

**Comparative Study of ODA Policy and Implementation of Australia,  
Germany, Japan, and Korea in Lao PDR**

**by**

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# Table of Contents

|  |          |
|--|----------|
| List of Table.....   | v        |
| List of Figure .....   | vi       |
| Acronyms and Abbreviations .....                             | vii      |
| Certification .....  | ix       |
| Acknowledgments .....  | x        |
| Summary.....   | xi       |
| <b>CHAPTER 1: INTRODUCTION.....</b>                          | <b>1</b> |
| 1.1 Background of Study.....                                 | 1        |
| 1.2 Objective of Study.....                                  | 3        |
| 1.3 Research Questions .....                                 | 4        |
| 1.4 Significance of Research .....                           | 4        |
| 1.5 Scope and Limitation of Research.....                    | 4        |
| 1.6 Structure of the thesis .....                            | 5        |
| <b>CHAPTER 2: LITERATURE REVIEW .....</b>                    | <b>7</b> |
| 2.1 Definition of Official Development Assistance (ODA)..... | 7        |
| 2.2 Historical and Types of ODA .....                        | 10       |
| 2.2.1 Historical of ODA .....                                | 10       |
| 2.2.2 Types of ODA .....                                     | 12       |
| 2.3 Role of ODA .....  | 16       |
| 2.3.1 Positive Impact of ODA .....                           | 17       |

|   |           |
|---|-----------|
| 2.3.2 Negative Impact of ODA.....   | 18        |
| 2.4 ODA and Sustainable Development .....                                     | 20        |
| 2.4.1 The principles on ODA .....   | 20        |
| 2.4.2 Aid Effectiveness.....  | 22        |
| 2.4.3 Sustainable Development Issues .....                                    | 23        |
| 2.4.4 Tying status of ODA .....   | 25        |
| 2.5 Previous studies of Australian, German, Japanese, and Korean ODA.....     | 26        |
| <b>CHAPTER 3: CURRENT AND TREND OF ODA IN LAO PDR .....</b>                   | <b>30</b> |
| 3.1 Role of ODA to Socio-Economic Development in Lao PDR.....                 | 30        |
| 3.2 ODA management in Lao PDR.....  | 31        |
| 3.2.1 Sector Working Groups (SWGs).....                                       | 33        |
| 3.2.2 Monitoring and Evaluation (M&E) .....                                   | 34        |
| 3.3 ODA inflow to Lao PDR.....  | 38        |
| 3.4 ODA Allocation in Lao PDR by four major bilateral donors in Lao PDR ..... | 41        |
| 3.5 Aid performance of Australia, Germany, Japan, and Korea .....             | 44        |
| 3.6 Overview of Australian, German, Japanese and Korean ODA.....              | 46        |
| 3.6.1 Australian ODA.....   | 46        |
| 3.6.2 German ODA.....   | 48        |
| 3.6.3 Japanese ODA .....  | 50        |
| 3.6.4 Korean ODA.....   | 52        |
| <b>CHAPTER 4 SURVEY AND RESULT .....</b>                                      | <b>55</b> |
| 4.1 Research Methodology.....   | 55        |

|  |    |
|--|----|
| 4.1.1 Research Design .....  | 55 |
| 4.1.2 Sample Size .....  | 55 |
| 4.1.3 Source and Data Collection .....   | 56 |
| 4.1.4 Questionnaire Design .....   | 57 |
| 4.1.5 Method of Data Analysis .....  | 57 |
| 4.2 Feature recipient's analysis .....   | 59 |
| 4.3 The result of ODA policy analysis.....   | 60 |
| 4.3.1 ODA policy of four major donors through guideline principles on aid .....  | 60 |
| effectiveness in Lao PDR.....  | 60 |
| 4.3.2 The progress on aid effectiveness by four bilateral major donors in Lao PDR<br>through the global indicators.....                  | 63 |
| 4.3.3 The strategies of aid allocation inflow to Lao PDR by Sector Working Groups<br>(SWGs) and Millennium Development Goals (MDGs)..... | 67 |
| 4.3.4 ODA implementation and management analysis .....   | 71 |
| 4.4 The trend of Australian, German, Japanese and Korean ODA in Lao PDR next<br>five year .....  | 74 |

**CHAPTER 5: CONCLUSION, RECOMMENDATION, AND FURTHER**

|   |    |
|---|----|
| <b>RESEARCH</b> .....   | 77 |
| 5.1 Conclusion.....   | 77 |
| 5.1.1 In terms of the characteristic of four major bilateral donors ..... | 79 |
| 5.1.2 The trend of four major donors' ODA in Lao PDR .....                | 81 |
| 5.2 Recommendation.....   | 82 |

|   |     |
|---|-----|
| 5.2.1 Regarding ODA policy .....  | 82  |
| 5.2.2 Concerning ODA implementation and management .....                        | 82  |
| 5.3 Direction for further study .....   | 83  |
| <b>References</b> .....   | 84  |
| Appendix 1: The Questionnaire for Executive Agencies of ODA .....               | 93  |
| Appendix 2: SDGs area previously monitored at country level as part of the MDGs | 102 |

## List of Table

|           |  |    |
|-----------|--|----|
| Table 2.1 | Overview of foreign aid history on the typical development's issues.....                                 | 11 |
| Table 2.2 | The Principles of Paris Declaration on Aid Effectiveness.....  | 21 |
| Table 2.3 | Progress in implementation of the OECD-DAC peer review.....  | 28 |
| Table 3.1 | Sector Working Groups (SWGs) for development cooperation in Lao PDR                                      | 34 |
| Table 3.2 | ODA inflows to Lao PDR 2006-2015 .....   | 39 |
| Table 3.3 | Top ten bilateral ODA inflows to Lao PDR 2006 – 2015 .....   | 41 |
| Table 3.4 | Comparative aid performance.....   | 45 |
| Table 3.5 | ODA/GNI ratio (% of GNI) from 2006 – 2015 of Australia, Germany, Japan<br>and Korea .....                | 45 |
| Table 3.6 | Percentage of Share Untied Bilateral Aid.....  | 46 |
| Table 3.7 | Vision and Policies of Germany's development cooperation.....  | 50 |
| Table 4.1 | Contribution of ODA policy of four bilateral major donors in Lao PDR ...                                 | 61 |
| Table 4.2 | The surveys on Monitoring the Paris Declaration of Australian, German,<br>Japanese and Korean ODA. ....  | 62 |
| Table 4.3 | The global indicators of progress on aid effectiveness by four bilateral major<br>donors in Lao PDR..... | 66 |
| Table 4.4 | The strategies of aid allocation inflow to Lao PDR by Millennium<br>Development Goals (MDGs) .....       | 68 |
| Table 4.5 | ODA implementation of four bilateral major donors in Lao PDR .....                                       | 73 |
| Table 5.1 | Overview of the characteristic of Australian, German, Japanese and Korean<br>ODA. ....                   | 78 |

## List of Figure

|            |   |    |
|------------|---|----|
| Figure 2.1 | The logical system approach for sustainable development strategy .....  | 24 |
| Figure 3.1 | The Responsibility of Government's ODA Management.....  | 37 |
| Figure 3.2 | ODA inflows and GDP growth (annual %) in Lao PDR from 1995-2015   | 38 |
| Figure 3.3 | ODA grant and loan inflows to Lao PDR from 2006 to 2015 .....   | 40 |
| Figure 3.4 | Type and Trend of ODA from four major donors in Lao PDR from 2006 -<br>2015 .....                                 | 43 |
| Figure 3.5 | Distribution of ODA to sectors in Lao PDR by four major donors from<br>2006 - 2015 .....                          | 44 |
| Figure 3.6 | A strategic framework for the Australian aid program .....  | 48 |
| Figure 3.7 | Japan's Development Cooperation Policy Framework .....  | 52 |
| Figure 3.8 | Korea's development co-operation framework .....  | 54 |
| Figure 4.1 | Working experience and position of respondents .....  | 59 |
| Figure 4.2 | Actual ODA disbursements of four major bilateral donors to MDGs for FY<br>2013 - 14 to 2014 - 15 in Lao PDR ..... | 70 |
| Figure 4.3 | Trend of four major bilateral donors' ODA in Lao PDR next five years ....   | 75 |

## Acronyms and Abbreviations

|         |   |  |
|---------|---|--|
| ADB     | : | Asian Development Bank                         |
| AMP     | : | Aid Management Platform                        |
| AusAID  | : | Australia's Aid Program                        |
| CAP     | : | Country Action Plan                            |
| CPIA    | : | Country Policy and Institutional Assessment    |
| CRS     | : | Creditor Reporting System                      |
| DAC     | : | Development Assistance Committee               |
| DIC     | : | Department of International Cooperation        |
| DPs     | : | Development Partners                           |
| FAIR    | : | Foreign Aid Implementation Report              |
| FDI     | : | Foreign Direct Investment                      |
| GDP     | : | Gross Domestic Product                         |
| GNI     | : | Gross National Income                          |
| GSM     | : | Grate Mekong Sub-region                        |
| IFIs    | : | International Financial Institutions           |
| IMF     | : | International Monetary Fund                    |
| IUCN    | : | International Union for Conservation of Nature |
| Lao PDR | : | Lao People's Democratic Republic               |



|       |   |  |
|-------|---|--|
| LDC   | : | Least Development Country                              |
| LSB   | : | Lao Statistic Bureau                                   |
| MDGs  | : | Millennium Development Goals                           |
| MOF   | : | Ministry of Finance                                    |
| MOFA  | : | Ministry of Foreign Affair                             |
| MOFAT | : | Ministry of Foreign Affairs and Trade                  |
| MPI   | : | Ministry of Planning and Investment                    |
| NEM   | : | New Economic Mechanism                                 |
| NGO   | : | Non-Governmental Organization                          |
| NSEDP | : | National Socio Economic Development Plan               |
| OA    | : | Official Aid   |
| ODA   | : | Official Development Assistance                        |
| OECD  | : | Organization for Economic Co-operation and Development |
| PD    | : | Paris Declaration                                      |
| SDGs  | : | Sustainable Development Goals                          |
| SOP   | : | Standard Operating Procedure                           |
| UNDP  | : | United Nations Development Program                     |
| USAID | : | United States Agency for International Development     |
| USSR  | : | Union of Soviet Socialist Republics                    |
| VD    | : | Vientiane Declaration                                  |

## **Certification**

I, **PHANTHALAMIXAY Viengkham** (51216606) hereby declare that the contents of this Master's Thesis (**Comparative Study of ODA Policy and Implementation of Australia, Germany, Japan, and Korea in Lao PDR**) with the guidance and supervision of **Prof. NATSUDA Kaoru**, are original and true, and have not been submitted at any educational institution or other universities for the award of diploma or degree. All the data and information that obtained from reports and official documents sources which published or unpublished, this thesis has been cited as an appropriate acknowledgment.

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PHANTHALAMIXAY Viengkham

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## Summary

After Lao government has changed the policy development by implementing the New Economic Mechanism (NEM) since 1986. Laos has accepted more Official Development Assistant (ODA) from bilateral and multilateral donors and ODA has played an important role to socio-economic development in Lao PDR. However, the different of ODA policy and implementation of development partners are one of main issue influence to aid effectiveness and sustainable development in Laos. Therefore, this study focus to examine characteristic of four major donors: Australia, Germany, Japan and Korea, by comparing their ODA policy and implementation, which cover discussion and explanation of various variables as economic and institutional issues to present their strategies and foreign aid policy, and also look over on the trend of ODA from these four donors in Lao PDR for the next five years.

This research examines second data from many sources such as reports, journals and books; and primary data as a survey at ministries that have received/used to receive ODA from these four donors. The survey method is applied to the questionnaire that distributed to ministries with consist of 56 forms (4 forms for 1 Ministry) to executive agencies of ODA for 14 ministries in Lao PDR. A set of questionnaire consist of four sections. As the result, 40 forms or account for 71.4% were responded, which indicated that the ODA policy and implementation of Australia, Germany, and Japan are more crucial than Korea. For ODA policy, by applying to five principles on aid effectiveness, Korea was rated (3.52) which lower than average rate (3.78) among four donors; and by applying to the global indicators of progress on aid effectiveness, Korea was rated (3.35) which less than average rate (3.64). For ODA implementation, by applying to aid allocation to MDGs, Korea was rated (3.30) which not reach the average rate (3.65); and

also by applying to the national Standard Operating Procedure (SOP) which consists of 6 steps. Korea was rated (3.42) which is also lower than average rate (3.67). For the trend of ODA from these four major donors in next five years, 60% of respondents believe the ODA amount will increase. Thus, the Lao government has to pay more attention to cooperation and ODA management in order to enhance aid effectiveness and sustainable development in Lao PDR.

**Keywords:    Role of ODA, Aid effectiveness, Characteristic of Donors, and Sustainable Development.**

# CHAPTER 1: INTRODUCTION

## 1.1 Background of Study

ODA in Laos began by USAID interferences before 1975. After the revolution in 1975, ODA was followed by assistance from Russia and block the Eastern aid. Later, in 1986 when the situation of the world changed, the Lao government changed the development policy by establishing the New Economic Mechanism (NEM). Thus, the country began accepting ODA from other countries as bilateral and multilateral aid (McCarty & Julian, 2009). After implementation of “a market-oriented economy” in 1986, ODA has been increased every year. The donors’ intent, especially countries like Japan, France, and Sweden, had helped Laos in its efforts for sustainable development, particularly through rural development and infrastructure such as bridges, roads, and airports. The Asian Development Bank (ADB) also encouraged and promoted regional cooperation by the first move such as Grate Mekong Sub-region (GSM) and East-West Corridor concepts. The UNDP and the ADB supplied technical assistance to Lao government to systematize the appropriate legal system to attract foreign investment, as Laos has many natural resources such as hydropower, mineral and forestry resources. However, Laos recognized to lack skilled manpower; administrative personnel shorted of training and experience which necessary to achieve efficiency in managing ODA grants-loans (Phraxayavong, 2009).

Currently, the government of Lao PDR is focusing on ensuring the success of implementation of Eighth National Socio-Economic Development (8<sup>th</sup> NSEDP) for 2016-2020, to ensure that Lao PDR will achieve the Sustainable Development Goals (SDGs).

This plan also plays important milestone for accelerating Lao PDR to graduate from least developed country (LDC) status by 2020. In order to achieve the mentioned ultimate goals and objectives, as indicated in the 7<sup>th</sup> NSEDP, the Lao government has made the effort to sustain high rate of economic growth in the range of about 7.5 - 8 % per year, as well as reduce poverty rate lower than 7% of total household by 2020 (MPI, 2011). In this regard, ODA is one of the key factors to the success 7<sup>th</sup> and 8<sup>th</sup> NSEDP and support the socio-economic development in Lao PDR. The Lao government has made diplomacy contacts with countries and organizations around the world by special cooperation with more than 30 countries and many of development organization in both bilateral and multilateral forms (MPI, 2010). As the overview of 7<sup>th</sup> NSEDP, Lao PDR needed to mobilize ODA about 3.369 million US\$. And up to recently, ODA has been implemented to more than 3.076 million US\$ or about 91.05% of the plan (MPI, 2016, p.9).

Laos has experienced achievable structural adjustment, macroeconomic stabilization achievement and increasing of export volume. Nevertheless, the aspect of sustainable development is grim as a serious deficit of capacity in human resource, administration, finance, and infrastructure. According to this development problem, foreign aid issue is qualitative but not quantitative. Donors' consideration and responsive to restricted absorptive an ability in Laos, it was a deficiency of their aid project and procedure. Additionally, only a few donors paid attention to capacity building in a consistent manner. Donors should increase their responsibility by considering the limited capacity of the recipient country in their aid program. And they should also treat the capacity building in a coherent way and with a fundamental goal. (Hatashima, 1994).

According to a summary of progress on the Paris Declaration, as an improvement by both Lao government and donors, Laos has met only some targets in 2010 (OECD, 2012). But over the past years, several of ODA projects have been completed with

positive outcomes. However, some projects/programs could not reach their objectives and were unsustainable, which is also known as “Sun-Set Project”. Re-implementing ODA projects/program is one of the main causes of slowing down the development of the country, where more funds and technical support will have to be requested from development partners. Therefore, in order to enhance aid effectiveness and sustainable development, it needs to improve ODA management by look through policy and implementation of donors which is the main issues that Lao government should pay more attention on cooperation and mobilization.

## **1.2 Objective of Study**

ODA has crucial contribution to the economic growth in Lao PDR. The Lao government has made lots of efforts to mobilize and enhance aid effectiveness to assist GDP growth and to reach the SDGs. In this regards, development partners who have a good policy and great support on ODA would be influential to development issues in Lao PDR. Thus, this research aim to analyze characteristic of four major donors: Australia, Germany, Japan, and Korea, by comparing their ODA policy and implementation, which cover discussion and explanation of various variables as economic and institutional issues to present their strategies and foreign aid policy, also identify a more crucial ODA policy and implementation which enhance aid effectiveness, and promote the SDGs in Lao PDR.



### **1.3 Research Questions**

Based on the objectives of this research, the following questions could be addressed as follows:

- 1) What is a characteristic of Australian, German, Japanese, and Korean ODA?
- 2) Which major donor country has a more crucial policy and implementation of ODA to enhance aid effectiveness and promote sustainable development in Lao PDR?

### **1.4 Significance of Research**

The results of this study can be valuable for policy maker of ODA, donor and recipient countries to improve ODA implementation. The study will provide useful information for policy-makers to formulate an appropriate ODA policy. Moreover, the findings will be useful to enhance transparency in ODA management, aid effectiveness, and also contribute to the future of academic research related to foreign aid policy. In addition, this study will discuss the keys factors that can accelerate socio-economic development and assist Lao PDR graduate from Least Development Country (LDC) status and achieve the SDGs by 2030.

### **1.5 Scope and Limitation of Research**

This research focuses on executive agencies of Lao government responsible for ODA from Australia, Germany, Japan, and Korea. These agencies are mainly ministries that used to/have received and implement ODA from these four major donors in Lao PDR. Thus, there might be some difficulty in term of their time-limitation and cooperation of respondents. In some cases, there are more than one departments in charge of ODA from

these donors in one ministry. In addition, there are few studies conducted about ODA in Lao PDR that can support this study.

## **1.6 Structure of the thesis**

There are five chapters in this research. In **Chapter 1 Introduction**, presents background of study, objective, question, significant, scope and limitation, and structure of the thesis. **Chapter 2 Literature Review and Methodology**, reviews related literature and studies on ODA including definition, history, classification, role of ODA and sustainable development issues. **Chapter 3 Current and trend of ODA in Lao PDR**, addresses the role of ODA in socio-economic development of Lao PDR by explaining how ODA contributes to economy and sustainable development, how is ODA management of development partners and Lao government, and ODA allocation from four major bilateral in Lao PDR including Australia, Germany, Japan and Korea. Moreover, the chapter compares ODA policy and implementation of these four main bilateral donors in Lao PDR. **Chapter 4 Survey and Result**, explains methodology and procedure of the research including design of the research; sample size; source and primary and secondary data collection; structure of questionnaire and data analysis method. Moreover, examines the result of field survey on policy and implementation of Australian, German, Japanese and Korean ODA, which compares the characteristic and crucial policy of ODA implementation in Lao PDR. Then the chapter explains how four major bilateral donors adopt and align their policy through guideline principles from OECD and global indicators on aid effectiveness to implement ODA programs/projects in Lao PDR. **Chapter 5 Conclusion, recommendation, and further study** summarize results of this study in relation to purposes and questions of the study. Meanwhile,

limitation and remark on recommendation also the empirical finding and evidence are indicated on this stage, in order to get a direction of further study.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 Definition of Official Development Assistance (ODA)**

ODA is formed of grants and concessional loans from a donor's government or a multilateral agency to a recipient country. OECD (2009, p.48) defined ODA as "assistance to countries and territories on the Development Assistance Committee (DAC) List of ODA recipients and to multilateral development institutions which are: (1) provided by official agencies, including state and local governments, or by their executive agencies. (2) Each transaction of which: – is administered with the objective of promoting economic development and welfare of developing countries; and – is concessional and has a grant element of at least 25% (calculated at a discount rate of 10%)". Bilateral assistance is transactions of a donor government to a recipient country. They also consist of transactions between international or national non-governmental organizations active in development, and other interior development associated transactions such as the interest subsidies, consuming of the development's promotion consciousness, administrative costs and debt reorganization. Multilateral assistance is contribution funds by multilateral agencies, particularly the UN system. The contribution could be membership enrollment or alternative contribution. Führer (1994, p.25) argue that ODA include of flows to multilateral institutions and developing countries, which supporting official agencies including of state and local governments or executive agencies. Trumbull & Wall (1994, p.876) explained that ODA is aid from entire sources which consist of grants and loans in a term of multilateral and bilateral sources to promote a humanitarian, poverty reduction and economic growth. For multilateral sources, grants and loans and also technical assistance such as the UN systems, the World Bank, the IMF and members of the OECD as bilateral sources.

Riddell (2007, p. 18-19) explained that the most significant work undertaken to originate a set of function definitions for what establish foreign aid, what include and what does not count as aid. These have been led by the DAC of Organization for Economic Cooperation and Development (OECD). The DAC's work on defining aid and never set out to define aid in general nor even all of the development aid. After that, it sought only to define part of entire aid that provided by a donor to a recipient country. Thus, it named ODA, since then a term has stuck with us. Nevertheless, it spent time almost a decade after setting up by the DAC for donors to approve on the definition what they were doing to provide aid. For the main definition of ODA, it was agreed by the DAC in 1969 and after that, it was refined in 1972.

ODA is one type of foreign aid, regarding to Riddell (2014, p. 1) "foreign aid is provided by three main types of donors: rich country governments, Non-Governmental Organizations (NGOs) and private foundations" Lumsdaine (1993, p. 33) Indicate some facts of aid or foreign aid or ODA signify as gifts and concessional loans of economic resource such as employment, technology, and finance for economic purpose through developing countries by governments of developed countries. Roberts et al, (2007, p.399) also explained about the definition of foreign aid as commodities, financial flows and technical assistance that are: (1) plan to promote development economic and welfare as the main objective (not consist aid for other non-development or military purposes) and (2) provided either subsidized loans or grants. Lancaster (2007, pp. 9-10) point out that "foreign aid is a tricky concept". It sometimes looks like a policy, but it is not. It is a utensil of policy. It sometimes consider as expenditures of military and trade or it is used to surround by countries' public transfer. Truly, the customary definition of aid is a voluntary or public transfer from a country to another country, to an NGO, or an international organization (the UNDP, the World Bank, etc.) with a minimum of 25%

grant element. This definition is quite similar to DAC-OECD's definitions that define ODA as two substantial distinctions. Firstly, ODA only connects to transfer of low-income countries. Secondly, concern to the phrase "to better the human condition." But it consists of different activities within development concept such as humanitarian relief, assisting the progress of social and economic, democratic promotion, addressing global issues, and managing post-conflict transformation. Thus, overall the definition of aid is emphasized specific on "human betterment".

What is a correct meaning of foreign aid? The foreign aid consists of technical and financial support. Financial aid can be grant and loan which transferred from donors to recipient countries. This definition still leaves many important questions that cannot be answered yet. This is not mentioned of who are particular donors and recipients, why it is taking place by a transfer of resources, what is the impact of giving or receiving, it is an act of voluntary that base on some conditions and compulsion. The donor does not mean to be rich, neither recipient is poor. Providing aid could assist the donor and recipient also, and the term of impact could be positive and negative. This general view of foreign aid could address humanitarian, development and poverty reduction to developing countries. However, the political and diplomatic interest could be also component resources to assist achievement of military purpose. Concerning of world poverty is form of developed to developing countries and poor people that can identify development and poverty reduction. Foreign aid could be mean "development aid or development assistance" Theoretically, there are many possible options. A distinction, the approaches of standard to define development aid has to point out to the objective of aid given which part of foreign aid contribute to welfare and development in developing countries. This is based on the purpose of giving aid. The definition of development aid has been driven by donors, mostly base on an agreement of the leading donor countries

over 30 years ago, the donors who can make a decision how much to give and be given and also how development aid should identify (Riddell, 2007, pp. 17-18).

## **2.2 Historical and Types of ODA**

### **2.2.1 Historical of ODA**

Foreign aid has been started in the 19<sup>th</sup> century. There were two events that US aid on overseas stress on aid programs between assistance and relief “illustrated by the 1812 Act for the Relief of the Citizens of Venezuela” and endeavor to serve political or commercial purpose of donors “illustrated, beginning in 1896, by the conscious use of us food surpluses for overseas market development” (Hjertholm & White, 2000, p. 80). Even though there are many changes over decades, the constant of development purpose of foreign aid has been deformed by using aid for political and commercial objectives. This is not mean that aid has never been used for development. According to a statement of the modernist ideological as donors (Table 2.1), they believe that “there is a single model of development base on a particular conception of western liberal democracy”.

**Table 2.1 Overview of foreign aid history on the typical development's issues**

|       | Dominant or rising institutions   | Donor ideology   | Donor focus   | Types of aid  |
|-------|---|--|---|---|
| 1940s | Marshall Plan and UN system (including World Bank).   | Planning.  | Reconstruction.   | Marshall Plan was largely program aid.  |
| 1950s | United States, with the Soviet Union gaining importance from 1956.  | Anti-Communist, but with a role for the state.   | Community Development Movement.   | Food aid and project.   |
| 1960s | Establishment of bilateral programs.  | As for the 1950s, with support for the state in productive sectors.                      | Productive sectors (e.g. support to the green revolution) and infrastructure. | Bilateral gave technical assistance (TA) and budget support; multilateral supported projects. |
| 1970s | Expansion of multilateral especially World Bank, IMF and Arab-funded agencies.                            | Continued support for state activities in productive activities and meeting basic needs. | Poverty, taken as agriculture and basic needs (social sectors).               | Fall in food aid and the start of import support.   |
| 1980s | Rise of NGOs from mid -1980s  | Market-based adjustment (rolling back the state).  | Macroeconomic reform.   | Financial program aid and debt relief.  |
| 1990s | Eastern Europe and FSU become recipients rather than donors; the emergence of corresponding institutions. | Move back to the state toward the end of the decade.                                     | Poverty and then governance (environment and gender passed more quickly).     | Move toward sector support at end of the decade.  |

Source: (Hjertholm & White, 2000, p.81)

Hansen & Tarp (2000) explained the generations of foreign aid studies, there are three generations: the first generation was since the 1960s to early 1970s, while



researchers were based on a hypothesis which had a strong correlation between “aid, saving and growth”. The second generation from late of the 1970s to 1980s, scholars attract their attention to analyze the relation between “aid, investment and growth” and the third generation since 1990s, researchers follow new approach data and new methodologies to consider determinants such as policies and institutions. Even though, a feature of each generation is not always possible classified these studies, but it will be referred to next section. Studies from various generations will share research questions, data, and methodologies.

### **2.2.2 Types of ODA**

Foreign aid is given for various objectives and intentions. It can be interpreted to main types as the aid for reconstruction, social and economic purposes; remaining of category captures as residual purposes. By an estimation of the growth impacts of detachable types of aid, there are no effects. Meanwhile, reconstruction aid has positive effects. Despite this type apply only in particular condition, and it has become more widespread in recent years (Bjornskov, 2014). And other scholars such as Lancaster, (2007, p.13) claimed that foreign aid was used for purposes of humanitarian relief, developmental, diplomatic and commercial. Cultural purposes have also existed but it is not prominent. Morgenthau (1962, p.301) argued that foreign aid should split into six types: “humanitarian aid, subsistence aid, military aid, bribery, prestige foreign aid, and foreign aid for economic development. Only humanitarian aid is non-political”.

Regarding to USAID’s Congressional Research Service report for Congress, categorized foreign aid in to five clusters: (1) Bilateral development assistance: designed to support sustainable for social stability and economic progress in developing countries;

(2) Economic aid supporting security and political purpose; (3) Humanitarian assistance; (4) Multilateral assistance; and (5) Military assistance. According to these categories, there is the different form to provide aid, for instance: cash transfer; commodity import programs; equipment and commodities; training expertise; small grants; loan/grant Composition; type of loans; loan repayment and debt forgiveness (Tarnoff & Nowels, 2005, pp 4-7). The DAC classifies aid flows into three general categories: Firstly, ODA is the largest one which is provided by donor governments to recipient countries. Secondly, Official Aid (OA)<sup>1</sup> is aid given by governments to developed countries with higher income per capita than around US\$ 9,000 and to countries that used to be formerly part or satellites of the Soviet Union. And the last one is private voluntary assistant included grants from religious groups, NGOs, foundations, charities and private companies. (Roberts et al, 2015, p.399).

Regarding the procedure of defining aid, The DAC make a differentiation between two types of recipient countries. Part one, countries are less developing countries, and part two countries are more advanced developing countries. Only part one that countries are sorted as ODA and part two countries are classified as official aid (OA) instead of ODA. Nowadays, neither ODA nor OA consists of any aid conveyed from developed to developing country that initiates from non-governmental sources. All types' development aid has not been sought by the DAC, the definition of both OA and ODA did not include any aid allocated or funds raised by private foundations or organizations and individuals or NGOs (Riddell, 2007, pp. 18-19).

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<sup>1</sup> Official Aid (OA): "Flows which meet conditions of eligibility for inclusion in ODA, other than the fact that the recipients are on Part II of the DAC List of Aid Recipients" define by OECD Glossary of statistical terms, <https://stats.oecd.org/glossary/detail.asp?ID=1887>.

### ➤ **Aid for Humanitarian purpose**

Humanitarian aid has been given by donors to countries to respond to natural disasters and providing assistance for people that have been affected by disasters such as hurricanes, flood, earthquakes, volcanic eruptions, and droughts. Humanitarian aid is a gesture from a country to another country to reduce poverty and relieve the hardship of people by supplying them with the basic need. Humanitarian aid for clothing and feeding refugees is supported by various relief agencies (Most of them are non-governmental organizations) and governments (Phraxayavong, 2009, p.30). Lancaster (2007, p.14) argued that foreign aid for humanitarian relief has been always less controversial within all purpose of aid. There are large numbers of victims from the natural environment or manmade, sometimes produce people homeless or refugees abroad. The government of developing countries usually lack capacity and resource to accommodate the victims need. Addison (2000, p.393) explained that by humanitarian aid, there is some significance reducing the number of victims, but it's still facing some problems which cause some research to doubt the basic relief of emergency value. This part provides a concise review of what is a multidimensional and complex issue.

### ➤ **Aid for Political purpose**

There are some researchers indicate that foreign aid is not just for commercial or tread purpose, not only humanitarian, but there is something hiding the outside figure. Riddell, (2007, p 94) pointed out that almost 30% of all bilateral aid in the world is given by the United States. The rationale which the United States providing aid is maybe more important than these external figures. The way of global leadership, as a remaining of superpower, has attracted to leading donors for decision making about allocation and role

of aid. Boone (1995) Examined laissez-faire and elitism, economic or political regimes would use for aid. The finding is aid does not significantly enlarge growth and investment, neither indicators of human development, but it enhances the government size. Alesina & Dollar (1998) analyze the design of aid allocation from different donors such as Australia, Germany, Japan and etc. to recipient countries. The study found the trend of foreign aid is compelled by strategic and political deliberation more significant than a necessity of economic and a performance of policy in recipient countries. Political federation and the colonial former are the main factors of foreign aid. Nevertheless, democratic countries obtain more aid. Meanwhile, foreign aid circulates and react more to variables of political; FDI are more responsive to economic incentives especially “good policies” and security of poverty rights in recipient countries, and also uncover vary of significant in the various donors’ behavior.

➤ **Aid for Commercial or trade purpose**

Since aid has been firstly provided, it has been connected to donors’ commercial interests. Most of them have linked to tie aid with purchase goods and services from donors. Additionally, aid can be tied indirectly through different trade promotion such as “subsidizing export-credit schemes and providing aid to lower the costs of firms in bidding for tenders, and through more informal pressures on recipients to encourage them to purchase goods and services from donor-based commercial companies”. Major donor countries used commercial interests to lobby and access to funds on aid as a concept “win-win” or mutual benefit. Hence, working and exporting in a donor country would be enlarged the same as development in a recipient country (Riddell, 2007, p. 98). McGillivray (2003, p.6) found the results for aid allocation studies that link between aid

and trade promotion or commercial interests, even though there is various significance among donors over the time periods. Regarding recent reviews, despite there is some proof of donors more focus on development criteria, donors' trade or commercial interest remains an important feature that relates to aid.

### **2.3 Role of ODA**

There are lots of evidence to prove that ODA contributes positively and visibly to recipient countries for instance: transmitting skills, improving and extending the services' quality; originating and improving infrastructure, promotion of production, wellbeing and more incomes, enhancing core delivery services, providing schoolbooks and medicines, and etc. Some benefits have been not tangible such as aid contributes to improving the quantity and quality of agriculture, improving the efficiency of key institutions and enhancing the capacity of ministries to deliver health and education sector services (Riddell, 2007, p. 253). Phraxayavong (2009, p.36) argued that foreign aid is crucial for development processes, essential to poverty reduction. Todaro & Smith (2003, p. 657) claimed that foreign aid assists to transform economics' structure and contribute to achieving graduation of LDC status and also it helps to sustain economic growth. Thus, the economic reason for the aid of developing countries is the main concept of their receiving from donors' awareness of what poor countries need for their economic development. Burnside & Dollar (1997, p.6) also indicated that aid can be a forceful tool to promote poverty reduction and growth. However, for effectively, aid should give to countries that can help themselves by setting growth-improving policies.

### **2.3.1 Positive Impact of ODA**

Some scholars assert that good policies on aid management in practice would improve and enhance aid effectiveness. There are some arguments which some parts are relevant and some seem to be overstated. Stiglitz (2002), Stern (2002), Sachs et al (2004) and others argued even though sometimes aid has failed, but it has assisted to reduce poverty and support growth in some developing countries. Some of a weakness part of aid it comes from donor side later than recipients. As we have seen some successful countries such as Indonesia, South Korea, and recently is Mozambique and Tanzania which have received more significant aid. Collier & Dollar (2002) indicated that the ultimate goal of aid is poverty reduction and objectives that aid should be managed by taking the good policies that developing countries need to follow.

McGillvray (2003) argued that to increase aid effectiveness should expand good policies as the concept of Collier–Dollar. Hadjimichael et al. (1995) examined aid directly through the quality of economic policies. The study was based on information from 56 countries and 267 observations by using 6 periods of 4 years averages and cover the time period from 1970 – 1993. They concluded that “Aid has a positive impact on growth in a good policy environment”. Burnside & Dollar (2000) used a new database of foreign aid and Neo-Classical theory as the analytical framework. They found the positive relationship between foreign aid and growth in a presence of good fiscal, monetary and trade policies and little impact in a presence of poor policies. In addition, they argued that aid does affect growth positively. However, a positive relationship is conditional on a good macroeconomic policy environment. They suggested that donors should consider the policy environment of the recipient country for aid. Ruhashyankiko (2005) also examined the influence of aid on growth without a government intervention in the private sector. This study found that foreign aid has a positive impact on growth “without

diminishing return”. However, the substantial of positives impact is quite small for low-income countries.

Moreover, Tavares (2003) evaluated the impact of foreign aid on corruption by using geographical distance and cultural of donor countries as useful variables to estimate causality. The results, aid reduces corruption according to economically and statistically significant and strong to dissimilar controls. Okada & Samreth (2012) also examined the impact of foreign aid on corruption, especially decreasing an impact is more significant in countries that have corruption at a low level. Additionally, the study points out that multilateral aid has a more decreasing effect on corruption than bilateral aid.

### **2.3.2 Negative Impact of ODA**

There are some critiques from Bauer (1972), Friedman (1958) and Easterly (2001) asserted that aid has enhanced bureaucracies of government, immortalize poor governments, elevate the ruling class in developing countries or it has been wasted. They refer to poverty in South Asia and Africa that still has widespread, even though aid has started since 1960s such as Haiti, Congo, Somalia and Papua New Guinea. Pananek (1973) and Mosley (1980) indicated that there are negative impacts of foreign aid on domestic savings, this study had been proved by Taslim & Weliwita (2000), which investigated on Bangladesh’s case that found aid had a huge negative impact on saving while the study period. Hence, there was no a significance on a promotion of investment. For this reason, aid did not play an important role in development economic in this country. Hansen & Trap (2000) found that there is two third of studies on the first generation assessment which points out a negative impact of foreign aid on saving.

Analysis of various researchers found that there is a half of the research which argues aid support investment and improves the growth process.

Meanwhile, there are some scholars such as Mbaku (1993, 1994) which examined foreign aid in Cameroon on economic growth between 1971-1990, and his empirical evidence presented there is no impacted of foreign aid on economic growth in Cameroon; Vasudeva et al. (1994) investigated Mbakus' study for foreign aid in Cameroon; Khan & Hoshino (1992) analyzed foreign aid influence to the recipient countries' behavior by using the sample of five developing countries in South and Southeast Asia, these studies had some problems on analytical weaknesses and came out with different results. Griffin & Enos (1970) argued that aid flows could decrease domestic saving in three possible ways: (1) changing a policy of local governments over public taxation and expenditure; (2) simply access to entrepreneurs' credit may affect their purpose to save; and (3) it may expand consumption. The last two causes are also emphasized by (Weisskopf, 1972).

There is the various negative impact of foreign aid in different time. Dollar & Levin (2006) analyzed the scope of foreign aid for selection, "in term of democracy and rule of law or property rights" between bilateral and multilateral. Both types of aid had a negative relationship to rule of law during 1984 to 1989. Knack (2004) examined the influence of aid on the democratization of recipient countries during 1975-2000 period by using various measures of aid vigor and two various indexes. The study found out aid does not promote democracy. Djankov et al (2008) also found the negative impact on democracy by using data from 108 recipient countries over the period 1960 – 1999.



## **2.4 ODA and Sustainable Development**

### **2.4.1 The principles on ODA**

Concerning a theory that explained the effectiveness of foreign aid. OECD (2005) announced the Paris Declaration on Aid effectiveness which directly influences to a cooperation policy of development partners as donor and recipient countries. Measuring of aid effectiveness is complex because foreign aid is not just only one variable for development. Each year, there are lots of amount of aid which including financial and technical support. However, according to the World Bank assessment of poverty reduction, there is some countries success in decreasing poverty such as South Korea, Indonesia, etc. Meanwhile, there are many countries could not reach the goal and unsuccessfully like Tanzania, Sudan, Mozambique, Niger, Zambia, Haiti, and etc. (Chen & Ravallion, 2008).

OECD (2005, pp.1-8) explained that Organization for Economic Cooperation and Development (OECD) is a group of “developed and developing countries responsible for promoting development and heads of multilateral and bilateral development institutions” issued the declaration name is “Paris Declaration on Aid Effectiveness” mainly focus on partnership commitments which consist of five crucial principles such as Ownership, Alignment, Harmonization, Managing for results and Mutual accountability to assist effectiveness of aid in developing countries, in order to reach the Millennium Development Goals (MDGs) by 2015. Also to meet the 2030 Agenda of the UN summit for Sustainable Development Goals (SDGs).<sup>2</sup>

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<sup>2</sup> The 2030 Agenda is the world leaders adopted for sustainable development at the United Nations Sustainable Development Summit on September 2015, which consist of 17 SDGs, 169 targets and 232 indicators.

**Table 2.2 The Principles of Paris Declaration on Aid Effectiveness**

| The Principles               | Definitions   |
|------------------------------|---|
| <b>Ownership</b>             | Partner countries exercise effective leadership over their development policies, and strategies and coordinate development actions. |
| <b>Alignment</b>             | Donors base their overall support on partner countries' national development strategies, institutions, and procedures.              |
| <b>Harmonization</b>         | Donors' actions are more harmonized, transparent and collectively effective.  |
| <b>Managing for Results</b>  | Managing resources and improving decision-making for results.   |
| <b>Mutual Accountability</b> | Donors and partners are accountable for development results.  |

Source: (OECD, 2005) Paris Declaration on Aid Effectiveness.

Regarding the principles of OECD on aid effectiveness, as the donors must commit: **Ownership**, donors should support a capacity of partner country and respect their leadership; **Alignment**, donors align with recipient country's strategies. Base all supporting of country strategies, policy dialogues and program of development cooperation on recipient's development strategies and seasonal reviews of implementing strategies progress. Donors use strengthened country systems and procedures to maximize the possible extension. Strengthen public financial management capacity which provides commitments and disbursement of aid as schedule agreement, and also rely on transparent accounting mechanism and government budget of recipient countries. Likewise, strengthen national procurement systems which rely on recipient country systems for procurement and increase more value for money which unties aid. **Harmonization**, donors' action are more harmonized and collectively effective which

implement common arrangements and simplify procedures; **Managing for Result**, managing resources and improving decision-making which connect country programming and resources to results with recipient country assessment frameworks; **Mutual Accountability**, donors are accountable for development results which provide comprehensive information, transparent and timely aid flows to recipient countries (OECD, 2005, pp.1-8).

#### **2.4.2 Aid Effectiveness**

Aid effectiveness is about “value of money”. This means managing aid to maximize the impact on development (OECD, 2010). OECD (2005) pointed out the way of reaching the goals of aid effectiveness and enlarge significantly to assist partner country to improve and strengthen governance development performance by follows the Paris Declaration on Aid Effectiveness principles: Ownership, Harmonization, Alignment, Result and Mutual Accountability. At the world summits in Rome (2003), Paris (2005) and Accra (2008) “harmonization and ownership were highlighted as key steps for the enhancement of aid effectiveness”. To measure how the principles can align to aid policy of the DAC member, the survey on monitoring the Paris Declaration, which participation of 55 partner countries assists us to comprehend “the challenges in making aid more effective at advancing development. The finding are clear, progress is being made, but not fast enough. Unless they seriously gear up their efforts, partner countries and their external partners will not meet their international commitments and targets for effective aid by 2010” (OECD, 2008).

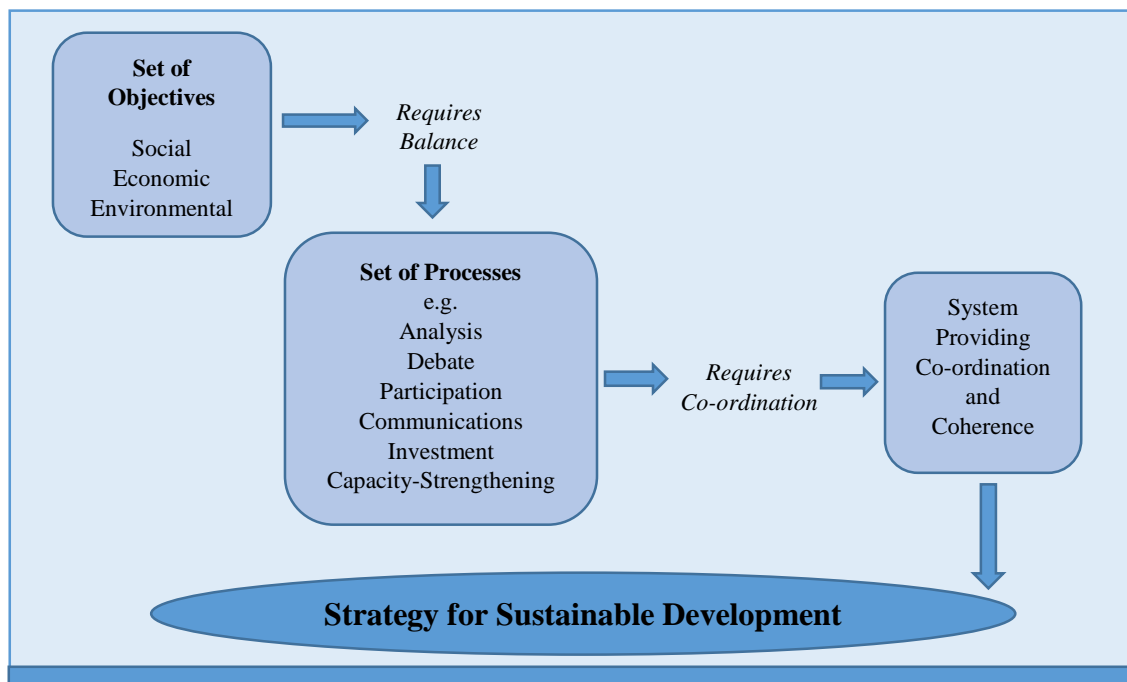
In addition, OECD (2012) The survey on aid effectiveness 2011: Progress in Implementing the Paris Declaration brings on the results of the 2011 Survey on

Monitoring the Paris Declaration, which similar to surveys in 2006 and 2008 and there were 78 countries participate in the final round of surveys. The results are not positive at the global level, there was only one out of the 13 targets that invented for 2010 has been met. Nevertheless, it was remarkable for consideration of progress has been made towards other remaining 12 targets.

### **2.4.3 Sustainable Development Issues**

Regarding world conservation strategy, define development as the biosphere's modification, the utilization of human, resources for living or non-living and financial to improve the satisfaction and a quality human's life. Sustainable development must consider on ecological and social factors and economic also; the basic resource for the living and non- living; and good point and weak point of alternative actions for the long time period as well as short time period (IUCN-UNEP-WWF, 1980, p. 18). OECD (2001) indicated that to reach the demanding task of the sustainable development scheme, planning strategy in practice need to be more credible, effective, efficient and enduring. Thus, sustainable development strategy must contain a set of coordination of participatory, enhance processes of debate, analysis, capacity-strengthening, design, and investment by looking for a combination of social, economic and environmental purposes for short and long-term (Figure 2.1).

**Figure 2.1 The logical system approach for sustainable development strategy**



Source: (OECD, 2001, p. 26).

In 2000, 191 UN members committed themselves to achieve the MDGs at the UN Millennium Summit. They agreed on eight internationally agreement goals to enhance well-being in developing countries. They address many aspects of poverty which include 8 goals, 18 targets and 48 indicators by using 1990 as a baseline. Donors and recipient countries have committed to meet the MDGs by 2015. Supporters of foreign aid claim that it is necessary to increase aid budgets in order to help developing countries to reach the MDGs. On the other hand, some critics believe that foreign aid cannot assist recipient countries to achieve the MDGs and could be harmful. Recently, there is an extensive literature that analyses foreign aid effectiveness issue which can expose how aid can help the progress of the MDGs. However, the role of foreign aid still significant assisting the MDGs achievement later than increasing growth. (Feeny & Clarke, 2009, pp. 3, 26-27).

Regarding the United Nations Rio+20 summit in 2012 in Brazil, by committed governments to originate a set of the SDGs that incorporate into the assessment of the MDGs after their deadline in 2015 (Griggs et al, 2013). The 2030 Agenda is the world leaders adopted for sustainable development at the United Nations Sustainable Development Summit on September 2015, which consist of 17 SDGs, 169 targets and 232 indicators to stop poverty, battle injustice and inequality, also solve the problem of climate change by 2030 (OECD, 2018, p.9). Successful and deficit of the MDGs would be a benefit for the SDGs for the lesson learned. Sustainability is required good leadership and responsibility from public and private sectors also civil society. ODA will continue the role of developing countries that have low-income during 2015-2030. However, the role of ODA will decrease as nowadays some low-income countries meet middle-income status according to economic growth (Sachs, 2012, p.2210). Another new approach of cooperation assists sustainable development is South-South cooperation which means “aid form one developing country to another is regarded positively”. This concept has been encouraged by the DAC (Sörensen 2010, p.134).

#### **2.4.4 Tying status of ODA**

Tying status of ODA is one of the main factors effected to the effectiveness of foreign aid. DAC defined tied ODA as grants or loans which are in practice tied to goods and service of procurement from a donor or implying confined geographic procurement acceptability. Partially untied ODA is defined as grants or loans which are in practice tied to procurement of services and goods from donor country and a limited number of countries that must consist essentially all of developing countries. And for untied ODA is defined as grants or loan which are completely and freely available to finance

procurement from overall developing countries and OECD countries also (OECD-DAC, 1978).

Buss & Gardner (2008, p.188) explained about tied aid, it means that recipient country requires purchasing goods and services, and sometimes include Technical Assistance (TA) from the donor country. It is reasonable that recipient country has benefited from TA support by the donor. However, in practice it can have negative effects, goods and services from donor could be much more expensive than other sellers that available. World Bank (2005, p.102) indicated that, as an estimation around 11% to 30 % which higher than normal price. According to Clay et al (2009, p.8) study about untying of aid during 2008-2009 which reviewed of statistically of DAC donors through investigated policies and practices of five donors who had mainly untied their aid after 2001 (Switzerland, Norway, Denmark, Canada and Australia). This study had the positive finding of untying enhance aid effectiveness and efficiency. Later on, this awareness was spread out, it has been re-investigated throughout a literature review on the economics of untying and tying in effects, followed by an examination untying status in six developing countries (Burkina Faso, Ghana, South Africa, Lao PDR, Vietnam, and Zambia).

### **1.5 Previous studies of Australian, German, Japanese, and Korean ODA**

By comparing 2007 and 2010 of four major donors in Lao PDR; Australia and Germany had made a progress with 8 out of 10 indicators; Japan had made a progress with 6 out of 10 indicators and Korea had 4 out of 10 indicators. However, all of them have been met few targets in 2010 as Australia could reach 3 targets which are indicators of untying aid, joint missions and joint country analytic work. Germany, Japan, and Korea could reach only 2 targets, which Germany and Japan have been met coordinating support

to strengthen capacity and untying aid; and Korea has been met using of country PFM systems and strengthen capacity by coordinated support. Even though there are some indicators did not meet the targets for 2010, but a mutual accountability framework was in place, and together Lao government with donors are continues to work and enhance the mechanism of consultation to contribute more participation in civil society and also the private sector (OECD, 2012, p.1).

There are some observations' ODA implementation of peer review recommendations. Every four or five years, the OECD-DAC conducts seasonal reviews of the individual development cooperation efforts that examine of both policy and implementation of DAC members. The purpose of DAC peer reviews is to enhance the effectiveness and quality of development cooperation systems and policies and to promote better development partnerships for better results on poverty reduction and sustainable development in developing countries. Mainly, there are 7 key issues of these peer reviews which consist of development beyond aid; strategic orientations; aid volume, channels and allocations; organization and management; delivery and partnerships; results management and accountability; and humanitarian assistance. However, these four bilateral donors have some differences recommendations and different year of assessment (Table 2.3).

In this regards, Australia's implementation of 2008 peer review, Australia implemented 16 recommendations or account for 80% and partially implemented 4 recommendations or account for 20% (OECD, 2013, p.9). Germany's implementation of 2010 peer review, Germany implemented 7 recommendations or account into 39% and partially implemented 11 recommendations or account for 61% (OECD, 2015, p.9). Japan's implementation of 2010 peer review, Japan implemented 6 recommendations or account for 31%, partially implemented 6 recommendations or account for 32% and not



implemented 7 recommendations or account for 37% (OECD, 2014, p.9). Korea's implementation of 2012 peer review, Korea implemented 8 recommendations or account for 33%, partially implemented 13 recommendations or account for 54% and not implemented 3 recommendations or account for 13% (OECD, 2018, p.12).

**Table 2.3 Progress in implementation of the OECD-DAC peer review**

| <b>Progress in implementation</b> | <b>Australia<br/>2008</b> | <b>Germany<br/>2010</b> | <b>Japan<br/>2010</b> | <b>Korea<br/>2012</b> |
|-----------------------------------|---------------------------|-------------------------|-----------------------|-----------------------|
| Implemented                       | 16                        | 7                       | 6                     | 8                     |
| Partially implemented             | 4                         | 11                      | 6                     | 13                    |
| Not implemented                   |                           |                         | 7                     | 3                     |

Source: OECD (2013, 2014, 2015, 2018) OECD Development Co-operation Peer Reviews.

Regarding Jackson (1984, p. 3) report of The Committee to Review the Australian Overseas Aid Program, indicated that “Australia aid is given primarily for humanitarian reasons to alleviate poverty through economic and social development . . . Aid also complements strategic, economic and foreign policy interests and by helping developing countries to grow”.

Berthélemy & Tichit (2002) compared aid allocation policy from 1980-1999 which covered 22 donors and 137 recipients countries. They found that Germany was one of four donor countries which include France, United Kingdom, and United States were relatively altruistic. Later on Berthélemy (2006) examined bilateral donors' interest vs. recipients' development motives in aid allocation, which remarked that do all donors behave the same?. By using a panel dataset of a three-dimensional, joining the donor, recipient and time dimension. As he defined into three clusters of donors: (1) altruistic, (2) moderately egoistic, and (3) egoistic. Germany was still in the cluster (2) moderately egoistic.

Kawai & Takagi (2004) analyzed current issues and future directions of Japanese ODA. They argued that “Japan can reach the domestic and international challenges by developing a coherent national strategy for ODA, broadly designed to enhance effectiveness, accountability and transparency”. Ueda (1995, p.251) indicated that Japan’s ODA is not for commercial invasion. Then take a look at Japanese yen loans over 95% are untied and grant more than 74% untied. The recipient countries have to tender international bids so that the companies of any country can make a bid. There is only 33-34% of loan projects that have contracted with Japan’s companies and contractors are free to purchase goods and services from any country.

Chun et al (2010) examined Korean ODA performance from the previous to present by identifies characteristics which consist of low ODA/GNI ratio; the amount of loans higher than grants; a small portion of untied aid; a relatively large number of recipients and regional bias; as a donor country for more than two decades, ODA framework of Korea is still under construction “characterized as lingering between pursuit of national interests and observance of global standards represented by DAC’s guidelines”. Joint U.S - Korea Academic Studies, Sungil (2016) concluded that Korea’s ODA flows to South Asia with three main characteristics: (1) Korean aid focuses on production capacity including industrial development and building economic infrastructure, this could be interpreted as aid for trade; (2) Relatively large project-type interventions were preferred; (3) The share of untied aid is less than other donors.

## **CHAPTER 3: CURRENT AND TREND OF ODA IN LAO PDR**

### **3.1 Role of ODA to Socio-Economic Development in Lao PDR**

ODA has played a crucial role in the development of Lao PDR. ODA has promoted the economic development and welfare, it is widely used at provincial and national levels of projects implementation in Lao PDR (MPI, 2016). To review foreign aid in Lao PDR, does it work to the needs? It is hard to judge in practice of aid in Laos, because of the arrangement of donors has altered gradually in recent years. Before 1988 the largest bilateral donor was the Union of Soviet Socialist Republics (USSR). After USSR faded out, Laos has been filling the gap by receiving aid more form Western donors. Thus, foreign aid in Laos was increasing. The largest portion of aid had received to the agriculture, forestry and fishery sectors in the early 1980s. By the end of the 1980s, distribution of aid to sectors had been changed to economic management and transportation/ communication sectors by supporting form the World Bank and the IMF as a “Macroeconomic Reform Program”. There was 57% of total aid contribute to these two sectors. As well as human resource, energy, and mineral sectors were also received more aid. By correspondence of increasing Western Development Assistance Committee (DAC) donors in Lao PDR. The distribution of development aid to sectors had met to the need of economic reform. (Hatashima, 1994, pp. 78-79).

According to the MDGs of the UNDP. Poverty reduction is one of eight goals that Lao government and donors emphasize to help Laos takes the step to graduate from LDC status, and ODA has played an important role to reduce poverty. As the survey of Lao Statistic Bureau LSB, MPI (2014, p. 32) poverty in Laos continues to decrease according to consumption has expanded. Poverty reduced by 4.3 percentage points from 27.6 % to

23.2 % over the five years period between the fiscal year (FY) 2007-08 and 2012-13. UNDP (2007, p. 11) the evaluation of UNDP's contribution to Lao PDR presented proportion of people living below national poverty line was reduced from 48 % in 1990 to 39 % in 1997. ADB Economics Working Paper Series also argued that absolute poverty rate in Laos would have decreased from 46 % to 17 %. The quantity of poverty that appeared over the last two decades (FY1992-93 to 2012-13) reduced about 6 % of the population (Warr et al, 2015, p. 1).

As the summary review of progress towards the MDG targets and selected indicators in Lao PDR by UN in 2017. By four keys measure of 9 Goals, 40 % has achieved the goals; about 33 % has not yet achieved but slow progress; about 23 % has been off track and about 4 % has no information (UN in Lao PDR, 2017, p. 4). These issues are the lesson learn for Lao government and development partners for planning and implementation for the SDGs. In this regards, the review of Lao NSEDP 5<sup>th</sup> – 7<sup>th</sup> from 2001-2015, Laos has received ODA from bilateral and multilateral which included grant and loan about US\$ 6.9 billion with contribution of socio-economic development especially on economic infrastructure such as transportation, hydropower, etc.; and social infrastructure such as health, education, and etc. in order to achieved the MDGs. Thus, to achieve the SDGs by 2030, Lao government must pay more attention and more responsibility for transparency, effectiveness, and efficiency of aid, also improving development cooperation (MPI, 2016, p. 4, 7).

### **3.2 ODA management in Lao PDR**

The World Bank also emphasized that increasing of ODA in Laos, it is a challenging of Lao government for implementation of ODA, Lao government need to

improve “performance management, incentives, and monitoring”. As the result of World Bank’s 2003 Country Policy and Institutional Assessment (CPIA) for Lao PDR, which indicated weaknesses in some critical areas that consisting of the accountability and transparency of public sector and the quality of financial management and budgetary. Lao government will find the difficulty of making significant progress to realize on development vision (World Bank, 2004, p. 7, 74).

Regarding Foreign Aid Implementation Report (FAIR) of Lao government since 2000 - 2015 pointed out some issues of implementation of ODA projects in Laos that could not reach the goal in some sectors, and UNICEF (1992), World Bank (2004) and Pham (1993) also noted that for this reason of failure. To enhance aid effectiveness, Lao government and Development Partners (DPs) had signed the Vientiane Declaration on Aid Effectiveness (VD) in 2006, which adapt from the Paris Declaration to be Lao PDR’s localized version. This VD has represented the shared recognition between Lao government and stakeholders to improve the effectiveness of ODA in Lao PDR. It also reflected the aspiration and Paris Declaration’s structure and create on the unique experiences and circumstances of Laos. Moreover, it also presented the foundation of a partnership between Lao government and DPs in the core principles of aid effectiveness. Later on in 2007, the Vientiane Declaration Country Action Plan (VDCAP) was launched and it was revised in 2012. The revised VDCAP’s indicators and targets also reflected international dialogue and agreements of good practices for development cooperation, and including the Busan Partnership for effective development cooperation. The VDCAP represented the practical of the VD and set out actions guided by underlying five principles of the Paris Declaration: ownership, alignment, harmonization, managing for results, and mutual accountability (DIC, MPI, 2016, p. 1).

### **3.2.1 Sector Working Groups (SWGs)**

For the initial step of CAP implementation, it is mainly agreed that where existing SWGs already operation well, then such groups could be mobilized by lead agency of the government and donors focal point to provide widely support to assist facilitate implementation of the CAP. There are four initial pilot sectors (out of ten sector working groups) of the CAP: Education, Infrastructure, Health and Agriculture (Table 3.1).

**Table 3.1 Sector Working Groups (SWGs) for development cooperation in Lao PDR**

| No | SWGs  | Chairing Ministry and Co-Chairing Development Partner(s)   | Sub-sectors   |
|----|---|--|---|
| 1  | Education                                   | <ul style="list-style-type: none"> <li>• Ministry of Education and Sports</li> <li>• Australia</li> <li>• UNICEF</li> </ul>            | <ul style="list-style-type: none"> <li>◆ Basic Education</li> <li>◆ Post-Basic Education</li> <li>◆ Education Management, Administration and Performance Assessment</li> <li>◆ Education Research and Analysis</li> <li>◆ Sports</li> </ul>         |
| 2  | Infrastructure                              | <ul style="list-style-type: none"> <li>• Ministry of Public works and Transport</li> <li>• Japan</li> <li>• ADB</li> </ul>             | <ul style="list-style-type: none"> <li>◆ Infrastructure Development</li> <li>◆ Transport</li> <li>◆ Water Sanitation and Urban Development</li> </ul>   |
| 3  | Health                                      | <ul style="list-style-type: none"> <li>• Ministry of Health</li> <li>• Japan</li> <li>• WHO</li> </ul>                                 | <ul style="list-style-type: none"> <li>◆ Health Planning and Finance</li> <li>◆ Human Resources</li> <li>◆ Mother and Child Health and Nutrition</li> <li>◆ Health Care</li> <li>◆ Food and Drug</li> <li>◆ Hygiene and Health Promotion</li> </ul> |
| 4  | Agriculture and Rural Development           | <ul style="list-style-type: none"> <li>• Ministry of Agriculture and Forestry</li> <li>• France / AFD</li> <li>• FAO</li> </ul>        | <ul style="list-style-type: none"> <li>◆ Agro-biodiversity</li> <li>◆ Agri-business</li> <li>◆ Forestry</li> <li>◆ Rural Development</li> <li>◆ Policy Think Tank</li> </ul>  |
| 5  | Governance                                  | <ul style="list-style-type: none"> <li>• Ministry of Home Affairs</li> <li>• Ministry of Justice</li> <li>• UNDP</li> </ul>            | <ul style="list-style-type: none"> <li>◆ Public Service Improvement</li> <li>◆ Legal and Institutional Oversight</li> </ul>   |
| 6  | Macroeconomics                              | <ul style="list-style-type: none"> <li>• Ministry of Planning and Investment</li> <li>• WB</li> <li>• ADB</li> </ul>                   | There are no Sub-Sector Working Groups for this SWG.  |
| 7  | Trade and Private Sector                    | <ul style="list-style-type: none"> <li>• Ministry of Industry and Commerce</li> <li>• Germany</li> <li>• EU</li> </ul>                 | There are no Sub-Sector Working Groups for this SWG.  |
| 8  | Natural Resource Management and Environment | <ul style="list-style-type: none"> <li>• Ministry of Natural Resources and Environment</li> <li>• Germany</li> <li>• WB</li> </ul>     | <ul style="list-style-type: none"> <li>◆ Land</li> <li>◆ Geology and Minerals</li> <li>◆ Water Resource</li> <li>◆ Disaster, Climate Change, and Environment</li> </ul>   |
| 9  | Illicit Drug Control                        | <ul style="list-style-type: none"> <li>• Ministry of Public Security</li> <li>• Japan</li> <li>• Australia</li> <li>• UNODC</li> </ul> | <ul style="list-style-type: none"> <li>◆ Drug</li> <li>◆ Crime</li> </ul>   |
| 10 | Mine Action and Unexploded ordnance (UXO)   | <ul style="list-style-type: none"> <li>• Ministry of Labor and Social Welfare</li> <li>• UNDP</li> <li>• USA</li> </ul>                | <ul style="list-style-type: none"> <li>◆ Clearance</li> <li>◆ Victim Assistance</li> <li>◆ Mine Risk Education</li> </ul>   |

Source: GOL (2006, 2015) Vientiane Declaration on Aid Effectiveness.

### 3.2.2 Monitoring and Evaluation (M&E)

To enhance effectiveness on aid through better donor cooperation has had a crucial impact, given Laos's reliance on foreign aid and has been one of UNDP's main

achievements. Laos is one of three Asian countries where the Round Table Meeting (RTM) is the first mechanism for aid cooperation, rather than the World Bank's Consultative Group Meetings. Lao government with Co-chair of the RTM, UNDP has assisted create a forum of effectiveness for dialogue between the international community and Lao government. The RTM originally organized in Geneva as committee meeting for development partners, after that the RTMs were shifted to Vientiane to assure more participation, improve national ownership, ensure the local donor community, and empower donors to realize on development need (UNDP, 2007, p. 22). As the requirement of development alignment with the NSEDP, as well as the coordination and harmonization of foreign assistance to Lao PDR, it is necessary to enhance the government's M&E processes. The government must ensure that there is a solid grasp of all projects and programs, which assisted by various development partner countries, International Financial Institutions (IFIs) and UN system. To handle with foreign aid, the Lao government has assigned the responsibility of aid to the Department of International Cooperation (DIC) in the Ministry of Planning and Investment (MPI) is responsible with monitoring ODA projects, capturing donors' commitments and reporting about disbursements. The Ministry of Finance (MOF) monitors all loans and the Bank of Laos (BOL) monitors on debt and debt payment. Moreover, the Department of International Organizations of Ministry of Foreign Affairs is responsible monitoring projects by international NGOs (ibid, p. 52).

In 2009, the DIC has developed the national Standard Operating Procedure (SOP) for government agencies who are implementing ODA projects/programs, as well as implementing partners and donors who provide aid. This SOP is one milestone of the Vientiane Declaration on aid effectiveness, which base on agreement principles of the Paris Declaration and the Busan outcome statement: "Ownership, Harmonization,



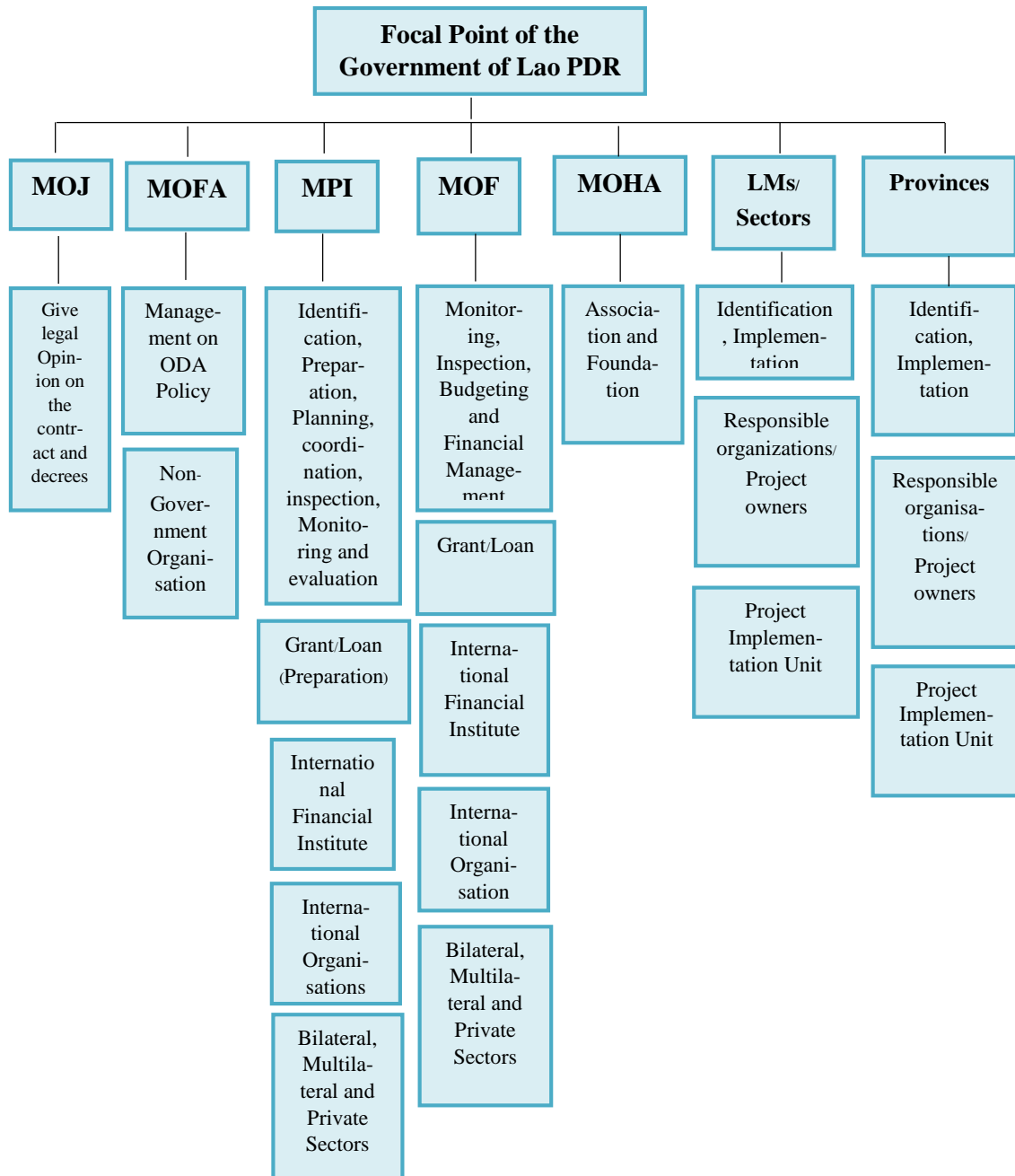
Efficiency, Effectiveness, Openness, Competition, Transparency, Fairness/Non Discrimination and Accountability and the associated Global Partnership for Effective Co-operation”. The SOP reflects Prime Minister Decree 75 (PM Decree 75)<sup>3</sup> on the management and utilization of ODA. The SOP is applicable to ODA development project cycle in Laos that comprise with six steps: “(1) Identification and justification; (2) Formulation, planning and design; (3) Appraisal and negotiation; (4) Approval; (5) Implementation; and (6) Completion, extension, mainstreaming or closure” (DIC, MPI, 2017, pp. 1-5). Strengthening of M&E for ODA projects/programs, ODA data is one of the factors to view and enhance the implementation of donor-financed initiatives. Thus, the Aid Management Platform (AMP) system was installed in 2011 and has launched since 2012, by supporting of UNDP under the RTM program. This system is used as analyzing with government and foreign aid report to estimate the trend of ODA disbursement through the year. However, the functionality of the AMP still needs improvements, it is significant that all development partners are working together for mutual accountability to ensure that pending issues of the system are resolved (DIC, MPI, 2015).

On the implementation of the Prime Minister’s of Decree No.75 / PM has set up the rights and obligations of Ministries/sectors on ODA management include those of: MPI, MOF, MOFA, MOJ, MOHA and local authorities, that identified on the ODA management and using of ODA and the guidance of the Ministry of Planning and Investment, No. 2503 / MPI in September 2013 (Figure 3.1).

---

<sup>3</sup> PM Decree 75 was declared on 20 Mar 2009 and associated Government Laws, Decrees, and Instructions associated with the implementation of PM Decree 75. It reflects the division of responsibilities between Government Ministries and Institutions concerns principally four Ministries: MOFA, MOF, MPI, and MOJ.

**Figure 3.1 The Responsibility of Government's ODA Management**

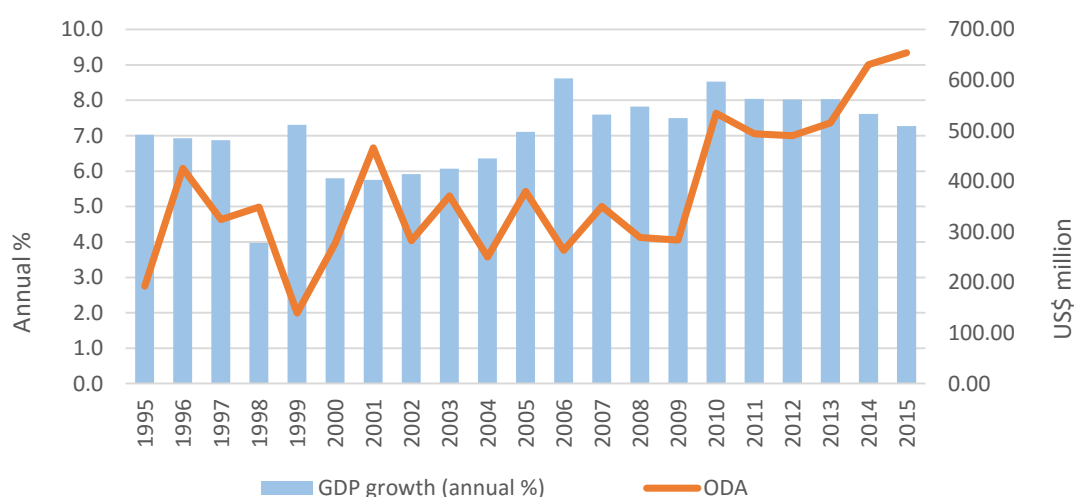


Source: MPI-DIC (2017, p.8) SOP Manual for Official Development Assistance Projects/Programs in Lao PD

### 3.3 ODA inflow to Lao PDR

ODA flows to Lao PDR contains grant, technical assistant, trust fund, Loan and humanitarians by official channels to the foreign policy of Lao government. ODA is one of the important sources for implementation of the NSEDP. The 7th NSEDP (2010 – 2015) emphasized that ODA must contribute about 24 – 26 % of the total investment plan and the average GDP growth should not be less than 7%. In this regard, the role of ODA and responsibilities of development partners under management instruction (Prime Minister’s Decree No. 75 on the ODA management) have distinctly highlighted each individual role. Additionally, the VDCAP has also explained the main points on effectiveness, where the accuracy and transparency of information should be provided by the government agencies and stakeholders (DIC, MPI, 2016, p. 2). Regarding implementation report of the 7<sup>th</sup> NSEDP, ODA contributed 17.7 % of total investment in the FY 2010-11 and 12.1 % of the total investment in the FY 2014-15 (MPI, 2016, p. 9).

**Figure 3.2 ODA inflows and GDP growth (annual %) in Lao PDR from 1995-2015**



Source: Data from the World Bank national accounts data and CRS-OECD.Stat

According to the data from Creditor Reporting System (CRS) OECD. Stat, Laos has received aid from bilateral and multilateral. For bilateral, there are two types such as the member of DAC countries: Australia, Germany, Japan, Luxembourg, Korea, United State, Switzerland and etc. McCarty & Julian (2009, p.9) claimed that in the 1980s, Lao PDR had received aid from DAC countries about two-thirds was tied by contracts of the commercial for goods and services form donors with a high percentage. The main issue was a standard of equipment and services are not fit to local factor and conditions, and it had to import. Regarding CRS database of OECD, from 2005-07, DAC aid 75.4 % to Lao PDR was untied. According to the perspective of OECD was achieved the target that has 60 % as untied aid recommendation. Non-DAC countries: Kuwait and the United Arab Emirates. The ODA from Non-DAC countries is a small amount if compare to DAC countries. For multilateral, there is aid from the international financial institution such as the WB and ADB; and from UN system and EU. However, the amount of ODA from multilateral is quite less than ODA from DAC countries (Table 3.2).

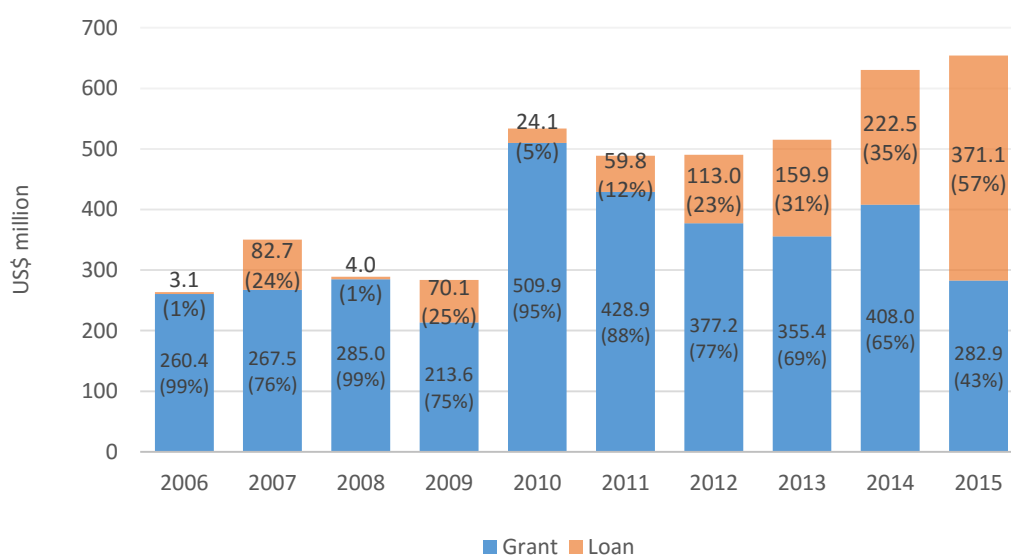
**Table 3.2 ODA inflows to Lao PDR 2006-2015**

|                               | (US\$ million) |              |              |              |              |              |              |              |              |              |
|-------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Year</b>                   | <b>2006</b>    | <b>2007</b>  | <b>2008</b>  | <b>2009</b>  | <b>2010</b>  | <b>2011</b>  | <b>2012</b>  | <b>2013</b>  | <b>2014</b>  | <b>2015</b>  |
| Bilateral (DAC Countries)     | 223.4          | 251.3        | 186.3        | 225.9        | 257.1        | 308.1        | 256.6        | 287.0        | 454.2        | 342.3        |
| Bilateral (Non-DAC Countries) | 0.0            | 0.0          | 0.0          | 0.0          | 24.3         | 0.0          | 0.0          | 0.0          | 0.0          | 23.3         |
| Multilateral                  | 40.1           | 98.9         | 102.7        | 57.8         | 252.6        | 185.5        | 233.7        | 228.3        | 176.4        | 288.5        |
| <b>Total</b>                  | <b>263.5</b>   | <b>350.2</b> | <b>289.0</b> | <b>283.7</b> | <b>534.0</b> | <b>493.6</b> | <b>490.3</b> | <b>515.3</b> | <b>630.6</b> | <b>654.1</b> |

Source: Data from CRS, OECD.Stat

ODA inflows to Lao PDR has slightly increased from 2011. Despite the amount of ODA has enlarged, but most of them were loan aid which means that Laos has to return fund to countries or organizations that have to provide financial support to Laos. On the other hand, the amount of grant gradually decreased almost a half between 2010 and 2015 (Figure 3.3). The main factor that some donors' countries/organizations reduce the amount of grant, because of the strategy and the NSEDP of Lao government has expected to graduate from LDC status by 2020 (MPI, 2011).

**Figure 3.3 ODA grant and loan inflows to Lao PDR from 2006 - 2015**



Source: Data from Creditor Report System (CRS), OECD.Stat

According to (Table 3.2) has presented that Laos received ODA from the period 2006 - 2015 from bilateral DAC countries more than Non-DAC countries and multilateral. There are 25 member countries of DAC that provided assistance to Laos from the period 2006 – 2015. The largest amount of ODA flows to Laos was from Japan (Table 3.3).

**Table 3.3 Top ten bilateral ODA inflows to Lao PDR 2006 – 2015**

| No                                      | Country       | Commitments<br>(US\$ million) | %     | Disbursements<br>(US\$ million) | %     |
|---|---------------|-------------------------------|-------|---------------------------------|-------|
| 1                                       | Japan         | 828.1                         | 29.7% | 726.5                           | 29.6% |
| 2                                       | Korea         | 492.3                         | 17.6% | 306.5                           | 12.5% |
| 3                                       | Australia     | 352.6                         | 12.6% | 322.3                           | 13.1% |
| 4                                       | Germany       | 300.0                         | 10.7% | 239.9                           | 9.8%  |
| 5                                       | Switzerland   | 173.0                         | 6.2%  | 157.4                           | 6.4%  |
| 6                                       | France        | 129.8                         | 4.6%  | 166.9                           | 6.8%  |
| 7                                       | Luxembourg    | 125.2                         | 4.5%  | 125.2                           | 5.1%  |
| 8                                       | United States | 121.0                         | 4.3%  | 107.4                           | 4.4%  |
| 9                                       | Finland       | 67.2                          | 2.4%  | 57.8                            | 2.4%  |
| 10                                      | Norway        | 47.6                          | 1.7%  | 46.6                            | 1.9%  |
| <b>Total<br/>(DAC bilateral donors)</b> |               | 2,792.2                       |       | 2,451.9                         |       |

Source: Author's calculations by using data from Creditor Report System (CRS), OECD.Stat

### 3.4 ODA Allocation in Lao PDR by four major bilateral donors in Lao PDR

**Australia's ODA:** Australia aid contributed to the long-term development and economic growth in Laos, which including education, rural development, investment reform and trade (AusAid, 2014). From 2006 – 2015, the amount of Australian ODA to Laos somehow fluctuated from 2006 – 2011 and seemed to be constant from 2011-15. Australia's ODA provided production, economic infrastructure and service sectors 36%, education 22%, health 3%, and other sectors 39% (Figure 3.4 and 3.5). More than 80% of bilateral aid distributed by region to Oceania and Asia. In recent years, the bilateral aid in East Asia has reduced, volume of aid has increased consistently in real terms. In 2010-11, on average of Australian aid supported civil society and government sectors, which included planning, development policy, and capacity development for economic, development of legal and judicial. As of focusing sector of Australia's aid which consists

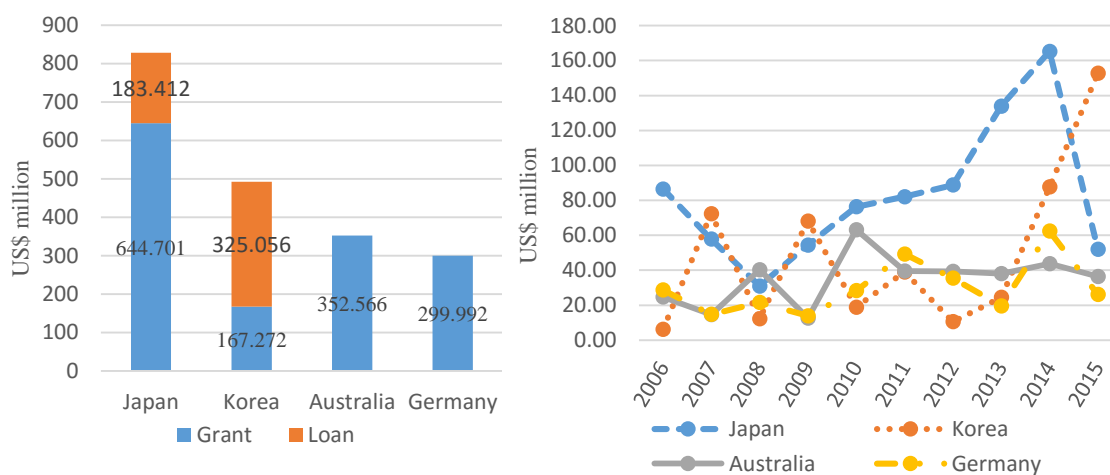
education, health, water, and sanitation, as well as of maintained shares of aid for productive sectors, service and economic infrastructure (OECD, 2013, p.57).

**Germany's ODA:** From 2006-2015, Germany's ODA in Laos was distributed to production, economic infrastructure and services sectors 34%, education 16%, health 1% and other sectors 49% (Figure 3.5). For sector allocations, Germany has paid attention on good governance, poverty reduction, and a socially and ecologically oriented market economy. The biggest share of German bilateral ODA commitments flows to social infrastructure and services 43% in 2012-13 which mainly focus on government, education and civil society. As well as 27% of economic infrastructure and services in 2012-13 with focusing on energy, financial and banking services. Moreover, German emphasizes to multi-sector and environment for sustainable management (OECD, 2015, p.48).

**Japan's ODA:** For a decade of the period 2006 – 2015, Japan provided grant aid for Laos about US\$ 644.7 million and Loan aid for US\$ 183.4 million. Japan allocated ODA to production, economic infrastructure and services sectors 48 %, education 11%, health 6%, and other sectors 35% (Figure 3.4 and 3.5). Regarding white paper on development cooperation 2015, based on the ranking of top 30 recipients of Japan's Bilateral ODA in 2014, Laos was a twenty-second recipient country that had received US\$ 106.9 million. However, by ODA type. Laos was a third recipient country that received US\$ 65.5 million of gross disbursements for grant aid. By technical cooperation, Laos was a thirteenth recipient country that received US\$ 29.1 million, and by loan was US\$ 8.7 million and Laos became a twenty-seventh recipient country (MOFA, 2016, p.211).

**Korea's ODA:** From 2006 to 2015, about two-thirds of Korean ODA in Laos was a loan aid that focused on production, economic infrastructure, and services sectors more than other sectors which had 57 % of total ODA, health 11%, education 6% and other sectors 26% ( Figure 3.4 and 3.5). Korea was supported bilaterally 80.7% in 2015 and distributed 19.3% of all ODA for contributions to organizations' multilateral compare to the DAC country average of 26.2%. By gross disbursements of Korea's ODA in fiscal year 2014-15 average, Laos was the sixth of top ten recipient countries that received Korean ODA, which primary focusing sector in order on economic infrastructure; education, health and population; other social infrastructure; production and so on (OECD, 2017, pp. 229-231).

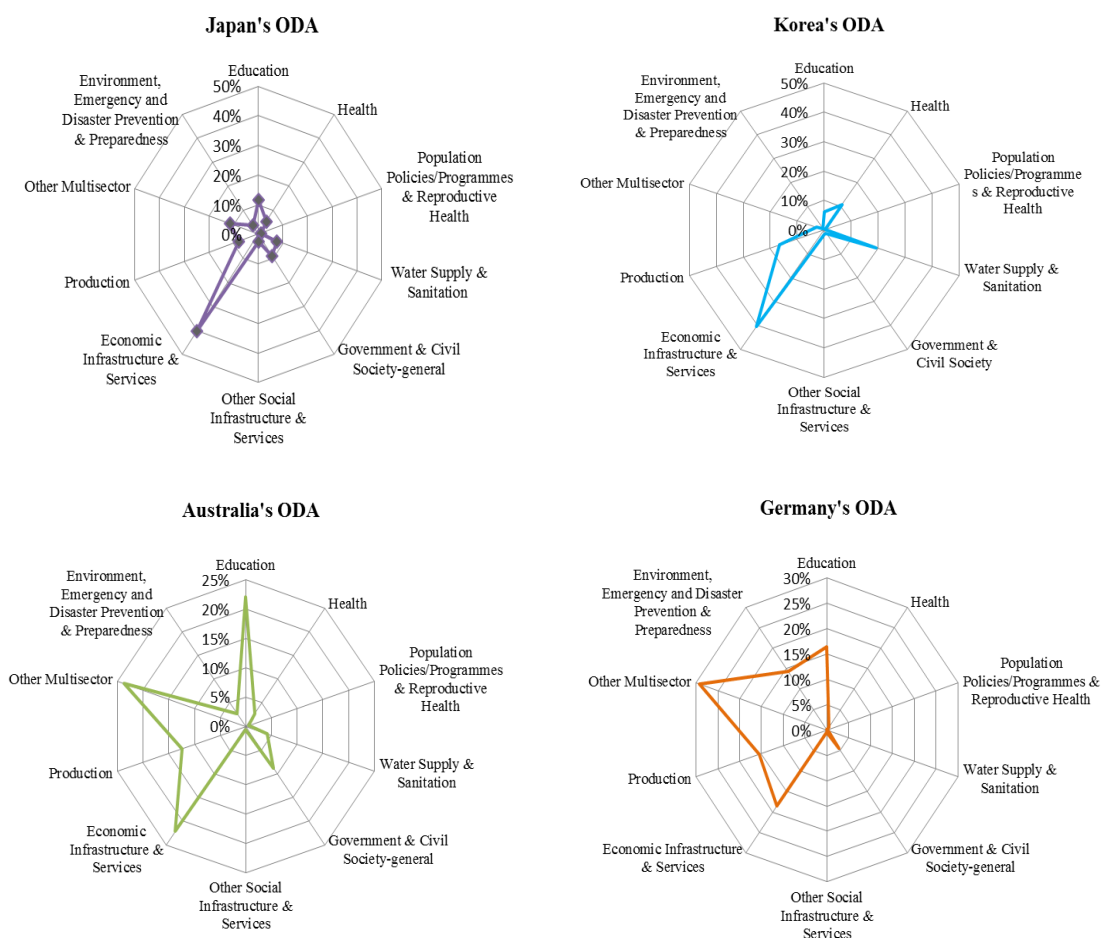
**Figure 3.4 Type and Trend of ODA from four major donors in Lao PDR from 2006 - 2015**



Source: Data from Creditor Report System (CRS), OECD.Stat



**Figure 3.5 Distribution of ODA to sectors in Lao PDR by four major donors from 2006 - 2015**



Source: Data from Creditor Report System (CRS), OECD.Stat

### 3.5 Aid performance of Australia, Germany, Japan, and Korea

According to (OECD, 2015) by comparing aid performance of DAC donors in 2013, which has an average country effort 0.39%. Among 4 donors, the percent's GNI of Germany had closed to the average than other by 0.38% and follows by Australia 0.33 %, Japan 0.23% and less than other it was Korea which had only 0.13% of GNI. However, among these four donors have committed increasing percentage of GIN to reach the average country effort in each year and furthermore to the UN target which is 0.70% of GNI (Table 3.4).

**Table 3.4 Comparative aid performance**

| Official Development Assistance |        |      |      | Grant element of ODA (commitments) 2013 | Share of multilateral aid |             |   |       | <i>Net disbursements</i><br>ODA to LDCs<br>Bilateral and through<br>multilateral agencies 2013 |             |
|---------------------------------|--------|------|------|---|---------------------------|-------------|---|-------|--|-------------|
|                                 |        |      |      |   | 2013<br>USD<br>million    | % of<br>GNI | 2007-08 to<br>2012-13<br>Average<br>annual %<br>change in<br>real terms | % (a) | % of ODA   |             |
|                                 |        |      |      |   | (b)                       | (c)         | (b)   | (c)   | % of<br>ODA  | % of<br>GNI |
| <b>Australia</b>                | 4 846  | 0.33 | 6.0  | 99.9                                    | 14.0                      |             | 0.05  |       | 27.6   | 0.09        |
| <b>Germany</b>                  | 14 228 | 0.38 | 0.9  | 86.9                                    | 33.6                      | 15.2        | 0.13  | 0.06  | 23.7   | 0.09        |
| <b>Japan</b>                    | 11 582 | 0.23 | 2.1  | 89.1                                    | 25.6                      |             | 0.06  |       | 60.5   | 0.14        |
| <b>Korea</b>                    | 1 755  | 0.13 | 16.7 | 95.1                                    | 25.4                      |             | 0.03  |       | 40.6   | 0.05        |
| Memo: Average<br>Country effort |        | 0.39 |      |   |                           |             |   |       |  |             |
| UN target                       |        | 0.70 |      |   |                           |             |   |       |  |             |

Notes:  
a. Excluding debt reorganization.  
b. Including EU Institutions.  
c. Excluding EU Institutions.

Source: (OECD, 2015, p. 100) OECD Development Co-operation Peer Reviews – Germany.

From 2006-2015, the ODA/GNI ratio (% of GNI) of Australia, Germany and Japan to developing countries around the world was about equal or greater than 0.2%. In contrast, Korea' ODA/GNI ratio was less than 0.2% (Table 3.5).

**Table 3.5 ODA/GNI ratio (% of GNI) from 2006 – 2015 of Australia, Germany, Japan and Korea**

|           | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------|------|------|------|------|------|------|------|------|------|------|
| Australia | 0.30 | 0.32 | 0.32 | 0.29 | 0.32 | 0.34 | 0.36 | 0.33 | 0.31 | 0.29 |
| Germany   | 0.36 | 0.37 | 0.38 | 0.36 | 0.39 | 0.39 | 0.37 | 0.38 | 0.42 | 0.52 |
| Japan     | 0.25 | 0.17 | 0.19 | 0.18 | 0.20 | 0.18 | 0.17 | 0.23 | 0.20 | 0.20 |
| Korea     | 0.05 | 0.07 | 0.09 | 0.10 | 0.12 | 0.12 | 0.14 | 0.13 | 0.13 | 0.14 |

Source: OECD-DAC Creditor Reporting System (CRS)

Regarding OECD data from 2006 -2015, Korea had less share untied aid if compare to Australia, Germany and Japan. Among these four donor, Korea was a new member of OECD-DAC (Chapter 3). However, the percentage of share untied aid of Korea was slightly increase every year (Table 3.6)

**Table 3.6 Percentage of Share Untied Bilateral Aid**

|           | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  | 2013 | 2014  | 2015  |
|-----------|-------|-------|-------|-------|-------|-------|-------|------|-------|-------|
| Australia | 99.7  | 99.5  | 100.0 | 99.3  | 100.0 | 100.0 | 100.0 | 98.8 | 99.3  | 100.0 |
| Germany   | 100.0 | 99.7  | 99.9  | 100.0 | 99.7  | 100.0 | 100.0 | 99.9 | 99.9  | 100   |
| Japan     | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 99.8 | 100.0 | 99.6  |
| Korea     | 0.0   | 17.7  | 16.1  | 36.6  | 27.1  | 57.7  | 40.0  | 58.2 | 58.4  | 49.1  |

Source: OECD-DAC Creditor Reporting System (CRS)

### **3.6 Overview of Australian, German, Japanese and Korean ODA**

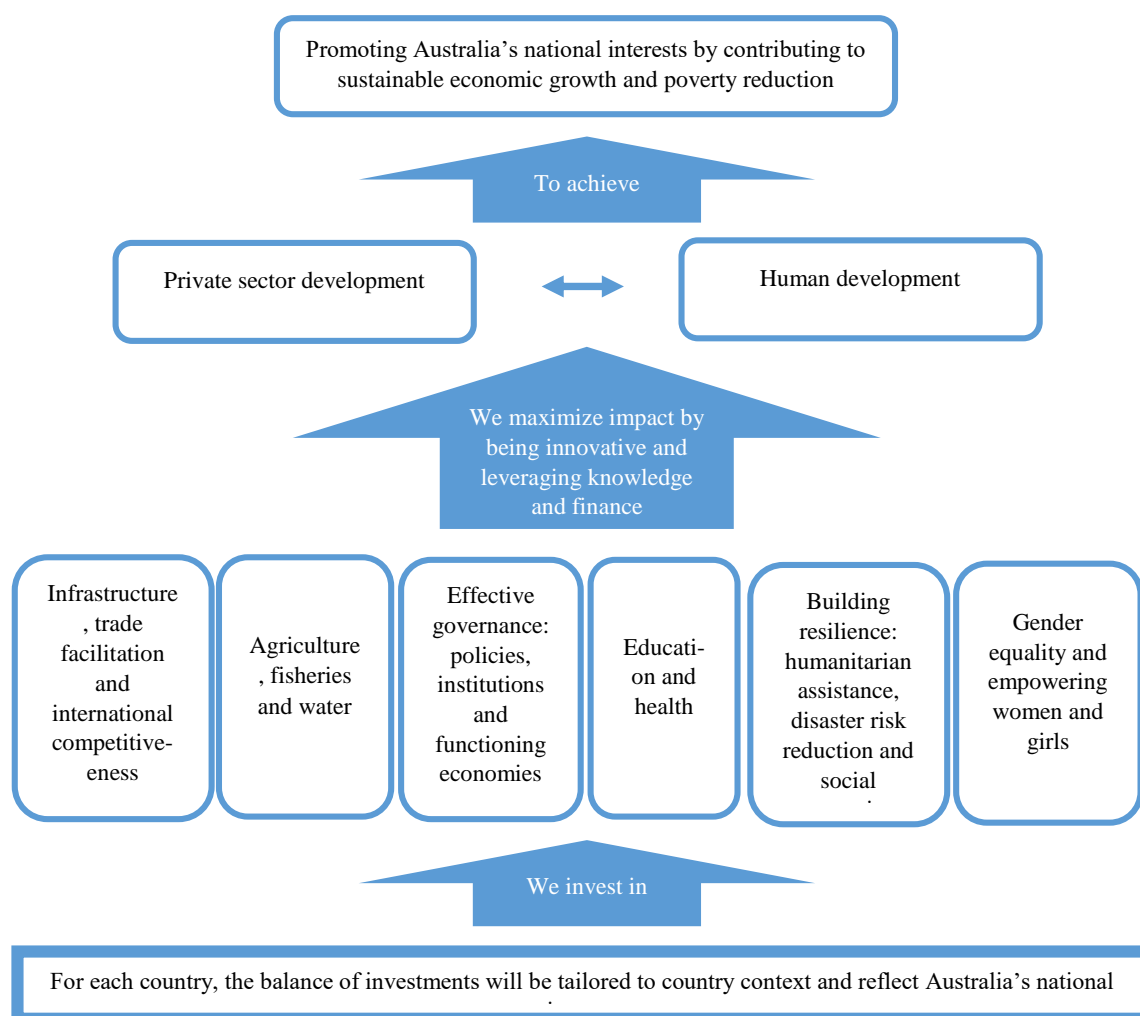
#### **3.6.1 Australian ODA**

Australian aid program is provided by the Australian Agency for International Development (AusAID), it is an administratively independent agency within the portfolio of the Ministry for Foreign Affairs and Trade (OECD, 2009). Australia has become a member of the OECD-DAC since 1961 (OECD, 2018). Australian ODA increased rapidly to A\$ 1.7 billion in 2005. Australia’s ODA/GNI ratio raised up to 0.62 % in 1967 and then since 1988 it has not exceeded 0.4 %. After that, it was decreased by 0.3 % in 1996. Later, in September 2005, the Australian government committed to double the amount of ODA around A\$ 4 billion per year by 2010. Those were explained in White Paper 2006 “Australia Aid: Promoting Growth and Stability”. This could assure of aid

effectiveness, enhance governance and narrow down corruption. The main purpose of Australia's aid program is "help to develop the country to reduce poverty and achieve sustainable development, in line with Australia's national interest" (AusAID 2006, p.2, pp. 20-21). Australian aid can contribute to enhance economic growth by supporting to functioning state, invest in people and promote cooperation, and also regional stability. Especially, focus on the role private sector to assist recipient countries to achieve the goal of growth. Around 50 % of Australian ODA as bilateral is tied for good and services (OECD 2005c, p. 53). After that, White Paper 2006 declare that Australia's bilateral ODA would be untied (AusAID 2006, p. 22). In 2011, Australia provided US\$ 4.98 billion on ODA and became the ninth largest DAC donor. The majority of Australia's bilateral aid 53 % or US\$ 1.6 billion flowed in lower-middle-income countries (OECD, 2013, p. 51).

AusAID (2014) pointed out that strengthening the effectiveness and the accountability of Australia's aid will conduct links between aid funding decisions and performance, ensuring focusing on "value-for-money" and results. At the level of the country program, benchmark of performance will present a sharper basis for estimation of program performance. More focusing on results will require monitoring improvement of aid investments. Weakly performing aid investments is require closer attention on new management. A performance framework will conduct to all levels of the aid program and reshape the aid program on the right track to reach the goals (Figure 3.6).

**Figure 3.6 A strategic framework for the Australian aid program**



Source: AusAID (2014, p. 6) Australian aid: promoting prosperity, reducing poverty, enhancing stability.

### 3.6.2 German ODA

Germany is one of the original member countries of the OECD (OECD, 2001). Germany has become a member of the OECD-DAC since 1961 (OECD, 2018). Germany was third largest aid donor from the mid-1970s to the mid-1980s and became the fifth largest aid donor in 2004. The ratio of Germany's ODA/GNI was only 0.35 % less than the early 1980s that were almost 0.5 %, of which 60 % was allocated bilaterally under the DAC average 67 %. Germany has committed itself to increase ODA sharply to 0.7 % of

GNI by 2015, with the target at 0.33 % by 2006 and 0.5 % by 2010. According to the past of Germany's aid level are likely risky influenced by the federal budget and economy of national, and also the power of government's cooperation. German develop aid policies are structured within the context of foreign policy. German administration for aid is quite complicated, the decisions making for German aid have done by the Federal Ministry for Economic Cooperation and Development (BMZ), which in charge of overall consistency method among agencies who provide ODA. There are two main executing agencies as the agency for Technical Cooperation (GTZ)<sup>4</sup> and the agency of implementing principal for technical cooperation activities and the German bank for reconstruction (KfW)<sup>5</sup>. Germany increases the result-based for principles and conduct state expenditure. As a long history that Germany tries to ensure the aid provided is useful in a transparent and result-adjusted manner. This is just referred to the remarkable history of Germany, which has linked to aid provision for technical assistance to ensure aid effectiveness of using fund. The particularly crucial linkage is between good governance and aid allocation. Certainly, Germany is one of the most intense advocates of good governance and examine "good governance (to be)... a condition of co-operation" (OECD 2001b, p. 43). But this does not mean to rule out of providing aid to the weak or poor governance of the country which engages to policy dialogue and promoting good democratic through all levels of governance (Riddell. R.C, 2007, pp. 65-67).

OECD (2015) indicated that Germany has set an overarching, value-motivated policy for development cooperation, which searches for advance sustainable development as a local and global issue. Since 2013, the Coalition Treaty Shaping Germany's Future

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<sup>4</sup> GTZ is The German Organization for Technical Cooperation (Gesellschaft für Technische Zusammenarbeit) established in 1963, and 2011 changed the name to GIZ (The Deutsche Gesellschaft für Internationale Zusammenarbeit). <sup>5</sup> KfW is a German government-owned development bank (Kreditanstalt für Wiederaufbau), it established in 1948.

has been conducting development cooperation policy of Germany. The Charter for the Future constructs on the treaty to present an inclusive vision for development policy of Germany. Regards to eight priority areas, this transformative plan provides a beneficial platform for various development partners and society for overall (Table 3.7).

**Table 3.7 Vision and Policies of Germany’s development cooperation**

| Objectives of the Coalition Treaty  | Priority areas in the Charter for the Future   |
|---|--|
| 1) Defeat hunger and poverty<br>2) Strengthen democracy and the rule of law<br>3) Advocate for peace, freedom and security<br>4) Advocate respect for and observance of human rights<br>5) Protect the environment<br>6) Encourage a socially and ecologically oriented market economy<br>7) Promote good governance, and strengthen participation by civil society | 1) Ensure a life of dignity for all everywhere<br>2) Protect natural resources and manage them sustainably<br>3) Combine economic growth, sustainability and decent work<br>4) Promote and ensure human rights and good governance<br>5) Build peace and strengthen human security<br>6) Respect and protect cultural and religious diversity<br>7) Drive transformational change through innovation, technology and digitalization<br>8) Forge a new global partnership and develop multi-stakeholder partnerships for sustainable development. |
| Three special initiatives<br>1) One world – no hunger; 2) Fighting the root causes of displacement, reintegrating refugees; and<br>3) Stability and development in the Middle East and North Africa region.   |  |

Source: (OECD, 2015, p. 35) OECD Development Cooperation Peer Reviews of Germany

### 3.6.3 Japanese ODA

Japan has become a member of the OECD-DAC since 1961 (OECD, 2018). Japanese ODA used to focus on Asia, 98 % of Japan’s aid gave to Asia in 1970. Later 70 % in 1980 and 54.8 % in 2000. For overall from 1970 to 2004, Japan provided ODA to East Asia around US\$ 71.6 billion (in terms of net disbursement). Japan became the

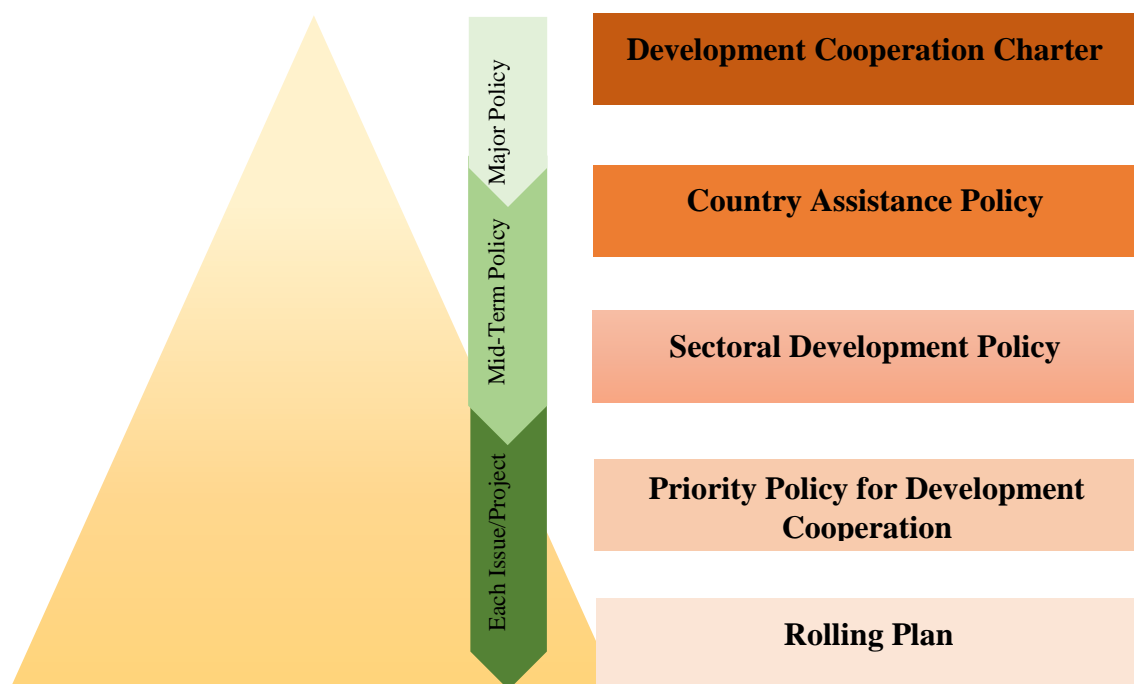
world's largest donor of ODA in 1989 and remain until late of the 1990s. The Overseas Economic Cooperation Fund (OECF) was established in 1965. Later in 1999, the OECF combined with the old Import-Export Bank as a name of the Japan Bank of International Cooperation (JBIC). This institute was deal with loan aid and other official flows to developing country. In 1974, the Japan International Cooperation Agency (JICA) was established to dealing with technical cooperation and grant aid which in charge of the Ministry of Foreign Affairs (MOFA). Regarding implantation of aid, sometimes JBIC and JICA had a different opinion on the better practice of aid. However, in 2008, part of loan aid of JBIC was combined with JICA that call 'New JICA' which responsible for three types of Japan's ODA 'grants, loans and technical cooperation' (Sørensen 2010, pp.112-113). Planning and implementation of aid programs and projects is the main function of Japan's aid administration (Goto, 1995). Japanese aid has been always changeable, even though disbursements depend on five years plan. The percentage of Japan's ODA to GNI decrease less than 0.19% in 2004, which has not been happened before since 1964. If compare to the 1990s that were 0.25% and the 1980s were 0.3%. In spite of commitment of Japan's aid has not been reached 0.7%, but the number of recipient countries of Japanese ODA has increased rapidly. There were more than 20 countries in the early 1960s, and then the number has grown sharply about eight times, around 170 countries by 2002 and made Japan became donor that has the largest number of recipient countries (Riddell, 2007, pp. 59-60).

MOFA (2016) indicated that Japan establishes principles and policies, etc., under the Development Cooperation Charter in order to define functions of the philosophy which include proposing and basic policies of Japan's Development Cooperation, and priority issues which are "quality growth", "Sharing universal values and realizing a peaceful and secure society", and "Building a sustainable and resilient international



community through efforts to address global challenges”. The following policies which are promoted under the development cooperation charter consist of country assistance policy, sectoral development policy, priority policies of development cooperation and rolling plan (Figure 3.7).

**Figure 3.7 Japan’s Development Cooperation Policy Framework**



Source: MOFA (2016, p. 14) Japan’s International Cooperation, Japan’s ODA White Paper 2015, Tokyo, Japan.

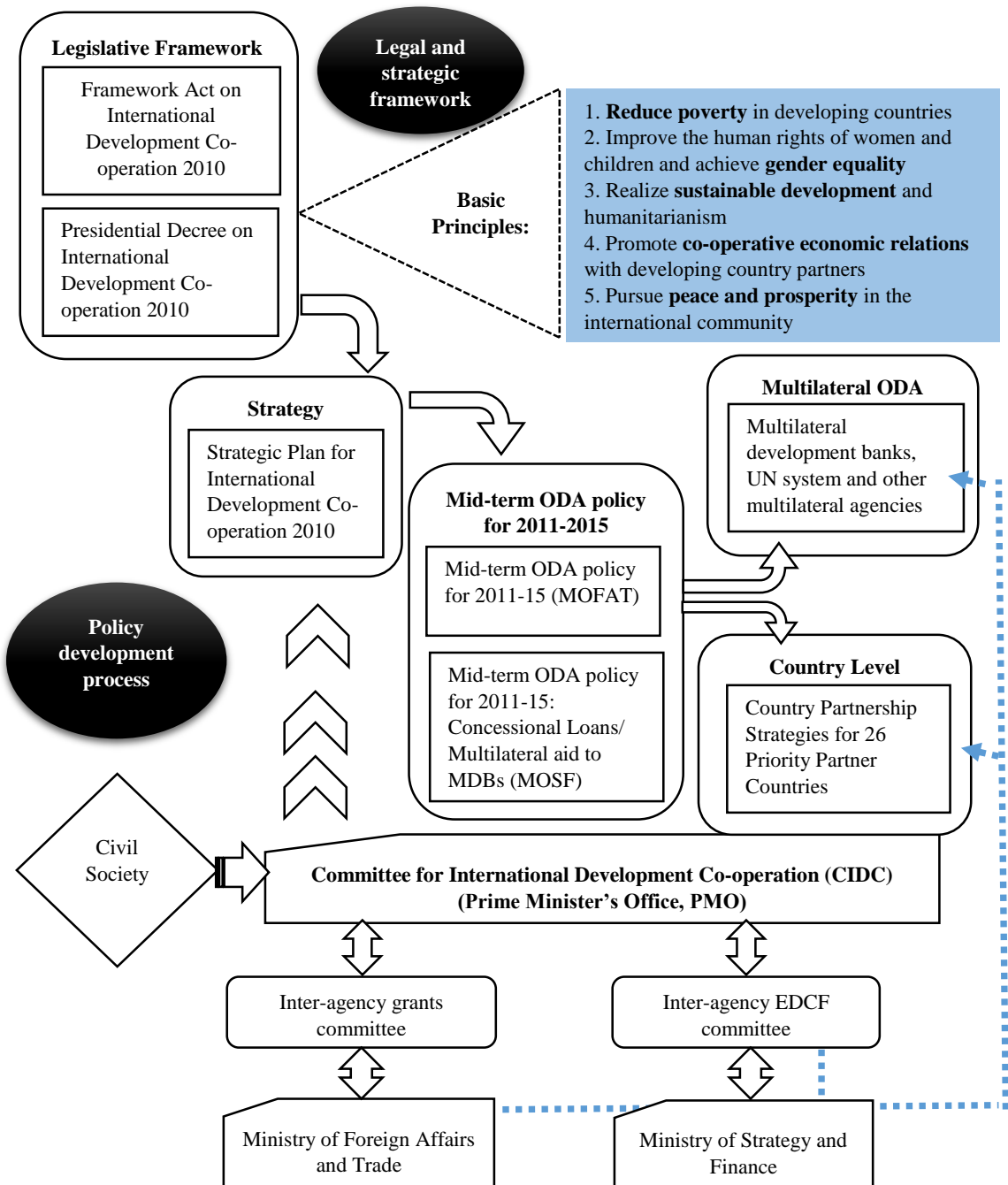
### 3.6.4 Korean ODA

Korea has become a member of the OECD-DAC since 2010 (OECD, 2018). During the 1990s, South Korea began looking for a future aid model. Instead of American or West European models, Korea turns to Japan aid model as a role aid model. The Korean International Cooperation Agency (KOICA) was established in 1991 that dealing with technical cooperation and grant aid which under the supervision of Ministry of Foreign

Affairs and Trade (MOFAT). In recent years, KOICA has focused on main sectors such as health, education, disaster relief and reconstruction. These sectors combine together were over 50% of the budget of KOICA in 2006. There are two types of Korean aid loan: “First, aid is given to foreign governments, government agencies or other eligible organizations to support the economic development of developing countries, and second, loan to Korea cooperation for overseas activities” (Sørensen, 2010, pp. 118-119). In 2011, Korean ODA disbursements were 6 % greater than in 2010, when the surplus of Korean aid was US\$ 1 billion. However, the ratio of Korean ODA/GNI in 2011 was unaltered from 2010 and under the target 0.13% for the year. Korea has pledged to increase aid amount to reach 0.25 % of ODA/GNI ratio by 2015. Korea’s ODA volume was the 17<sup>th</sup> largest among the DAC member in 2011 (OECD, 2012, p. 15).

After Korea has been a member of the DAC, Korea has created and improved framework of development cooperation. This provides the basis’s legal for a more combination of ODA system (Figure 3.8). There are five basic principles with Korea’s new framework for development cooperation, by general purpose of reducing poverty and achievement of the international agreement for development goals, especially the MDGs. Korea’s ODA system is separated into two parts: grants and Loans, each part was managed by different substance. Grant aid is mostly managed by the MOFAT and MOSF is in charge of Korea’s aid loan. It is a first time of the new single plan and mid-term ODA policy for Korea’s grants and loans are combined into one set strategic documents (ibid, p.24).

**Figure 3.8 Korea's development co-operation framework**



Source: OECD (2012, p. 25) DAC Peer Review Republic of Korea

## **CHAPTER 4 SURVEY AND RESULT**

### **4.1 Research Methodology**

This section is going to explain the procedure of the research which comprises design of the research; sample size; source and data collection that consist of primary and secondary data; the structure of questionnaire and data analysis method in order to reply to the main issues of this study.

#### **4.1.1 Research Design**

This study will be applied to both methods, qualitative and quantitative approaches, and using primary data and secondary data. The initial data would be the survey that gathers information from executive agencies of ODA who are in charge of Australian, German, Japanese and Korean ODA in Lao PDR. For the secondary data would access information from previous studies and other official data. These data will be utilized to analyze in order to reply to the purpose and the main research questions, which compare the crucial policy and implementation of ODA in Lao PDR.

#### **4.1.2 Sample Size**

The main focal point of this study is executive agencies of Lao government who are responsible for Australian, German, Japanese and Korean ODA. Currently, the structure of Lao government consists of 18 Ministries and working in 10 sector working groups. There are 14 ministries used to/have received ODA from these donors. Each ministry, there is a department of international cooperation (some ministries have another

name, but the role and function are the same), which in charge and monitors ODA fund, projects/programs. Thus, the questionnaire was distributed 56 forms to 14 Ministries which 4 set for one Ministry (one set for one donor). The duration of the survey was about 55 days, including the process of distribution. However, there are only 40 forms were responded and counted into 71.4 % of total respondents, or about 55.6 % of total population of ministries in Lao PDR.

#### **4.1.3 Source and Data Collection**

There are two sections of data collection and source for this study, which comprise of primary data and secondary data: (1) Primary data was collected by survey of executive agencies of Lao government who are responsible for Australia, Germany, Japanese and Korean ODA. The feature of the survey was conducted by using questionnaire approach and distributed to Lao government agencies as mentioned above. Some of them, the author had a chance to interview with face to face to fill in the questionnaire forms. In addition, the questionnaire forms were filled out by people who are responsible for each donor. Some of them are director and deputy director of the division who are involved in policy making and implementation of ODA in Laos. (2) Secondary data were collected from OECD, Lao MPI. Moreover, to fulfill this study more useful. Journals, academic papers, book, report and official documents would be applied to this research.

#### **4.1.4 Questionnaire Design**

Design of questionnaire is very important for the research. In order to achieve the objective of this study, the questionnaire was designed base on targets and indicators of the global agreement on aid effectiveness, previous studies, and implementation of ODA in Lao PDR. The questionnaire comprised of 4 sections: (1) General information of ministry and respondent; (2) ODA Policy of donor base on global targets and indicator on aid effectiveness in Lao PDR; (3) Implementation of ODA in Lao PDR, which consist of ODA allocation to the MDGs, implementing process, and project cycle; (4) Trends of ODA and Open-ended question. In addition, there are 3 kinds of questions: First is multiple choices or options; Second is rating scale questions from 1 (Least Important) to 5 (Most important) or as known as Likert Scales' method. The last one is Open-Ended questions which respondents can express their opinion to a characteristic of donors in Lao PDR.

#### **4.1.5 Method of Data Analysis**

##### **4.1.5.1 Criteria for interpretation of value survey data**

Criteria for interpretation of value survey data. Base on the Likert scale of questions in the research questionnaire, which appeal to the respondents to rate the importance level for each variable or indicator from 1 to 5. Likert scale is originated Dr. Rensis Likert who was a sociologist at the University of Michigan. He developed a means of measuring psychological attitudes in a scientific way in 1932 (Hodge & Gillespie, 2003). Allen & Seaman (2007) argued that “Likert scales are a common rating format for surveys. Respondents rank quality from high to low or best to worst using five or seven levels”

These type of questions placed into section 2 and 3 of the questionnaire form. Thus, an analysis of interval or ratio scale is computed as procedure below:

$$M_A = \frac{\sum X_A}{n_A} ; M_G = \frac{\sum X_G}{n_G} ; M_J = \frac{\sum X_J}{n_J} ; M_K = \frac{\sum X_K}{n_K}$$

$$\text{MEAN} = \frac{M_A + M_G + M_J + M_K}{N}$$

Criteria for interpretation of value survey data. If the value of  $M_A$  or  $M_G$  or  $M_J$  or  $M_K$  larger or equal to MEAN, it means that it is more crucial. If the value of  $M_A$  or  $M_G$  or  $M_J$  or  $M_K$  less than MEAN, it means that it is crucial.

$$\text{Crucial} > \text{MEAN} \geq \text{More Crucial}$$

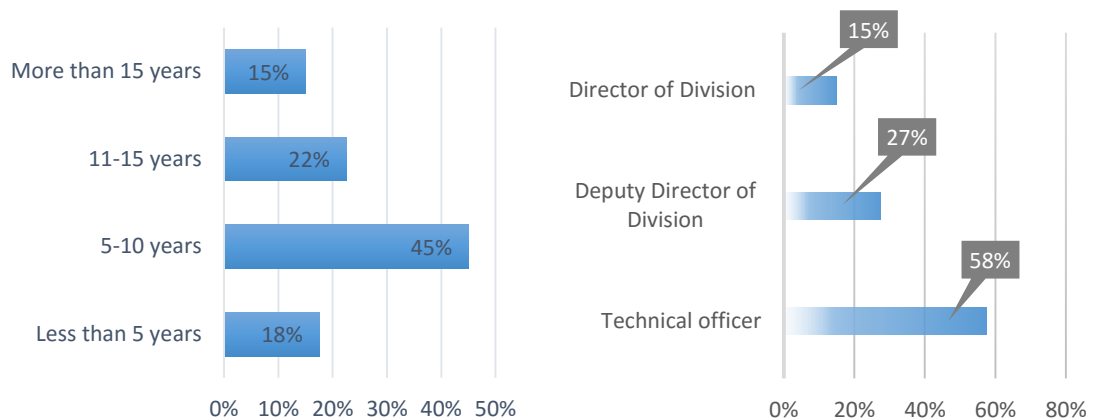
#### 4.1.5.2 Data Analysis

This research is used the program SPSS for Window to analyze the primary data that received from file survey. By using this program, the summary of statistics such as percentage, mean, standard deviation and mode will be presented the significant level of each variable or indicator. Therefore, the result of data from the SPSS program will be utilized to describe and explain the character and contribution of each donor and draw out the interpretation and the finding, and also conclusion in order to reply to the main research questions of this thesis.

## 4.2 Feature recipient's analysis

Regarding the survey, there are 40 out of 56 forms were responded and counted into 71.4 % of total respondents, or about 55.6 % of total population of ministries in Lao PDR. However, all of the respondents are working on ODA management and majority around 82 % have a working experience more than 5 years, as well as 42% of them are directors and deputy directors of a division. Therefore, this could be positive that data had provided from respondents is believable and realistic.

**Figure 4.1 Working experience and position of respondents**



Source: Field survey, 2017



### **4.3 The result of ODA policy analysis**

#### **4.3.1 ODA policy of four major donors through guideline principles on aid effectiveness in Lao PDR.**

The result of this survey is perspective of Lao government officers who are responsible for Australian, German, Japan and Korean ODA. The respondents had rated the level of importance from (1) Lowest to (5) Highest as mention in chapter 2. Among of these four donors, by comparing to the average rate of four donors (Criteria for interpretation of value survey data on chapter 2), the result of this survey shows that the contribution of Australia, Germany, and Japan's policy through the principles of aid effectiveness are more crucial than Korea policy, which is Germany (4.04) Australia (3.80) and Japan (3.78). Germany was rated score for more crucial 5 out of 5 principles. Australia was rated score for more crucial 4 out of 5 principles. Japan was rated score for more crucial 2 out of 5 which are Alignment (3.80) and Harmonization (4.00). However, the rating score for other 3 principles of Japan, they are closed to the average rate which are (3.70) and for overall Japan has reached an average rate. On the other hand, the rating score of Korea is lower than the average rate for every principle as well as for overall and it is the lowest rate among four donors. (Table 4.1).

**Table 4.1 Contribution of ODA policy of four bilateral major donors in Lao PDR**

| No           | The Principles on aid effectiveness   | Australia          | Germany            | Japan              | Korea       | MEAN        | STDEV       | MODE     |
|--------------|---|--------------------|--------------------|--------------------|-------------|-------------|-------------|----------|
| 1            | <b>Ownership</b><br>“Partner countries exercise effective leadership over their development policies, and strategies and coordinate development actions.” | <u>3.91</u>        | <u>4.22</u>        | 3.70               | 3.30        | <b>3.78</b> | 0.77        | 4        |
| 2            | <b>Alignment</b><br>“Donor base their overall support on partner countries’ national development strategies, institutions and procedures.”                | <u>3.82</u>        | <u>4.11</u>        | <u>3.80</u>        | 3.50        | <b>3.80</b> | 0.59        | 4        |
| 3            | <b>Harmonization</b><br>“Donors actions are more harmonized, transparent and collectively effective.”   | <u>3.91</u>        | <u>4.00</u>        | <u>4.00</u>        | 3.60        | <b>3.85</b> | 0.83        | 4        |
| 4            | <b>Managing for Results</b><br>“Managing resources and improving decision-making for results”   | <u>3.73</u>        | <u>4.22</u>        | 3.70               | 3.40        | <b>3.73</b> | 0.68        | 4        |
| 5            | <b>Mutual Accountability</b><br>“Donors and partners are accountable for development results.”  | 3.64               | <u>4.00</u>        | 3.70               | 3.70        | <b>3.75</b> | 0.78        | 4        |
| <b>Total</b> |   | <b><u>3.80</u></b> | <b><u>4.04</u></b> | <b><u>3.78</u></b> | <b>3.52</b> | <b>3.78</b> | <b>0.73</b> | <b>4</b> |

Source: Field survey, 2017

This result is consistent to OECD (2012, pp. 167-184) the targets for the Paris Declaration in 2010, all of the donor and recipient countries as DAC members met only 1 out of 13 global targets of these five principles which are the indicator of strengthening capacity by a coordinated supporting under Alignment. However, in term of donors data, Australia had met targets of Alignment (strengthen capacity by coordinated support; use country public finance management systems; strengthen capacity by avoiding parallel; aid is more predictable; aid is untied), Harmonization (use of common arrangements of procedures), and Managing for results (results-oriented frameworks). Germany had met

targets of Alignment (strengthen capacity by a coordinated support; strengthen capacity by avoiding parallel; aid is untied). Japan had met the target of Alignment (aid is untied). And Korea had not met any target of the Paris Declaration overall. Despite, there was no assessment data of donor countries for the principle of Ownership, Managing for results and Mutual accountability, but the contribution of donors is required to support these principles in a partner country. This OECD survey could present that Australia, Germany, and Japan made a progress on these principles. However, despite Korea could not meet any targets, but Korea still has some progress on moving forward to reach the target. (Table 4.2 )

**Table 4.2 The surveys on Monitoring the Paris Declaration of Australian, German, Japanese and Korean ODA.**

| The principles               | Australia   | Germany  | Japan   | Korea              |
|------------------------------|---|--|---|--------------------|
| <b>Ownership</b>             | Data available for partner countries, the scores rang from A (high – progress is sustainable) to E (low – little action has been taken).  |  |   |                    |
| <b>Alignment</b>             | Met 5 out of 7 targets of Alignment (strengthen capacity by coordinated support; use country public finance management systems; strengthen capacity by avoiding parallel; aid is more predictable; aid is untied) | Met 3 out of 7 targets of Alignment (strengthen capacity by a coordinated support; strengthen capacity by avoiding parallel; aid is untied). | Met 1 out of 7 targets of Alignment (aid is untied) | Not met any target |
| <b>Harmonization</b>         | Met 1 out of 3 targets of Harmonization (use of common arrangements of procedures),   | Not Met  | Not Met   | Not Met            |
| <b>Managing for results</b>  | Data available for partner countries, the scores rang from A (high – progress is sustainable) to E (low – little action has been taken).  |  |   |                    |
| <b>Mutual accountability</b> | Data available for partner countries (Action Yes, No, N/A)  |  |   |                    |

Source: OECD (2012), Aid Effectiveness 2011: Progress in Implementing the Paris Declaration

#### **4.3.2 The progress on aid effectiveness by four bilateral major donors in Lao PDR through the global indicators.**

According to the global indicators which under the Paris Declaration on aid effectiveness that has been used to measure the effectiveness of development cooperation between donors and developing countries. In this regards, by practicing of ODA policy through an implementation of ODA projects/program of major donors in Laos. The respondents as the government officers can see the characteristic of donors through these indicators. As the result shows most of the indicators by 9 out of 10 indicators, Germany has been rate highest score and also for the overall of global indicators of progress on aid effectiveness for (3.94). By comparing to the average among four major donors; Australia is rated more crucial for 5 out of 10 indicators which comprises development cooperation is more predictable (annual and medium-term); Aid is on budgets which are subject to parliamentary scrutiny; Mutual accountability strengthened through exclusive reviews; Gender equality and women's empowerment and use of developing country's Public Financial Management (PFM) and procurement systems. Japan was rated more crucial for 4 out of 10 indicators which are transparency of information on development cooperation is publicly available; aid is on budgets which are subject to parliamentary scrutiny, quality and using of developing country's PFM and procurement systems; and aid is untied. Korea was rated more crucial for 1 out of 10 indicators that are civil society operates within an environment that maximizes its engagement in and contribution to development, and also Korea was rate lowest score among four major donors. For overall, as the result of the survey for the principles of the Paris Declaration and global indicators of progress on aid effectiveness that the content has been connected to each other. In practical of Australian, German and Japanese ODA policy are considered more crucial than Korean ODA policy (Table 4.2).

As the result, it can support by the argument of OECD surveys for Lao PDR in 2007 and 2010. Australia, Germany has made progress on 8 out of 10 indicators, Japan has made 6 out of 10 indicators and Korea has made progress only 4 out of 10 indicators. In term of these surveys, the percentage rate of untied aid which is considered more important than other indicators and many scholars had mentioned, and it is also explained in chapter 2 the article 2.4.4 about untied aid. Korea has made only 23 %, which is lower than the average 23 donors ratio and also the lowest rate among four donors. In this regards, it can refer to survey among DAC member which consist of 32 countries in 2007 and 78 countries in 2010. Korea has made a progress on untied aid from 21 % in 2007 to 47 % in 2010. Nevertheless, Korea has made a progress on this indicator, but this rate is about a half of Australia, Germany and Japan's percentage of untied aid. (OECD, 2012).

In this regards, this result is connected to OECD development cooperation peer reviews of these four donors: Australia, Germany, Japan, and Korea. Australia is the one of strongly supported for untying aid to promote the value of money. Australia has not just only met the OECD-DAC recommendation on untying aid in 2008, but as well as commitments made in Accra and Busan to the maximum extent of untying aid. Among of many donors, Australia was well ahead of the DAC average untying ratio 73 % in 2011. However, in spite of tenders being untied and open a share of untied aid as a recommendation by 2008, it is still sourced from suppliers of Australian. The contracts of AusAID's untied aid were awarded to companies of Australian 62 % in 2011, it accounted 85 % of the monetary value of those agreements. Additionally, there was only 22 % of procurements under the aid program which managed by AusAID was undertaken by using partner country systems (OECD, 2013, p.77). At the high-level forums on aid effectiveness in Accra (2008) and Busan (2011), Germany has made progress in untying ODA. In 2013, Germany increased untying ODA to 83 % as the 2001 DAC

recommendation, up from 78 % in 2010. The share of untied aid, in terms of total bilateral ODA (excluding of in-donor refugees cost and administrative), increased from 75% to 80 % in 2010-13, equal to the DAC average in 2013. As well as for technical cooperation, Germany has made efforts to untied the share from 48 % in 2010 to 57 % in 2013 (OECD, 2015, p. 66). Japan argues that untied ODA is contributed to transferring technology of Japan, experiences, and knowledge. Japan reported 100 % of ODA was untied by 2001 as DAC recommendation on untying ODA which the DAC average is 90 %. However, in term of Japan's bilateral ODA, the share of untied aid was 71 % in 2012 that is under the DAC average of 79 %. This also reflects a fall of Japan's untying ratio in 2008 which was a high level of 84 %. In the same year, Japan did not report the tying status of technical cooperation. If technical cooperation were not included in the calculation, in 2012 the share of untied aid should have been 86 % (OECD, 2014, p. 60). Korea is encouraged to make a progress on untied aid and to meet the targets of the DAC recommendation and as well as Accra, Busan, and DAC accession commitments. While Korea's share of untied aid reduced from 37 % in 2009 to 27 % in 2010 that lower than 88 % of the DAC average in 2010. The proportion's total untied aid of Korea was 32 % by comparing to 44 % in 2009. This performance will limit Korea's ability to reach the DAC recommendation (OECD, 2012, p. 20).

**Table 4.3 The global indicators of progress on aid effectiveness by four bilateral major donors in Lao PDR**

| No           | Global indicators of progress on aid effectiveness  | Australia          | Germany            | Japan              | Korea       | MEAN        | STDEV       | MODE     |
|--------------|---|--------------------|--------------------|--------------------|-------------|-------------|-------------|----------|
| 1            | Development co-operation is focused on results that meet developing countries' priorities                     | 3.82               | <u>4.22</u>        | 3.90               | 3.80        | <b>3.93</b> | 0.69        | 4        |
| 2            | Civil society operates within an environment that maximizes its engagement in and contribution to development | 3.64               | <u>3.89</u>        | 3.50               | <u>3.70</u> | <b>3.68</b> | 0.76        | 4        |
| 3            | Engagement and contribution of the private sector to development  | 3.45               | <u>4.00</u>        | 3.50               | 3.20        | <b>3.53</b> | 0.72        | 3        |
| 4            | Transparency: information on development co-operation is publicly available                                   | 3.55               | <u>4.00</u>        | <u>3.70</u>        | 3.30        | <b>3.63</b> | 0.87        | 3        |
| 5            | Development co-operation is more predictable (annual and medium-term)   | <u>3.55</u>        | <u>3.67</u>        | 3.50               | 3.40        | <b>3.53</b> | 0.60        | 3        |
| 6            | Aid is on budgets which are subject to parliamentary scrutiny   | <u>3.64</u>        | <u>3.89</u>        | <u>3.80</u>        | 3.20        | <b>3.63</b> | 0.74        | 4        |
| 7            | Mutual accountability strengthened through exclusive reviews  | <u>3.64</u>        | <u>3.89</u>        | 3.50               | 3.20        | <b>3.55</b> | 0.71        | 3        |
| 8            | Gender equality and women's empowerment   | <u>3.73</u>        | <u>4.11</u>        | 3.70               | 3.40        | <b>3.73</b> | 0.72        | 4        |
| 9a           | Quality of developing country Public Financial Management (PFM) systems                                       | 3.64               | <u>4.11</u>        | <u>3.80</u>        | 3.10        | <b>3.65</b> | 0.80        | 3        |
| 9b           | Use of developing country PFM and procurement systems   | <u>3.55</u>        | <u>3.67</u>        | <u>3.50</u>        | 3.00        | <b>3.43</b> | 0.68        | 3        |
| 10           | Aid is untied   | <u>3.82</u>        | <u>3.89</u>        | <u>4.00</u>        | 3.50        | <b>3.80</b> | 0.85        | 3        |
| <b>Total</b> |   | <b><u>3.64</u></b> | <b><u>3.94</u></b> | <b><u>3.67</u></b> | <b>3.35</b> | <b>3.64</b> | <b>0.75</b> | <b>3</b> |

Source: Field survey, 2017

### **4.3.3 The strategies of aid allocation inflow to Lao PDR by Sector Working Groups (SWGs) and Millennium Development Goals (MDGs).**

According to an agreement of donors and Lao government to provide support and assist facilitate implementation of the Country Action Plan (CAP), both are agreed to exist SWGs as lead agencies of the government and donors focal point in (Chapter 3). These SWGs are mainly working on sectors allocation of ODA by Development Partners (DPs) and also focusing on the MDGs 2000 -2015 (The United Nations Millennium Summit), and the SDGs 2016-2030 (The United Nations Rio+20) in (Chapter 2). As this study is mainly focused on policy and implementation of ODA by four major bilateral donors who provided a large amount of ODA on the period 2006 – 2015 as data of Creditor Report System, OECD. Stat. Meanwhile, this period is the implementation of the 6<sup>th</sup> and 7<sup>th</sup> NSEDP of the Lao government which has a high amount of ODA flows to Laos, it is also the high annual percentage of GDP growth (Chapter 3).

There are 8 MDGs, and 1 national MDG as MDG9 which is necessary for UXO clearance in Lao PDR. As the result of the survey of the contribution of four major bilateral donors in Laos to distribute ODA fund and support Laos to achieve MDGs. In term of (Criteria for interpretation of value survey data) in chapter 2, the average of four donors. By comparing among four donors, Germany was rated for more crucial for all 9 MDGs. In contrast, Korea was rated for crucial for all MDGs, as well as for overall still lower than the average (3.65). Meanwhile, Australia and Japan are quite similar results, their contribution to the MDGs are more crucial for overall. Australia was rated more crucial (3.67) for overall and 6 out of 9 MDGs are more crucial. Japan was rated more crucial (3.76) for overall and 7 out of 9 MDGs are more crucial (Table 4.3).



**Table 4.4 The strategies of aid allocation inflow to Lao PDR by Millennium Development Goals (MDGs)**

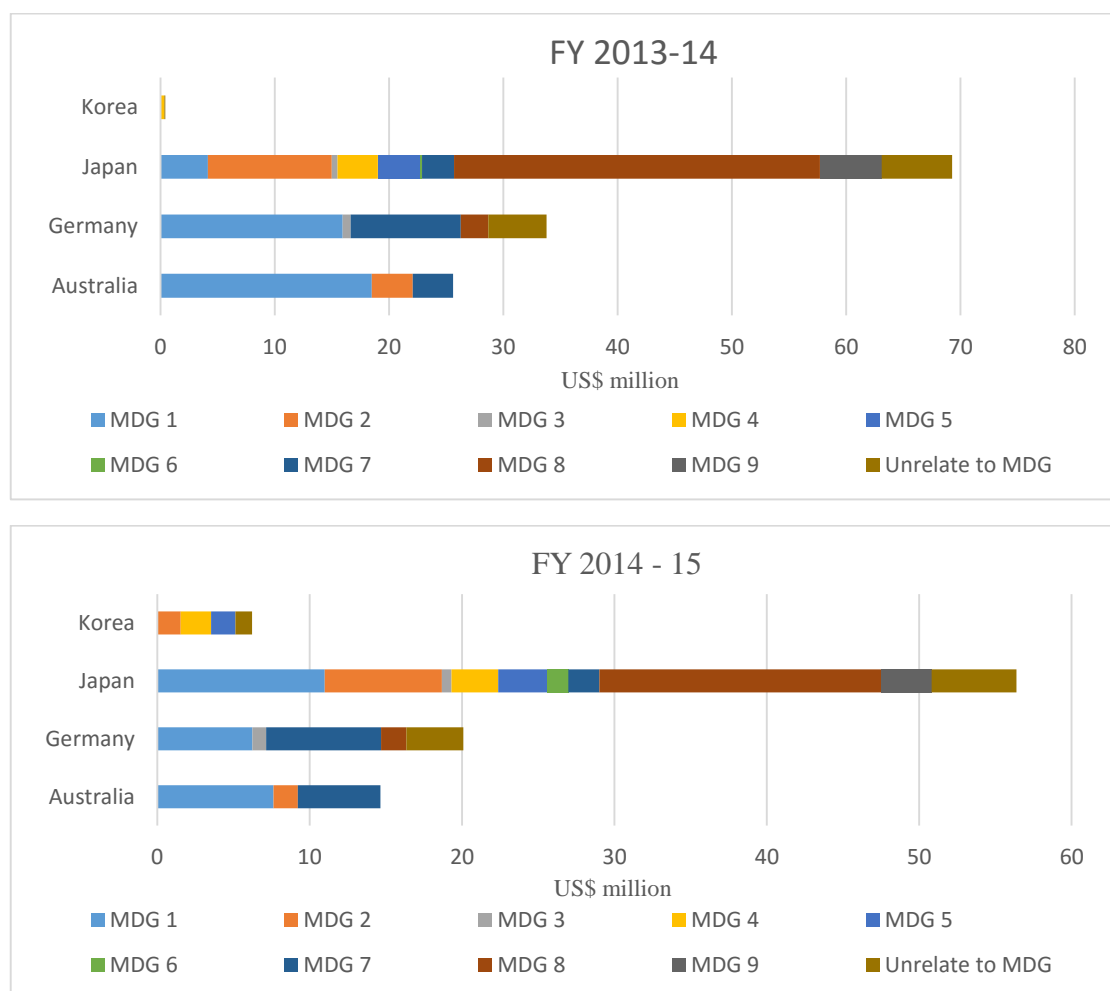
| No           | Millennium Development Goals (MDGs)                 | Australia   | Germany     | Japan       | Korea | MEAN        | STDEV | MODE |
|--------------|---|-------------|-------------|-------------|-------|-------------|-------|------|
| 1            | MDG 1: Eradicate extreme poverty and hunger         | <u>3.91</u> | <u>4.00</u> | <u>4.20</u> | 3.50  | <b>3.90</b> | 0.84  | 3    |
| 2            | MDG 2: Achieve universal primary education          | <u>3.82</u> | <u>4.00</u> | <u>3.70</u> | 3.30  | <b>3.70</b> | 0.82  | 3    |
| 3            | MDG 3: Promote gender equality and empower women    | <u>3.73</u> | <u>3.78</u> | 3.40        | 3.10  | <b>3.50</b> | 0.72  | 3    |
| 4            | MDG 4: Reduce child mortality                       | 3.45        | <u>3.78</u> | <u>3.90</u> | 3.40  | <b>3.63</b> | 0.81  | 3    |
| 5            | MDG 5: Improve maternal health                      | 3.27        | <u>3.78</u> | <u>3.90</u> | 3.40  | <b>3.58</b> | 0.90  | 3    |
| 6            | MDG 6: Combat HIV/AIDS, malaria and other Diseases  | <u>3.36</u> | <u>3.78</u> | 3.10        | 3.20  | <b>3.35</b> | 0.80  | 3    |
| 7            | MDG 7: Ensure environmental sustainability          | 3.73        | <u>4.00</u> | <u>4.00</u> | 3.30  | <b>3.75</b> | 0.78  | 3    |
| 8            | MDG 8: Develop a global partnership for development | <u>3.82</u> | <u>4.11</u> | <u>3.90</u> | 3.40  | <b>3.80</b> | 0.69  | 4    |
| 9            | MDG 9: UXO Clearance                                | <u>3.91</u> | <u>4.00</u> | <u>3.70</u> | 3.10  | <b>3.68</b> | 0.83  | 3    |
| <b>Total</b> |   | <u>3.67</u> | <u>3.91</u> | <u>3.76</u> | 3.30  | <b>3.65</b> | 0.81  | 3    |

Source: Field survey, 2017

In this regard, this result is consistent to DIC, MPI (2016, pp. 23-29) indicated on a report of ODA Snapshot for fiscal years (FY) 2010-11 to 2014-15 for ODA disbursement to support MDGs in Lao PDR, argued that development results for Lao PDR, Japan was the largest contributor, accounting for about 50 % of ODA bilateral flows which disbursements were equivalent to US\$ 85 million. Australia, Germany, France, and

Sweden account for around 30 % of total bilateral ODA in 2004. By using data from AMP database, DIC-MPI has reported in this Snapshot that there were top six donors: ADB, EU, Australia, Germany, Japan, and Luxembourg share more than 50 % of total aid disbursement. These donors are main donors in all MDGs. As the data of FY 2013-14 to 2014-15, among four donors Australia, Germany, Japan and Korea, Japan contributed to all MDGs which largest amount US\$ 69.3 million of the FY 2013-14 and US\$ 56.4 million of FY 2014-15. Australia and Germany contributed to some MDGs and the amount of disbursements also less than Japan. However, the amount of Australia and Germany's disbursements are still considered to be a top main donor who contributed to support MDGs in Laos as a DIC-MPI's report of ODA snapshot for the FY 2010-11 to 2014-15. On the other hand, Korea had a small amount of ODA disbursements contributed to few MDGs in both fiscal years, which is US\$ 0.4 million in FY 2013-14 and US\$ 6.2 million in FY 2014-15 (Figure 4.2).

**Figure 4.2 Actual ODA disbursements of four major bilateral donors to MDGs for FY 2013 - 14 to 2014 - 15 in Lao PDR**



Source: DIC, MPI (2016, pp.23-29) ODA Snapshot for Fiscal Years 2010-11 to 2014-15

As the data of FY 2013-14 to 2014-15, among four donors Japan contributed to all MDGs. Japan allocated more fund on MDG8, MDG2, and MDG1 with fund more than US\$ 80 million. Germany allocated fund on MDG1, MDG3, MDG 7, and MDG8 with fund more than US\$ 45 million. Australia, allocated fund MDG1, MDG2 and MDG 7 with fund about US\$ 40 million. Korea contributed to MDG 2, MDG 4 and MDG5, but the amount less than US\$ 6 million. We can see that these 2 Fiscal year, Korea contributed to MDGs less than other 3 donors (Figure 4.2). The reason that Korea provided small

amount to MDGs and few MDGs, this could be that Korea focus on production, economic infrastructure, and services more than other sectors. Likewise Korea provided a loan more than a grant. This issue was argue by Chun et al (2010) and Sungil (2016). Regarding chair and co-chair of 10 sector working groups (SWGs) who are working to support MDGs. Australia is co-chair of Education sector and Illicit drug control. Germany is co-chair of Trade and private sector and Natural resource management and environment sector. Japan is co-chair of Infrastructure sector and Illicit drug control sector. Korea is not co-chair of any SWGs (Table 3.1). However, each donor had an own policy and strategy. By the way recipient country should have a good plan in order to request ODA fund form donors to achieve the goals. As a report of the 12<sup>th</sup> Hi-Level Round Table Meeting 2015 in Lao PDR reported on evolution in 2013 which MDG1, MDG2, MDG4 and MDG9 were still under the target. Thus, donor and recipient countries should take lesson learn and pay more attention to work more closure to manage a sector allocation to achieve the SDGs by 2030.

#### **4.3.4 ODA implementation and management analysis**

According to ODA implementation in Laos, each development partner has an own SOP to operate ODA projects/programs. However, in term of the Paris Declaration, donors and recipient as the Lao government need to align and harmonize the process of implementation. Thus, the national the SOP of the Lao government had developed in 2009 and it was revised in 2017 to facilitate to ODA implementation and cooperation on aid effectiveness. In term of the SOP, there are 6 steps which all parties from ministries/ sectors, local authorities and donors should follow as part of the operational procedures.

Each step consists of key issues and detail to identify a function of government and donors (DIC, MPI, 2017).

Regarding previous ODA implementation in Lao PDR, there are various factors require to recognize such as the parallel procedures of donors and government need to harmonize; Delays in startup ODA projects/programs; the consequences for grant aid fail to record with the income of government (national income –expenditure) or the financial systems and procedures of donors does not comply with the financial and budgeting management system of the government; Issues relate to administrative and technical management of projects/program implementation; insufficient understanding of donors and implementers of project/program on relevant instructions/decrees of the government. Currently, some donors still use their own systems which some issues do not comply with the laws, decrees, and instructions of the government (ibid, pp. 3-4).

By using these key issues to estimate for the involvement of the cooperation's four major bilateral donors in Laos, which including strategies, policies and implementation. This study finds out that the contribution of Australia, Germany, and Japan are more crucial than Korea for overall, by comparing to the average rate (3.67) of these four donors. Among these donors, Germany has the highest rate (3.88). On the other hand, Korea has the lowest rate (3.42). Australia and Japan have a lower rate than Germany, which is the rate (3.69) for Australia and (3.70) for Japan. However, these rates are considered as more crucial of contribution. Germany and Australia have a more crucial rate for all 6 steps. Japan has a more crucial rate for 4 steps. Despite, other two steps for project implementation and completion project have been lower than the average, but the rates are close to the average (Table 4.4).

**Table 4.5 ODA implementation of four bilateral major donors in Lao PDR**

| No           | Implementation   | Australia   | Germany     | Japan       | Korea | MEAN        | STDEV | MOED |
|--------------|--|-------------|-------------|-------------|-------|-------------|-------|------|
| 1            | <b>Project Identification and adjustment</b><br>(Identification of Project Owners and Adjustment Process; ODA Project Owners' Capacity Assessment)   | <u>3.67</u> | <u>3.89</u> | <u>3.73</u> | 3.33  | <b>3.65</b> | 0.71  | 4    |
| 2            | <b>Project design, formulation and planning</b><br>(Establishment of Project Preparation Team; Social and Environmental Impact Assessment; Economic and Financial Study; Preparation and Activity Defining Procedure; Tax and Customs; Development Project Agreements, Memorandums of Understanding) | <u>3.74</u> | <u>3.99</u> | <u>3.80</u> | 3.38  | <b>3.72</b> | 0.74  | 4    |
| 3            | <b>Project appraisal</b><br>(Objective and Process)  | <u>3.55</u> | <u>3.83</u> | <u>3.60</u> | 3.25  | <b>3.55</b> | 0.67  | 3    |
| 4            | <b>Project Approval</b><br>(Agreement, Requirement Procedure and Signing of Agreement)   | <u>3.84</u> | <u>3.91</u> | <u>3.98</u> | 3.48  | <b>3.80</b> | 0.74  | 4    |
| 5            | <b>Project Implementation</b><br>(Project Performance Management; Monitoring and Evaluation; Financial Management and Auditing; Procurement and Property Management)   | <u>3.65</u> | <u>3.84</u> | <u>3.60</u> | 3.44  | <b>3.63</b> | 0.77  | 4    |
| 6            | <b>Project completion, Extension, adjustment or closure</b>  | <u>3.61</u> | <u>3.76</u> | 3.48        | 3.50  | <b>3.58</b> | 0.78  | 4    |
| <b>Total</b> |  | <u>3.69</u> | <u>3.88</u> | <u>3.70</u> | 3.42  | <b>3.67</b> | 0.75  | 4    |

Source: Field survey, 2017

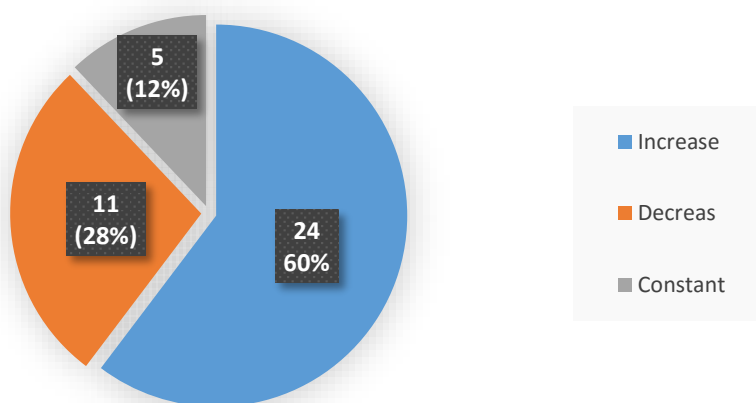
As results (Table 4.4) for the contribution of four major bilateral donors through ODA implementation in Laos. This result is reflected in the result (Table 4.1) and (Table 4.2) which indicated about ODA policy of four donors. The results of ODA policy and implementation for four donors are similar that contribution of Australia, Germany, and Japan are more crucial rate than Korea. It means that if there is a good policy, it would reflect good implementation and then it would reflect aid effectiveness. In this regards, some scholars assert that good policies on aid management in practice would improve and enhance aid effectiveness such as McGillvray (2003) argues that, to increase aid effectiveness should expand good policies as the concept of Collier & Dollar (2002) in Chapter 2.

#### **4.4 The trend of Australian, German, Japanese and Korean ODA in Lao PDR next five year**

As the result of the survey about the trend of ODA in Lao PDR in next five year. 24 respondents or account for 60 % believed that ODA from four major bilateral donors will increase, because as the report of the High-Level Round Table meeting in 2015. Australia, Germany, Japan, and Korea agreed to continue to support Laos to achieve the SDGs. Meanwhile, the 8<sup>th</sup> NSEDP (2016-2020) that Lao government still need to mobilize ODA to support development in Laos. By the way, Lao government and these four donors have good relationship and cooperation. On the other hand, 11 of respondents or counted for 28 % believed that ODA from these four donors will decrease because after Laos has graduated from LDC status, some donors will decrease the amount of ODA and face out. Moreover, there are 5 respondents or count for 12 % thought that it will be constant. Even though the Lao government has a strategy to graduate from LDC status in 2020, but ODA is one of the other main factors to contribute to total investment and

support development in Laos. These donors will realize and remain supporting (Figure 4.3).

**Figure 4.3 Trend of four major bilateral donors' ODA in Lao PDR next five years**



Source: Field survey, 2017

According to OECD development cooperation peer review of Australia, Germany, Japan, and Korea. These four donors have committed to increase the percentage of ODA/GNI as the recommendation of OECD and to reach an average country effort 0.39 % (OECD, 2015). As the ODA data from CRS, OECD. Stat from 2006 – 2015, total ODA and also ODA from these four donors flowed to Laos, it has been slightly increased year by year, and despite it seems to fluctuate. However, the amount of ODA loan is increased year by year, particularly for Korean ODA. In contrast, the amount of ODA grant is decreased year by year (Chapter 3).

As the report of the 12<sup>th</sup> HLRTM in 2015, it is a conference of Lao government and development partners under supporting of United Nations (UN), 28 donors which included Australia, Germany, Japan and Korea agreed to continue to support Lao government to achieve SDGs (DIC, MPI, 2015, pp. 13-14). By the way, as the result of the Round Table Implementation Meeting in 2017, Lao government presented “advocates



for enhanced partnerships to realize LDC graduation and achieve SDGs”. In this regards, Lao government had a discussion with development partners on the national strategies as the NSEDP and situation of developing in order to achieve SDGs in Laos, and also urge them to continue to support this implementing (RTIM, 2017). These issues, it could imply that Laos would be supported by these four major donors.

## **CHAPTER 5: CONCLUSION, RECOMMENDATION, AND FURTHER RESEARCH**

### **5.1 Conclusion**

After the Lao government changed the policy development by establishing the New Economic Mechanism (NEM) in 1986. ODA from bilateral and multilateral has flowed and increased year by year and played an important role to development in Lao PDR. Since then, the government of Lao made a lot of effort to work with donors on aid effectiveness. As 6<sup>th</sup> (2006-10) and 7<sup>th</sup> (2011-15) NSEDP of Lao government which focused more on mobilization and effectiveness of ODA. Therefore, there were 25 member countries of DAC who provided assistance more than non-DAC countries' member to Laos from the period 2006 – 2015. Australia, Germany, Japan, and Korea were the top 4 major donors who provided more than US\$ 300 million of ODA amount to Laos form 2006 – 2015. Despite there was a lot of ODA fund to assist the development in Laos, but some ODA projects could not reach their objectives and were unsustainable. The policy and implementation of the donors were one of the main issues that influence to the effectiveness of aid. There are 14 ministries respond for Austrian, German, Japanese and Korean ODA. In order to enhance aid effectiveness and sustainable development. These executive agencies should recognize the characteristic of donors and improve cooperation to achieve the national strategies and the global targets.

As a performance of Australian, German, and Japanese and Korean ODA at a global level and in Lao PDR, we can summarize through these points: (1) Korea has become a member of the OECD-DAC since 2010. During 1990s Korea began looking for an aid model. If compare with Australia, Germany, and Japan which has become a member of OECD-DAC since 1961, Korea is quite new as a donor; (2) from 2006 – 2015, Germany

provided ODA/GNI ratio more than other 3 donors with 0.36 – 0.52%, followed by Germany and Japan. Korea provided ODA/GNI ratio less than other 3 donors with 0.05 – 0.14%; (3) Korea provided ODA to Laos as a loan more than a grant. On the other hand, Japan provided a loan less than a grant. Australia and Germany provided the only grant to Laos; (4) as the survey of OECD (2012) for Lao country chapter, Korea met only 4 out of 10 indicators, which less than other 3 donors. Most of Korea’s ODA to Laos is tied aid (share of untied aid from Korea 29%, Australia 100%, Germany 100%, and Japan 100%). (5) Korea allocated ODA to MDGs in Laos less than other 3 donors. More than half of Korea aid distributed to production, economic infrastructure, and services (Table 5.1).

**Table 5.1 Overview of the characteristic of Australian, German, Japanese and Korean ODA.**

|   | <b>Australia</b>  | <b>Germany</b>  | <b>Japan</b>   | <b>Korea</b>   |
|---|---|---|--|--|
| OECD-DAC member   | 1961  | 1961  | 1961   | 2010   |
| ODA/GNI 2006-2015   | 0.29 - 0.36%  | 0.36 - 0.52%  | 0.17 - 0.25%   | 0.05 - 0.14%   |
| Type of ODA to Laos   | Grant   | Grant   | Grant and Loan (Grant > loan)  | Grant and Loan (Loan > Grant)  |
| Sector allocation in Laos (2006-2015)   | - Production, economic infrastructure and service sectors 36%,<br>- Education 22%,<br>- Health 3%,<br>- Other sectors 39% | - Production, economic infrastructure and services sectors 34%, -<br>Education 16%,<br>- Health 1%<br>- Other sectors 49% | - Production, economic infrastructure and services sectors 48 %;;<br>- Education 11%,<br>- Health 6%,<br>- Other sectors 35% | - Production, economic infrastructure, and services sectors 57 %<br>- Health 11%,<br>- Education 6%<br>- Other sectors 26% |
| Share of untied aid to Laos   | 100%  | 100%  | 100%   | 29%  |
| The Survey OECD (2012), Aid Effectiveness 2011: Progress in Implementing the Paris Declaration. | - Met 5 out of 7 targets of Alignment<br>- Met 1 out of 3 targets of Harmonization  | - Met 3 out of 7 targets of Alignment   | - Met 1 out of 7 targets of Alignment  | Not met any target   |
| The survey of OECD 2012 for Lao PDR (Article 4.3.2)   | Met 8 out of 10 indicators  | Met 8 out of 10 indicators  | Met 6 out of 10 indicators   | Met 4 out of 10 indicators   |
| ODA Allocation to MDGs in Lao PDR (FY 2013-14 & 2014-15)  | Provided US\$ 40.25 million for MDG1, MDG2 and MDG7.  | Provided US\$ 45.04 million for MDG1, MDG3, MDG7 and MDG8.  | Provided US\$ 113.93 million for all MDGs  | Provided US\$ 5.47 million for MDG2, MDG4 and MDG5   |

Source: DIC-MPI (2016), OECD (2012), OECD-DAC Creditor Reporting System.

Thus, this research attempts to examine the characteristic of four major donors by comparing their ODA policy and implementation, also examine the trend of ODA from these donors which cover discussion and explanation of various variables as economic and institutional issues to present their strategies and foreign aid policy. Besides that, this study would like to identify a more crucial ODA policy and implementation of donors that enhance aid effectiveness and promote the SDGs in Lao PDR. Regarding the finding of the research could be useful for policy-makers and implementing agencies to improve and enhance aid effectiveness in Lao PDR. As the result of the study, we can summarize as follows:

#### **5.1.1 In terms of the characteristic of four major bilateral donors**

As the result of the survey on ODA policy among four major donors for the contribution of the five principles of the Paris Declaration on aid effectiveness in Lao PDR (Table 4.1) summarized that the ODA policy of Australia, Germany, and Japan are more crucial than Korea by comparing to an average rate (3.78). Germany was rated for more crucial 5 out of 5 principals and rate score for overall is (4.04). Australia was rated for more crucial 4 out of 5 principles and rate score for overall is (3.80). Japan was rated for more crucial 2 out of 5 principles and rate score for overall is (3.78). Nevertheless, 3 out of 5 principles, Japan did not reach the average rate, but they are close to the average rate. By the way, Alignment and Harmonization are the principles that seem to be more important, which Japan was rated for more crucial. This result is consistent with the survey of OECD (2012) that Australia, Germany, and Japan met some targets of five principles of the Paris Declaration on aid effectiveness. In contrast, Korea could not reach any targets. And also on this survey, Korea was rated lower than the average rate for all

of 5 principles as well as for overall. According to the global indicators of progress on aid effectiveness (Table 4.2). The result is quite similar to the principles of the Paris Declaration which Australia, Germany, and Japan have more crucial rate than Korea. Germany was rated (3.94) follow by Japan (3.67) and Australia (3.64). Korea was rated for (3.35) less than the average rate (3.64) for overall. This result is connected to the OECD survey of Lao PDR in 2007 and 2010. Korea made progress only 4 out of 10 indicators that less than other three donors. And this result is also consistent to OECD development cooperation peer reviews of these four donors: Australia (OECD, 2013); Germany (OECD, 2015); Japan (OECD, 2014) and Korea (OECD, 2012). These peer review indicated that the performance of Korea on untied aid was low than average and could not reach the DAC recommendation.

Regarding the result of this survey among four major donors (Table 4.3) about aid allocation to MDGs in Laos, Korea was rated (3.30) for overall that is lower than the average rate (3.65). On the other hand, Germany was rated (3.91) followed by Japan (3.76) and Australia (3.67). In this regard, it means that the contribution of these three countries to the MDGs in Laos has been more crucial than Korea. This result is relevant to ODA snapshot for fiscal years (FY) 2010-11 to 2014-15 for ODA disbursement to support MDGs in Lao PDR (DIC, MPI, 2016) in Chapter 3. This report presented that the amount of ODA disbursements for FY 2013-14 and 2014-15 to MDGs in Laos from Korea was less than Australia, Germany, and Japan. As the result of the survey on ODA implementation of four major donors through SOP in Lao PDR (Table 4.4). Australia, Germany, and Japan were rated more than the average rate for most of six steps. Even though, for project completion-extension-adjustment or closure step, Japan was rated (3.48) that less than an average rate (3.58). However, for overall Japan was rated (3.70) which over the average rate (3.67). In contrast, Korea was rated lower than average for

all of six steps as well as for overall (3.42). This result is relevant to the argument of McGillvray (2003) and Collier & Dollar (2002) in chapter 2, indicated that to increase aid effectiveness, it should expand good policies. In conclusion, to enhance aid effectiveness, it requires quality of performance and good implementation. Logically, a good plan could get a good result, as well as a good policy, it should get a good implementation.

### **5.1.2 The trend of four major donors' ODA in Lao PDR**

As the result of the survey identified that 60% of respondents argued that ODA from these four major donors will increase in next five years. Because Laos stills need ODA to support the NSEDP to achieve SDGs. In contrast, 28% of respondents thought that ODA from these four majors' donors will decrease, because of Laos will graduate from LDC status in 2020. Meanwhile, 12% of respondents believed it will be constant because ODA is important to support development in Laos. Thus, donors will realize and remain supportive. This result is connected to report of government (DIC, MPI, 2015) about HLRTM of Lao government and development partners that 28 donors include Australia, Germany, Japan and Korea commit to continue to support Lao government to achieve SDGs; and also (RTIM, 2017) that Lao government presented and urged donors about “advocates for enhanced partnerships to realize LDC graduation and achieve SDGs”. Moreover, as the ODA data from CRS, OECD. Stat from 2006 – 2015 (Figure 3.3), it seems to be increasing when compared to the previous of times. Overall, it is implied that ODA from these four major donors will increase in next five years.

## **5.2 Recommendation**

Based on the finding of this empirical study, ODA has played an important role to the development in Laos and the trend of ODA from Australia, Germany, Japan and Korea would increase. Thus, Lao government should put more an effort on cooperation and ODA management by recognizing a good policy on ODA which focusing on aid effectiveness, poverty reduction and sustainable development in Laos. Thus, the research could provide some recommendation and suggestions as follows:

### **5.2.1 Regarding ODA policy**

(1) Both of the Lao government and donors should ensure the ODA policy and relate policies in order to meet the requirement of the guideline principles and global targets on aid effectiveness.

(2) The Lao government should take a lesson learned about ODA policies from donors and developing countries in order to find a better cooperation between donors and the Lao government.

(3) Development partners and the Lao government should cooperate and assessment their own policy and align them into practice.

### **5.2.2 Concerning ODA implementation and management**

(1) Donors and government should define clear steps of implementation ODA projects/ programs and ensure the objective and the best result of implementation.

(2) Revise implementation to see the issues, compare real practice to improve the policy.

(3) The government and development partners should enhance the transparency and quality data of ODA to the public and also for monitoring and evaluation.

(4) The Lao government should manage more clearly on proposal to donors; avoided of duplication or reimplementation in the same files by many donors. As well as, donors should consider to allocate fund to many sectors in order to achieve all SDGs.

### **5.3 Direction for further study**

(1) The research questions might focus on specific details of ODA policy and implementation by applying to more variables to analyze.

(2) The survey questions should be clear and make it simple to understand and convenient to reply, in order to obtain more information and realistic.

(3) The survey should have more time for experimental questionnaire in order to get a better result and more relevant to a questionnaire.

(4) For a more reliable result, the researcher might apply to econometrics model.



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## **Appendix 1: The Questionnaire for Executive Agencies of ODA**

### **QUESTIONNAIRE**

#### **Comparative Study of ODA Policy and Implementation of Australia, Germany, Japan, and Korea in Lao PDR**

Date: 09 August 2017

Dear Sir / Madam,

My name is Viengkham PHANTHALAMIXAY, Technical Officer at Department of International Cooperation (DIC), Ministry of Planning and Investment (MPI). Currently is a master student at Ritsumeikan Asia Pacific University (APU) in Japan. I would like to make a request for you to contribute to responding this questionnaire.

The purpose of this survey is to gather the information of ODA in Lao PDR in order to fulfill the master thesis on the title above that has mentioned. It is supported by Ministry of Planning and Investment of Lao PDR, Ritsumeikan Asia Pacific University in Japan, and Japanese Grant Aid for Human Resource Development Scholarship (JDS) under Government of Japan.

Your response to this survey will be strictly anonymous and remain secure. The researcher appreciated your kind cooperation to respond to this survey questions, it will take about 15 minutes to complete this survey. Thank you very much for your valuable time and support.

If you have any questions related to this study, please feel free to contact me  
(Mr. Viengkham Phanthalamixay, Tel: 856-20-2242 2771, E-mail: vienph16@apu.ac.jp).

# QUESTIONNAIRE

(For Executive Agencies of ODA from.....)

The propose of this questionnaire is for a research thesis in the field of Comparative Study of ODA Policy and Implementation of Australia, Germany, Japan, and Korea in Lao PDR, supported by Ministry of Planning and Investment (MPI) and Ritsumeikan Asia Pacific University (APU) in Japan. Thus, I would like to make a request for your kindness to cooperate to answer the following questions:

## SECTION 1: Contact information and general information of Ministry/ Organization

Please tick  and write to answer the following questions:

### 1. The respondent information.

Name and Family name:.....

Tel:.....Mobile Phone:.....

Email address:.....

1.1 How long have you been working in your Ministry/Organization?

Less than 5 years

5 – 10 years

11 – 15 years

More than 15 years

1.2 What is your position in Department, Ministry/Organization?

Director

Manager

Supervisor

Technical Officer

Other.....

## 2. Ministry/Organization Profile

Ministry/Organization:.....

Department .....

Division.....

Tel: .....Fax:.....

Website:.....

Address:.....

Year of Establishment:.....

### 2.1 How many staff in your department?

|   |                   | Total | Female | Permanent | Employees | Temporary | Employees |
|---|-------------------|-------|--------|-----------|-----------|-----------|-----------|
|   |                   |       |        | Total     | Female    | Total     | Female    |
| 1 | Foreign Employees |       |        |           |           |           |           |
| 2 | Lao Employees     |       |        |           |           |           |           |

### 2.2 Which sector that your Ministry/Organization locate into Sector Working Group (SWGs)?

- |  |   |
|--|---|
| 1. <input type="checkbox"/> Agriculture & Rural Development  | 6. <input type="checkbox"/> Infrastructure                            |
| 2. <input type="checkbox"/> Education                        | 7. <input type="checkbox"/> Macroeconomics                            |
| 3. <input type="checkbox"/> Governance                       | 8. <input type="checkbox"/> Mine action and unexploded ordnance (UXO) |
| 4. <input type="checkbox"/> Health                           | 9. <input type="checkbox"/> Natural Resources & Environment           |
| 5. <input type="checkbox"/> Illicit Drug Control Agriculture | 10. <input type="checkbox"/> Trade & Private Sector                   |

## SECTION 2: ODA POLICY

**1. Regarding to Paris Declaration (PD) and Vientiane Declaration Country Action Plan (VDCAP) on aid effectiveness in Lao PDR. What do you think about ODA policy of Lao government contribute to five principle?**

Please circle the number for the rate of importance from 1 (Lowest) to 5 (Highest).

| PD / VDCAP  | Ratings |   |         |   |         |
|---|---------|---|---------|---|---------|
|   | Lowest  |   | Average |   | Highest |
| <b>Ownership</b><br><i>“Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions.”</i> | 1       | 2 | 3       | 4 | 5       |
| <b>Harmonization</b><br><i>‘Donors actions are more harmonized, transparent and collectively effective.’</i>  | 1       | 2 | 3       | 4 | 5       |
| <b>Alignment</b><br><i>“Donor base their overall support on partner countries’ national development strategies, institutions and procedures.”</i>                 | 1       | 2 | 3       | 4 | 5       |
| <b>Managing for Results</b><br><i>“Managing resources and improving decision-making for results”</i>  | 1       | 2 | 3       | 4 | 5       |
| <b>Mutual Accountability</b><br><i>“Donors and partners are accountable for development results.”</i>   | 1       | 2 | 3       | 4 | 5       |
| <b>Other.....</b>   | 1       | 2 | 3       | 4 | 5       |

**2. As Lao government, how you rate for urgent issue of ODA in Laos need to be improved?**

Please circle the number for the rate of importance from 1 (Lowest) to 5 (Highest).

| Issue                            | Ratings |   |         |   |         |
|----------------------------------|---------|---|---------|---|---------|
|                                  | Lowest  |   | Average |   | Highest |
| Corruption and Transparency      | 1       | 2 | 3       | 4 | 5       |
| Monitoring and evaluation system | 1       | 2 | 3       | 4 | 5       |
| Training of ODA specialist       | 1       | 2 | 3       | 4 | 5       |
| Education and promotion for ODA  | 1       | 2 | 3       | 4 | 5       |
| Establishing a single ODA agency | 1       | 2 | 3       | 4 | 5       |
| Governance administration        | 1       | 2 | 3       | 4 | 5       |
| Contribution of Local authority  | 1       | 2 | 3       | 4 | 5       |
| <b>Other.....</b>                | 1       | 2 | 3       | 4 | 5       |

3. **Regarding to the Busan High Level Forum on Aid Effectiveness 2011 (OECD POST 2015, Element 10, Paper 1) for better partnerships to achieve the MDGs that emphasized for four keys themes: Ownership by developing countries, a focus on results, inclusive partnerships, and transparency and accountability.** Thus, for measuring aid effectiveness of development co-operation for this donor, how you rate ten global indicators of their progress in Lao PDR?

Please circle the number for the rate of importance from 1 (Lowest) to 5 (Highest).

| Ten global indicators of progress  | Ratings |         |         |   |   |
|--|---------|---------|---------|---|---|
|  | Lowest  | Average | Highest |   |   |
| 1. Development co-operation is focused on results that meet developing countries' priorities                     | 1       | 2       | 3       | 4 | 5 |
| 2. Civil society operates within an environment that maximizes its engagement in and contribution to development | 1       | 2       | 3       | 4 | 5 |
| 3. Engagement and contribution of the private sector to development  | 1       | 2       | 3       | 4 | 5 |
| 4. Transparency: information on development co-operation is publicly available                                   | 1       | 2       | 3       | 4 | 5 |
| 5. Development co-operation is more predictable (annual and medium-term)   | 1       | 2       | 3       | 4 | 5 |
| 6. Aid is on budgets which are subject to parliamentary scrutiny   | 1       | 2       | 3       | 4 | 5 |
| 7. Mutual accountability strengthened through exclusive reviews  | 1       | 2       | 3       | 4 | 5 |
| 8. Gender equality and women's empowerment   | 1       | 2       | 3       | 4 | 5 |
| 9a. Quality of developing country Public Financial Management (PFM) systems                                      | 1       | 2       | 3       | 4 | 5 |
| 9b. Use of developing country PFM and procurement systems  | 1       | 2       | 3       | 4 | 5 |
| 10. Aid is untied  | 1       | 2       | 3       | 4 | 5 |
| Other.....   | 1       | 2       | 3       | 4 | 5 |

**SECTION 3: IMPLEMENTATION OF ODA**

**1. According to Lao government’s strategy and MDGs, how does this donor allocate ODA to promote MDGs in Lao PDR from 2006 - 2015?**

Please circle the number for the rate of importance from 1 (Lowest) to 5 (Highest).

| Millennium Development Goals                        | Ratings |   |         |   |         |
|---|---------|---|---------|---|---------|
|   | Lowest  |   | Average |   | Highest |
| MDG 1: Eradicate extreme poverty and hunger         | 1       | 2 | 3       | 4 | 5       |
| MDG 2: Achieve universal primary education          | 1       | 2 | 3       | 4 | 5       |
| MDG 3: Promote gender equality and empower women    | 1       | 2 | 3       | 4 | 5       |
| MDG 4: Reduce child mortality                       | 1       | 2 | 3       | 4 | 5       |
| MDG 5: Improve maternal health                      | 1       | 2 | 3       | 4 | 5       |
| MDG 6: Combat HIV/AIDS, malaria and other diseases  | 1       | 2 | 3       | 4 | 5       |
| MDG 7: Ensure environmental sustainability          | 1       | 2 | 3       | 4 | 5       |
| MDG 8: Develop a global partnership for development | 1       | 2 | 3       | 4 | 5       |
| MDG 9: UXO Clearance                                | 1       | 2 | 3       | 4 | 5       |
| Other.....  | 1       | 2 | 3       | 4 | 5       |

2. According to Standard Operating Procedure (SOP) manual (MPI, 2009). By co-operation with Lao government (Executing and Implementing Agency), How you rate the contribution of this donor to project cycle step for ODA programs/projects in Lao PDR?

Please circle the number for the rate of importance from 1 (Lowest) to 5 (Highest).

| Implementation  | Ratings |   |         |   |         |
|---|---------|---|---------|---|---------|
|   | Lowest  |   | Average |   | Highest |
| <b>Step 1: Project Identification and Adjustment</b>            |         |   |         |   |         |
| a. Identification of Project Owners and Adjustment Process      | 1       | 2 | 3       | 4 | 5       |
| b. ODA Project Owners' Capacity Assessment                      | 1       | 2 | 3       | 4 | 5       |
| c. Stakeholders and Beneficiaries of the Project                | 1       | 2 | 3       | 4 | 5       |
| <b>Step 2: Project Design, Formulation and Planning</b>         |         |   |         |   |         |
| a. Establishment of Project Preparation Team                    | 1       | 2 | 3       | 4 | 5       |
| b. Social and Environmental Impact Assessment                   | 1       | 2 | 3       | 4 | 5       |
| c. Economic Study   | 1       | 2 | 3       | 4 | 5       |
| d. Financial Study  | 1       | 2 | 3       | 4 | 5       |
| e. Preparation and Activity Defining Procedure                  | 1       | 2 | 3       | 4 | 5       |
| f. Preparation for Project Implementation                       | 1       | 2 | 3       | 4 | 5       |
| g. Tax and Customs  | 1       | 2 | 3       | 4 | 5       |
| h. Development Project Agreements, Memorandums of Understanding | 1       | 2 | 3       | 4 | 5       |
| i. Project Negotiation Stage                                    | 1       | 2 | 3       | 4 | 5       |
| <b>Step 3: Project Appraisal</b>                                |         |   |         |   |         |
| a. Appraisal Objectives   | 1       | 2 | 3       | 4 | 5       |
| b. Appraisal Process  | 1       | 2 | 3       | 4 | 5       |
| <b>Step 4: Project Approval</b>                                 |         |   |         |   |         |
| a. Project Agreement on Grant Negotiation Procedure             | 1       | 2 | 3       | 4 | 5       |
| b. Project Agreement on Grant Negotiation Procedure             | 1       | 2 | 3       | 4 | 5       |



|   |   |   |   |   |   |
|---|---|---|---|---|---|
| c. Project Approval Requirement Procedure                           | 1 | 2 | 3 | 4 | 5 |
| d. Signing of Agreement Grant Signing Procedure                     | 1 | 2 | 3 | 4 | 5 |
| e. Signing of Agreement Loan Signing Procedure                      | 1 | 2 | 3 | 4 | 5 |
| <b>Step 5: Project Implementation</b>                               |   |   |   |   |   |
| a. Project Owners, Committee and Management Unit Responsibility     | 1 | 2 | 3 | 4 | 5 |
| b. Development of Project Administration Manual                     | 1 | 2 | 3 | 4 | 5 |
| c. Project Performance Management (Monitoring and Evaluation)       | 1 | 2 | 3 | 4 | 5 |
| d. Project Performance Management (Capacity Development)            | 1 | 2 | 3 | 4 | 5 |
| e. Financial Management   | 1 | 2 | 3 | 4 | 5 |
| f. The Content of Financial Report                                  | 1 | 2 | 3 | 4 | 5 |
| g. Internal audit   | 1 | 2 | 3 | 4 | 5 |
| h. Procurement of Goods and Civil Works                             | 1 | 2 | 3 | 4 | 5 |
| i. Property Management  | 1 | 2 | 3 | 4 | 5 |
| j. Staffing and Consultant Services                                 | 1 | 2 | 3 | 4 | 5 |
| k. Project Extension  | 1 | 2 | 3 | 4 | 5 |
| <b>Step 6: Project Completion, Extension, Adjustment or Closure</b> |   |   |   |   |   |
| a. Closing of Project Bank Account                                  | 1 | 2 | 3 | 4 | 5 |
| b. Retention of Project Funds                                       | 1 | 2 | 3 | 4 | 5 |
| c. Residual asset and Handover of Project Equipment                 | 1 | 2 | 3 | 4 | 5 |
| d. Drafting of Project Completion Report                            | 1 | 2 | 3 | 4 | 5 |
| e. Post Evaluation and Final Audit Procedure                        | 1 | 2 | 3 | 4 | 5 |
| f. Closing of Project   | 1 | 2 | 3 | 4 | 5 |

**SECTION 4: OPEN-END QUESTIONS**

**1. What do you think about the trend of ODA from this donor in Lao PDR for the next five years?**

Increase

Decrease

Constant

Other .....

**2. If you have any suggestion or comment to donor policy or Lao government policy to improve cooperation and implementation of ODA, Please give an advice.**

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*Thank you very much for your kind assistance.*

**Appendix 2: SDGs area previously monitored at country level as part of the MDGs**

| Sustainable Development Goals<br>(Summary description)             | Equivalent or overlapping MDGs target |
|--|---------------------------------------|
| SDG 1 Ending poverty   | MDG 1A                                |
| SDG 2 Achieving food security and improved nutrition               | MDG 1C                                |
| SDG 3 Ensuring healthy lives and well-being                        | MDG 4A, 5A, 5B, 6A, 6B, 6C            |
| SDG 4 Ensuring inclusive and quality education                     | MDG 2A                                |
| SDG 5 Achieving gender equality and empowering women and girls     | MDG 3A                                |
| SDG 6 Ensuring sustainable water and sanitation                    | MDG 7C                                |
| SDG 7 Ensuring sustainable energy access                           |                                       |
| SDG 8 Promoting inclusive economic growth and decent work          | MDG 1B                                |
| SDG 9 Promoting inclusive and sustainable industrialization        |                                       |
| SDG 10 Reducing inequality   | MDG 1A                                |
| SDG 11 Making cities and settlements inclusive, safe and resilient | MDG 7D but only at global level       |
| SDG 12 Ensuring sustainable consumption and production             |                                       |
| SDG 13 Combat climate change and its impacts                       | MDG 7A                                |
| SDG 14 Conserve and sustainably use aquatic resources              | MDG 7A                                |
| SDG 15 Protect and restore terrestrial ecosystems and biodiversity |                                       |
| SDG 16 Promoting justice, safe and peaceful societies              | MDG 7B                                |
| SDG 17 Revitalizing partnerships                                   | MDG 8                                 |
| SDG 18 Remove the UXO obstacle to national development             | MDG 9 (Lao PDR only)                  |