



USAID to Build Governance in South Korea: Formation of Institutions and Elites

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I. Introduction

- **Good governance in the context of aid effectiveness and sustainable development**
 - The quality of government performance or the level of state capacity
 - Most developing countries suffer from the predatory nature of political institutions and lack of capability or willingness to resolve development problems.
 - Governance in developing states has been regarded as one of the key challenges in development (UNDP 1998; World Bank 1997; Gold Smith 2001; Chauvet and Guillaumont 2002).
- Developmental state, South Korea case
 - After the Korean War, South Korea had the same burden, a lack of government capacity.
 - However, South Korea successfully rose to the challenge to transform itself from a war-torn to an industrialized country within two decades.

II. Previous Studies on Governance

Governance of the World Bank

- Based on the **neo-liberal assumption** of the state: “state intervention must be inefficient”
- State can be developed only when it has **commitments** to development and implements neoliberal **policies** with matching **capacity** (World Bank 1997).
- Good governance is a rational and effective government to implement **market-friendly policies** and intervene in the way to keep the principles.

Governance in developmental states

- Based on “rational state intervention” (Kiely 1998)
- Good governance is a strong and effective state with the strong state **capacity** and centralized government **institutions** to discipline capital and labor and lead to the change of social structure → high level of developmental effectiveness (Fritz and Menocal 2006)

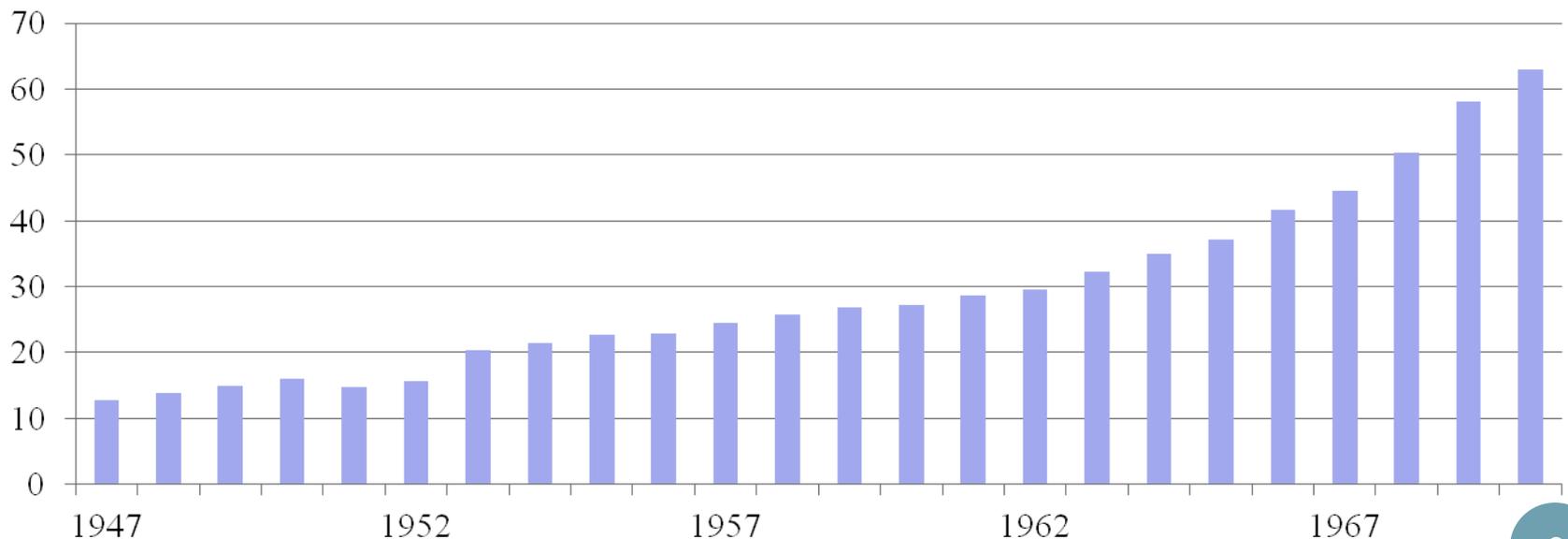
II. Previous Studies on Governance

- Keys of good governance: **government effectiveness and capacity**
- The starting points to promote governance?
 - 1) Political leadership's commitment to development (Kiely 1998)
 - 2) Democratic regime type (van de Walle 2001)
 - 3) State institutions with autonomy and capacity (Jenkins 1991; Evans 1995)
 - 4) Change of social and political structure (Kiely 1998; Fritz and Menocal 2006)
 - 5) Initial conditions (Kohli 1994, 2004; Booth 1999)

III. South Korea Background

- South Korea was fragile states during the 1950s.
 - Liberation from Japan in 1945
 - Establishment of Korea in 1948
 - Korean War from 1950 to 1953
- Its economy begins to take off in the late 1960s

South Korea's GDP (USD million)

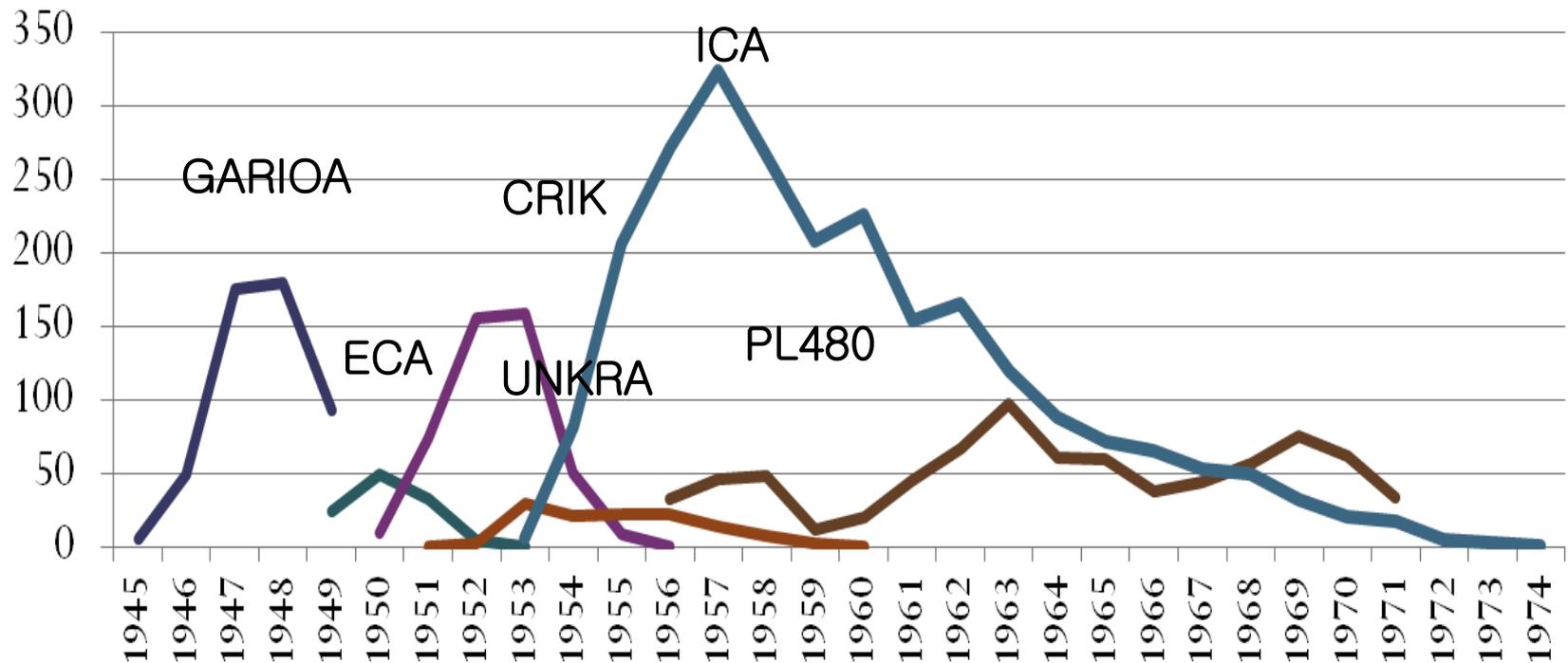


Source: OECD (2006)

Foreign Aid to South Korea (1948–75)

- South Korea received a large scale of foreign aid, total about 13 billion dollars from 1945 to 1999.

(USD million)



Source: The Bank of Korea (1980)

South Korea's Development

1950s



2010



- Q1. How did South Korea develop the state capacity ?
- Q2. What was the role of US aid in building state capacity especially, economic institutions and elites?

IV. Formation of Institutions

1. Development of Institutions

1) Economic Cooperation Administration (ECA), 1949–53

- **Administrative agency** to manage the aid programs
- Aid includes training programs for Korean technicians and bureaucrats in planning and administration bodies
- The Office of Planning and the Office of Procurement under the Prime Minister's Office and later under the President's Office
- However, due to **the lack of human resource capacity**, South Korea's role was limited to collecting the basic economic data.

2) Combined Economic Board (CEB), 1952–63

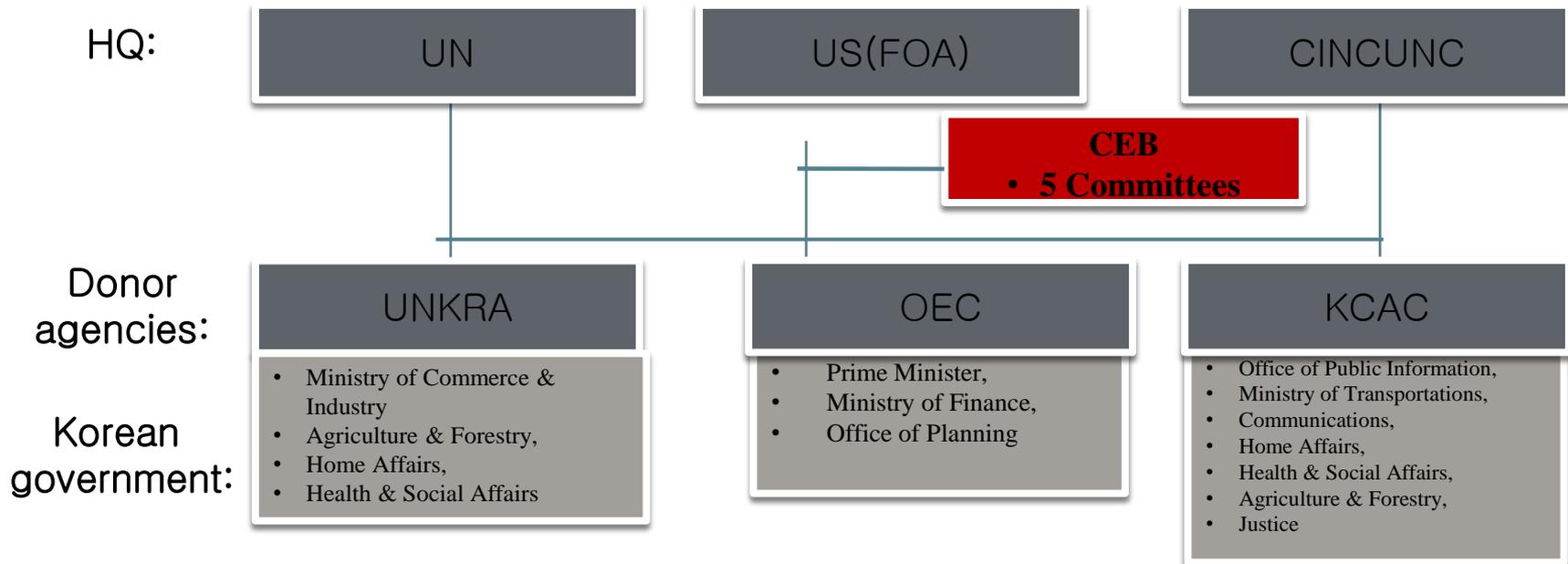
- **Policy monitoring agency**
- After the Korean War, to ensure effective aid coordination
- Functioned as a bridge between South Korea and donors
- Consisted of a senior Korean Economic minister and a US aid official, created committees and working groups under the CEB, and held regular meetings to prepare policies

IV. Formation of Institutions

3) Office of the Economic Coordinator (OEC), 1953–59

- Aid coordinating and implementation agency
- Planned and implemented economic and financial policies under the UN Command

→ policy planning–management–report–monitoring



V. Formation of Bureaucrats

1. Development of Elites

- The US aid aimed at establishing a “functioning South Korean government.”
 - Due to hostility to Japanese and communist institutions, Korea accepted the institutions introduced by the US.
 - Because top priority of both South Korea and major donor US was security, the US provided assistance to strengthen and enlarge the military institution.
 - The US military transferred management skills.
 - Designing special curriculum for military
- A well-organized and practical **military society** within poorly structured South Korea
- The South Korea’s **Military elites** participated in promoting the bureaucratic system in South Korea since the early 1960s.

V. Formation of Bureaucrats

2. Elite Education

- **USAID** provided technical assistance to train public officials.
 - The US established National Officials Training Institute, the Personnel Administration Agency and Civil Service Training Academy in central and local governments.
 - To train public officials, the US set up three types of training program: pre-service training, on-the-job training and up-grade training.
 - The Office of the Economic Coordinator provided economic training.

VI. Conclusion

- Centralized economic institutions
- Administrative capacity development through the joint aid management
- Unusual period of US military government
- Foreign aid package with a special emphasis on training of public officials and elites
- In terms of capacity development of government, US foreign aid directly and indirectly affected the establishment of South Korean governance system, and development of South Korean elites
- **Lessons for donors and recipients:**
 - ✿ Current aid for governance is mainly focused on neo-liberal based policy reforms.
 - ✿ Aid package for sustainable capacity development of both institutions and bureaucrats (human capital) should be provided.
 - ✿ Same goal of development policies and foreign policies

Thank You