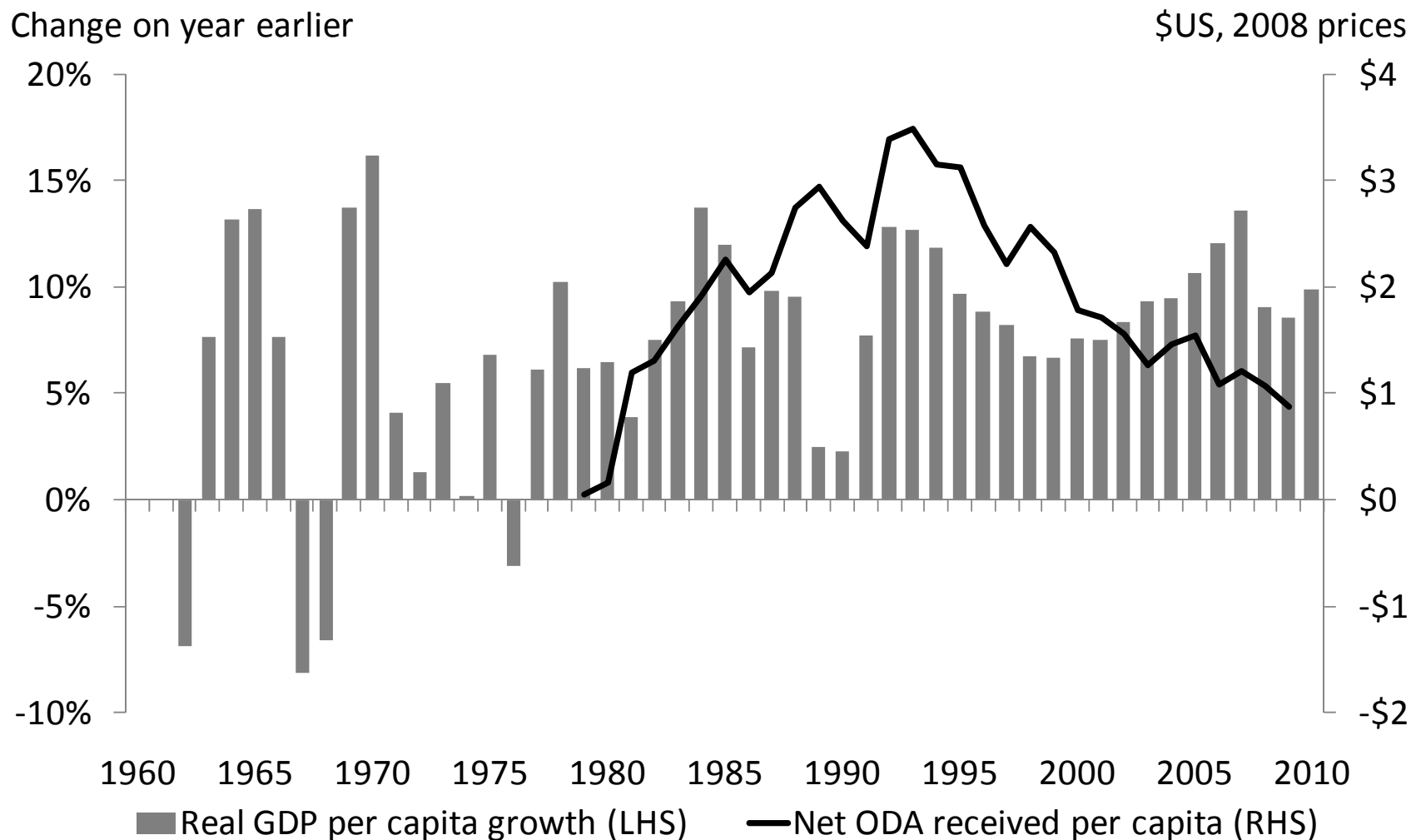
South Korea: Major donors

Net ODA receipts, South Korea

\$US millions (2008 prices)	1960-69	1970-79	1980-89	1990-99	2000-09
United States	11,055	3,956	-210	-555	-
Japan	2,585	4,703	758	-282	-
Germany	400	593	413	289	-
Other DAC	184	173	155	197	-
Multilateral	271	943	143	1	-
Non-DAC	-	159	-13	-40	-
Total net ODA	14,494	10,526	1,247	-392	-
<i>Memo: OOF</i>	<i>1,162</i>	<i>11,983</i>	<i>3,039</i>	<i>16,638</i>	-

Source: OECD (DAC)

China: Aid receipts and economic growth



Source: OECD (DAC), World Bank WDI

China: Major donors

Net ODA receipts, China

\$US millions (2008 prices)	1960-69	1970-79	1980-89	1990-99	2000-09
United States	-	-	-	48	285
Japan	-	6	6,928	10,328	6,820
Germany	-	3	1,417	4,345	3,089
Other DAC	-	1	3,642	7,498	4,778
Multilateral	-	33	7,192	11,288	2,280
Non-DAC	-	-	360	44	334
Total net ODA	-	43	19,540	33,552	17,586
<i>Memo: OOF</i>	-	-	<i>7,107</i>	<i>26,492</i>	<i>1,573</i>

Source: OECD (DAC)

Learning from Asia's experience

- Successful progression beyond (or to small volumes of) ODA offers an (under-explored) opportunity to explore lessons for the aid world today.
- Asia has lessons for both fragile and non-fragile states:
 - South Korea in the 1950s was a fragile/conflict/post-conflict state. A complex story, but the bottom line is that aid and broader external support gave South Korea the breathing space it needed until it got its act together.
 - China is an example of a country that had the internal capability to make good use of aid as a means for importing and trying out innovations.
- Aid was critical for some Asian economies, and helpful for others. Not a bad track-record.
- Focus of aid has moved to different countries and regions, but aid industry is still dealing with the same two types of countries (cf PNG and Indonesia).

Thank you

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