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국제학 석사 학위논문

**A Comparative Analysis on the
Path Dependence of Two-pillar
ODA Implementation System:**

Case Study on Korea and Japan

**이원화 ODA 시행체계의
경로의존성에 대한 비교 분석:**

한국과 일본 사례연구

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최종성

**A Comparative Analysis on the
Path Dependence of Two-pillar
ODA Implementation System:
Case Study on Korea and Japan**

A thesis presented
by

Jong-Sung Choi

to

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Seoul National University
Seoul, Republic of Korea**

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A Comparative Analysis on the Path Dependence of two-pillar ODA implementation system: Case Study on Korea and Japan

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Abstract

Previous studies on Korea's ODA have been emphasizing strong resemblance of Korea's ODA to that of Japan in various aspects including objectives implicitly based on national interest, patterns of aid allocation, institutional traits, under the premise that Korea's ODA has been developed by modeling on Japan's ODA. The two-pillar aid implementation system stands out in the discussion of Korea's resemblance to Japan's ODA and it has been as one of the core agenda

s for improving Korea's ODA since the 2000s as Korea took proactive measures to join DAC and New JICA emerged in Japan.

This paper attempts to provide explanations on why two-pillar aid implementation system, one of the representative commonalities between Korea and Japan, was turned into the integrated system in Japan while it persists in Korea in spite of constant demands for integrated implementation system. This paper, employing analytical framework from path dependence of Historical Institutionalism, examines how each ODA institution (two-pillar system) in Korea and Japan was formed, sustained and changed through significant historical process.

By defining and analyzing major historical sequences in both countries, the paper argues that Korea's two-pillar ODA system was not the direct result of Korea's deliberate emulation for Japanese ODA model, but the consequence of unique path-dependent process of its own intertwined with conflict of interministerial interests. After historical review on the course of development of ODA in both countries, the paper examines mechanisms of institutional reproduction and change in both countries by employing Mahoney's four modes of explanation. The analysis identifies that each country suggests different mechanism to better explain path dependence process of institutional reproduction and change—functional mechanism is the most persuasive for Japan's case while power mechanism is most well-fitted for Korea. This paper can contribute to enrich other comparative analyses of ODA

on Korea and Japan, as well as policy discussions for the reform of ODA implementation system in Korea.

Keywords: Official Development Assistance (ODA), Korea's ODA implementation system, two-pillar aid system, path dependence

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I. Introduction

1. Research Background

Korea's Transition to DAC Donor and its Efforts to Improve (*seon-jin-hwa*) ODA

The story of the Republic of Korea (hereinafter referred to as “Korea” or “South Korea”)’s successful development and growth throughout the 20th century has set up a milestone in the world history. However, the Miracle of the Han River and the story of the Four Asian Tigers were not predestined in the early days of Korea¹. As an impoverished unstable independent state, Korea had to start from scratch. But its gloomy portrait has turned into the Miracle of the Han River as Korea achieved industrialization and dazzling economic growth throughout the second half of the 20th century and elevated itself to one of the strongest economy in Asia and the world. A political development is remarkable as well, for Koreans have successfully fought and built a democratic society with overcoming pessimism toward the Korean Peninsula such as expecting democracy to bloom in Korea is like expecting a rose to bloom in a trash can.

There are various explanations to account for the miraculous growth in Korea, but it is undoubtable that foreign aid had provided a strong foundation for Korean government to surmount its devastated economy and

¹ Korean peninsula, having been plundered by Japanese colonialism, fell into the hands of Cold War and was again ravaged by the Korean War, which left the country in hopeless ruins. In 1961 GNP per capita was USD 82 (around 22 cents per day) in Korea and it was far less than Ghana’s GNP per capita, USD 179 (KOICA 2013b, 283)

political turmoil after the Korean War. Especially, development assistance (including military aid) from the United States and its allies at the early stages of Korea's development had lifted Korea from a ceaseless threat for subversion and poverty trap, and put it on the right track to the development and growth².

It is notable that Korea launched its first donor activity in 1963 when it was still one of the major recipients of foreign aid with its vulnerable economy. Korea's ODA, born as rather unsystematized, small-scale technical cooperation activities, grew up to be full-flown institutions in charge of loan, grants and Technical Assistance (hereinafter referred to as "TA") throughout 1980s and 1990s. Fueled by substantial amount of foreign aid in the early stages of development and successful export-oriented industrialization with quality human resources, Korea graduated the DAC List of ODA Recipients in 2000. Transition from recipient to DAC donor has been settled as Korea's slogan for nation branding to promote its remarkable economic growth and soft power all over the world. In line with this glittering economic and political development, Korea joined Development Assistance Committee (OECD/DAC) in 2010 and has elevated its status as a major donor. The efforts for DAC membership accelerated the discussion of improvement (*seon-jin-hwa*) of Korea's ODA while demands for the adoption and application of aid norms with guidelines of 'advanced donors (*seon-jin gong-yeo-guk*)' were increasing: issues such as scaling up ODA volume, increasing untied aid, ownership of recipient country, and development effectiveness have been mainstreamed.

² Korea had received around USD 7.52 billion from international community from 1945 to 1960 and Korean government in 1960 relied 71.7% of its import and 42.9% of the government's budget on the assistance of the US (KOICA 2013a, 283).

Two-pillar Aid Implementation System: Issues and Comparison with Japan

Korea has been working aggressively to acclimatize itself to the DAC standards to acquire DAC membership, but not much have been done for donor proliferation and aid fragmentation in Korea. What is at the center of the fragmentation discussion in Korea is the ‘two-pillar’ or dual structure of ODA implementation system. For bilateral aid, Korea International Cooperation Agency (KOICA), managed by Ministry of Foreign Affairs (MOFA), is responsible for grants and technical cooperation while Economic Development Cooperation Fund (EDCF) of Korea’s Export-Import Bank, supervised by Ministry of Strategy and Finance (MOSF), manages concessional loans. The split is observed in the multilateral aid too, as MOFA controls the cooperation with UN agencies while MOSF is in charge of the Multilateral Development Banks (MDBs). Voices for strengthened coordination and integration of ODA implementation system have been constantly raised to improve Korea’s ODA. Korea’s dual aid structure has been pointed out as one of the main causes to impede policy coherence, coordination, and development effectiveness of Korea’s foreign aid from planning to post management.

Meanwhile, it is a prevailing argument that not only Korea’s ODA bears strong resemblance to that of Japan and in fact Japan has had a great impact on the development of Korea’s ODA: two-pillar aid system stands out among many commonalities between Korea and Japan up until Japan’s ODA reform in 2008³. There are many studies arguing that Korea’s two-pillar aid

³ Before the establishment of New JICA in 2008, Japan’s aid implementation system was composed of JBIC (international concessional loan) under Ministry of Finance and JICA (technical assistance) under Ministry of Foreign Affairs. The dual structure

system is one of the common features that Korea's learning process targeting Japan resulted in the history of its development. These studies emphasize that Korea chose Japan as its model among many 'advanced' major donors and it can account for the reason why Korea's ODA bears strong resemblance to that of Japan in major aspects such as objectives, policies, implementation system, and regional/sectoral allocation of foreign aid and so on. They also point out that Korea's continued cooperation with Japan reinforced or at least sustained the similarity between two countries with regard to ODA (Sohn, 2011, Kang et al. 2011, Kondoh 2013).

The discussion was invigorated further when Japan revamped its ODA implementing agencies into the integrated 'New JICA (Japan International Cooperation Agency)' in 2008. Since there had been discussions already going on in Korea to deal with inefficiencies and ineffectiveness caused by fragmented aid system, ODA reform in Japan served as a catalyst to promote discussion on the feasibility of integrating Korea's aid implementation system following Japan's precedent. DAC Special Review of the ROK's Development Co-operation in 2008 was carried out before the acceptance of Korea's membership into DAC and DAC at the time also required policy measures of Korea regarding this issue. In spite of high demands from domestic and international stakeholders, there has not been major breakthrough in Korea's aid implementation system and it still remains as a challenging issue.

Comparative analysis on ODA in Korea and Japan is crucial to better understand what historical process has impacted on the formation of current issues including aid implementation system and to draw effective policy

of implementing agencies and their supervising body in Japan at the time was highly analogous to that of Korea.

measures for them. Japan's case is especially valuable considering that many commonalities of ODA still exist between two countries and that Japan's precedent may be a touchstone for Korea's future policy consideration. This accounts for the reasons why Korea-Japan comparison analysis should be highlighted and further developed. In addition, Moon Jae-in administration, newly inaugurated on May 10 2017, presented a presidential election pledge to establish integrated ODA implementation agency during its term⁴ and its attention to ODA issue continues. It implies that ODA implementation system is drawing nontrivial political attention.

With this background, the paper will focus on the two-pillar aid structure among various challenging ODA issues that Korea is currently facing. Since Korea's two-pillar aid structure is closely intertwined with comparative analysis on Japan, next chapter will first review previous studies dealing with Korea's ODA system and its relation to Japan.

⁴ Yonhap News. May 10, 2017. Accessed May 10, 2017. <http://www.yonhapnews.co.kr/bulletin/2017/05/10/0200000000AKR20170510076400371.HTML>.

II. Literature Review

With short history as a donor and relatively small aid volume compared to OECD/DAC major donor countries, theoretical development or factual studies on Korea's ODA have been limited in terms of volume and scope overall. Nevertheless, Korea's notable transition from recipient to emerging DAC donor has been arousing many researchers' interest, first for its outstanding success story and secondly for the changing environment of international ODA scene (stagnant ODA budget trend and the limitation of ODA) that put more emphasis on the importance of emerging donors.

Most of the researches focus on the policies and institutions of Korea's ODA. One main branches of research is improvement (*seon-jin-hwa*) of Korea's ODA policy and institution in comparison to major donors such as Japan, Europe and etc. In a similar vein, there is another line of research that deals with comparative analysis of Korea and Japan, drawing how they are similar, different, or related. Aid model studies, especially those concentrating on 'East Asian Model', also draw a lot of researchers' attention by connecting and extending Korea-Japan analysis to China and other emerging donors.

2.1. Korea's ODA system: Issues and Improvement

One of the main researches on Korea's ODA focuses on drawing up improvement measures for Korea, late-comer donor, to fit into existing standards of international development cooperation. Its logical flow runs as follows: 1) set up an institutional model or standard built from characteristics

of a DAC member country or group of countries (TO-BE), 2) find a gap between the model (TO-BE) and Korea's current status (AS-IS), and 3) provide policy recommendations to bridge the gap between TO-BE and AS-IS. Some of the researches reviewed below have outdated policy recommendations but they are worth examining to understand the whole picture. Korea's two-pillar aid system has been continuously criticized in relation to aid fragmentation issue and the researchers share the common ground on the drawbacks of the current status and the necessity of policy measures to tackle them. But researchers are on a different footing to claim policy options that are considered to be the most appropriate and effective for Korea.

Kwon et al. (2006) pointed out that the division of loan (*you-sang won-jo*) and TA & grant (*mu-sang won-jo*) in Korean ODA system has been a serious impediment to cooperation among relevant ministries and government agencies. As the necessity for specialized and highly organized system arises to respond to growing importance of cross-cutting issues, they claimed that Korean government should establish an agency for an overall control and management of Korea's ODA, or seek measures to promote cooperation in the current institutional arrangements in the medium and long term. They provide policy recommendations as follows: a) establish ODA-related law in a bid to establish medium-and long-term aid policy, b) improve aid strategy tailored for each recipient country, c) build reformed system including comprehensive approach to development and integrating dual implementation system, d) reinforce aid management system including result-based project management and integrated evaluation, and e) expand feasibility study in association with private sector (Kwon et al. 2006).

People's Solidarity for Participatory Democracy (PSPD), in its *2008 ODA Policy Report: ODA goals and implementation system*, proposes policies to overcome ODA fragmentation in Korea. The report noted that Korean ODA system, with the absence of coordination and integrated management function at the policy level, is characterized by disorganized or overlapped aid projects that degrade the goals and effectiveness of overall ODA. PSPD makes policy proposals that the government needs to a) build up legal foundation to clarify goals of ODA, b) strengthen preliminary review, c) seek measures for integrated management of implementation system, d) human resource development for ODA-related governmental personnel, e) organize aid statistics system, and f) enhance civil society's participation (PSPD 2008).

Joo (2009) pointed out the issue of Korea's ODA as follows: a) the absence of philosophy and goals for international development cooperation, b) insufficient aid volume compared to Korea's international economic status, c) weak coordination and disorganized policy, d) the lack of result-oriented system, e) weak foundation for public support and participation. He noted that there have been constant legislative proposals since 2005 to overcome uncoordinated dual aid system including improvement of Office for Government Policy Coordination, but they haven't been resulted in actual enactment. In this context, he claims that the first priority should be the establishment of integrated aid system and the reinforcement of Committee for International Development Cooperation (herein referred to as CIDC) could be another option if this is not achievable in the short term (Joo 2009).

Kim et al. (2009) suggest a relatively specific and stepwise proposal as follows. First, under the current two-pillar system, solidify a legal foundation to strengthen CIDC's interministerial coordination at the policy

level and establish common Country Assistance Strategy⁵ for KOICA-EDCF at the implementation level. Secondly, set up a framework act for international development and increase collaborative project (mobilizing loan, grant and TA) to build up cooperation system. Third, assuming that current policy direction to increase TA and grant is maintained, establish integrated development cooperation system under MOFA when the share of grant and TA reaches more than 80% of Korea's ODA. Decentralization will be promoted as foreign diplomatic offices are to be the base for implementation and evaluation. Lastly, set up an independent ministry in charge of international development cooperation and integrate implementing agency, KOICA and EDCF (Kim et al. 2009).

Meanwhile, some are more enthusiastic to claim that aid implementation should be integrated by establishing 'International Development (Cooperation) Administration'. Jin (2010) carried out comparative analysis on the ODA goals and institutions focusing on five DAC member countries such as US, Japan, UK, France and Germany to draw policy agendas for improving Korea's ODA. Especially he noted that Japan's case has many implications for Korea's situation, as both countries share the traits of dual aid implementation system before the establishment of New JICA in 2008 and Japan's phased reform process from complex system to one agency suggests crucial example for Korea's policy direction. He points out that the Framework Act on International Development Cooperation (Framework Act) and CIDC had not been effective to bring about systemic

⁵ As a following measure for ODA Advancement Plan of October 2010, the first integrated ODA strategy, CPS (Country Partnership Strategy) was established in June 2011 for Vietnam (2011-2015) and establishment of integrated CPS has been maintained since then. *JungAng Ilbo*, June 2, 2011, Accessed April 8, 2017., <http://news.joins.com/article/5583148>.

improvement in Korea's ODA⁶. He further argues that Korea needs a strong, integrated institutional form to acquire maximum effect with limited aid resources and Japan's precedent of setting up an expanded government agency (not ministerial level) is most practical policy option for Korean situation (Jin 2010).

Yoon et al. (2012) implemented comparative analysis of European DAC donors focusing on the aid management system, which they believe has a huge impact on effectiveness, efficiency and coherence of foreign aid. They claim that the existence of various aid management systems for a long history of Europe's aid demonstrates that there is no single optimal or supreme aid system applicable to every donor. Aid management system is chosen comprehensively reflecting status, strategy and types of aid in a given country. Interestingly, they showed a path-dependent perspective marginally in analyzing this process. They noted that each country's historical experience and institutional inertia (the roles of ministries and other government agencies) at the early stage of foreign aid could have an impact on the present aid system by mentioning that the reform of aid management system could have been discouraged by interministerial conflicts or the lack of political will even in the presence of theoretically better aid system.

They found out that most of attempts to tackle policy-level coordination issue have turned out to be ineffective and the reform of aid management system have mostly focused on implementation level, promoted by motives such as increasing efficiency of administrative organization and preventing aid fragmentation. In their view, Korean aid management system is inevitably separated at the policy level for the following reasons. First

⁶ The Framework stipulates that as for bilateral aid, Ministry of Strategy and Finance supervises loan aid and Ministry of Foreign Affairs manages grant aid, while MOSF supervises cooperation with MDBs and MOFA is in charge of other international organizations other than MDBs (Jin 2010, 126).

interministerial confrontation is high as budget share and the significance of loan and grant/TA is not much different. Secondly, there is not much agreement on a field of expertise required and the policy connection to other ministries. In this background, they noted that integration at the implementation level (KOICA and EDCF) is more crucial by elucidating precedent in France, Austria, and Portugal. They conclude that the optimal and practical solution to tackle Korea's fragmented ODA system should be a reform based on 'Policy division-Implementation integration' model, judging from the European and especially Japanese case—the establishment of New JICA from JICA and OECF (Yoon et al. 2012).

2.2. Comparative Analysis: Japan's Impact on Korea's ODA

Another major line of research on Korea's ODA stresses the close relationship of Korea and Japan in terms of ODA system and policies. These studies pay special attention to how Japan, a major DAC donor from the 1960s, has had an impact on Korea to shape its ODA institution, policies, and practices up to the present time. Korea, in common with Japan, implements aid policies based on its own development experience and both countries interact with international aid norms as major donors in East Asia and the world (Stallings et al. 2015, 128-129). In this background, this line of studies emphasize that Korea chose Japan as its aid model among 'advanced' major donors and it learned Japan's policies, implementation system and regional/sectoral allocation. This learning process and cooperation continued to strengthen even after Korea was on its own policy track, which reinforces or maintains the similarity in aid allocation and implementation system between two countries

(Sohn, 2011, Kang et al. 2011, Kondoh 2013). Kang et al.(2011), by focusing on data before 2006, showed that Korea's current foreign aid practices bear strong resemblances to that of Japan in the 1980s. They claimed that resemblance is obvious on a macro level (aid distributions by type, region, income, and sector) and a micro level similarity was confirmed by the relationship between ODA and private investment (Kang et al. 2011). Some stresses the Korea's development experience utilizing economic infrastructure supported by Japan, decisions of policy makers and exchange of human resources promoted this learning process. There is also an attempt to explain Korea's transition from recipient to emerging donor as a DAC member under the framework of 'Flying Geese Paradigm' which explains how some Asian countries achieved economic development following Japanese model (Kang 2016, 10).

In contrast, there are studies emphasizing the similarities between two countries are limited to certain period or area and difference is more conspicuous than what has been assumed. They argue that Korea emulated Japan's aid practices in its early stages of ODA in the 1990s, but Korea has been developing a rather divergent path from Japan as it attempts to establish the 'Korean ODA Model' reflecting unique context of Korea and to embrace DAC-led international aid norms more enthusiastically.

Sohn (2011) conducted a macro-level comparison on ODA in Korea and Japan in terms of objective, implementation system, volume, and regional/sectoral allocations and then he shows Korea and Japan exhibits many parallels in most of the criteria above. Both countries, heavily relying on foreign trade as the principal engine of economic growth, stressed promoting commercial and diplomatic interest at the early stages period of ODA implementation and this realist motivation persists to the present

time. Dual aid implementation system is one of the typical characteristics that define both countries before the establishment of New JICA in 2008. Korea and Japan allocate most of their budget into bilateral aid and the ratio of loan and grant is quite similar, which shows they both put more emphasis on their own national economic interest. As for regional allocation, Asia is the first priority group receiving more than half of their aid budget and it is followed by Africa. With regard to income group allocation, they provide as much aid to LMICs (Lower Middle-Income Countries) as they do to LDCs (Less Developed Countries), demonstrating that their focus is weighted toward commercial and diplomatic interest—LMICs, equipped with relatively better politico-economic environment and having higher growth potential than LDCs, may seem more attractive to promote domestic companies to making inroads into the market—than humanitarian motive. As for sectoral focus, both Korea and Japan exhibit high proportion (more than 50%) on economic and social infrastructure compared to the average DAC members. In spite of all these resemblances, Korea seems to pursue a rather divergent path from Japan. Korea, with its overall development in ODA, is more likely to pursue humanitarian objectives in comparison to the politico-strategic goals of Japan as time progresses and has provided more aid to social infrastructure than economic infrastructure (Sohn 2011).

Beon et al. (2016) carried out time-series analysis on aid practice of Korea and Japan during 2006-2013 with the purpose of discussing the feasibility of ‘East Asia Donor Model’. They analyzed following criteria to analyze whether aid practice of both countries have converged or not—the ratio of bilateral aid and multilateral aid, loan and grant & TA ratio, tied and untied ratio, regional allocation, major recipients, income group allocation, sectoral allocation and etc. The result shows notable similarity in macro-level to support previous studies. But micro-level analysis reveals more differences

which maintain or expand over the analysis period: Korea has increased the portion of grant and TA since 2011 while Japan has increased loan; Korea has extended the share of Africa while Japan has done the same for Asia; Korea shows less than 50% of untied aid on average while Japan's untied aid takes up more than 70%; as for sectoral allocation Korea has put more aid in social infrastructure and food/emergency aid than Japan (Beon et al. 2016).

Kang (2016) presents a historical analysis by pointing out that previous studies on ODA policies of Korea and Japan have mostly focused their researches on the 1990s, thereby have not fully captured the process of policy change throughout the 2000s and 2010s during which Korea has matured its ODA system and practice. Especially, he argues that previous studies have not provided sufficient explanations on changing policies and relationship of Korea and Japan. Kang (2016) claims that Korea's learning process targeting Japan at the formative period aided it considerably in developing implementation system and capacity. Although this policy learning has maintained to the later stages of Korea's ODA to some extent (e.g. joint project and annual meeting), he stresses that Korea's learning process has transformed from emulation to 'selective learning and acceptance' to seek for strategic relationship with Japan as it moved into the 2000s and 2010s.

Kang (2016) noted that the policy difference stands out in the settlement of major policy agendas. First, Korea adopted the legally-binding 'Framework Act' to tackle the absence of aid philosophy while Japan chose 'Charter' to pursue its diplomatic policy freely without legal restraints. Second, Japan succeeded in integrating aid implementation system under the strong political leadership while Korea had only limited achievement setting up the policy coordination mechanism, CIDC, confronted by strong

bureaucratic confrontation. Lastly, Korea has been more active in accommodating international development norms such as Sustainable Development Goals, Development Effectiveness, Aid Transparency and etc. than Japan. Kang claims that this contrast derives from the difference in each country's diplomatic strategy and international status—Korea, pursuing middle power diplomacy, took a strategic position to join DAC while Japan, one of the founding members of DAC and top donors, concentrated on its own economy, diplomacy ('proactive pacifism') and domestic politics than DAC norms or recommendations (Kang 2016).

2.3. Aid Model for Emerging Donors: East Asian Model

Other line of research extends the comparative analysis of Korea and Japan to the discussion of 'East Asian Aid Model'. Aid model research is one of the new agenda arising from the growing significance of emerging donors in the international development regime. OECD/DAC has been mainstream policy forum standing for international aid norms that have guided advanced bilateral donors' behavior for more than 50 years. But the growing presence of emerging economies in Asia, Latin America, Africa, and Eastern Europe in the global aid community has changed the dynamics in international development regime. Emerging donors have assumed increasing roles and impacts, but their donor behavior showed ambiguous tendency, not having been in accordance with existing norms and expectations of DAC. While they display interest in the West-dominating trends and consensuses led by the UN and OECD, they still maintain their own aid norms and principles of economic co-operation or mutual benefit in managing and implementing loans

and grants. Therefore, the presence of ‘new or (re-)emerging donors’ has aroused complex reactions in the international aid regime. There is an expectation that emerging donors’ growing aid flows would be an alternative developmental instrument for recipient countries, while they might cancel out the development of the traditional Western donors in human rights, democratization, and environmental protection on the other hand (Yi 2015, 3). Aid model discussion was born in this changing context of international development landscape to better understand and harmonize emerging donors’ aid behavior with DAC. Even though East Asian Aid Model discussion is not only limited to Korea and Japan and extends its analysis to China, it provides insightful implications as one of the main premise of it is the similarity in ODA pattern of Korea and Japan.

Kondoh (2015) refers to Aid Model as “the institutionalized orientation of aid policies and institutions that are specific to an individual donors or a similar group of donors”. He further explains that aid models are “never static or fixed; rather they transform dynamically according to changes in a combination of factors” (Kondoh 2015, 5-6)). Yi (2015) noted that researches on aid models tend to focus on ‘input’ criteria such as overall aid amount, preferred aid types (e.g. loans, grants, a tied ratio of aid), distributing channels (bilateral or multilateral), and regional allocation (Yi 2015, 2).

Walz et al. (2011) categorize aid models into the (OECD) DAC model, the Arab model, and the Southern model. They show that traditional donors of DAC Model is ready for close cooperation with emerging donors through triangular cooperation and various working groups to increase dialogue with them as well as encourage new donors' aid transparency by harmonizing their reporting to the DAC standards (Walz et al. 2011). Meanwhile, Kondoh (2015), centering around the relative distance to DAC

model, presents several aid models, such as the Emerging Superpower Model (China and, potentially, India), the Southern Hybrid Model (South Africa), Islamic Model (Arab donors) and Asian DAC Model (South Korea). He explores how these models converge to or diverge from the DAC aid model, a part of the 'international aid regime.' He presented that the following key factors determines difference in convergence: exogenous (convergence by globalization, international context & diplomatic strategies, aid-related international pressure, perceptions of major aid recipients) and endogenous (aid purposes, learning process, donor identities and norms). As for the relationship between South Korea and Japan, Kondoh claims that they both belongs to the Asian DAC aid model, meaning that they strategically converged with the DAC aid model with appropriately mixing their emphasis on project aid by loan schemes to economic sectors (Kondoh 2015).

East Asian Model is yet to be acknowledged as a stable institutional concept, but previous studies have discussed the feasibility of it as analytical foundation for comparative analysis on the ODA in Korea, Japan and China. Scholars who are positive to the feasibility of East Asian Model claim that East Asian countries such as Korea, China and Japan exhibit similar aid pattern for they implement ODA on the basis of considerably similar development path and experience—state-led development experience assumes a crucial role in establishing aid strategy in these countries. Korea and Japan are often mentioned to underpin this argument. Both countries, based on the economic development experience by state-led industrialization, have more concentrated on economic infrastructure of the recipient rather than improvement of political/social governance. Japan, holding on to this aid pattern, has immensely increased aid volume and grown to major donor much earlier than other Asian donors. Korea has been highly influenced by Japan,

which is closely intertwined with Korea in terms of economy and politics for its geographical and cultural proximity (Kondoh, 2015). In addition, Korea and Japan, with their interaction to DAC aid norms and principles, show close resemblance in aid pattern compared to other DAC donors (Kang et al., 2011)

Stallings et al. (2015) analyze 'Styles of ODA in East Asia' focusing on Korea, China and Japan. They make detailed categorization of East Asian Donors into traditional donor (Japan), DAC-like donor (South Korea) and Southern donor (China) based on the unique characteristics of each country, and they found common traits as follows: a) they provide large amount of development assistance to East Asian neighbors than Western donors, b) their sectoral focus is on economic infrastructure and production facilities, c) their definition of ODA is package of funds (commercial loans, trade credits, FDI and soft loans), d) public and private sectors are closely associated, and e) they avoid political conditionality (human rights, democracy, gender, or governance) that traditional Western donors emphasize while they lay stress on the efficient use of loan and its repayment by recipient countries. Reily (2012) follows similar logic to claim that Korea and China followed the earlier Japanese example. He notes common traits among three countries such as putting economic growth above other issues, preferring subsidized loans to grant aid, emphasizing infrastructure programs, supporting for a state-led development model, pursuing 'mutual benefit,' and being reluctant to attach political and social agendas to aid provision (Stallings et al. 2015, 121).

On the other hand, there are skeptics on the East Asian Model and they focus on the differences of aid behavior among these countries, stating that the feasibility of the East Asian Model is overrated (Jerve, 2007). They point out that Korea, China and Japan propagate their own aid model based on their own unique development experiences. Korea, for instance, made an

attempt to construct integrated aid branding titled ‘KoDev Partnership 21 (KDP 21)’, through which it aimed to develop ‘Korean Aid Model’ utilizing distinct development experience and technical capacity of Korea. In addition, Korean government has made various efforts to integrate Country Assistance Strategy (it was renamed into Country Partnership Strategy) and focus program into Korean model to improve development effectiveness (Chung 2010a; 2010b).

III. Research Framework

1. Research Question

Previous studies provide meaningful insights to comprehend the major ODA issues of Korea, but they are lack of historical perspective to fully grasp what process has formed those issues. Most studies on the improvement of Korea's ODA institution and policy concentrate on the gap between DAC donors and Korea at the current stage of development, which leads to the absence of in-depth historical analysis on how institutional traits of Korea have been formed and maintained. The same holds true to the comparative analysis on Korea and Japan, which limits its analysis to a limited time period or present conditions. Predicating that Japan has had an enormous impact on Korea's ODA in almost all aspects, these studies provide scarce analytical foundation to look into the historical process how ODA pattern in both countries started to resemble and what logic lies behind the resemblance. Likewise, East Asian Model discussion practically dismisses analysis on the historical process to account for the feasibility of the Model while it concentrates on the current status of each country for comparison without considering any casual mechanisms behind them.

Understanding the historical process of institutional development and its causal mechanism is crucial, as it holds the key to seek efficacious remedies to resolve today's intricate issues. In line with this, Kang (2016)'s research is noteworthy in that it made an attempt to blend historical perspective into the comparative analysis on the ODA of Korea and Japan. But his analysis of Korea's transition from emulation to selective learning on the Japanese model did not shed much light on elucidating the resemblance of

aid implementation system between Korea and Japan. His argument is based on the premise that Korea learned and introduced Japanese two-pillar aid system and he does not provide further demonstration on the process of Korea's learning toward Japan at its early stages of ODA institutions. Yoon et al. (2012) utilize a path dependence concept in reinforcing their idea that there is scarcely the optimal aid model applicable to any given country. They note that each country's historical experience and institutional inertia at the early stage of foreign aid could have an impact on the present aid system and the reform of aid management system can be discouraged by interministerial conflicts or the lack of political will to adopt a theoretically better aid system. But they don't offer actual path dependence analysis in their research but a short paragraph based on the intuitive understanding on path dependence.

In summary, most of the previous studies are inclined to do static analysis, without considering history and change into providing results of their analyses and policy proposals. Even a few researches that adopted a hint of historical perspective unquestioningly embrace a dominant premise that Korea's two-pillar aid system is the result of Korea's learning process from Japanese model. Moreover, they do not provide actual path dependence analysis on aid system while they borrowed some of its explanation from path dependence. Therefore, there have been few researches to elucidate how institutional characteristics, especially two-pillar aid implementation system, of Korea's ODA were manifested and reproduced. The research question of this paper was developed out of this explanatory vacuum.

Research Question: How was Korea's two-pillar aid implementation system formed and maintained? If Korea's ODA was modeled after Japanese precedent in almost every aspect and a strong resemblance between two

countries persists so far, how can it be explained that Japan's two-pillar aid system was integrated while that of Korea's still persists?

Two-pillar aid implementation system, one of the core traits of Korea's ODA institution, has maintained for more than a quarter of a century against dynamic changes in international and domestic settings. The paper will identify process and mechanism that have shaped the resemblance of dual aid implementation system between Korea and Japan, other than Korea's strategic learning process on Japanese aid model. This thesis seeks to analyze how Korean dual ODA implementation system was formed and fixed to the present form vis-à-vis Japan's case. The prevailing argument in this line of research is that since Korea has developed its ODA learning through Japanese model, it needs to maintain its path to achieve efficiency and effectiveness in Korea's ODA following Japan's footsteps. Especially, it claims that Korea should or could reform the currently bifurcated aid system by taking Japan's integration model of New JICA as a reference point.

This paper will attempt to present a new perspective on this issue by utilizing one of the most useful conceptual tools to examine the persistence of institution: 'path dependence' in Historical Institutionalism. A brief introduction to historical institutionalism and path dependence is presented in the next part, which is followed by the research direction of the paper and historical review on the course of development in ODA history of Japan and Korea. Then the paper, based on the path dependent analysis, will examine how each country's two-pillar aid implementation system was formed, maintained and changed. The analysis for each country is followed by attempts to clarify mechanism of institutional reproduction and change.

2. Theoretical Background

2.1. Historical Institutionalism: a branch of New Institutionalism

Historical institutionalism was born in a quite distinct background of social science in the 1960s and 1970s, during which “social science's cutting edges had moved in quite distinct directions: the largely a-theoretical micro-analyses of political behavior on the one hand; and the macro- (and remarkably non-empirical) theorizing of Marxism, Functionalism, Systems Theory and Rational Choice on the other.” It is this very academic surrounding that gave birth to 'New Institutionalism', which was developed in response to behavioralist perspectives prominent in the political science at the time (Steinmo 2008, 154-155). New institutionalism “seeks to elucidate the role that institutions play in the determination of social and political outcomes” (Hall et al. 1996, 936) and it is classified into three different varieties such as rational choice institutionalism, sociological institutionalism and historical institutionalism. Main features of each school are explained in the following table.

<Table 1. Dominant features of three institutional traditions>

	<i>Rational Choice Institutionalism</i>	<i>Sociological Institutionalism</i>	<i>Historical Institutionalism</i>
<i>Substantive focus</i>	Modeling of context specific interactions; origin of strategic equilibria	The origin and change of normative orders	Patterns of institutional reproduction and change; types of incremental change
<i>Temporality</i>	Occasional feature	Common feature (as evolution)	Central feature (timing and sequence)
<i>Source of preferences</i>	Exogenous	Endogenous (socialization)	Endogenous (institutional investments)
<i>Theory of action</i>	Actors guided by standard expected utility calculation of prospective benefits	Actors bounded by synchronous norms and conventions	Actors guided by balance of past attachments and prospective opportunities
<i>Conception of history</i>	Typically efficient	Often efficient	Often inefficient
<i>Unintended consequences</i>	Rare	Occasional	Common
<i>Ideas understood as</i>	Focal points	Principled beliefs	Policy paradigms
<i>Role of material forces</i>	Primary, defined objectively	Secondary, defined subjectively	Primary, defined situationally
<i>Understanding of constraints on action</i>	Extant rules; strategic context; prospective benefits	Extant normative order; bounded rationality	Legacies of past designs; bounded rationality
<i>Key mechanism of institutional reproduction</i>	Structure-induced equilibrium	Organizational inertia; normative consensus	Sunk costs; increasing returns, positive feedback
<i>Key source of incremental change</i>	Small shifts in balance of power and external parameters	Persuasion, learning and socialization	Practice of institutional layering, drift, conversion, and displacement
<i>Key source of radical change</i>	Sudden shifts in balance of power, exogenous shocks necessary and sufficient	Emergence and widespread diffusion of new ideas; exogenous shocks sufficient, but not necessary	Accumulation of incremental changes; exogenous shocks sufficient, but not necessary

(Source: Fioretos et al. 2016, 374)

Historical institutionalism is best understood as one of the crucial approaches of social science that requires institutional analysis, rather than as a complete set of theory or methods (Steinmo 2008, 150). In line with this, three approaches above contribute to develop and refine conceptual framework of historical institutionalism as a whole by closely interacting with each other rather than being cordoning off as separate method. Hall et al. (1996) argue that interchange among various institutionalist schools is necessary for its long-term development and historical institutionalism stands in an especially pivotal position for its flexibility. In fact, there have been

already fruitful developments in interaction of these various schools (Thelen.1999, 371).

2.2. Historical institutionalism: Institutional persistence and institutional change

Hall et al. (1996) add the characteristic of historical institutionalists as follows: historical institutionalists a) stress the asymmetric distribution of power in the operation and development of institutions, b) tend to analyze institutional development with a unique emphasis on path dependence and unintended consequences, and c) they concentrate on integrating institutional analysis with other factors (e.g. ideas) in making political outcomes (Hall et al. 1996, 941). In addition, historical institutionalists pay special attention to how certain political event takes place in what historical context and how it gives rise to direct consequence on decisions or events afterward (Steinmo. 2008). In other words, historical institutionalism scholars are attentive to examine how institution shapes actors behavior by looking at “the timing of events—that one precedes the other, or that the two occur at essentially the same time—, patterns of political development, and the legacy effects of political structures created in the past (Skocpol et al. 2003; Fioretos et al. 2016).”

Institution

Core analysis of historical institutionalism revolves around 'institution', but the difference in the view toward institution has expanded the definition of institution to various dimensions. Hall et al. (1996) summarized it into the following statement that institution, in general, is defined as “the formal or

informal procedures, routines, norms and conventions embedded in the organizational structure of the polity or political economy. They can range from the rules of a constitutional order or the standard operating procedures of a bureaucracy to the conventions governing trade union behavior or bank-firm relations. In general, historical institutionalists associate institutions with organizations and the rules or conventions promulgated by formal organization (Hall et al. 1996, 938)."

In spite of a subtle difference in nuance, the definition of institution mostly focuses on macro constraints that constrict actor's behavior and structure politics. In other words, institution under the framework of historical institutionalism refers to a core causal factor to have a crucial impact on political result by shaping actor's strategy and goals, coordinating conflictual or cooperative relationship (Hall. 1996; Steinmo 2008).

Institution: Persistence and Change

The most institutionalist literature until recently have focused on the impact of an institution to shape political process and have not provided persuasive answers to identify mechanisms explaining the formation of institution and its change. Indeed, the expectation of most institutionalists is that institutional change will be difficult. The resistance to institutional change comes from those who are advantaged in the status quo context and prefer existing institutional setup to maintain expectations and preferences in the current set of rules and institutions without bearing any cost incurred from learning new rules in a changing environment (Steinmo 2008, 167-168). The inequality of power also accounts for a constraint for the change in institution as the level of power asymmetry embedded in the institution is increased in the course of

time to bring about its own persistence to resist institutional change (Skocpol et al. 2003).

In spite of gravitation of institutionalist literature toward persistence of institution, there have been many attempts to better account for the change of institution in reality. Early attempts made by Krasner emphasized the role of exogenous shock, however it came under criticism by many historical institutionalists in that sole reliance on exogenous shocks to explain institutional change renders human beings helpless agency (Steinmo. 2008, 168). Endogenous explanation for the change in institution followed to reinforce the logic by focusing on the interaction between institution and actors as well as the formation process for development path. Another explanation paid attention to the mechanisms of institutional change and the role of ideas in politics and history. Meanwhile, Thelen and Streeck identified five patterns of institutional change as in the following: a) 'displacement': one institution displaces another, b) 'layering': an institution adopts new functions on top of existing functions, c) 'drift': the institution does not adapt by degrees for the environmental change, d) 'conversion': institutions take on new functions, goals or purposes, and e) 'exhaustion': institutional breakdown and failure (Steinmo 2008, 168-169) Various attempts aforementioned shows that institution keeps on changing and it may be the result of gradual coordination between institution and actors (Mahoney 2000; Thelen, 1999)

2.3. Historical Institutionalism: Critical Juncture and Path Dependence

Historical institutionalism has developed and embraced various conceptual tools to account for how institution persists or changes: 'Critical Juncture' and

‘Path Dependence’ lie at the core of which. Early historical institutionalism literature employs path dependence to examine why an institution persists in spite of environmental changes, but various attempts have been made to explain institutional change with an aim to overcome deterministic constraints of existing historical institutionalism.

Critical juncture

Critical juncture is defined as “a period of significant change, which typically occurs in distinct ways in different countries (or in other units of analysis) and which is hypothesized to produce distinct legacies” (Collier et al. 1991, 29). Collier et al. argues that how the unfolding of critical junctures varies across contexts is a gateway to account for divergent political legacies and outcomes. They underlined that the timing of the critical juncture is crucial to shape how subsequent political process unfolds. Fioretos et al. (2016) claim that critical junctures are significant in the historical institutionalist literature because they may mark initial points of path-dependent processes. Critical junctures, after the relative openness of the critical juncture moment, exercise their causal force on a subsequent process or sequence of events through institutions (Fioretos et al. 2016, 11-12). Meanwhile, some historical institutionalist scholars have stressed contingent traits in the critical junctures. The contingency in their perspective does not imply total randomness and it means that the origin of path-dependent process must be accidental, neither expected nor intended. It is also understood as a “stochastic reality” in which available theories cannot elucidate the traits of critical junctures. The contingency principle is stressed as it can explain how apparently accidental, unexpected and small early events trigger path dependent processes over time (Mahoney 2000).

Path dependence for Institutional Persistence

Path dependence is based on the idea of historical institutionalism that history is 'causally critical' (Skocpol et al. 2003) and it looks into how institution at an early sequence of history structurally constrains and shapes political developments and institutional behavior in later sequences. In other words, path dependence refers to “a process in which the structure that prevails after a specific moment in time, often a critical juncture, shapes the subsequent trajectory in ways that make alternative institutional designs substantially less likely to triumph, including those that would be more efficient according to a standard expected utility model” (Fioretes 2011, 376). It is also defined as the “dynamics of self-reinforcing or positive feedback processes in a political system—what economists call 'increasing returns' processes” (Skocpol et al. 2002 cf. Mahoney 2000). Logic for strictly defined path dependent processes is as follows: “Outcomes at a 'critical juncture' trigger feedback mechanisms that reinforce the recurrence of a particular pattern into the future. Political alternatives that were once quite plausible may become irretrievably lost. Thus, events or processes occurring during and immediately following critical junctures emerge as crucial. Path dependence helps us to understand the powerful inertial 'stickiness' that characterizes many aspects of political development” (Skocpol et al. 2003, 6-7).

What is unique in the relationship between critical junctures and path dependent processes is that the causal impact of early events is significantly stronger than that of subsequent events. In other words, what happens in a process or sequence of events, as well as when it happens in relation to the other events in the sequence is highly crucial in shaping why one outcome among multiple possible alternatives prevails (Fioretes et al. 2013). Mahoney

(2000), pointing out the ambiguous and simply descriptive character of the previous definitions of path dependence, presented three elements of path dependence analysis. First, path-dependent analysis deals with causal processes that are highly sensitive to the early historical events of an overall sequence. Second, early historical events in a path-dependent sequence are characterized by contingency that cannot be explained by prior events or initial conditions. Third, path-dependent sequences are “marked by relatively deterministic causal patterns or inertia”—it tends to keep its course and a particular outcome formed by critical junctures Mahoney 2000, 510-511).

Path dependence for Institutional Change

The most widely accepted model of path dependence may be economists’ attempt to explain technological trajectories (e.g. elucidating the persistence of ‘QWERTY keyboard’). The gist of the argument is that certain technologies can get ahead of alternatives for unpredictable reasons and predominate even if the alternatives at the early stages would have been more efficient in the long run. As the economist explanation demonstrates, the early path dependence analysis was adroit at providing appropriate conceptual tools and analytic framework to examine how existing institutions and policies do not change facing changes of surrounding environments.

Some historical institutionalists have made attempts to account for institutional change to overcome deterministic constraint of the early historical institutionalism. Thelen (1999) explains that “path dependence involves elements of both continuity and (structured) change” and institutional arrangements must be considered in close relationship with the features of the broader political and social setting in which they are embedded. Arguing that economist model tends to blur “the important sources of

dynamism in political life”, he stresses that “politics is characterized by disagreement over goals and disparities in power, and in fact institutions often reinforce power disparities.” In line with this logic on political process embedded within an institution, he argues that “increasing returns do not necessarily result in an irrevocably locked-in equilibrium.” He further explains that those who are disadvantaged by prevailing institutions “do not necessarily disappear, and their adaptation can mean more than just embracing and reproducing the institution as in the economist model. Their adapting may mean biding their time until conditions shift, or working within the existing framework in pursuit of goals different from—even subversive to—those of the institution’s designers” (Thelen 1999, 383-385).

The historical institutionalism has endeavored to provide explanations on institutional persistence, but it has also been enriched by attempts to present causal mechanisms for what gives rise to institutional change while modifying the determinism of existing path dependence analysis. There are some scholars who stress that the very mechanism to illuminate why certain institution persists also serves as an effective tool to analyze how it can change. Fioretos (2011) summarizes the research by Pierson (2004) and Page (2006) to show four causes for why institutional developments along a particular path are reinforced: a) institution’s lock-in effects for advantaged stakeholders to be granted a power to block fundamental change, b) positive feedback effects to create new stakeholders or to strengthen the incentives of existing constituencies, c) positive externalities (increasing returns) such as network and coordination effects relative to once-feasible alternatives, d) institution’s self-reinforcing qualities by creating more intense support for incremental reform. In general terms the more extensive are these causes (in combination or by themselves), the less radical institutional developments are expected to be over time. Especially, actors that acquire positive returns from

existing institutional designs tend to incorporate new institutions and policies to support existing structure as well to sustain continuous benefits from the current functions of institutions. On the contrary, the absence of the four causes—especially when no positive feedback effects are present—render institutional designs liable for radical change.

Meanwhile, Mahoney (2000) made distinction between self-reinforcing sequences and reactive sequences while his discussion on institutional change mostly revolves around the latter by showing that reactive sequences are “marked by a chain of tightly linked reactions and counter reactions that transform and perhaps reverse early events” (Mahoney 2000, 526-527). He also examines the typology of path-dependent explanations of institutional reproduction dominant in sociological tradition: it can be categorized in terms of utilitarian, functional, power, and legitimation explanations. As Table below shows, each mode of explanation recognize a different mechanism of institutional reproduction as well as a different mechanism for institutional change. He argues that the early perspective of path dependence derived from economic historians only focuses on utilitarian mechanisms and consequently they fail to theorize the persistence of institutions that are less functional, less supportive of elite interests, and less legitimate than alternative institutions that could have replaced the prevailing institution. Mahoney claims that historical sociologist tradition to analyze path dependence in relation to the functional, power, legitimation and utilitarian theory can enrich the path dependence analysis as it can serve as a corrective to the shortcomings of utilitarian-only approach as well as it can offer a useful discussion on the ways of reversing path-dependent processes (Mahoney 2000). .

<Table 2. Typology of path-dependent explanations of
institutional reproduction>

	<i>Utilitarian Explanation</i>	<i>Functional Explanation</i>	<i>Power Explanation</i>	<i>Legitimation Explanation</i>
<i>Mechanism of reproduction</i>	Institution is reproduced through the rational cost-benefit assessment of actors	Institution is reproduced because it serves a function for an overall system	Institution is reproduced because it is supported by an elite group of actors	Institution is reproduced because actors believe it is morally just or appropriate
<i>Potential characteristics of institution</i>	Institution may be less efficient than previously available alternatives	Institution may be less functional than previously available alternatives	Institution may empower an elite group that was previously subordinate	Institution may be less consistent with values of actors than previously available alternatives
<i>Mechanism of change</i>	Increased competitive pressures; learning processes	Exogenous shock that transforms system needs	Weakening of elites and strengthening of subordinate groups	Changes in the values or subjective beliefs of actors

(Source: Mahoney 2000, 517)

As reviewed earlier, historical institutionalism is not a closed system and it has been enriched by subsequent studies to overcome its deterministic traits and constraints in accounting for institutional change. Therefore, its utility is found on various conceptual tools to identify and elucidate how actors behave to shape their political interest as well as how institution is established and changed.

3. Methodology

In order to answer research question, this paper will carry out comprehensive research on how ODA institutions in Korea and Japan have evolved from its origin while actively interacting with various domestic and international factors. In this context, the first part of the analysis will be devoted to the

historical overview of both countries' ODA development to lay the foundation for the path dependent analysis, which follows right after the chronological overview. Major historical sequences in Japan and Korea will be selected to elucidate development process in various international and domestic settings. Analysis period of Japan ranges from the post WWII to the 2000s when Japan's ODA reform culminated in integrating aid implementation system through the establishment of New JICA. It is followed by study on Korea, which came into the international aid scene as a late donor with close interaction with Japan.

The following chapter extends this historical overview into path dependence analysis to reorganize the general history into crucial historical sequences to examine the process of how two-pillar ODA system in Korea was formed and developed. The next chapter analyzes the process how Japan's institutional path dependence was broken or modified, focusing on to elucidate the specific background and mechanism for the establishment of New JICA. In analyzing path dependent process of each country, this paper will rely on the basic comparative analysis method as well as the modes of explanations categorized by Mahoney (2000) in examining institutional reproduction: utilitarian, power, functional and legitimation explanations.

The paper as a qualitative study will take comprehensive literature review on available resources as its primary method of research. A variety of reference materials are utilized including previous studies, research papers published by governments and implementation agencies (e.g. KOICA, EDCF, JICA and etc.), government reports and documents (e.g. White Paper from various ministries, presidential addresses, mid-and long-term implementation plan, Mid-term ODA Policy and so forth) as well as news articles from major news agencies in Korea. Meanwhile, the paper will not touch upon merits and demerits between two-pillar system and integrated system to suggest a

specific policy recommendation. It is beyond the scope of this paper for it does not intend to provide any policy recommendations and different ministries and implementing agencies diverge in their opinions on this issue.

IV. Historical Review: Development of ODA in Japan and Korea

1. Overview: History of Japan's ODA

1.1. Chronological Overview

Japan's history of ODA traces back to the post-World War II period during which Japan was a recipient country for a short period of time. Postwar Japan received emergency aid including food and medical supplies as well as economic assistance from the US for the reconstruction of impoverished economy. World Bank loan in 1953 provided foundation to establish major infrastructures such as Tokaido Shinkansen (東海道新幹線), Tomei Expressway (東名高速道路) for Japan's economic progress. The US security strategy for the East Asia was behind this aid to Japan and it served as a catalyst for Japan to overcome its postwar economic abyss (Kang et al. 2009, 229). However, Japan's experience as a recipient did not last long as it swiftly regained former national power and returned to international regime with a gradual normalization of diplomatic relations with other countries.

Among various ways of classifying period, this paper will make a chronological overview of Japan's ODA development following Kang et al. (2009) since they provide more refined division than other materials including one from MOFA of Japan.

1st Phase (post-World War II-1963): Promotion of domestic economic interest by securing export market and sources of raw materials

Japan's decision to join Colombo Plan⁷ in October 1954 is generally regarded as a milestone of commencement for Japan's international development cooperation (MOFA of Japan 2005). The Colombo Plan focused on the cooperative economic development with Southeast Asia and South Asia. Joining the Plan marked Japan's return to international society as well as its starting point for technical cooperation project, which was the basis of Japanese ODA. Japan's ODA was rooted in WWII reparations to the Asian countries, thereby a succession of reparations treaties with Burma, Philippines, Indonesia, and the Republic of Vietnam (South Vietnam) followed and around USD 1 billion was provided in capital goods and services for 20 years. In addition, grant aid as "quasi-reparations" has been provided to Cambodia, Laos, Thailand, Malaysia, Singapore, Korea, and Micronesia. The first yen loan to India in 1958 was conducted without regard to the issue of war reparations and it indicated groundbreaking significance as the commencement of financial cooperation with concessional conditions (MOFA of Japan 2005; Kang et al. 2009).

As the article 9 of Japan's Pacifist Constitution allowed Japan to possess military power for the sole purpose of self-defense, Japan intended to

⁷ The Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific was conceived at the Commonwealth Conference on Foreign Affairs held in Colombo, Ceylon (now Sri Lanka) in January 1950 and was launched on 1 July 1951 as a cooperative venture for the economic and social advancement of the peoples of South and Southeast Asia (The Colombo Plan website, Accessed April 14, 2017. <http://www.colombo-plan.org/index.php/about-cps/history>.)

utilize ODA as effective means to expand its international status. This was connected to the commercial motivation of Japan's ODA during this period and Japan's intention to reestablish diplomatic and economic relations with Southeast Asia was noticeable for the purpose of seeking export market and source of resources that it had lost in Korea and China (Kim 2010, 86-87). MOFA of Japan explicitly describes the commercial motivation of Japan's ODA until 1960s as follows:

“Japan's reparations and extension of yen loans in the 1950s and 1960s had the objectives of expanding export markets for Japan and securing imports of important raw materials, and there were high expectations of a beneficial effect from these actions for the Japanese economy. This stance was also reflected in the tied aid rate, which was almost 100% until the end of the 1960s (MOFA of Japan 2005, 8).”

2nd phase (1964-1976): Support for long-term interest of Japanese economy

In the late 1960s, Japan increased and diversified its foreign aid fueled by rapid economic growth and subsequently improved its international status. This was also the period that Japan developed aid implementation system that was initiated in line with the start of provision of war reparations. Though the Society for Economic Cooperation in Asia was installed as the first ODA institution in 1954, it seems that its origin and function was rather limited to technical cooperation in line with Japan's reparation scheme in Asia.

Therefore, JICA have excluded it from the history of ‘Japanese ODA Executing Agencies’ and the establishment of the Foreign Economic Cooperation Fund (OECF) in March 1961 marked the authentic commencement of ODA institution in Japan⁸. OECF was founded as the implementing agency for yen loans and it took over management of the Southeast Asia Development Cooperation Fund from the Export-Import Bank of Japan (JEXIM). The Society for Economic Cooperation in Asia was dissolved and Overseas Technical Cooperation Agency (OTCA) was founded in 1962 as the implementing agency for technical cooperation, which was turned into Japan International Cooperation Agency (JICA) in 1974 (MOFA of Japan 2005, 8). Thus, the two-pillar system represented by OECF (loan) and JICA (technical assistance) were completed and it had maintained until their merge into the New JICA in 2008.

Meanwhile, Japan joined OECD in 1964 and provided USD 1.101 billion of aid in 1976 when it concluded postwar reparations payment. Japan’s aid volume had increased ten times during this period, but more than half of its aid was provided in loan (Japanese yen). This set the scene for Japan to be criticized at the first UNCTAD meeting in 1964 that its commercialistic aid program solidly serves the economic policy of Japan. However, global oil crisis in the 1970s served as a momentum for Japan’s expansion of aid region which was totally concentrated in Asia until the 1960s. The 1970s energy crisis initiated Japan’s resource diplomacy to use foreign aid as diplomatic tools and Japan extended its provision of aid to the Middle East, Africa and Latin America to secure sources of energy and natural resources. In this background, Japan took its own line of diplomacy to some extent by

⁸ Refer to the history of Japan’s ODA agencies on the official website of JICA. Accessed April 16, 2017. <https://www.jica.go.jp/english/about/history>.

committing USD 3 billion of aid to oil-producing Arab states while keeping distance with Israel, in contrary to the US foreign aid policy at the time.

Growing international pressure to increase Japan's ODA pushed Japan to set up the first mid-term plan to double the level of its aid later on. Meanwhile, 1970s oil crisis and anti-Japanese demonstrations in the Southeast Asia during Prime Minister Kakuei Tanaka's visit to ASEAN countries provided background for Japan to increase its grant program and the ratio of untied loan. This marked a transition of Japan's ODA objective, which faithfully focused on the promotion of domestic export until then, to include the economic development of developing countries (Kang et al. 2009)

3rd Phase (1977-1988): Pursuit of the global economic progress through the growth of developing countries

Japan's ODA during this period is characterized by increased aid volume through establishment of consecutive mid-term plans, promotion of Comprehensive Security, and response to increasing international pressure to return huge international trade surplus to the international society. Since the first Medium-Term Target of ODA announced in 1978, Japan continuously established a plan to increase its aid volume, which remarkably expanded from the late 1970s throughout the 1980s—Japan ascended to be the third largest DAC donor in 1983 and the second largest in 1986. Sectoral focus was also expanded to BHN (Basic Human Needs) and human resources development from economic infrastructure in the past. The alliance with the US under the Treaty of Mutual Cooperation and Security between the United States and Japan provided rationale for Japan to expand its aid volume to

respond to the US demand for role division in international security. At the same time, Japan utilized foreign aid to suit diplomatic and security objectives of the US: Japan suspended their aid to Vietnam after Vietnam's invasion to Cambodia in 1979; and it did the same to Burma after Burmese government's crackdown on democratic movement as well as to China after 1989 Tiananmen Square massacre. Asahi Shimbun's article on Dec. 3 1988, argued that 'Japan must use ODA as a means of diplomatic cooperation' and it mirrors principles and objectives of Japan's ODA during this period (Kang et al. 2009).

4th phase (1989~present): Contribution to the stability and development of global economy

Japan's foreign policy direction was aimed at creating "Japan Contributing to a Better World" as a responsible member of the international community and in 1988 Prime Minister Takeshita announced "International Cooperation Initiative" to attain the goal. Japan made a transition to assume increasing role to contribute to international peace by introducing major initiative to tackle debt reduction in the Third World as well as making intervention in the conflict-ridden regions in the world by focusing on non-military approach called 'Comprehensive Security'. Heightened international pressure over Japan's enormous trade surplus and commercial aid brought about the expansion of ODA and untied concessional loan in Japan. Japan ascended to the top donor in 1989 by providing USD 8.96 billion which surpassed the US provision of USD 7.9 billion. Japan has maintained the biggest donor status

until 2000 and is still one of the five major donors even after it relatively reduced its aid volume since then.

Japan's foreign aid during Cold War-era was heavily inclined toward domestic economic interest, but post-cold war Japan started an active attempt to promote aid effective as well as to contribute to international community by pursuing compatibility of development and environment, the self-help efforts by recipient, avoidance of military aid, and reinforcing ODA partnership and transparency. In June 1992, ODA Charter (revised in 2003 and 2015) was announced to formulate Japan's ODA philosophy and principles from medium-and long-term perspectives.

ODA reform was carried out to effectively respond to changing international order and domestic environment by further “upgrading Japan's ODA in terms of strategy, mobility, transparency, and efficiency, as well as promoting a wider range of public participation and clear understanding about ODA (MOFA of Japan 2005, 14).” In 2003, the ODA Charter and Medium-Term Policy on ODA were revised to cope with the emergence of new development agendas such as terrorism, peacebuilding, environment, natural disaster, governance, human security and etc. The overall reform of ODA implementation system (the establishment of the New JICA) was followed in 2008 to strengthen aid efficiency and effectiveness by integrating strategy, planning and implementation functions (Beon et. al 2016, 173-174).

1.2. Japan's ODA Reform

This paper will look into the ODA reform in more detail, especially focusing on implementation system, represented by the establishment of the New JICA

in 2008. This part will be the foundation for path dependence analysis in Korea and Japan that follows after this chapter.

1.2.1 Background

The 1990s marked a contrast of light and shade in Japan's foreign aid. On the bright side, Japan topped the list of DAC donors fueled by outstanding economic growth and enormous trade surplus throughout the 1970s and 1980s and it maintained the first place for eleven years since then. Behind this glittering side were domestic and international discussions on the direction of Japan's ODA and its international contribution. The major factors pushing for Japan's ODA policy during this period were as follows: discussion on aid quality, extended economic downturn, deterioration of public support for ODA, and Liberal Democratic Party (LDP)'s eroded domestic political domination.

The international criticism for the lack of transparency and quality control as well as domestic criticism for the lack of a clear national policy on Japanese foreign aid grew in the late 1980s and 1990s when multiple corruption cases were brought to light. After the news report in 1986 that covered Philippine President Ferdinand Marcos' allegation of amassing and embezzling aid from Japan, the government of Japan met increased demand for greater transparency, clearer principles for foreign aid. This also gave rise to the discussion on the appropriateness of the legacy of request-based approach in Japan's ODA (Ichihara 2013). In addition, Japan's bitter experience with the Gulf War (1990-1991) invigorated active domestic discussion to clarify Japan's aid philosophy—it contributed to USD 13 billion

to the war but only received international criticism for ‘checkbook diplomacy’ and little recognition for its efforts.

The 1990s also marked a watershed for Japan’s extended economic despair, summarized by the coinage ‘the Lost Decade (失われた10年)’. Plunging stock prices and real estate value led a series of bankruptcy for a large number of companies and banks, while Japan had recorded 0% of economic growth rate for more than a decade. Japan’s policies on economy and diplomacy were to be unavoidably modified with the collapse of bubble economy and severe long-lasting economic downturn. With government debt amounting to 80% of GDP, the Fiscal Structural Reform Act was enacted in 1997 and total ODA volume of Japan continued to decrease from 1998 after the pinnacle of aid provision with JPY 1.16 trillion in 1997 (Choi et al. 2008, 59).

Economic deterioration had brought about weakened public support for Japan’s foreign aid. The Cabinet Office in the Government of Japan has been conducting ‘the public opinion poll on diplomacy’ every year targeting 2,000 adult men and women since 1977. Positive view toward ODA (‘Economic cooperation should be proactively pursued’) has been sharply reduced from 41.4% in 1991 to 19.2% in 2002, while negative view toward ODA (‘Economic cooperation should be minimized as much as possible’) has been rapidly increased from 8.9% in 1991 to 25.6% in 2004 (Choi et al. 2008, 47-48).

Domestic politics was going through an unusual change as LDP-dominated party system was disintegrated into a coalition government and tensions between political parties and bureaucrats were increasing to take the initiative in policy making process. The new political landscape, interlocked with economic recession and changed public opinion, provided a foundation

to call for a significant policy change in Japan's ODA. LDP was proactive to seize this opportunity to regain its political power and led many policy suggestions. It proposed a 10% reduction in ODA budget through Council on Fiscal Structural Reform and this idea was succeeded to Prime Minister Junichiro Koizumi who, in his inauguration address, confirmed his will to carry out structural reform in all parts of administration for the Japan's economic recovery as well as reduce ODA budget. The result was a lingering budget cuts in the following years: From JPY 910.6 billion in 2002 (10.3% reduction compared to 2001) to JPY857.8 billion in 2003 followed by JPY 816.9 billion in 2004. ODA was the most affected budget section by the extended economic downturn in the process of fiscal reform since 1997 (Choi et al. 2008, 60).

1.2.2 Process of ODA Reform

In this background, Japan initiated gradual reform in foreign aid from the 1990s to the monumental integration of aid implementation system in 2008. International aid regime has criticized Japan for the absence of coherent aid philosophy and relevant framework laws. The report by the Review Committee on Foreign Economic Cooperation (installed as an advisory body to the Chief Cabinet Secretary) published in February 2006 well summarized the proposal of ODA reform. The bottom line was to set up the Overseas Economic Cooperation Council led by the Prime Minister⁹ and to integrate

⁹ The Council of Ministries for Foreign Economic Cooperation was first established in 1988 was set up to coordinate interministerial policies. It was composed of 14 Ministers and chaired by the Chief Cabinet Secretary. In 2006 this Council was reorganized into the Committee for Foreign Economic Cooperation led by the Prime Minister and composed of four Ministers. (Tsunekawa 2014, 2)

ODA implementation system into the New JICA. Through this reform measures, Japan aimed at resolving inefficiency and duplication issues in its ODA through reinforced coordination within the government and integrated implementation system. Choi et al (2008) elucidated the dynamics of ODA reform by focusing LDP vis-à-vis administrative reform in Japan as in the following.

Establishment of the Overseas Economic Cooperation Council

LDP's attempts to push for ODA reform were gaining momentum through its policy proposals in the 2000s. In the 'Reform Plan for the MOFA: Regeneration of diplomacy for national interest—10 proposals (国益を担う外交の財生：具体的な提言 10)' announced in April 2002, LDP made a proposal on the integrated aid implementation system out of JICA and JBIC (Japan Bank for International Cooperation). LDP's ODA Reform Working Team in December 2002 made another policy recommendation to reinforce coordination among relevant ODA-implementing ministries in its 'Specific Policies of ODA reform: For ODA that wins sympathy of the public (ODA改革の具体的な方策 国民に理解される ODAをめざして)'. The Working Team's tone maintained to propose that JBIC should transfer its loan aid wing to JICA, through the 'Desirable Direction on Foreign Economic Cooperation (海外経済協力の在り方について)' in February 2006.

Meanwhile the Council of Ministries for Foreign Economic Cooperation was reorganized into the Overseas Economic Cooperation Council in 2006—led by the Prime Minister, the Chief Cabinet Secretary, Minister for Foreign Affairs, Minister of Finance, Trade and Industry—, and it ascended to the highest decision making body with regard to Japan’s foreign aid. The committee, as the control tower of the foreign economic cooperation of Japan, assumed the role to determine the strategy and policy direction of the following: a) framework of ODA strategy (ODA charter, mid-and long-term policy, aid planning by country/sector, Japan’s ODA initiatives and etc.), b) methods of economic cooperation with major developing countries (core strategic sector, prioritizing country/regional strategy, aid type, connection with OOF, collaboration with private fund and etc.), c) ODA management (evaluation, participation of NGOs and the public and etc.), and d) project development, project approval and post management. Choi et al. (2008) argues that the establishment of the Overseas Economic Cooperation Council embraced LDP’s proposal to set up institution for ODA strategy (Choi et al. 2008)

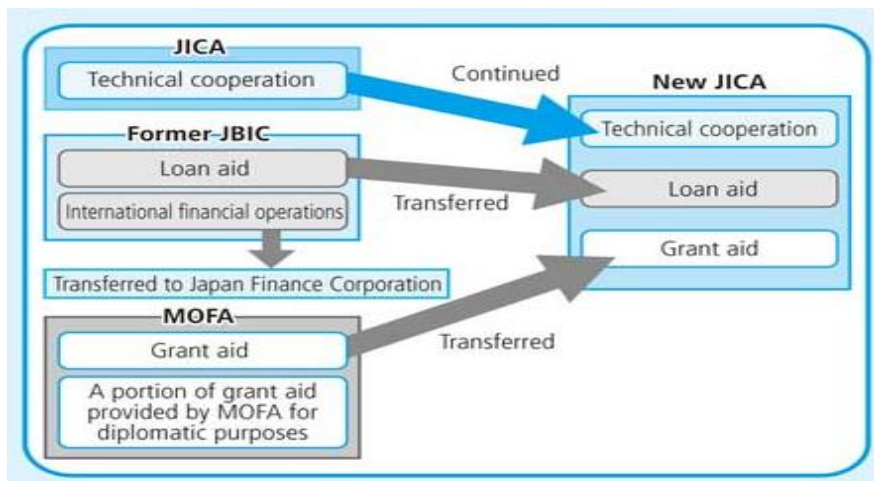
Establishment of New JICA: Integration of ODA implementing agencies

Basic Policies for Economic and Fiscal Management and Structural Reform 2006 (Cabinet Decision on November 29, 2005), emphasizing ‘the role of finance as the policy instrument is practically brought to an end’, stated five policy areas to be integrated into new financial organizations including foreign economic cooperation, small and medium-sized businesses, infrastructure, Okinawa development as well as agriculture, forestry and

fishery. According to the Basic Policies, JBIC was dissolved into international financial operation (transferred to Japan Finance Corporation) and concessional loan aid. The latter wing was transferred to JICA with MOFA's grant program, thereby creating the integrated aid implementation system in Japan.

The establishment of New JICA in October 2008 combined TA projects having been carried out by JICA and thirteen ministries/administrations with grant program of MOFA and concessional loan of JBIC—its annual budget amounted to around JPY 1 trillion. Close interministerial cooperation and solidarity were required to secure strategic coherence, considering that about 40% of TA projects (JICA took 60% of the total share) had been dispersed to 13 government agencies at the time of reform. In addition, some of the grant programs that require prompt diplomatic response or concentrate on conflict-ridden regions were to remain under MOFA's management. Meanwhile, the government considered to set up a council to promote a systematic cooperation between concessional loan under the New JICA and international finance wing of JFC (Choi et al. 2008).

<Figure 1. Japan's Integration of Aid Implementation System
into New JICA>



(Source: Japan's Official Development Assistance White Paper
2008, 129)

As shown earlier, the integration of aid implementation system in Japan emerged from the framework of administrative reform throughout the Japanese government. The strong political will of LDP (represented by the Koizumi Cabinet) on fiscal structural reform was crucial in this process. Moreover, there was a great chasm between LDP and Ministry of Finance (MOF) with regard to the dissolution of JBIC at the time. MOF asserted that yen loan and international finance are inseparable for its high correlation, while LDP claimed that yen loan is functionally proximate to aid than policy financing. In addition, MOF wanted to hold on to JBIC for its retirees while LDP pursued the supremacy of politics (LDP) over bureaucrats (MOF) in the foreign policy process. The initiative rested with LDP, which realized its policy proposals in the end (Choi et al. 2008; Tsunekawa 2014)

2. Overview on the History of Korea's ODA

2.1. Chronological Overview

Korea's history as a recipient is well-known to the public that it had received considerable sum of aid from major donors in the process of national reconstruction after the independence and the ruins of the Korean War¹⁰. In contrast, it is a little-known that Korea embarked on its donor activity as early as 1960s. A general overview of Korea's ODA history as a donor will be reviewed in the following parts to lay a foundation for path dependence analysis that will follow after this chapter.

1960s: Initiation of donor activities in technical cooperation

1963 marked the milestone for Korea's first donor activity in the history of Korean ODA. Since Korea did not have appropriate source of funding for donor activity, Korea implemented its first training program for the trainees from developing countries by the financial support of the United States

¹⁰ The U.S was the principal donor to Korea until the late 1950s and focus of the assistance was put on essential supplies and industrial facilities to secure financial stability of the nation. Having heavily relied on grant aid, average annual growth rate remained around 4.9% during 1954-1960. Since 1959, weight of the aid to Korea started to be tilted toward concessional loans than grants and induction of foreign capital was invigorated through the establishment of a relevant law and the Five-Year Economic Development Plan. It is estimated that Korea has received about USD 12.7 billion from 1945 to 1999 (KOICA 2013a, 369-375)

Agency for International Development (USAID)¹¹. It may be disputable whether to recognize this as the origin of Korea's history as a donor for its financial resource came from other government than Korea. Still, it was a meaningful donor experience for Korea which remained a recipient in the international aid regime yet. Korea started funding its training program since 1965 and diversified its projects by dispatching Korean experts to the developing countries in 1967 as well as medical experts in 1968. It began the first project for technical cooperation in 1969 by providing medical supplies to Niger and ambulances to Dahomey (present Benin), Niger, and Rwanda (KOICA 2013a; Kim 2014a).

Korea was still a recipient with GNP per capita no more than USD 210 (as of 1969) and it was not long after since the establishment of the first Five-Year Economic Development Plan targeting 1962-66. This background makes many researchers look into the reasons why the-then administration was strongly motivated to initiate its donor activities in spite of unfavorable economic conditions. Park Chung-hee administration, settled in South Korea after 'May 16 coup d'état' in 1961, aspired to acquire international recognition for its legitimacy, while the US started emphasizing South-South Cooperation by chanting "aid to end aid" and "helping people to help themselves." Park's administration might have wanted to earn international recognition (especially from the US) for its legitimacy and status by making the best use of this background and embarking on training program with the financial support of the US. Since Korea started using its own financial

¹¹ Kim (2014), based on the data from the-then Ministry of Science and Technology (MOST), shows how Korea embarked on its first donor project in cooperation with the US as follows: ""According to the government's estimation, it would cost about US\$ 3,600 for six month training program for one trainee including travel expenses, medical insurance, and other expenses. Thus, the first training program in 1963 was supported by USAID in the form of "Co-planning of South Korea and the U.S."" (Kim 2014, 57)

resources to fund donor activity, their regional focus tends to be on Africa. Many newly independent African countries were inclined to adopt Soviet development model, which backed up the diplomatic superiority of North Korea against South Korea. Thereby diplomatic competition with North Korea accounts for one of the main motivation behind Korea's assistance to the region. In addition, Korea wanted to avoid overlap with US aid program focusing on Asia as well as it intended to gain maximum benefits for every input they injected for its limited financial resources (Lim 2014, 76-77; Kim 2014a, 56-64).

In summary, Korea's donorship at its early stages of development in the 1960s was far from meeting recipient needs or development effectiveness as it is discussed these days. Korea's donor activity was born in unfavorable economic conditions and its legitimacy was only found in realist explanations to meet its national interest—securing international recognition for Park Chung-hee administration's legitimacy as well as winning in the diplomatic competition with North Korea and expanding communism in Africa.

1970s: Diplomatic race with North Korea and increasing demand for export promotion

The utilitarian and strategic objective of Korea's donorship in the 1960s was solidified under the Cold War framework between the US and the Soviet throughout the 1970s. For instance, North Korea was having golden days of diplomacy from 1975 when it joined and assumed a leading role in Non-Aligned Movement (NAM), which South Korea wasn't successfully accepted to (KOICA 2013a, 382). Even in terms of ODA volume, South Korea was

lagging behind North Korea: grants by the South were less than one third of the amount by the North in 1976 and it did not amount to the half of North Korea's grants even in 1979 (Kim 2014a).

South Korea made a special attempt to improve diplomatic relations with socialist countries of NAM to tackle this situation. 'Special Declaration for Peaceful Unification' issued on June 23, 1973 was symbolic in that it officially denounced Hallstein Doctrine spearheaded by West Germany and extended Korea's diplomatic ties to Eastern European countries (KOICA 2013a, 383). Meanwhile, Park Chung-hee administration's first priority on economic growth made a transitional impact on foreign aid policy to some extent. The Administration White Paper in 1970 shows that the purpose of programs for training and expert mission at the time was "to improve technological cooperation over the region, to strengthen UN diplomacy, to encourage exports of domestic companies, to enhance national prestige abroad, and to strengthen international relationship with other countries" (Kim 2014a, 65). It is noteworthy that the motivation of promoting economic interest was officially mentioned as goals of foreign aid in governmental document. Thus, South Korean government promoted its domestic companies to extend their business into resource-abundant countries and to set up a foundation for the export of machines and plant construction to support growing heavy and chemical industry (Kim 2014a, 70). In line with growing economic interests in the late 1970s, the selection criteria of ODA recipients became more systematized. The Park's government classified the recipient countries of South Korean foreign aid into 1) neutral states (including countries without diplomatic ties) which could help gather a supportive group of countries in the international organization with the small amount of foreign aid, 2) countries with natural resources or countries, which South Korean goods and services could enter into, and 3) other strategically important countries. Although

restraining diplomatic penetration of North Korea remained the main motivation for Korea's foreign aid, the government added two goals such as securing natural resources and export promotion to improve substantial diplomatic relations with developing countries (Kim 2014a, 66). This was the period when 'economic diplomacy' was considered for Korea's foreign relations with developing countries for the purpose of resource security and export promotion. Since the global oil crisis in 1973, Korean government began to seek for more practical relationship with developing countries. It was also the first time for the Korean government to recognize economic interests with African countries in 1975. At the end of the third Five- Year Economic Development Plan, the government even stated that "as (a nation) grows in power, we need to establish our footing in developing countries as a technology transferor and to pursue economically and diplomatically practical interests" (Kim 2014a, 69). However, means of Korea's foreign aid were very limited and the government was inclined to provide 'made in Korea' products through its assistance program rather than monetary grants to developing countries. Products of the Five-year Economic Development Plan were the main reliance of Korean government such as cultivators, engines for trucks, vehicles, medicines, military uniforms and so on (Kim 2014a, 69-71). Founding upon the series of Five Year Economic Plans first launched in 1962, Korean government pressed on with export-led economic growth strategy. Korea was entering into the phase of constant rapid economic growth since 1963 and began to emerge as one of the Newly Industrialized Countries (NICs) in the 1970s, during which Korea's average economic growth rate was around 8.7% (Lim 2014, 78).

1980s: Systematization of aid implementation

Diplomatic objective of Korea's aid against North Korea remained in the 1980s but it was gradually crowded out by economic objective as continued economic growth in the south and the worsening situation in the north directed the policy attention of the Korean government toward a different goal—how to strategically connect aid program to Korea's economic growth. Practical motivation of foreign aid in Korea maintained to the 1980s, as exemplified by the MOFA document on the necessity of technical cooperation with developing countries. As Kim (2014a) shows, MOFA's recognition on the objectives of technical cooperation was obviously based on the practical point of view as in the following: a) to secure natural resources and energy sources, b) to promote export and assist construction sector for overseas expansion, c) to support South Korean companies which have joint ventures in developing countries such as Samsung, SSangyong, Gold Star (present LG), Daewoo and so on., and d) to pursue bigger benefits by technology transfer to oil producing countries.

In line with this background, 1980s saw the invigoration of Korea's foreign aid in close relationship with economic growth while the discussion on the establishment of aid implementation system led to the actual formation of the first ODA institution. The then President Chun Doo-hwan's visit to Canada and four African countries (Gabon, Senegal, Nigeria and Kenya) became the catalyst to the formation of aid system in Korea. Under Chun's instruction, intergovernmental discussion began to establish an effective and efficient system for Korea's overall foreign cooperation. MOFA was the most proactive government agency to accomplish their agenda for the establishment of tentatively named 'Foreign Cooperation Administration

(FCA).’ MOFA’s conception was to found an independent government agency that coordinates overall implementation of Korea’s foreign economic cooperation that was diffused over various ministries (MOFA, Ministry of Construction, Ministry of Health and Society and etc.) until then, including grants, technical cooperation and economic cooperation fund. The administration would be composed of three main pillars such as Bureau of Development Cooperation, Bureau of Technical Cooperation and Bureau of Immigration Service to manage foreign economic cooperation—it even requires prior consultation process with the Administration before relevant ministries make a policy decision on the issue of construction and the oil excavation in the Middle East—, collaboration in resource development as well as integrating foreign aid (grant, technical assistance and concessional loans) to the third World. Still, the conception left a room for each ministry to maintain economic cooperation functions closely embedded in their own expertise for the field such as promotion of international commerce, introduction of loans and so on. The principle idea was to improve efficiency of Korean government’s foreign cooperation in terms of diplomacy and security (JoongAng Ilbo 1982¹², Kyunghyang Shinmun 1983¹³)

However, MOFA’s ambition was met with strong opposition from other relevant ministries that were carrying out technical cooperation projects at the time as well as financial burden to establish new governmental agency

¹² “Foreign Cooperation Administration to be established next year,” JungAng Ilbo, October 28, 1982. Accessed April 5, 2017. <http://news.join.com/article/1660806>

¹³ “The advance guard in the age of open trade,” Kyunghyang Shinmun February 22, 1983. Accessed April 5, 2017. <http://newslibrary.naver.com/viewer/index.nhn?articleId=1983022200329203009&editNo=2&printCount=1&publishDate=1983-02-22&officeId=00032&pageNo=3&printNo=11508&publishType=00020#>.

(Dong-A Ilbo 1982¹⁴). It finally resulted in the rebuff of MOFA's proposal for an independent organization and the alternative plan to set up the Foreign Cooperation Commission under Economic Planning Board with the Bureau of Foreign Cooperation under MOFA. Thus, Korean government, based on the aforementioned practical demands at the time, set out to establish the Foreign Cooperation Commission, which function includes basic planning, policy coordination, and information gathering for foreign economic and technology cooperation (Maeil Business Newspaper 1983¹⁵). Foreign Cooperation Commission, established by presidential decree, stressed the necessity of establishing an economic cooperation fund in collaboration with existing technical cooperation, by making a series of policy proposals for extensive cooperation with developing countries in 1983 and 1984. However, the proposals at the time were mainly focused on to expand private investment and trade rather than ODA by the government and the conception to establish economic cooperation fund was very nascent and yet to be detailed in operational perspective. In spite of general intragovernmental consensus on the need for strengthened economic cooperation with developing countries, the attempt to institutionalize an economic cooperation fund was confronted with Korea's mounting external debt and chronic balance of payments deficit, amounting to USD 42 billion (Ministry of Finance and Economy et al. 2007, 50-60; Kang 2016)

¹⁴ "Tug of war over foreign cooperation," Dong-A Ilbo September 25, 1982. Accessed April 5, 2017. <http://newslibrary.naver.com/viewer/index.nhn?articleId=1982092500209205012&editNo=2&printCount=1&publishDate=1982-09-25&officeId=00020&pageNo=5&printNo=18763&publishType=00020>.

¹⁵ "Foreign Cooperation Commission to be established by cabinet decision," Maeil Business Newspaper January 21, 1983. Accessed April 5, 2017. <http://newslibrary.naver.com/viewer/index.nhn?articleId=1983012100099201012&editNo=1&printCount=1&publishDate=1983-01-21&officeId=00009&pageNo=1&printNo=5194&publishType=00020>.

Meanwhile, MOFA was not discouraged by the rejection of its conception of Foreign Cooperation Administration. It again announced a detailed conception of an economic cooperation fund that will be in charge of Korea's overall foreign cooperation through 'Plan for Cooperation with Developing Countries' in October 1984. A new fund would be in charge of development and management of financial resources for intergovernmental economic cooperation in loans, grants, technical cooperation, and multilateral cooperation with international organizations. MOFA proposed the fund could be founded in the early or mid-1990s, considering weak economic foundation at the time. In the meantime, the Secretariat established by the Foreign Cooperation Commission was integrated into the Office of Foreign Economic Coordination under Economic Planning Board in March 1986. The Office of Foreign Economic Coordination was at the heart of reviewing and preparing plans for economic cooperation with developing countries. It proposed the establishment of the Economic Development Cooperation Fund (EDCF) in its 'Plan for Promoting Economic Cooperation with Developing Countries' issued in June 1986. The Plan was drafted with an aim to answer the demands at the time for effective economic cooperation with developing countries: it proposed to set up a) EDCF to effectively respond to the requests of developing countries for the needs of capital and technology transfer, and b) 'Foreign Economic Cooperation Corporation' to carry out comprehensive, systematic and coherent cooperation projects. It put emphasis on measures to set up the fund focusing on economic cooperation as well as 'Foreign Economic Cooperation Corporation' as an implementing agency for concessional loans. The original idea was to commission EDCF to the Export-Import Bank of Korea (commonly known as the Korea Eximbank, KEXIM) under MOF for the first year or two until the Foreign Economic Cooperation Corporation is established to take up the operation of the Fund.

In July 1986, Deputy Minister of the Office of Foreign Economic Coordination (Economic Planning Board) held Director-General-Level Meeting with MOFA, MOF, MTI, MOST, based on the 1986 Plan for Promoting Economic Cooperation with Developing Countries. They agreed to reinforce economic cooperation with developing countries to proactively respond to changing domestic and international environment and had a detailed discussion on the establishment of EDCF and Foreign Economic Cooperation Corporation. However, the difficulty in coordinating interministerial interests and division of labor resulted in the foundation of EDCF and they deferred the establishment of the Corporation as a long-term agenda. However, it took more coordination to decide managing authority of EDCF. MOF was finally designated as the managing authority against EPB (backed by the Office of Economic Secretary) and in July 1987, EDCF officially was launched with a total of 15 billion won of initial contribution made by the Korean government (Ministry of Finance and Economy et al. 2007, 50-60; Kang 2016, 11-13).

Korea's aid program expanded throughout the 1980s through IDEP, feasibility studies and so on. In 1982, Korea Development Institute began its International Development Exchange Program (IDEP), through which it took in major governmental personnel from partner developing countries and provide educational programs on Korea's development experience. In 1984, Ministry of Construction (MOC) initiated technical service project (equivalent to the current feasibility study) while Ministry of Labor (MOL) began its program on the establishment and operation of vocational training center. Feasibility study programs launched in 1984 was significant attempt to connect foreign aid to the Korea's economic development promotion. Meanwhile 1989 marked an origination of Korean Youth Volunteer Program (KOICA 2013a, 383).

1990s: Further institutionalization of aid implementation and growth of ODA

With the end of the Cold War in 1991, South Korea's economic and political superiority against North Korea was consolidated by continuous economic growth throughout the 1970s and 1980s. Since Korea did not have to prioritize diplomatic competition with North Korea for its purpose of foreign aid, it tilted motivation toward economic interest utilizing concessional loans by EDCF while the Korean government also started recognizing the effectiveness of ODA and its humanitarian dimension (Kim 2014a, 83).

In 1991, Korean government set up the Korea International Cooperation Agency (KOICA) to serve as the government's central implementing agency for grant aid and technical cooperation to developing countries. The establishment of KOICA has integrated much of the technical cooperation and exchange programs dispersed among various ministries (e.g. MOFA, MOST, MOC and etc.) up until then in terms of planning, implementation and management. Though the integration did not mean the monopoly or the complete control of technical assistance and grants within Korean government by KOICA once and for all, foundation and growth of KOICA is significant in that it marked a historical point when Korea's so-called 'two-pillar' aid implementation system was set up: one pillar is EDCF (1987) supervised by MOF dealing with concessional loans while the other is KOICA (1991) managed by MOFA in charge of technical assistance and grants. There have been continuous discussions on the issues and solutions with regard to this two-pillar aid structure since its constitution in 1991, however no significant change has been made except installing a few

coordinating mechanism (e.g. Committee for International Development Cooperation) up to the present time.

Meanwhile, the 1990s marked a period when Korea's international status in international aid regime was going through a remarkable change. Korea came to be classified as Net Contributor Country in technical cooperation by UNDP in 1992 and was excluded from the list of recipient countries for development loan by World Bank in 1996. It also started proactive effort in international development cooperation by gradually increasing its ODA after it joined OECD in 1996 (KOICA 2013a, 369-373)

Korea's volume of ODA shows a not remarkable but a steady increase during the 1990s—the upward trend remained even during the Asian financial crisis of 1997-1998—and it was in contrast to the overall trend of DAC donors' decreasing aid volume during the same period. The most persuasive explanation for Korea's extraordinary aid practice at the time was found in the increasing importance of trade with developing countries. For instance, as of 1996, export to developing countries exceeded export to the advanced countries and their critical roles in the South Korean economy were highly appreciated (Kim 2014a, 84). Korea's provision of concessional loan to developing countries shows a steep increase since 1996 and this also marked the year when Korea's regional allocation of foreign aid on Asia preceded that of Africa. This changing trend not only reflects the increased recognition of Korean government on the strategic importance of neighboring Asian countries, but also explains the strategic response of the government to mitigate the negative impact of Asian financial crisis to Korea and to promote Korea's influence in the region.

Kim Young-sam administration (1993-1997) utilized ODA as a means to achieve its key policy objective, globalization, and various ongoing

development agendas were introduced to Korea including poverty eradication, sustainable development, and participatory development. Korean government initiated programs to support Korean NGOs engaged in development cooperation in developing countries in 1995. Kim Dae-jung administration (1998-2002) saw the increasing emphasis of humanitarian aid and partnership with civil society. It was a nascent period to connect Korea's ODA with democracy and protection of human rights (Lim 2014, 79-80).

2000s-current: Korea's emergence as emerging DAC donor

Korea, having been excluded from DAC List of ODA Recipients in 2000, achieved a remarkable transition of status in international aid regime from recipient to donor. Carrying the momentum of acquisition of OECD membership in 1996, it extended efforts to comply with norms of international aid regime by taking measures such as expanding aid volume, improving aid implementation system and so on (Koo et al. 2011, 156). Roh Moo-hyun administration (2003-2008) established Policy Framework for ODA (2005) to provide a mid-term policy direction until 2015 and set up the Committee for International Development Cooperation (CIDC) under Prime Minister's secretariat. Korea applied for the membership at OECD DAC in 2007 and became the 24th member of the DAC in 2010 after a prompt response to the recommendations noted in the DAC special review (2008). Korea, under the banner of 'advancement (*sun-jin-hwa*)' of ODA in Korea, focused its full attention to acquire DAC membership by proactively introducing and applying the latest aid norms and guidelines in international development cooperation.

Korea has continuously extended efforts to improve its ODA system by enacting the Framework Act on International Development Cooperation (Framework Act) on July 26, 2010. The Framework Act aims to secure legal foundation as well as to promote policy coherence and aid effectiveness in Korea's ODA policy and it contains various aspects of Korea's ODA including the following: basic principles and objectives, role of the CIDC, formulation of the Mid-term ODA Policy, roles and functions of relevant agencies, selection criteria of priority partner countries, evaluation, support for civil organization, and public relations to enhanced transparency and people's participation. Although the Framework Act intends to establish integrated ODA implementation system, it stresses expanding role of the CIDC to carry out integrated policy as an alternative to restructuring current two-pillar system. Although this position of the Framework Act constrains its goal to promote policy coherence, the enactment of the Framework Act set up the legal basis to improve ODA policy and system internally as well as announced Korean government's political will to contribute to the international society externally. Korea also devised the Strategic Plan for International Development Cooperation (Strategic Plan) as well as the Mid-term ODA Policy for 2011-2015 as part of its advancement (*sun-jin-hwa*) measures (ODA KOREA¹⁶; Kim 2014a, 87-88).

Korea is currently taking a step further as a norm maker in international aid regime. Based on 'Strategic Plan for International Development Cooperation (Strategic Plan)', it stresses coordination and effectiveness in policy making process for Korean ODA as well as it makes attempts to establish Korean ODA Model and to encourage participation of civil society. Korea also held the G20 Seoul summit (2010) and the Fourth

¹⁶ ODA KOREA. "Legal framework." Accessed April 10, 2017. <https://www.odakorea.go.kr/eng.policy.Legal.do>.

High Level Forum of Aid Effectiveness (HLF-4) in 2011. HLF-4 served an effective forum for exchange of ideas on achieving MDGs as well as bridging the gap in poverty eradication between the developed countries and the developing countries. It helped improving Korea's international status as an emerging donor by producing the 'Busan Partnership for Effective Development Co-operation' and new initiatives such as 'effective development', 'inclusive partnership' and so on (Beon et al. 2016, 175-176).

V. Path Dependence Analysis in two-pillar ODA Implementation System

Following part will examine how two-pillar aid implementation system was formed, maintained, and changed in Japan and Korea under the framework of path dependence. It will attempt to answer the reason why two-pillar aid implementation system, one of the symbolic commonalities between two countries, was turned into an integrated New JICA while it persists in Korea. The analysis is initiated by selecting crucial historical sequences and identifying critical junctures in each country from the earlier historical review, which leads to analyzing path-dependence in the flow of selected historical process. It is followed by examination on the mechanism of institutional reproduction and change in each country by utilizing Mahoney's (2000) four modes of explanations—utilitarian, power, function and legitimation.

1. Japan

1.1. Critical Juncture and Path-dependent Process

Since Japan's precedent regarding New JICA has shed much light on policy implication for Korea's discussion on integrating two-pillar aid implementation system, the focus of Japanese case study is put on identifying mechanism of institutional change to explain how New JICA was instituted rather than how the existing two-pillar system had been maintained before that. The following part, therefore, is constructed to look into what may have

caused Japan's two-pillar system to turn into an integrated one or how existing path dependence in institutional reproduction was altered in the course of historical development in Japan's ODA.

Historical Sequence 1: Establishment of aid implementation system

Japan set to engage in international development cooperation after joining Colombo Plan in 1954 and its aid implementation system was established in the order of OECF (concessional loan) in 1961 and OTCA (technical cooperation) in 1962. The two-pillar system at implantation level was completed thus at the early stage of Japan's ODA history. Since policy priority at the time was put on handling war reparations to Asian countries and reinforcing economic ties—expanding export markets and securing imports of raw materials—with the region, Japan utilized ODA to fulfill these practical policy objectives as well as to meet high domestic expectations for potential benefits to Japanese economy generated by these actions (MOFA of Japan 2005, 8).

It is not obvious that Japanese government had a serious consideration on establishing an integrated aid system at the time, but it is reasonable to infer that Japan's policy focus on foreign economic cooperation at the time spontaneously led the government to prioritize founding an institution to manage foreign economic cooperation, if there were not any pressing necessity to set up an integrated system at all. This argument is backed up by following grounds. War reparations comprised a significant

share of Japan's international cooperation from the mid-1950s¹⁷ and reparations were carried out through payments in yen to Japanese firms who exported Japanese goods and services in Southeast Asian countries. Total expenditure around USD 1.5 billion continued during 1955-1977 assisted Japanese firms to retrieve entry into the region. In addition to this, yen loan was devised as an effective tool to promote Japan's export, which was crucial policy priority at the time. This trend continues to the 1960s when Japan's ODA system was rapidly developed backed up by domestic policy for rapid economic growth ("income doubling policy") as well as external support of the US that intended to utilize Japan's economic assistance for Southeast Asian countries to deter Soviet expansion in the region (Kato 2016, 1-2). Two-pillar aid system in Japan was formed rather spontaneously in the order of each institution dealing with economic cooperation and technical cooperation, as the functional priority for foreign cooperation at the early stage of ODA was weighted toward economic cooperation. Once the system was created, the institutional structure became core of Japanese ODA framework and had sustained until the establishment of New JICA in 2008.

Historical Sequence 2: Reorganization in each pillar of aid (JICA and JBIC)

Although the core structure of two-pillar aid system wasn't altered before the integration in 2008, there has been minor adjustment in each pillar of aid system. OTCA and Japan Emigration Service (JEMIS) were merged into JICA in 1974. Japanese government, stunned by global oil crisis in 1973,

¹⁷ JICA states that one of the main objectives to establish OECF was to "take over Southeast Asia Development Cooperation Fund from the Export-Import Bank of Japan (JEXIM). JICA. "History." Accessed April 19, 2017. <https://www.jica.go.jp/english/about/history>.

intended to expand diplomatic relations by increasing aid volume and reinforcing technical cooperation and it resulted in the organizational expansion of OTCA into JICA. 1999 marked the establishment of Japan Bank for International Cooperation (JBIC) with merger of OECF and JEXIM, which was the outcome of national administrative reform stirred by worsening economic recession in the mid-1990s. Various changes in internal and external settings have resulted in the reorganization process after the completion of two-pillar aid implementation system in 1962, but their impact has not reached to alter path dependence of Japan's aid institution until series of critical factors emerged to intervene the course in the 1990s.

Historical Sequence 3: 1990s and Japan's administrative reform— Critical juncture

Japan stood at the turning point of history in the 1990s with a crucial change in economy and politics. Having established itself as an economic superpower in the 1980s, Japan entered into the stage of 'bubble economy'—marked by inflated prices of real estate and stock market—after the Plaza Accord of September 1985 led to the strong appreciation of the Japanese yen. The collapse of the bubble economy had brought Japan to sink into severe stagnation, 'the Lost Decade'. The accountability and competence of bureaucrats, once a reliable core that had led Japan's rapid economic growth, called into question amid extended economic downturn and criticism against government were growing as series of corruption scandals were disclosed.

Deteriorated economic condition (e.g. 0% of economic growth rate for more than a decade, government debt amounting to 80% of GDP) led

modification of Japan's economic and diplomatic policies. The Fiscal Structural Reform Act was enacted in 1997 and total ODA volume of Japan continued to decrease from 1998 after the pinnacle of aid provision with JPY 1.16 trillion in 1997 (Choi et al. 2008, 59). Public support for Japan's foreign aid was leaning toward negative poll amid extended economic recession as shown in the yearly public opinion poll on diplomacy (conducted by The Cabinet Office in the Government of Japan): positive view toward ODA has sharply decreased (41.4% in 1991 to 19.2% in 2002) while negative view increased (8.9% in 1991 to 25.6% in 2004) (Choi et al. 2008, 47-48).

Domestic politics was going through a sea change as LDP-dominated '1955 System' was terminated in 1993, leaving LDP with broken political dominance and striving to regain its domination of political power in a new political landscape. LDP returned to power in 1996 and plans for sweeping government reform were at the heart of newly installed Hashimoto's cabinet. Hashimoto's administrative reform, aiming at economic recovery and small government, was initiated in 1996 and it formed the basis of actual policy results that came to fruition under Koizumi Cabinet during 2002-2006 (Yeom 2009, 91).

These changes in the environments of the 1990s, especially extended economic stagnation, served as critical juncture to establish an integrated aid implementation system in Japan later on. Changes in environmental settings at the time were unexpected and especially domestic political conditions with regard to LDP and its administrative reform were critically contingent in its correlation to the institutional change in ODA implementation system.

Historical Sequence 4: Establishment of New JICA

Koizumi Cabinet, inheriting administrative reform plans conceived under Hashimoto Cabinet in 1996, implemented overall administrative reform including governmental financial institutions. The reform of special public corporation and financial sector, spearheaded by privatization of the postal services, had an enormous impact on Japan's ODA. Two pillars of aid at implementation level were integrated into New JICA as a by-product of the reform of public financial institutions, rather than the outcome of ODA reform. (Ohno 2013; Tsunekawa 2014)

The design of administrative reform was conceived in previous cabinets (Hashimoto, Obuchi, and Mori) that came before Koizumi. They recognized the necessity of market-based reform to overcome economic crisis and Hashimoto even pushed 'Big Bang' deregulation in Japan's financial sector. However, their reflationary measures turned out to be a failure, only expanding financial deficit: Japanese government deficit was around 8% of GDP from 1997 to 2000 and total volume of government bond (national and local) accumulated until the end of 2000 exceeded 140% of its GDP (Cho 2009, 259).

Koizumi was inaugurated in this unstable financial foundation and he prioritized to work on non-performing loans and restructuring in financial sector for economic recovery. He pushed ahead to alter policymaking process in Japan by reinforcing Cabinet to overcome extant policy-making structure led by bureaucrats. He empowered the Council on Economic and Fiscal Policy—launched in 2001 for ministerial-level organizational reform—as the core institution for administrative reform and control tower for reform in policy-making process (Cho 2009, 262). The strong political leadership and reinforced authority of Cabinet served as a foundation to push ahead

establishment of New JICA notwithstanding fierce opposition from bureaucrats including MOF and JBIC.

In summary, integration of Japan's aid implementation system was a by-product of administrative reform of government, spurred by a) changing environmental settings in the 1990s (extended economic recession, collapse of LDP-dominated domestic politics, rapidly decreasing public support for ODA), b) LDP's scheme to regain its political dominance, and c) Koizumi's strong leadership to push ahead administrative reform overcoming bureaucrats' superiority in policy-making process. What altered the path dependence of institutional trait in Japan's ODA (two-pillar aid implementation system) were not endogenous factors precisely focusing on ODA reform, but exogenous factors driven by political will of LDP and Koizumi Cabinet's administrative reform.

In the following part, Mahoney's four frameworks on the mechanism for institutional reproduction and change are used to examine how Japan's two-pillar implementation system has been maintained and changed.

1.2. Path Dependence Analysis: Mode of Institutional Persistence

Utilitarian Explanation

Mechanism of reproduction

- Institution is reproduced through the rational cost-benefit assessments of actors

Mechanism of change

- Increased competitive pressure; learning process

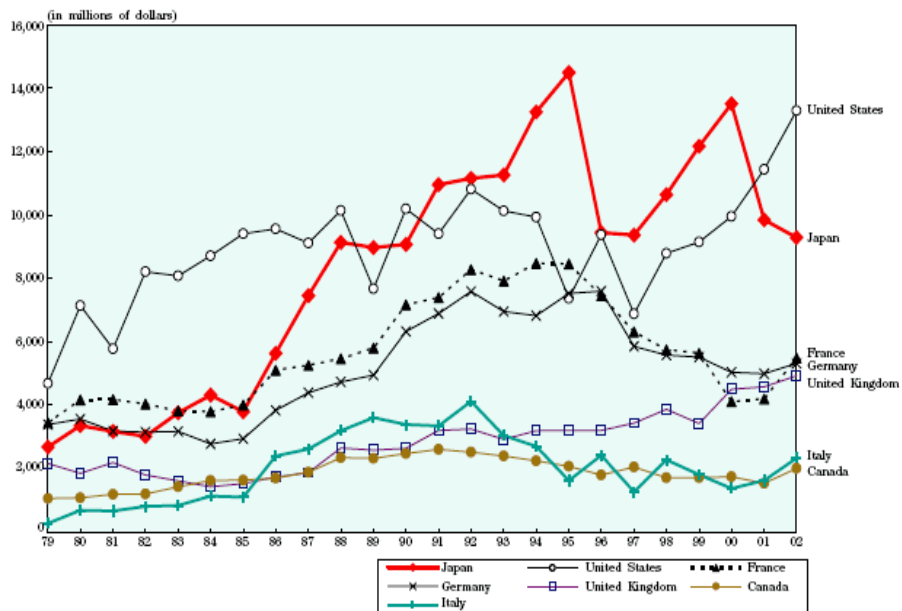
Utilitarian framework provides partly true explanation to describe how Japan's two-pillar implementation system had been maintained before the establishment of New JICA. In fact, the institutional persistence of two-pillar implementation system in Japan was not the result of elaborate cost-benefit calculation but rather unintentional acceptance and compromise made among relevant actors. There were demands from LDP, MOFA, and Keidanren for setting up integrating aid agency in the early stage of Japan's ODA (from the late 1950s to the early 1970s), but the voices were made sporadically and started losing momentum after that until fragmented aid implementation system emerged as main political agenda with the emergence of Hashimoto's administrative reform (1996) during the severe economic recession in the 1990s¹⁸. In addition, the lack of political impetus to overcome established ministerial interests and strong resistance against any attempts to modify existing aid system eventually led to the persistence of two-pillar system. Even MOFA of Japan, once having claimed for setting up a central aid agency, started to lose momentum for aid reform to retain its control over aid it already had at the time.

However, maintaining existing two-pillar system was felt more beneficial compared to the cost of addressing conflictual interministerial interests established within the government. Moreover, efficiency within each

¹⁸ By the time Administrative Reform Council was established in 1996, a proposal to integrate aid implementation system was made by academia, media and civil society that "International Aid Agency" or "ODA Agency" could be established (Hirata 1998, 332).

boundary of technical cooperation and concessional loan was respectively reinforced with the passage of time as each area developed its own expertise in planning and implementation of foreign aid within the framework of two-pillar system, which consolidated resistance to attempts to integrate aid implementation system in turn. Lastly, a steady increase in ODA budget fueled by expansion of foreign economic cooperation in Japan had led actors of two-pillar system to focus on benefits to defend the status quo. As shown in the figure below, Japan's ODA disbursement volume sharply increased compared to other G7 member countries from the 1980s to the mid-1990s (collapse of the bubble economy) during which Japan saw an economic boom. Increasing ODA budget led main actors of Japan's aid (MOF/OECF and MOFA/JICA) to cling to their vested interests in each pillar of ODA as well as increasingly disincentivized them to hand over their established authority over one pillar to their counterpart. In sum, two-pillar system in Japan was not maintained by cost-benefit assessment of relevant actors even though the benefit of keeping two-pillar system might have felt stronger by main actors of ODA in the end.

<Figure 2. Trends in ODA by G7 Member Countries
(on a net disbursement basis)>



(Source: MOF in Japan's webpage¹⁹)

The limitation of utilitarian explanation became evident in an attempt to explain the change of two-pillar implementation system into the integrated New JICA. Utilitarian framework can only explain this institutional reform by demonstrating, at a certain point in the overall historical process, ODA-related actors found out that maintaining two-pillar aid system does not serve their self-interests anymore. However, it was neither MOF/OECF nor MOFA/JICA who recognized and reacted to changing interests, but political actors (Koizumi Cabinet led by LDP). As examined in the previous historical review, the core factors behind the establishment of New JICA are far from cost-

¹⁹ Ministry of Finance, Japan. "Understanding the Japanese Budget 2004." Accessed May 1, 2017. http://www.mof.go.jp/english/budget/fy2004/brief/2004e_04.htm.

benefit calculation of relevant actors regarding aid implementation system. They derived from external sources such as economic recession, downfall of political dominance and sweeping administrative reform process. Although there were demands for increasing aid effectiveness raised by corruption scandals in some parts of Southeast Asia (Philippines and Indonesia in the 1990s), they did not provide meaningful impetus for reform in Japan's aid system. Therefore, changing self-interest of actors with regard to an existing institution, increased competitive pressure or learning process—mechanism of change in utilitarian explanation—hardly explains the change of Japan's aid implementation system.

Legitimation Explanation

Mechanism of reproduction

- Institution is reproduced because actors believe it is morally just or appropriate

Mechanism of change

- Changes in the values or subjective beliefs of actors

Actors' preferences or beliefs on the legitimacy of certain aid institution can be best explained by their judgement on if given institution serves the objective of aid or not. Therefore, it is reasonable to examine whether the purpose of ODA has changed in the course of development of Japan's ODA. The characteristics of Japan's ODA emphasizing its own national and mercantile interests have long been criticized by international society. Japan

has been making continuous efforts to respond this external pressure by reducing tied aid ratio, expanding regional focus to the world beyond Asia, and establishing aid philosophy by announcing ODA charter.

However, the foundation of Japan's ODA policy has not broken its strong connection with the pursuit of Japan's national interest as the core principle of ODA Charter shows since its establishment in 1992—it went through revision in 2003 and in 2015, when ODA Charter was renamed into 'Development Cooperation Charter'. Even after the first revision in 2003, the Charter was under strong criticism from DAC for it discussed sustained growth in connection with stimulating Japan's trade and investment focusing on the private sector. In addition, the statement in the second revision that the “objectives of Japan's ODA are to contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity²⁰” aroused a lot of controversies for the ulterior motive of Japan's ODA (Tsunekawa 2014). This tone even continues through the second revision of the Charter in 2015—the second revision retained the existing commercial motivation and reinforced military element by reflecting 'Three Ds (Development, Diplomacy, Defense)' of Abe administration into aid policy. Although the second revision did not explicitly support for using Japan's ODA for military purpose, it left a room by stating that direct assistance to foreign militaries for non-military purpose (e.g. emergency relief) is allowed, which aroused considerable concerns in international society²¹. In addition, Japan's expanding assistance to Africa since 2010 is evaluated to be an implicit attempt to deter growing influence of China in the region (political

²⁰ MOFA of Japan. 2003. “Revision of Japan's Official Development Assistance Charter.” Accessed April 5, 2017. <http://www.mofa.go.jp/policy/oda/reform/revision0307.html>.

²¹ Dugay, Christine. 2015. “What does Japan's new charter mean for development?” devex, February 27. <https://www.devex.com/news/what-does-japan-s-new-charter-mean-for-development-85595>

reason) and to back up Japanese companies' making a inroad into the African market (commercial reason). DAC, through its Peer Review, has continued to advise Japan not to prioritize Japan's national interest over development of recipient countries with its aid programs (Lim 2015).

To sum it up, Japan's aid objective has continued to put its national interest at the core of its ODA by adding security element on top of strong mercantile motivation. As for the institutional reproduction of two-pillar aid system, a claim could be made that the system has been maintained for its constancy. However, the same explanation does not account for the reason why the system was integrated into one pillar, the New JICA, despite that the philosophy and objective of Japan's aid has been constantly centered upon its national interest. Since legitimation framework can only explain institutional reproduction of two-pillar system in Japan rather than its change, it is not the best framework to account for Japan's case.

Power Explanation

Mechanism of reproduction

- Institution is reproduced because it is supported by an elite group of actors

Mechanism of change

- Weakening of elites and strengthening of subordinate groups

If power framework makes sense in Japan's case, it should prove how two-pillar aid system had been maintained by a particular group with power to

restrain other actors demanding for the change or integration of existing aid system. But the aspect of power conflict in Japan was not evidently observed in comparison to Korea, where MOFA/KOICA and civil society have conflicting interest with MOF/EDCF regarding change of the current system.

In fact, demands for a central aid agency had been made in Japan to pursue administrative unity. The first relevant discussion was initiated by a group of LDP member in August 1957, followed by *Keidanren* and the LDP's special aid committee's proposal in 1958. After the establishment of two-pillar aid implementation system (OECF in 1961 and OTCA in 1962), the discussion continued by Government's commission on Administrative Reform (1964) and MOFA (1967 and 1970 by Foreign Minister Miki Takeo's statement). In 1968, Japan Committee for Economic Development stressed the importance of a central aid agency to improve consistency and flexibility in economic cooperation policy and in 1971 LDP's special committee on aid came up with concrete proposal on the merger of OECF and OTCA. However, a strong bureaucracy and conflicting interests of each ministries involved in Japan's foreign economic cooperation brought about recurrent disputes within the government regarding calls for a central aid agency. As Rix (2011) explains, "there was a never a well-developed movement or political impetus for reform able to overcome the weight of the established bureaucracy" (Rix 2011, 50). By 1978 the idea was losing its momentum faced by interminable interministerial clash of interests—MOFA even preferred status quo to retain its established jurisdiction over aid—and weak political impetus for the reform (Rix 2011, 51-52). It was not until the mid-1990 when academia and civil society pushed for reform to build integrated aid implementation system that this idea regained its momentum, but the movement was activated by discussion of administrative reform by Hashimoto Cabinet.

What marked the conflicting interests of aid actors in Japan is discontinuity and ambiguity. Even though various actors (e.g. LDP, *Keidanren*, MOFA, academia and civil society) made proposals on a central aid agency, the proposals tended to be made rather sporadically by different actors for different period. The ambiguous stance of certain actors, especially MOFA, is also observed regarding reform of aid system. As Rix (2010) analyzed above, MOFA made mention of the necessity of a central aid agency while it opted for a status quo (two-pillar system) to maintain its control over Japan's aid. This ambiguity continued from the late 1960s to the 2000s during administrative reform period. The majority of staffs at MOFA and JICA as well as MOF/JBIC disapproved of the government's plan to dissolve JBIC's international loan department for establishing New JICA during the early stage of reform process (Han et al. 2015, 215). This leads to infer it was less likely that MOFA waged a sporadic power struggle against MOF to seek dissolution of two-pillar aid system. In summary, power framework is limited to explain institutional persistence of two-pillar aid system in Japan.

It requires a closer examination whether power mechanism can best describe institutional change (ODA reform) carried out by LDP-led Koizumi Cabinet. Power framework needs to explain the process how bureaucrats had maintained its preferred two-pillar system with its superiority over politics and how it gave in to politics' superiority over bureaucrats which brought about integrated system preferred by politics. Although LDP made sporadic proposals for aid system reform in 1957, 1958 and 1971, it is hard to observe evident power struggle between politics and bureaucracy regarding aid implementation system before the discussion of establishing New JICA. LDPs were rather indifferent to the ODA issue and entrusted a considerable part of policy making to bureaucrats for ODA was believed to have low correlation to election until the 1990s (Choi et al. 2008). Power mechanism is obviously

engaged to the process how politics, traditionally regarded inferior to bureaucracy in policy making, overcame a strong resistance of bureaucrats to push for the establishment of New JICA. However, power framework is not a complete explanation for the process of integrating aid implementation system in Japan, as conflictual aspects between politics and bureaucracy over aid implementation system was not clearly manifested and maintained until the 1990s.

Functional Explanation

Mechanism of reproduction

- Institution is reproduced because it serves a function for an overall system

Mechanism of change

- Exogenous shock that transfers system needs

If functional framework sounds plausible, it needs to build a positive correlation between functional consequences of aid system and a larger system in which aid system is embedded. In other words, two-pillar aid implementation system had to serve some function (e.g., integration, adaptation, survival) for a bigger system (e.g. Japanese government as a whole) within which it is embedded, which led the expansion and consolidation of two-pillar aid implementation system. This leaves the problem of defining scope of the system and this paper dealt this issue as follows considering aid implementation system is policy means of the

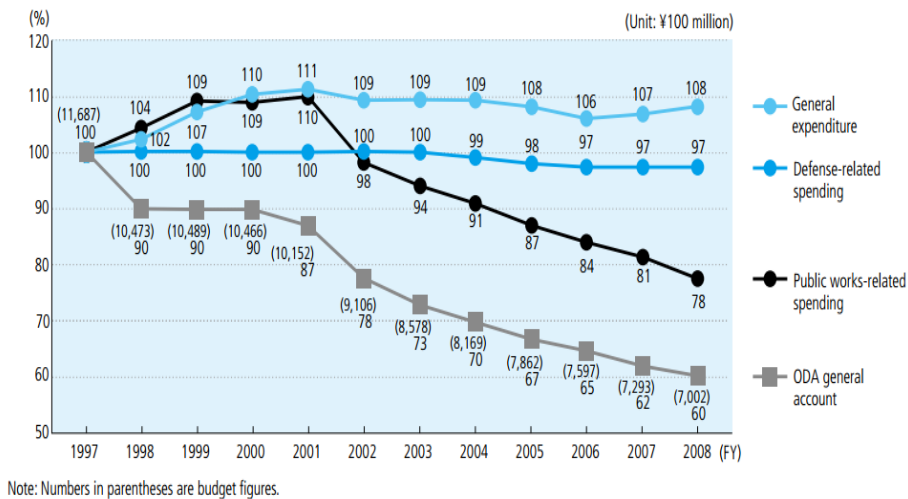
government: a) Japanese government including MOF and MOFA dealing with aid policies in Japan, b) political parties engaging in the decision of policy goals of the government, c) people that political parties wish to represent whose preferences on a certain policy goal through representative democracy. Within this framework, Japan's ODA had fulfilled its functions by and large until it was met with various internal/external challenges in the 1990s.

Japan's dual aid structure had faithfully served the policy objective or function of the larger governmental system to pursue practical interests of overseas economic expansion through ODA. Japanese government led by the LDP (the ruling party) had not discovered many incentives to modify 'functional' dual aid structure; thereby this unique system has been sustained for about a half century. Foreign aid had not been the main public interest in Japan, which induced the ruling LDP to pay less attention to ODA issue in general (including aid implementation system) because of its low correlation to the votes in constituency (Choi et al. 2008). In the end, two-pillar aid system could contribute to maintain existing government system as long as Japanese government realizes its national interest, ruling LDP remains in power, and people are satisfied with policy implementation of the government through ODA. Based on this positive functions of ODA, Japan steadily increased its ODA volume and its dual aid structure had been consolidated.

With regard to the change in aid system, there had to be exogenous shock that put pressure on the overall system (e.g. Japanese government), made existing aid system's function obsolete, and demanded its transformation to preserve the overall system in the new environmental setting since 1990s. In fact, exogenous shocks that were hardly explicable by existing conditions were decisive to establish New JICA. Especially, extended economic recession caused by sudden collapse of bubble economy, downfall

of LDP's political domination, and sweeping administrative reform by LDP-led government to address these issues were main external events to Japan's ODA. However, these seemingly independent changes in the 1990s served as exogenous shock to start undermining functions that existing ODA system had performed until then. First, public opinion on Japan's ODA was diverted from dominantly positive to dominantly negative, which proves changed preference of people on policy goal of Japanese government fueled by economic downturn in the 1990s. This can also be interpreted as the evidence to show a perception gap between the government ('ODA to developing countries can generate economic benefits for Japan in the end') and the people ('Economic benefits of ODA for Japan fall short of people's expectations and ODA does not precede domestic demands for the national budget in economic deterioration'). Issues of ODA including corruption scandals related to Japan's ODA in some parts of Southeast Asia had also kindled negative public sentiments against ODA. Secondly, Japan's ODA budget had shown a rapid and steady decrease since the mid-1990s compared to other governmental budget items (especially general spending and defense) as in the following figure. This signifies that ODA has lost its policy priority since the mid-1990s and the function of ODA to realize policy goals of seeking Japan's economic interests—implicit purpose of ODA that Japanese government has claimed for long—has been weakened at the same time.

<Figure 3. Trends in Japan's ODA Budget and Other Major Expenditures>



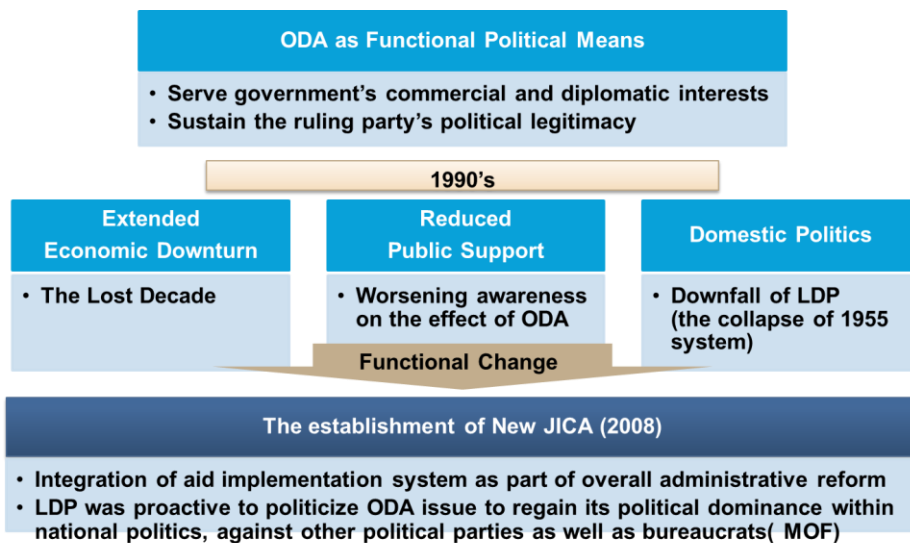
(Source: Japan's ODA White Paper 2008, 47)

Lastly, the most notable change was how ODA issue claimed the attention of the ruling LDP in this changing environment of the 1990s. LDP with 'rational indifference' had left much part of policy making in ODA to MOFA up until then, for ODA did not appeal to people's attention and it accordingly was not closely related to the votes of the constituency during election season. As long as that condition persists, maintaining consistency of governmental institution was more beneficial to the political stability of the ruling LDP that had dominated Japanese politics for about half a century until then. However, the downfall of LDP led to the establishment of unstable coalition government in the 1990s and it provided sufficient motivation for LDP to regain its political domination by bandwagoning increased negative public sentiments against ODA in extended economic recession, preoccupying ODA issue politically, and leading sweeping administrative reform. This is the background how LDP started taking an active interest in

ODA issue that was to be highly politicized in severe economic downturn and continued to make series of policy recommendations in 1997 (Medium-Term Policy on ODA), 1999, 2002, and 2003 (Choi et al. 2008). LDP's continuous political efforts were initiated by Hashimoto Cabinet and bore fruit through Koizumi Cabinet's reform in the mid-2000s, which resulted in the integration of aid implementation system as one of its outcomes.

In Mahoney's terms, aforementioned new environmental settings in the 1990s worked as a "exogenous shock that puts pressure on the overall system" and changed the "function" that existing ODA institution had served within the framework of Japan's national economic and political interests, which in turn brought about institutional change resulting in the emergence of the integrated ODA implementation system, the New JICA.

<Figure 4. Functional Explanation on the Change of Japan's Aid Implementation System>



(Source: prepared by author)

2. South Korea: the Birth of two-pillar System and its Reproduction

2.1. Critical Juncture and Path-dependent Process

Historical Sequence 1: The birth of Korea as a donor

Early stage of Korea's ODA, in effect, is marked by the absence of implementation system. Various ministries were engaged in rather simple technical cooperation activities including training programs, dispatch of experts, and so on, depending on the field of cooperation. MOFA and MOST were principal actors in the initial stage (training program commissioned by USAID) and the scope of engagement was expanded by other ministries such as MOHS, MOL, and MOC for growing importance of cooperation with foreign countries and diversifying demands for field of cooperation.

Korean in the 1960s put economic growth by export-led industrialization as its top priority and establishing cooperative relationship with developing countries for promoting export and diplomatic ties assumed more importance. In line with this background, the fundamental philosophy that penetrates initial stage of Korea's ODA was weighted toward foreign economic cooperation than foreign aid. However, no institutional foundation was set up to lead this dispersed implementation of technical cooperation with foreign governments in spite of intragovernmental consensus was formed for foreign economic cooperation. EPB might have had a role in coordination of this situation²². EPB was authorized as a control tower to establish and

²² Economic Planning Board (EPB) was established in 1961 with an aim to establish, implement, manage, and coordinate economic development strategy and comprehensive economic plan including the Five Year Economic Plan. EPB was

coordinate overall economic policies in Korea. But it was more involved in receiving aid than giving it: EPB, with the National Assembly and United Nations Korean Reconstruction Agency, sought to ways to effectively utilize the foreign aid received from donors (Joo et al. 2012, 131). Since aid received from donors outside the country was a crucial financial foundation to reconstruct Korea while aid given to the developing countries in technical cooperation was a meager volume, it seems that EPB was not concerned with donor activities of Korea as much. This vacuum of aid implementation system is soon to be filled with confrontational attempts of two ministries in charge of Korea's diplomacy and economy.

Historical Sequence 2: Conception of Integrated Foreign Cooperation System by MOFA and EPB

The effort to establish aid implementation system in Korea at least traces back to 1970 when MOFA made an attempt to lead the discussion in the government. It was reported that the government was slated to integrate foreign aid activities with an aim to strengthen diplomacy in Southeast Asia, Middle East, Africa and Latin America (Dong-A Ilbo 1970²³). According to the report, it was under ministerial discussion that tentatively named 'Foreign Cooperation Administration (FCA)' in charge of foreign aid would be

empowered to be in charge of policy planning, budgeteering, foreign capital inducement (foreign economic cooperation) and it led economic policy to support Korea's economic development plan (Joo et al. 2012).

²³ Dong-A Ilbo, "Integration of Foreign Aid Activity." October 3, 1970. Accessed May 5, 2017. <http://newslibrary.naver.com/viewer/index.nhn?articleId=1970100300209201002&editNo=2&printCount=1&publishDate=1970-10-03&officeId=00020&pageNo=1&printNo=15073&publishType=00020>.

established under MOFA to improve continuity, efficiency, mobility and planning as well as foreign aid fund with USD 3-5 million based on the law on foreign economic cooperation and technical aid. The report was based on the interview with a high-ranking diplomatic source and it explained that there was ongoing discussion within the government regarding systematization and increasing benefits by integrating aid implementation, which was carried out sporadically by various government agencies—medical experts program by MOFA, establishment of medical facilities by Ministry of Health and Society, technical training by MOST, agricultural activity by Ministry of Agriculture and Forestry as well as general aid program by reserve fund of the government.

It is noteworthy that this report represents MOFA's stance on foreign aid and its institution. First, MOFA's conception of a new institution for aid implementation was an integrated agency that is in charge of managing, planning, and implementing *mu-sang-won-jo* (technical cooperation first and consider grant program later on) and *you-sang-won-jo* (financial cooperation). It stressed that integrated aid implementation system should be founded under MOFA, citing examples of the US and Japan that were operating foreign aid agencies as well as Canada and Sweden which put the aid agency under ministry dealing with diplomacy. The report stated that interministerial agreement was made in principle, but discussion was ongoing between EPB and MOFA regarding jurisdiction of the Foreign Cooperation Administration and the fund. Secondly, MOFA's practical approach to foreign aid is noticeable in stating the direction of FCA as "blockade of the North Korean regime, promoting diplomatic relations with neutral states and the UN, as well as export promotion by creating demands in recipient countries".

Meanwhile, EPB made a similar move to take the initiative of foreign cooperation as MOFA did. Korea in the 1970s prioritized export promotion and securing raw materials to boost continued growth of light and heavy industry. The government had a keen interest on foreign (economic) cooperation to achieve these policy goals and foreign aid was recognized as primary policy tool to support this frame (Kim 2014a). EPB's effort paid off as the government made a decision in 1976 that Foreign Economic Technical Cooperation Commission (FETCC) would be set up under EPB. FETCC would be chaired by the Minister of EPB and its responsibility on for foreign economic technical cooperation includes a) establishment and coordination of basic direction, major policies and annual planning, as well as b) review on the progress and evaluation (Maeil Business Newspaper 1976²⁴). Even though other major ministries such as MOFA and MOST were engaged as member of the Commission, the jurisdiction was obviously under EPB. EPB's attempt to take initiative in overall foreign cooperation, beyond its traditional dominance over economic cooperation, was clear considering that donor activities of Korea at the time were composed of technical cooperation (*mu-sang-won-jo*) implemented by other ministries such as MOFA, MOST.

In summary, there were active attempts by MOFA and EPB respectively to lead establishment of integrated aid implementation system or foreign cooperation agency based on the stable national policy consensus for foreign economic cooperation, as early as 1970s. It should be noted that there was slight difference in the notion of integrated aid implementation system between two actors. MOFA's conception is much closer to today's definition

²⁴ Maeil Business Newspaper. "Government Resolved to Set up Foreign Economic Technical Cooperation Commission" November 17, 1976. Accessed May 5, 2017. <http://newslibrary.naver.com/viewer/index.nhn?articleId=1976111700099201021&editNo=1&printCount=1&publishDate=1976-11-17&officeId=00009&pageNo=1&printNo=3295&publishType=00020>.

of aid implementation system as a) it is based on the notion of foreign ‘aid’, b) modeled after cases of DAC donors’ aid system, and c) it covers implementation level with a basic policy (long-term planning) level. In contrast, EPB’s conception was weighted toward foreign ‘economic cooperation’ and more focused on coordination at policy level. In spite of this slight difference in the objective and level of integration for foreign aid, it is worthy of notice that the core government agencies each in charge of diplomacy and economy had a conception of the establishment of an institution that would be in charge of Korea’s overall foreign cooperation and attempted to lead the initiative respectively. This difference and confrontation of the stance crucially affect the process of establishing Korea’s aid implementation system later on.

Historical Sequence 3: Rejection of the Conception on Foreign Cooperation Administration—Critical Juncture 1

MOFA’s conception of establishing integrated aid implementation system under MOFA continued through the 1980s. The then President Chun Doo-hwan’s visit to Canada and four African countries (Gabon, Senegal, Nigeria and Kenya) became the catalyst to the formation of aid system in Korea. Under Chun’s instruction, intergovernmental discussion began to establish an effective and efficient system for Korea’s overall foreign cooperation. MOFA’s effort to push ahead the establishment of Foreign Cooperation Administration was reignited. The principle idea was to found an independent government agency that consists of three main pillars such as Bureau of Development Cooperation, Bureau of Technical Cooperation and Bureau of

Immigration Service to coordinate overall implementation of Korea's Foreign Economic cooperation that was diffused over various ministries (JoongAng Ilbo 1982²⁵, Dong-A Ilbo 1982²⁶)

However, MOFA's ambition was met with strong opposition from other relevant ministries as well as EPB, which would consider organizing a Task Force (Foreign Cooperation Planning Group) under Deputy Minister of EPB and restoring the Bureau of Economic Cooperation to take the initiative (Dong-A Ilbo September 1982²⁷). Meanwhile, other relevant ministries (e.g. Ministry of Trade and Industry) hinted a negative stance toward these respective conceptions of independent foreign aid administration by MOFA or EPB. The then Minister of MOST Lee Jeong-o, at Special Committee on Budget and Accounts of the National Assembly, mentioned that MOST should continue to take care of foreign cooperation in technical field and activities of its attached research institute even if Foreign Cooperation Administration is established (Maeil Business Newspaper 1982²⁸). Since MOST was one of the most powerful actor in technical cooperation with MOFA from the early stage of Korea's ODA, his statement represents the

²⁵ "Foreign Cooperation Administration to be established next year," JungAng Ilbo, October 28, 1982. Accessed April 5, 2017. <http://news.join.com/article/1660806>.

²⁶ Foreign Cooperation Administration to be established," Dong-A Ilbo. September 24, 1982. Accessed April 5, 2017. <http://newslibrary.naver.com/viewer/index.nhn?articleId=1982092400209201005&editNo=2&printCount=1&publishDate=1982-09-24&officeId=00020&pageNo=1&printNo=18762&publishType=00020>.

²⁷ "Tug of war over foreign cooperation," Dong-A Ilbo September 25, 1982. Accessed April 5, 2017. <http://newslibrary.naver.com/viewer/index.nhn?articleId=1982092500209205012&editNo=2&printCount=1&publishDate=1982-09-25&officeId=00020&pageNo=5&printNo=18763&publishType=00020>.

²⁸ "Democratic Korea Party demands changes to the budget," Maeil Business Newspaper 77 November 4, 1982. Accessed April 5, 2017. <http://newslibrary.naver.com/viewer/index.nhn?articleId=1982110400099201016&editNo=1&printCount=1&publishDate=1982-11-04&officeId=00009&pageNo=1&printNo=5129&publishType=00020>.

general view of relevant ministries on the conception of independent foreign aid agency. The opposition against MOFA's conception within the government and financial burden finally led to the rebuff of MOFA's proposal and the adoption of the alternative plan to establish Foreign Cooperation Commission (FCC) under EPB with the Bureau of Foreign Cooperation under MOFA (Kyunghyang Shinmun 1982²⁹, Dong-A Ilbo 1982³⁰, Maeil Business Newspaper 1983³¹)

It is undoubtable that MOFA-centered conception could be hardly backed up other ministries that had been carrying out foreign technical cooperation in their own field of expertise for a long time until then. Especially it must have been an undesirable proposal for EPB, which took in charge of Korea's overall economic policy since the first Five Year Economic Plan and had had continuous efforts to take the initiative on Korea's foreign economic cooperation—EPB established FETCC in 1976 and considered organizing Foreign Cooperation Planning Group as well as restoring the Bureau of Economic Cooperation. Therefore, the rejection of MOFA's conception of FCA reflects EPB's intention of power to hold MOFA in check

²⁹ "Conception of Foreign Cooperation Administration," Kyunghyang Shinmun November 9, 1982. Accessed April 5, 2017. <http://newslibrary.naver.com/viewer/index.nhn?articleId=1982110900329202041&editNo=2&printCount=1&publishDate=1982-11-09&officeId=00032&pageNo=2&printNo=11420&publishType=00020>.

³⁰ "Bureau of Foreign Cooperation to be established under MOFA," Accessed April 5, 2017. <http://newslibrary.naver.com/viewer/index.nhn?articleId=1982123000209202016&editNo=2&printCount=1&publishDate=1982-12-30&officeId=00020&pageNo=2&printNo=18844&publishType=00020>.

³¹ "Foreign Cooperation Commission to be established by cabinet decision," Maeil Business Newspaper January 21, 1983. Accessed April 5, 2017. <http://newslibrary.naver.com/viewer/index.nhn?articleId=1983012100099201012&editNo=1&printCount=1&publishDate=1983-01-21&officeId=00009&pageNo=1&printNo=5194&publishType=00020>.

and to demarcate a fine line between economic cooperation and technical cooperation.

The decision in 1983 was decisive in that it caused Korea's ODA institution to develop in dual structure of loan (*you-sang won-jo*) on the one hand and TA & grant (*mu-sang won-jo*) on the other. The alternative plan adopted after the rejection of MOFA's conception of FCA characterize the origin of Korea's two-pillar aid implementation system, since FCC established under EPB was succeeded by EDCF while Bureau of Foreign Cooperation under MOFA was continued to KOICA. In other words, it marked the critical juncture to initiate and sustain path dependence for two-pillar aid implementation system.

Meanwhile, the decision was 'contingent' considering initial conditions at the time (Mahoney 2000). Even though discussions on the establishment of foreign cooperation institution had been ongoing led by MOFA and EPB, neither ministry had a decisive momentum to make a final decision on this issue. It was not until President Chun Doo-hwan's direction to establish an effective system for foreign economic cooperation after his visit to African countries and Canada in 1982 that the systematization of foreign cooperation had become a main agenda within the government. In addition, it is unlooked-for developments that EPB did not further pursue its idea to coordinate and control Korea's foreign cooperation (aid) overall. EPB was empowered to plan and coordinate Korea's economic policies across the board (administrative power) and it could also make good use of heightened need and stronger support than grant within the country for foreign economic cooperation to promote domestic economy (ideational power). Thus, EPB must have had a strong motivation to push ahead its ideas to coordinate and control Korea's financial and technical cooperation—possibly weighted

toward cooperation fund—by establishing an integrated implementation system pivoting on EPB and other financial departments within the government. However, EPB took a limited policy option to establish economic cooperation fund only while discarding conception of MOFA's integrated implementation system as well as their own.

Historical Sequence 4: The Establishment of EDCF

In spite of the conception of integrated aid implementation system or foreign cooperation institution by MOFA and EPB, the path for fragmented aid system was decided through the establishment of economic cooperation fund (EDCF) that exclusively deals with concessional loan. However, the attempt for an integrated aid implementation system persisted in the process of founding EDCF through the discussion to set up 'Foreign Economic Cooperation Corporation (FECC)'. The proposals of FCC (under EPB) in 1983 and 1984 to set up economic cooperation fund were taken up by the Office of Foreign Economic Coordination (under EPB), which proposed a 'Plan for Promoting Economic Cooperation with Developing Countries (1986 Plan)' in June 1986 to establish the fund with Foreign Economic Cooperation Corporation (FECC).

FECC's primary goal was to carry out comprehensive and mid-and long-term cooperation policies as well as coherent and organized cooperation programs. It also aimed to coordinate overall foreign cooperation implemented by various ministries until then. In July 1986, Deputy Minister of the Office of Foreign Economic Coordination (EPB) held Director-General-Level Meeting with relevant ministries (e.g. MOFA, MOF, MTI, and

MOST) based on the 1986 Plan. EPB found out that the establishment of FECC was not attainable in the short term due to the conflict of interministerial interests and coordinating process and the agreement was made only on setting up the fund. The process explained in *Economic development cooperation fund 20 years: 1987-2007* implies that EPB's conception of FECC was not limited to the management and operation of the fund, but it was designed to be an organization that coordinates overall implementation of Korea's foreign economic and technical cooperation program that was diffused over various ministries (MOFA, Ministry of Construction, Ministry of Health and Society and etc.). Even after the Director-General-Level Meeting, EPB kept holding on to its conception on FECC and it is shown in EPB's draft of Economic Development Cooperation Fund Act in which FECC was considered as one of the institutional options for the operation and management of EDCF. It shows how EPB endeavored to lead establishing integrated aid implementation system against MOFA's attempt through FCA.

Apart from EPB's effort regarding FECC, MOFA continued making attempts to establish integrated aid implementation system even after its conception of FCA was rejected. In its 'Plan for Cooperation with Developing Countries' in October 1984, MOFA proposed that EDCF would be in charge of financing technical cooperation, grants, contributions to international organizations as well as concessional loans for economic cooperation and specialized agency should be established to manage the fund. In addition, Seok-heon Yoon, Former Ambassador to France made similar recommendation to MOFA. Though his conception of 'Foreign Cooperation Corporation' extends over export financing and *mu-sang-won-jo* at the same time, his proposal is meaningful in that it attempted to establish specialized

agency that covers comprehensive foreign cooperation. (Ministry of Finance and Economy et al. 2007, 52-56).

In summary, confrontation between MOFA and EPB regarding the initiative on establishing integrated aid implementation system persisted through 1980s. MOFA continued to push ahead its conception similar to FCA even after its rejection while EPB strived to make FECC under its jurisdiction. In the end, both actors failed to make their proposals realized and the conception of integrated institution for implementing aid and economic cooperation was shelved as a long-term agenda. The establishment of EDCF in 1987 marked the emergence of the first institutional inertia arising from the critical juncture—rejection of MOFA’s FCA conception—and the historical sequence to initiate path dependence for two-pillar aid implementation system.

Historical Sequence 5: Establishment of KOICA

MOFA’s conception on an integrated aid implementation system since 1970s continued to be thwarted by confrontation of interministerial interest led by EPB and it resulted in the establishment of an implementing agency to integrate technical cooperation program within the government. KOICA, established under MOFA in April 1991, began taking over technical cooperation, feasibility study, Youth Volunteer Program from other ministries including grant and medical expert program from MOFA (KOICA 2011, 52-53). Since KOICA was discretely established under MOFA from EDCF, the path dependence for two-pillar implementation system in Korea’s ODA was confirmed.

Financial burden of the government to found new organization led KOICA to be established by absorbing human resources and assets from the Korean Overseas Development Corporation (KODCO), which was set up in 1975 to promote immigration and overseas employment of Koreans. Initial composition of human resources at KOICA was a total of 158 staff members transferred from three organizations: KODCO (146), the Korea Science and Engineering Foundation (3), and the Korean National Commission for UNESCO (9). But the number of specialists for ODA was running short to achieve MOFA's grand vision to integrate ODA in Korea (KOICA 2011, 54). The structure of executives also served as a counter for KOICA to expand its domination. A number of part-time executives were designated from Office for Government Policy Coordination, Ministry of Finance and Economy, Ministry of Foreign Affairs And Trade, Ministry Of Construction and Transportation, Ministry of Labor, Ministry of Science and Technology and so on (KOICA 2011, 54). It was originally built to ensure close consultation with relevant ministries in technical cooperation, but it also hindered KOICA from further integrating technical cooperation programs implemented by a variety of ministries. Thereby, it left a room for fragmentation in technical cooperation (*mu-sang-won-jo*) in stark contrast to the operation of concessional loan (*you-sang-won-jo*) which is under the sole control of EDCF.

Reinforcing Path Dependence: Japan's Impact on Korea's ODA

As reviewed in the previous historical overview, this paper argued that Korea's two-pillar aid implementation system arose from its own historical context, not by Korea's deliberate learning on Japan's aid model, even though

the dual structure is considered as one of the strong resemblance to Japan's ODA institution before 2008 New JICA came in. This part will elucidate how Korea's close interaction with Japan had an impact on Korea's two-pillar aid system. Vigorous interchange between Korea and Japan with regard to ODA continued throughout the course of development, but its effective impact on Korea's ODA became clearer by the time Korea embarked on institutionalization of ODA. It is well exemplified in the process of establishing EDCF. Korean government dispatched joint inspection team (composed of EPB, MOFA, MOF, MOTI, MOST) to Taiwan and Japan to deal with some opinions that it was premature to establish the economic cooperation fund considering Korea's unstable economic condition at the time. The inspection result that Japan had founded OECF in an unfavorable economic conditions (e.g. trade and capital) to fulfill demands for economic cooperation with developing countries, provided a strong rationale for Korea to implement the establishment of EDCF. Moreover, the precedent of JICA had a huge impact of establishment and systematization of KOICA (name of the agency, structure, aid pattern and so on).

The impact of Japan on Korea's ODA reinforced after Korea's two-pillar aid implementation system was completed. Korea in its early stage of ODA chose Japan's model to learn and improve its capability in terms of policy, organization structure, planning, implementation, and so on. There were surely other DAC donors to be modeled on for Korea in addition to Japan, but Korean government was drawn to Japan's pragmatic and commercial aid norms and practices that had fueled Japan's economic development for decades. Japan's ODA that Korea modeled on was based on decades-long two-pillar implementation system which became solidified with its institutional traits and efficiency developed over a long period of time. The development process of Korea's ODA following in Japan's footsteps

contributed to improving capability and institution, while it also served the role to reinforce path dependence on two-pillar aid implementation system in Korea³².

Historical Sequence 6: Influence of DAC and New JICA—Critical Juncture 2

Korea grew up to be an emerging donor in the 2000s amid various changes within and without the country. One of the major trends was the invigoration of discussions on so-called ‘ODA advancement (*sun-jin-hwa*)’ in Korea to join DAC. Korea proactively invigorated discussions and measures to improve Korea’s ODA practices on the model of major DAC donors and it came to fruition in 2010 when Korea became the 24th member of DAC. The other trend was Japan’s ODA reform, culminating in the integrating decades-long two-pillar aid implementation system into New JICA in 2008. Establishment of New JICA reignited the discussion of improving Korea’s two-pillar aid implementation system, which had been almost identical to Japan’s before 2008. These two trends provided background for Korea to ameliorate its ODA including its policies, programs, institution and so on; however two-pillar aid implementation system has persisted up to the present time notwithstanding various changes.

Korea’s move for advancement (*sun-jin-hwa*) of its ODA was deeply affected by global trend in the 2000s, when principles proposed by MDGs by

³² Scholars who emphasize the commonality in ODA between Korea and Japan claim that Korea’s learning process through Japan’s precedent (e.g. aid policy, implementation system, aid allocation and etc.) has resulted in close similarities between two countries. They argue that the resemblance is especially conspicuous in the 1990’s in terms of aid allocation pattern and implementation system (Sohn 2011; Kang et al. 2011; Kondoh 2015).

UN (September 2000), Sustainable Development, and Paris Declaration (March 2005) had brought about increasing international attention to improving effectiveness in international development cooperation. Korean government entrusted Presidential Commission on Sustainable Development Republic of Korea (PCSD) with identifying major issues and setting up policy measures to respond to this changing environment. In 2004 PCSD drew up ‘Improvement Plan for Foreign Aid Policy’ by accommodating opinions of various circles, which identify current issues of Korea’s ODA and proposing policy recommendations. Two-pillar aid system was one of the major issues identified for the following reasons: weak level of cooperation and coordination among implementing agencies were incurring various inefficiencies such as low policy coherence, duplication of projects, and waste of budget over the whole process of policy making and implementation. To tackle these issues, PCSD proposed that in the short term, ‘Aid Policy Review Commission’ be established under Office for Government Policy Coordination. The Commission, based on close cooperation with relevant ministries, would be authorized to review mid-and long- term policies and programs, to decide policy direction and guidelines, and to evaluate aid programs after its implementation. However, in the long term, it recommended that ‘Foreign Aid Administration’ be established to ensure policy coherence and expertise of Korean aid programs (PCSD 2004, 21-22, 56-57).

In January 2006, based on the policy recommendations of PCSD, Korean government set up the Committee for International Development Cooperation (CIDC), comprising Ministers and civil society representatives chaired by the Prime Minister. The CIDC claims to be the highest policy apparatus (“control tower”) to evaluate and coordinate major policies on international development. It decides Korea’s framework plans and annual

comprehensive implementation plans as well as evaluates the progress of ODA projects and the ODA policies of Korea.

In addition to domestic discussion, international demands for the improvement of Korea's ODA were increasing. DAC Special Peer Review on Korea was carried out in 2008 to judge eligibility of Korea to join DAC. It recommended that Korea "could consider tackling this two pillar system" characterized by MOSF/EDCF and MOFA/KOICA and "creating a single entity with sole authority over development co-operation objectives, policy and strategy." However, the Review did not compel Korea to take immediate action on its implementation system by stating that "implementation could be carried out by a separate agency". DAC put more emphasis on reinforced integration at the policy and coordination level by noting that currently CIDC remained to be "an assembly of separate plans from the two pillars" of aid implementation and it should be a cohesive and integrated institution that can develop a unified policy framework (DAC 2008, 7-11).

Meanwhile, the establishment of New JICA invigorated active discussions of improving Korea's two-pillar aid implementation system. Since Japan had been a Korea's model on ODA and their institution had been almost identical before 2008 reform, the enormous change of implementation system in Japan ignited discussions of those in favor of integrating aid implementation system (MOFA/KOICA and civil society). The gist of this position was to require Korean government, based on Japan's precedent, to actively consider establishing integrated aid system to address various inefficiencies and side effects arising from uncoordinated two-pillar system.

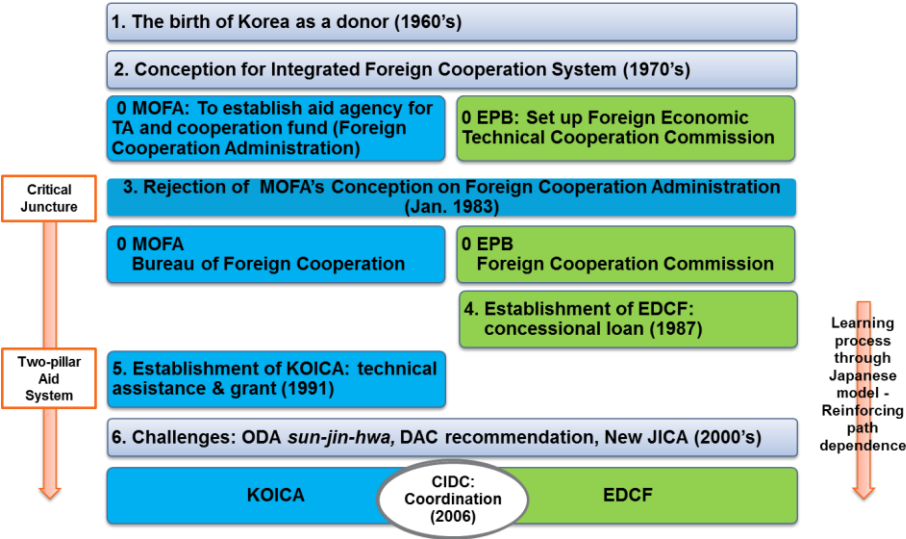
As reviewed earlier, 2000s marked increasing demand for improving Korea's ODA backed up by PCSD and CIDC internally as well as the establishment of New JICA and DAC Peer Special Review externally. It boils

down to the following: institution for coordination and cooperation within the government including CIDC should be reinforced in the short term and integrated implementation system should be actively considered in the long term. In spite of high expectations for CIDC and its symbolic status as the top policy coordination body for Korea's ODA, the limited coordinating role of CIDC has been highlighted. MOFA and MOSF still dominate actual policy decisions and the authority of MOSF in budget planning and allocation is strong hindrance to CIDC's power of coordination. Considering that CIDC is a ministerial-level meeting participated by seventeen ministries including MOFA/KOICA and MOST/EDCF, in effect it currently serves as a forum for interministerial consultation rather than coordination. Furthermore, the long-term consideration for establishing integrated foreign aid agency has been effectively excluded from the agenda after CIDC was established in 2006, as more focus has been put on reinforcing CIDC to have more authority to coordinate development cooperation policies. In the end, CIDC paradoxically provided a platform to legitimize two-pillar aid system in a way that it could be maintained with a strengthened coordination mechanism such as CIDC.

In summary, various changes in the 2000s—ODA advancement (*sun-jin-hwa*) fueled by increasing global attention to the aid effectiveness, DAC's recommendations, and the establishment of New JICA—has invigorated active discussions and policy actions to improve Korea's ODA. However, they didn't succeed changing the course of path dependence of two-pillar aid system in Korea. In contrast, CIDC, the newly founded coordination body, unexpectedly provided a rationale for legitimizing two-pillar aid system as it received more attention domestically (MOSF/EDCF) and internationally (DAC) as practical policy means to address inefficiency issues in Korea's ODA. The conception to establish integrated aid implementation system, having regarded as a long-term policy alternative once, is getting to be

recognized as rather radical approach to tackle current issues of ODA in Korea. In other words, CIDC extended the period of path dependence of Korea's two-pillar aid system to some extent with its limited power as a coordination body.

<Figure 5. Historical sequence and path dependence in Korea's ODA>



(Source: prepared by author)

In the following part, Mahoney's four frameworks on the mechanism for institutional reproduction and change are used to examine how Korea's two-pillar implementation system has been maintained throughout the course of its development.

2.2. Path Dependence Analysis: Mode of Institutional Persistence

Utilitarian Explanation

Mechanism of reproduction

- Institution is reproduced through the rational cost-benefit assessments of actors

Mechanism of change

- Increased competitive pressure and learning process

The suitability of utilitarian approach to account for the persistence of two-pillar implementation system in Korea is limited as it is for the Japanese case. There were attempts to establish integrated aid (MOFA) or foreign economic cooperation system (EPB/MOF), but these demands died down once two-pillar system was established in 1991. This is attributed to the fact that Korea in its early stage of ODA concentrated on developing capacity of its ODA by modeling on Japanese counterparts and increasing its ODA volume. The attempt to establish integrated implementation system—once thwarted by strong resistance from relevant ministries and a lack of financial resources—was eclipsed by a pressing need to build capacity of Korea's ODA through implementing and learning it simultaneously. In this process, maintaining two-pillar system became more beneficial than changing it as efficiency and expertise were enhanced along the distinction between technical cooperation and concessional loan within the framework of two-pillar system and

increasing ODA budget had also raised cost of institutional change of two-pillar system.

But this cost-benefit structure changed during 2000s, when two-pillar aid implementation system was conspicuously pointed out as one of the major obstacles to efficiency and development effectiveness of Korea's ODA by civil society, MOFA/KOICA, and international society (DAC)³³. The CIDC was established as the highest policy-making body in 2006 to address this fragmentation issue and to reinforce coordination process in Korea's ODA. However, CIDC has been continuously criticized for its limited role by sticking to existing framework of two-pillar aid implementation system.

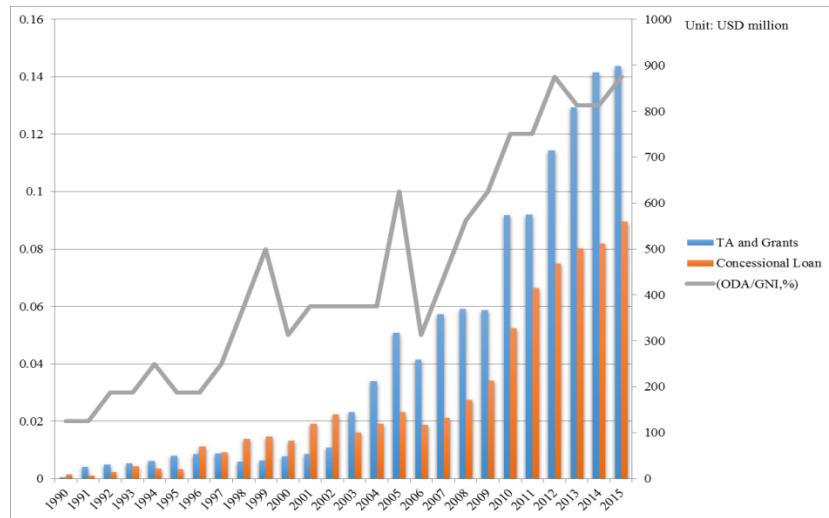
In contrast, MOSF/EDCF stand on the affirmative side for the existing two-pillar system. They claim that indiscriminate integration of aid implementation system will undermine expertise of individual ministries and close scrutiny is required for the necessity of system integration. This contrasting stance of MOSF/EDCF on two-pillar system brings us to look into the benefits to maintain the existing system. In general, actors are likely to avoid institutional change that mostly incurs costs than benefits by adjusting efficiency and interconnectedness already stabilized and embedded within the institution. But legitimation to hold on to the separation of two pillars seems to derive from budget under each ministry's jurisdiction—Korea's ODA

³³ 2017 Audit Report on ODA Implementation by the Board of Audit and Inspection of Korea points out that fragmented ODA in Korea is contributing to ineffective operation of aid programs, administrative inefficiencies in Korean and Korea's recipient countries as well. As for specific cases, the report highlights various cases of Asia such as feasibility studies carried out respectively for the same project and a hospital with low rate of operation built without proper consideration for cooperation with technical cooperation (Board of Audit and Inspection of Korea 2017). The argument continues that most of DAC donors have integrated implementation system (twenty three countries are led by MOFA and two are managed by an independent ministry) and Korea's two-pillar system is one of the biggest obstacles to establishing and implementing coherent policy (The National Assembly 2017)

budget shows steady increase since its commencement in 1987. According to 2017 Annual Implementation Plan, technical cooperation and grant (*mu-sang-won-jo*) seems to hold majority of Korea's ODA (53.66%). However, the situation is more favorable for EDCF since technical cooperation and grants (*mu-sang-won-jo*) are implemented by KOICA and a variety of ministries with governmental organizations, concessional loan is exclusively managed by EDCF. As a result, EDCF takes up 46.34% (KRW 987.11 billion) out of the total bilateral budget (KRW 2,130 billion) as of 2017 fiscal year while KOICA constitutes 29.60% (KRW 630.4 billion)³⁴. MOSF/EDCF are not likely induced to transfer the policy means (concessional loan) under their jurisdiction with enormous financial resources to other institution (e.g. integrated aid system), while the benefits of institutional change (integration) are recognized more to MOFA/KOICA which currently manage smaller budget with limited control over technical cooperation field. MOFA/KOICA expects that integration of aid system can strengthen Korea's diplomatic power and their authority over technical cooperation and grants (*mu-sang-won-jo*) in Korea.

³⁴ ODA Korea 2017. "2017 Annual Implementation Plan ." Accessed April 24. http://odakorea.go.kr/hz.blltn2.YearPlanSIPL.do?brd_seq=3&blltn_div=oda.

<Figure 6. ODA budget trend in Korea: 1990-2015>



Based on the brief analysis above, it is difficult to conclude two-pillar aid implementation system of Korea has been maintained by cost-benefit analysis of ODA-related actors. There have been constant demands by MOFA/KOICA/civil society for institutional change (integration) of two-pillar system; cost and benefit regarding existing system is relative and felt differently by actors of two pillars. This asymmetry of cost-benefit distribution among actors shows why utilitarian explanation does not fully explain how Korea's two-pillar aid system is maintained in spite of various environmental changes and challenges.

Functional Explanation

Mechanism of reproduction

- Institution is reproduced because it serves a function for an overall system

Mechanism of change

- Exogenous shock that transfers system needs

Two-pillar system, to some extent, has been contributing to the goal of Korean government (a bigger system in which aid institution is embedded) by carrying out functions of diplomacy and economic cooperation. *Mu-sang-won-jo* helps Korea build amicable diplomatic relations with developing countries and enhance Korea's status as a DAC donor in international society while *you-sang-won-jo* facilitates economic cooperation and export. However, the suitability of this functional situation is accepted differently among actors of two pillars.

MOSF/EDCF claims that current two-pillar system promotes employing various expertise of relevant ministries more efficiently and a more judicious approach needs to be taken to any changes in aid institution considering Korea's unique situation. They emphasize strategic utilization of ODA focusing on economic cooperation to make due allowance for Korea's unique circumstances compared to other DAC donors such as short history of development cooperation, smaller aid volume, concentration of bilateral aid, high dependence on international trade with export-oriented economic structure, and lower income level. In the same vein, they refuted the demands of MOFA/KOICA by pointing out that it is problematic to see that the answer only lies in integrating aid management system and expanding technical cooperation and grants following footsteps of DAC member countries. They further argue that consumptive debate over aid modality on the basis of dichotomous logic should be stopped and Korea's development cooperation

needs to be switched to function-based system following finance, knowledge and technical cooperation (EDCF 2013).

In contrast to the awareness of MOSF/EDCF that current two-pillar system is sufficient to fulfill functional need of government for economic cooperation, MOFA/KOICA as well as civil society recognizes dysfunctions (administrative inefficiency, duplication and disorganized implementation of aid programs) of the fragmented two-pillar aid implementation system to achieve policy goals of government. In addition, they also stress that expanding technical cooperation and grants in the short run and integrating aid implementation system in the long run will enhance Korea's diplomatic power by overcoming limited aid volume and responding more effectively to increasing compliance pressure of international aid norms since Korea joined DAC.

This wide gap of perception between MOSF/EDCF and MOFA/KOICA/civil society regarding functions of two-pillar aid implementation system for Korean government shows that functional mechanism is not an appropriate framework to account for how two-pillar aid implementation system has been solidified in Korea so far. Rather, the functional explanation demonstrates how actors of diplomacy and economy within Korean government have different perceptions on the functions of two-pillar system.

Legitimation Explanation

Mechanism of reproduction

- Institution is reproduced because actors believe it is morally just or appropriate

Mechanism of change

- Changes in the values or subjective beliefs of actors

Legitimation explanation emphasizes the role of actor's preference or belief on what is right or appropriate for a given instruction. As shown in the analysis on Japan's case, it boils down to the analysis on the objective of ODA when looking into actors' preferences or beliefs on two-pillar aid system. The core actors in Korea's ODA are those who compose each pillar of Korea's aid system: MOFA-KOICA and MOF (EPA in the past)-EDCF. A cognitive gap on the purpose of aid between MOFA and EPA (and MOF) since the early stage of Korea's ODA has persisted up to the present time.

Ministries of economic affairs such as EPB and MOF have continued to place core value of ODA on promoting Korea's foreign economic cooperation since the beginning of Korea's ODA. In contrast, MOFA embraced foreign 'aid' as part of diplomatic means and it was proactive to claim to establish integrated aid system such as Foreign Cooperation Administration as early as 1970. Although MOFA's focus of ODA at the early stage was mostly in line with other ministries that stressed Korea's economic interest, it moved on to emphasize humanitarian perspective and development effectiveness of ODA as Korea's ODA matured in terms of increasing volume, institutionalizing aid system, and elevating international status (e.g. joined DAC in 2010) as a responsible donor and middle power nation in international society.

The clear difference between their positions regarding objective of ODA is extended to actors' preference on the existing two-pillar aid implementation system. As reviewed in the functional explanation part, actors of each pillar differ on their idea whether the current system is right or not. MOFA/KOICA has continued to prefer integrated implementation system over the current fragmented system since the beginning of Korea's ODA, while MOF/EDCF claims that the existing two-pillar system is well divided for fulfilling different functional demands for each pillar. In addition, civil society joins this discussion on the side of MOFA/KOICA, claiming that various inefficiencies and ineffectiveness are caused by fragmented aid system in Korea.

Since there are divergent views of actors on the preference for the two-pillar aid system, legitimation explanation is not apposite to account for institutional reproduction in Korea. In a similar vein to functional explanation, a difference of preference for the existing aid system is observed between actors consisting of each pillar—MOF/EDCF (in charge of concessional loan) prefer the status quo while MOFA/KOICA (managing grant and technical assistance) continue demanding the change in the current status. Power mechanism seems to be what maintained existing two-pillar aid system by overcoming asymmetry of preferences among relevant actors and it will be examined in the following part.

Power Explanation

Mechanism of reproduction

- Institution is reproduced because it is supported by an elite group of actors

Mechanism of change

- Weakening of elites and strengthening of subordinate groups

Power explanation, compared to previous frameworks, is more persuasive to explain how Korea's two-pillar aid system was established and maintained; its emphasis on asymmetrical distribution of power within the system and power of an elite group to promote institutional reproduction to maintain their benefit from the existing institution are well-fitted to explain Korea's situation. As examined in the previous historical review, attempts to establish an integrated system for Korea's ODA (e.g. FCA and FECC) were constantly thwarted by conflicting interests among relevant ministries, which created and maintained two-pillar system in the end.

Power distribution between EPB and MOFA at critical juncture is interesting point to be examined. Although EPB at the core of administrative body in Korea undoubtedly played a pivotal role in formulating an overall economic policy, it does not exclude the possibility that MOFA held a relative dominant position over EPB when it comes to foreign aid. Before Korean government launched concessional loan program with the establishment of EDCF in 1987, technical cooperation (with small amount of grants) was the only and major donor activities of Korea and MOFA was at the center of it. MOFA was one of the core ministries of *mu-sang-won-jo* engaged in the first donor activity of Korea in 1963 (training program financed by USAID) and it expanded its influence in ODA through implementing a series of technical cooperation programs in the following decades: first training program funded by the Korean government (1965), cooperation project with international organizations including the UN (1967), and first provision of supplies (1977).

Considering technical cooperation and small-scale grant programs were mainstreaming Korea's ODA at the time and MOFA was the exclusive channel of communication and exchange for bilateral cooperation practically, the role of MOFA in Korea's ODA was more significant than it is seen today.

Therefore, MOFA's conception of FCC that emerged as a central issue within the government by the directive of the then president Chun Doo-hwan in 1982, could serve as a lever to loosen the grip of EPB on Korea's economy and relevant policies. EPB practically led the direction of Korean economy at the time by taking charge of Five Year Economic Development Plan and it also managed foreign assistance from external donors. Since Korea at the time was implementing economic growth strategy based on the export-led industrialization policy, EPB was least likely to yield up the initiative of foreign economic cooperation—the core policy area at the time—to promote diplomatic goals of MOFA. This comprises the main reason for the rebuff of MOFA's conception of FCC in January 1983. This interest of ministries of economic affairs (represented by EPB) was inherited to MOF as KEXIM was chosen as the agency to manage EDCF in the end. Since the formation of two-pillar aid implementation system (EDCF in 1987 and KOICA in 1991), this conflicting interest between MOFA/KOICA and MOF/EDCF began to subside for many years by Korea's proactive learning process on Japanese ODA model—which was believed to be closest to Korea in terms of institution (OECD and JICA) and purpose of ODA—to build up its capacity in ODA. Japan, with its two-pillar aid system similar to Korea's, had an enormous impact on the development of ODA institution and implementation in Korea.

While two-pillar aid system got solidified in this background, Korea met with new challenges of ODA in the 2000s. Korea's ODA was growing

rapidly in 2000s during which international aid regime promoted new aid norms and initiatives such as MDGs, Paris Declaration, and Sustainable Development. Korean government established PCSD as a presidential advisory body in September 2009 to react this changing external environment. PCSD emphasized that Korea as an emerging donor should strengthen cooperation with international society to make the best use of Korea's unique development experience. A proposal was made by PCSD for Korean government to join OECD/DAC with an aim to enhance advancement (*sun-jin-hwa*) and efficiency of Korea's ODA, for which Korean government established a road map and took proactive measures to join DAC in 2010. This *sun-jin-hwa* discourse almost dominated Korea's ODA in the 2000s in this context and a variety of measures to improve status quo in Korea including two-pillar aid system. were proposed. In addition, the case of Japan in which a half-century long two-pillar aid implementation system was integrated into New JICA in 2008 was brought into sudden prominence as Korea's reference point, which reignited discussions on Korea's aid implementation system.

PCSD proposed that 'Foreign Aid Administration' needs to be established to ensure policy coherence and expertise of Korea's ODA programs in the long term (PCSD 2004, 21-22, 56-57). However, discussions on systematization and reinforcement of CIDC have been gradually taken the place of integrated aid implementation system (e.g. Foreign Aid Administration) after CIDC was established in 2006 to reinforce coordinating ODA policies. DAC Peer Review of Development Co-operation in Korea (2012) also recommended that Korea, considering Korea's situation for Korea's reality, implement organized and coherent ODA policies by strengthening coordination mechanism of CIDC rather than integrate aid implementation system. In spite of revitalized discussions on Korea's two-

pillar aid system in the 2000s, Korea's prompt action to address this issue resulted in the establishment of CIDC with limited coordinating mechanism, for the priority of Korean government was put on fulfilling minimum standards required to join DAC: weak coordination of CIDC was derived from its limited institutional foundation that reflects existing fragmented two-pillar system and this has maintained the limits of CIDC up to the present time.

It is noteworthy that MOSF/EDCF utilizes this limitation of CIDC to support maintaining current two-pillar aid system. CIDC is not equipped with jurisdiction for budgeting, which render it more as a field of perfunctory compromise among ODA-related actors rather than a valid coordinating mechanism to mediate conflicting interests. With this organizational foundation, it is intrinsically challenging to reinforce coordinating mechanism of CIDC. However, the very existence of CIDC as the highest policy coordinating body for Korea's ODA serves MOSF/EDCF for their logical basis to enfeeble demands for integrated aid implementation system. An open forum regarding ODA policy of newly inaugurated Moon Jae-in administration was held at the National Assembly on May 30, 2017 and Kang Yoon-jin, director at International Financial Cooperation Bureau of MOSF, made remarks that represents current stance of MOSF/EDCF. He stressed that it is crucial to enhance efficiency and development effectiveness of Korea's ODA by strengthening coordination mechanism and its transparency, rather than indiscriminate and hasty integration. He further claimed that relevant ODA actors should step up cooperation on aid policies and programs while placing emphasis on the continuous efforts to develop and substantialize systems based on CIDC (The National Assembly 2017).

In sum, ministry of economic affairs (EPB and MOSF later) with its highly focused power on budgeting and economic policy rebuffed attempts of

MOFA to establish integrated implementation system in Korea at the formation period of Korea's ODA system, which served as a critical juncture to maintain path dependence of two-pillar aid implementation system in Korea. As the discussions on two-pillar system was reignited in the 2000s fueled by internal/external environmental changes, MOSF/EDCF continues to voice their opposition to the demands for an integrated aid implementation system by gaining a foothold in institutional limitation of CIDC.

VI. Conclusion

Korea's ODA entered the stage of take-off in the 2000s with increased aid volume and enhanced aid quality, while various demands were constantly raised to improve Korea's ODA in terms of policy and institution aiming to solidify Korea's position as an emerging donor and to increase aid effectiveness. Two-pillar aid implementation system was pointed out as one of the core issues to be addressed and the discussion on it was invigorated by the background in which Korean government was taking proactive measures to accelerate the process to join DAC and Japan integrated its aid implementation system by establishing New JICA in 2008. Abundant researches on Korea's ODA at the time mostly focused on comparative analysis of Korea with major DAC member countries to develop policy recommendations for Korea: especially the case of Japan, for its similarity to Korea, has been a focal point for many researchers.

Strong resemblance between Korea and Japan in key facets of ODA (e.g. purpose, institution and policy) has reinforced a claim that Korea's ODA was developed through modeling on Japan's ODA. This argument served as a foundation to vitalize an assertion in Korea that Korea could or should keep following footsteps of Japan that succeeded in integrating aid implementation system to address various issues aroused by existing two-pillar aid implementation system. However, these previous studies and policy recommendations have limited their explanatory power as they are static (or cross-sectional) analysis with limited analysis period and most of them are based on a fragmentary impression or an assumption that 'Korea has developed its ODA by modeling on Japan'. This has constrained an in-depth

analysis into shared characteristics of ODA in both countries and what historical process has formed and maintained two-pillar aid implementation system, which has been mentioned as one of the key institutional commonality between Korea and Japan. Especially, the discussion on integrating aid implementation system in Korea tended to fix Japan's New JICA as Korea's highway to better aid, without close examination into the specific backgrounds, process, and mechanism that brought forth institutional change in Japan.

Based on an idea that a correct understanding of historical process and mechanism that were involved in the formation of given institution can contribute to providing more effective policy proposals to tackle current issues, this paper reexamined the above-mentioned claim by utilizing conceptual framework called 'path dependence' from historical institutionalism. After historical overview on the development of ODA in Japan and Korea, the paper examined how two-pillar aid implementation system—one of the major institutional commonality between Korea and Japan before the emergence of New JICA—was formed, maintained and changed.

In case of Japan, 'economic cooperation' through yen loan was held as the first priority during post-WWII period while making war reparations to Asian countries. OECF (1961) was first established to take on economic cooperation task and it was followed by the foundation of OTCA (1962) to implement technical cooperation. This dual aid structure had persisted path-dependent presence until the emergence of New JICA in 2008. However, Japan's unique circumstances in the 1990s acted as critical juncture to change half century-long path dependence for two-pillar system in Japan and to create integrated aid implementation system, New JICA. Extended economic recession caused by the collapse of bubble economy, downfall of 1990s

System of LDP's one-party dominance, and reduced public support for ODA had fueled sweeping administrative reform by LDP-led Hashimoto Cabinet and Koizumi Cabinet throughout the mid-1990s and the 2000s. As a result of the reform measures, international loan department of JBIC was transferred to JICA, which terminated extant path dependence for two-pillar aid implementation system in Japan and created a new path.

After a general historical review of ODA development in Japan, the paper examined institutional reproduction and change of two-pillar aid implementation system in view of Mahoney's four modes of explanation (utilitarian, power, functional, legitimation). Since these frameworks are not mutually exclusive, each explanation provides meaningful insight to figure out institutional persistence and change in Japan's ODA. However, this paper found out that functional framework is the most persuasive to explain them, especially the process of institutional change for New JICA—cost-benefit analysis, change of preference, and power struggle do not suffice to account for the same. Major unexpected environmental changes in the 1990s (extended economic recession, cutback of ODA budget amid reducing public support for ODA, and downfall of LDP's domination) served as an exogenous shock to change functions that ODA and its institution had served up until then—there were no pressing needs for the change in aid institution as it was a well-functioning system to fulfill policy objective of Japanese government (the large system in which ODA institution is embedded), political domination of LDP to shape this policy objective, and people's preference represented by political parties. LDP, amid this rapid change, led a sweeping administrative reform, which resulted in the integration of aid implementation system, New JICA.

Meanwhile, contrary to a prevailing assumption, the paper argues that Korea's intentional emulation or learning process based on the Japanese ODA model is not held accountable for the formation of Korea's two-pillar aid system, which resulted from unique historical process of Korea. What characterizes this historical process is the aspect of power conflict between key ministries in charge of diplomacy (MOFA) and economy (EPB/MOF) to take the initiative in foreign economic cooperation or foreign aid. MOFA and EPB had respective conceptions on the establishment of integrated aid implementation system during the 1970s, long before the actual formation of aid system in the 1980s. However, both ministries failed to vitalize this conception to the governmental level until the then president Chun Doo-hwan initiated intergovernmental discussion to establish an effective and efficient system for Korea's overall foreign cooperation in 1992. Although MOFA was proactive to fulfill its goal to found integrated implementation system called Foreign Cooperation Administration (FCA), MOFA's proposal for an independent organization was rebuffed by other ministries and alternative plan was adopted to establish the Foreign Cooperation Commission under EPB and the Bureau of Foreign Cooperation under MOFA. This decision served as a critical juncture to develop two-pillar aid implementation system in Korea—institutionalization of economic cooperation pivoting on ministries for economic affairs (establishment of EDCF in 1987) and institutionalization of technical cooperation and grants centering around MOFA (establishment of KOICA in 1991)—and to sustain path dependence of this two-pillar aid implementation system in Korea. Once two pillars were created, the path dependence of two-pillar system was reinforced by learning on the aid institutions and policies of Japan, which ascended to the top donor with aid implementation system analogous to Korea's institution. Meanwhile, amid growing international attention to international development cooperation with

a variety of global initiatives (e.g. Sustainable Development, MDGs) in the 2000s, Korean government proactively discussed issues and took proactive measures (e.g. policy recommendations by PCSD and foundation of CIDC) to improve Korea's ODA with an aim to join DAC. In addition, the establishment of New JICA in 2008 served another catalyst to invigorate discussions on improving aid implementation system in Korea. In spite of these environmental changes and external pressures, institutional inertia of two-pillar aid implementation system in Korea has not shown much change.

Mahoney's four modes of explanation (utilitarian, power, functional, and legitimation) reveals that power framework turned out to be the most apposite mechanism to explain how Korea's two-pillar aid implementation system was formed and maintained, compared to Japan where functional framework seems to be more persuasive. The aspect of power conflict between key actors representing Korea's diplomacy and economy (MOFA and EPB/MOF) continued to be conspicuous regarding aid implementation system in Korea. Since the 1970s MOFA and EPB respectively made constant attempts to take the initiative in foreign aid or foreign economic cooperation by building an institution to manage overall foreign cooperation in Korea, but neither attempt was successful enough to dominate their counterpart. The decision made after the rebuff of MOFA's conception to set up FCA—to establish the Foreign Cooperation Commission under EPB and the Bureau of Foreign Cooperation under MOFA—implies EPB's attempt to restrict MOFA's further movement to lead foreign cooperation. However, MOFA continued to push ahead its idea even after its conception on FCA was rebuffed: MOFA claimed that new economic cooperation fund (EDCF) should extend its scope of work to financing technical assistance and contributions to international organizations as well as concessional loans for economic cooperation. In response to MOFA's continuous effort to build

integrated aid implementation system, EPB endeavored to take lead in foreign economic cooperation by proposing the establishment of Foreign Cooperation Corporation (FCC) to administer EDCF as well as to integrate technical cooperation programs implemented by other ministries. Nevertheless, both ministries' attempt for the leadership in foreign cooperation was thwarted by interministerial conflicts of power and interest. It finally resulted in the formation of two-pillar aid implementation system with each pillar led by MOF/EDCF for concessional loan and MOFA/KOICA for technical cooperation with grants.

Even after the two-pillar system was created in 1991, conflictual tone between actors of two pillars has continued. It even became reignited in the 2000s with growing discussions on the Advancement (*sun-jin-hwa*) of Korea's ODA and the establishment of New JICA in Japan. MOFA/KOICA attach great significance to strengthen Korea's status as a responsible emerging donor and middle power in international society while they have maintained the stance that integrated policy-implementation system led by MOFA or an independent ministry in charge of international development cooperation should be established in the long run to address various issues caused by Korea's current two-pillar aid implementation system. In contrast, MOF/EDCF emphasize the importance of economic cooperation with concessional loan and they argue that the reinforcement of CIDC and function-based reorganization of aid implementation system (rather than integration) are required to tackle a variety of issues raised regarding Korea's fragmented aid system. The gist of MOF/EDCF's claim is to hold MOFA/KOICA's attempt to dominate international development cooperation in check and to maintain a clear line of demarcation between *you-sang-won-jo* (concessional loan) and *mu-sang-won-jo* (technical cooperation and grants).

As reviewed earlier, conflicts of interministerial interests over the initiative on the international development cooperation has been maintained since the beginning of Korea's ODA up to the present time. What characterizes this interministerial conflict is power asymmetry among relevant actors within the government: the superiority in power of MOF/EDCF³⁵ over MOFA/KOICA has restrained constant demands of actors who favor integrated aid implementation system and maintained institutional persistence of two-pillar system in Korea. Accordingly, power explanation seems to be the most persuasive framework to account for the persistence of two-pillar aid implementation system in Korea amid consistent demands for improving Korea's aid system since the 2000s.

Improving or integrating ODA implementation system has been an important policy agenda in Korea more than a decade and it still matters as exemplified by newly inaugurated Moon Jae-in administration's mention during its presidential campaign to establish effective integrated ODA institution during its term. This allows follow-up studies and policy recommendations regarding Korea's current two-pillar aid implementation system to assume more importance to meet the demands of the time. For there is difference between mechanism to explain institutional persistence and change of aid implementation system in Korea and Japan, a close analysis is required on the process of establishing New JICA in Japan rather than uncritically assuming Korea's natural transition to Japan's precedent. Especially, the focus should be placed on a detailed examination of political/economic/social circumstances surrounding Japans' sweeping

³⁵ This stance of MOF-EDCF against MOFA-KOICA is not only limited to the issue of aid system. Before the enactment of the Framework Act on International Development Cooperation in 2010, MOFA made an attempt to lead legislation on the law covering concessional loan, TA and grant, but it was foundered by the opposition of MOF (PCSD 2004, 10).

administrative reform at the time as well as interactions among major actors of ODA in government, politics and civil society. In addition, a more detailed analysis on the impact of founding New JICA and unresolved ongoing issues after its establishment—researches for these topics are relatively limited compared to those focusing on the establishment of New JICA—is a requisite for drawing meaningful policy implications for Korea.

In spite of several meaningful implications drawn out, this paper has a few limitations as follows. Discussions on establishing, maintaining, and changing ODA institution within the government are recorded on various internal documents. Since official government documents are centered on simple facts and final decisions made, this paper could not utilize these documents as primary source to examine subtle aspects of interministerial conflicts and detailed interactions among relevant actors regarding the establishment of aid implementation system in Korea. Although the paper examined institutional persistence of Korea's aid implementation system by power framework, the specific mechanism of power needs to be complemented by additional explanation aside from focus on the aspect of budget planning and allocation within the government.

Meanwhile, the discussion on selecting between two-pillar aid implementation system and integrated one is beyond the scope of this paper and it is uncertain whether Japan's change of path will emerge in similar way in Korea. However, it does not necessarily exclude the possibility of extensive reform measures similar to Japan fueled by strong public endorsement if gradual economic slowdown observed in Korea over the recent years intensifies and it leads into politicizing ODA as national issue. The significance of this paper is found in its attempt to overcome limitations of previous comparative analyses of Korea and Japan as well as to draw effective

policy implications for Korea by examining institutional formation and change of two-pillar aid implementation system in two countries by employing path dependence framework from historical institutionalism.

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국 문 초 록

이원화 ODA 시행체계의 경로의존성에 대한 비교 분석:

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최종성

한국의 ODA 에 대한 선행연구는 한국이 일본을 모델로 학습하여 ODA 를 발전시켜왔다는 전제하에 본질적으로 국익추구를 우선시하는 원조의 목적성, 예산의 집행양상, 제도적 특성 등 다양한 측면에서 한일간의 유사성을 강조해왔다. 이 중 이원화된 원조시행체계는 New JICA 출범이전 한일간의 유사성을 논하는 가장 대표적인 특질이었고, 2000 년대 들어 나타난 한국의 DAC 가입 조치 및 New JICA 출범 등 국내외 주요변화는 한국의 원조체제 개편논의를 핵심에 자리잡게 했다.

본 연구는 한일간의 대표적 유사성으로 손꼽히는 이원화된 원조시행체계가 왜 일본에서는 체계의 통합이라는 변화의 과정을 겪고, 한국에서는 체계 통합에 대한 꾸준한 요구에도 불구하고

유지되고 있는지를 설명하고자 하였다. 이를 위해 역사적 제도주의의 경로의존성 개념에 기초한 분석틀을 바탕으로 한국과 일본의 이원화 시행체계가 어떠한 역사적 과정을 통해 형성, 유지, 변화되어왔는지 분석하였다. 양국 ODA 관련 주요 역사 시기를 구분·분석한 결과 본 논문은 한국의 이원화 원조체계는 일본의 ODA 모델에 대한 한국의 학습과정이 아니라 한국 정부 내부의 주요 부처간 권력 갈등 등 고유한 상황을 바탕으로 형성된 경로의존적 과정에서 형성·유지되었음을 발견하였다. 또한 양국 ODA 의 발전과정에 대한 역사적 개관 후, Mahoney(2000)가 제시한 제도적 재생산 및 유지에 대한 네 가지 메커니즘을 바탕으로 양국의 ODA 시행체계를 유지 혹은 변화시킨 메커니즘 분석을 시도하였다. 이를 통해 일본의 경우는 기능의 메커니즘이, 한국은 힘의 메커니즘이 가장 설득력 있는 설명을 제공함을 주장하였다. 본 연구는 한일간의 유사성에 기초한 비교연구 및 ODA 시행체계 관련 정책논의를 보완하는데 기여할 수 있을 것으로 기대된다.

주요어: 공적개발원조(ODA), 한국의 ODA 시행체계, 이원화 원조체계, 경로의존성

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