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# South Korea's Official Development Assistance to Developing Asian Countries and Nepal



**APAC Report • January 2022**

**Turkish Center for Asia Pacific  
Studies (APAC)**

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APAC Report • January 2022

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## EXECUTIVE SUMMARY

Creation of EDCF and KOICA and accession to OECD in 1996 institutionalized Korea's ODA program which had been basically targeted to developing countries of the world. South Korea has been assisting on the sectors such as; water management, health, sanitation, education, energy, etc. The main objectives of Korea's ODA program are: reducing the poverty level of the developing countries, improving the human rights of women and children of such countries, supporting the motto of SDGs, and promoting economic cooperation for pursuing peace and prosperity in the international community. The key questions which are raised and answered from this research paper are as follows:

What are the characteristics of Korea's Aid Policy? What are the issues on Korea's Aid Programs? How Korean aid programs have been allocated? Who were the major and beneficiary countries of Korea's ODA?

**Keywords:** ODA (Official Development Assistance), EDCF (Economic Development Cooperation Fund), KOICA (Korea International Cooperation Agency), South Korea, South Asia, and Nepal.

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## INTRODUCTION

South Korea is a country with rapidly growing advanced economy in Asia. But due to COVID-19 effect, South Korea's economy has been adversely affected, and this is the reason behind why the country faced a negative growth rate of -3.4 % as of 2020. Although South Korea also became the first OECD country which had its economy being recovered to pre-pandemic levels, with a predication that its economy will be growing by 2.8 % in 2021(The Economist Group, 2021). South Korea has been very successful in containing the spread of the virus and alleviating its economic fallout via implementing expansive fiscal and monetary policies. Such implementation of policies is expected to facilitate the growth of the private consumption and investment, and the external sector is expected to rebound as a result of the rise in the global demand. In fact, South Korea has managed to properly navigate the great pandemic recession that is being caused by the COVID-19. Thanks to all the lessons which the country has already learned in the past. Those lessons taught them how they should manage such viral outbreaks and provide any required stimulus which the country's economy needs during that particular moment of time (Stangarone, 2020).

South Korea is currently the country having the 10<sup>th</sup> largest economy in the world. It is the country with 4<sup>th</sup> largest economy in Asia and is also a key contributor to the International Development Association (IDA), which is basically a fund, established by the World Bank which supports the poorest countries(Sigdel, Belt and Road Initiatives: China and South Korea's Economic Ties with South Asia and Nepal, 2020).

As an export-oriented economy, South Korea is vulnerable and weak when it comes to foreign demands, and to lasting disruptions which are caused in the global value chains. The country's government is appropriately using the fiscal spaces which are being provided by the strong public finances. With the general government grown debt which is around 40% of their GDP, the country has been able to dump the impact of the crisis resulted by the pandemic such as COVID-19 pandemic or other various factors which could be caused by various other types of natural or unnatural incidences. The bank of Korea has cut its policy rate by 50 points in March 2020 and further more by 25 basic points in May which is 0.50%, and such implementations can bring a change in the range of certain measures which can increase liquidity in response to the crisis (OECD, 2020). It has been forecasted that South Korea's economic growth will be hovering at around 2.4% in the year 2022; while other countries of Asia such as China, India, and Japan's economic growth are said to be increasing by around 5.6%, 5.0%, and 1.5% respectively by this time (Global Focus – Economic Outlook 2021, 2020).

World Bank has projected that the growth of developing countries in South Asia will be declining to 1.3% in the baseline and to negative 2.8% in the lower scenario in the year 2020 from the estimated 4.7% which was had been done in 2019 ( Business Standard, 2020). Among all the selected Asian countries; Afghanistan, India, and Pakistan's economic growth is said to remain negative with -5.5%, -3.2%, and -2.6% in the year 2020, but the countries such as

Bangladesh, Bhutan, Myanmar, and Nepal's growth for the year 2020 is expected to remain in between 1.0% to 1.8% although having been affected by the COVID-19 pandemic (Sigdel, Economic Impact of COVID-19 in South Asia and India: Reference to Nepal, 2020). South Asia accounts for 25% of the World's total population and its contribution to the World's GDP is about 5%. This might move this Continent to tackle the medium-term challenges and structural constraints in order to unleash its enormous growth potentials. Big size of the market is the factor driving the momentum of growth in South Asia. The large size of the population demands more goods; this means production activities boost within the economy. Additionally, the larger reservoir of the population means active factor of population for the South Asian regions.

South Asia needs technology, knowledge, and expertise in order to further grow their economy robustly. And the main challenge for South Asia in today's condition is to reduce their immensely growing rate of poverty and to conduct a proper provisioning of their employment sector due to immensely growing number of labor force in its economy. A very crucial challenge here might also be about how the country can strengthen their productive and international competitiveness, as this part of the world has been lagging in several indicators like; attracting foreign direct investment (FDI), penetrating new markets, diversification and upgrade in the products which are prepared to be exported. Countries such as: South Korea, Japan, Taiwan, etc., are represented as the labor host countries of South Asia. The countries such as China, South Korea, and Japan could increase their investments in other countries of this region so that industrialization could further intensify with the instigation of the newer technologies which are being built and capital which are being available in such countries.

## **SOUTH KOREA'S FOREIGN AND AID POLICY**

### **South Korea's Foreign Policy**

With the election of the president Moon Jae-in which happened in 2017, South Korea's regional diplomacy started experiencing a gradual yet substantial shift from a tradition; Northeast Asian region was started on being emphasized. The country by this time had realized that this region was a key geo-political domain to an almost unprecedented degree of political activism towards ASEAN states under the banner of a brand-new 'Southern Policy' (Passeri, 2018). President Moon cares deeply about the issues related to national identity and the Korean peninsula. In fact, the president appears especially interested in explaining Inter-Korean cooperation by de-emphasizing de-marginalizing its democratic value (Kim & Sanghwa, 2020). President Moon also hosted all ASEAN heads of the state in Busan in 2019 for the ASEAN – Republic of Korea commemorative summit celebrating 30 years of ASEAN – ROK relation in 2019. Moon and India's Prime Minister Narendra Modi have also together discussed various ways to connect the NSP with India's 'Act East Policy' and have committed to boost the two country's trade, investment, and people to people relation. "By strengthening regional partnership beyond the

Northeast Asia corridor, South Korea may mitigate potential vulnerability from Chinese economic coercion and US-China trade relation” (Yeo, 2020).

President Moon Jae-in announced the NSP plus at the 21<sup>st</sup> ASEAN-ROK summit which had occurred on 12<sup>th</sup> November 2020. The NSP plus recognizes the need to respond and adapt to complex emerging situations proactively. The socio-economic impact of the COVID-19 pandemic, with attendant political consequences has amply highlighted this need. Analysis and comments assessing the 2017 NSP’s relevance also provides useful inputs for developing the NSP plus priorities beyond the broad geo-political and geo-economic considerations underpinning the 2017’s NSP policy thrusts and projects (Thuzar, 2021). Despite the early success of NSP, there is the room for improvement in some aspects of the policy and South Korea’s approach to ASEAN in general. At the beginning of the year 2020, the Korean government was ready to push ahead with the second phase of the NSP, but due to the disruptions caused by COVID-19; this had to be put on hold. No doubt, the political will, instruments, and material resources to enhance ASEAN-Korea cooperation through NSP is still available and can be mobilized once the country will overcome this ongoing worst impact of COVID-19 (Jaehyon, 2020).

The Moon’s government has proposed a new economic map of the Korean peninsula. It is said to be designed in order to foster the formation of an Inter-Korean economic community, starting with railroad connections and energy networks. Such an economic community would facilitate the free flow of people, goods and services, resembling a state of de facto, if not de jure, unification (Moon, 2019). So far Moon’s foreign policy agenda has been inevitably dominated by the ‘North Korean Issue’. The president has invested much of political and reputational capital on prospering the talks between the Washington DC and Pyongyang, but most of all are reviving on the Inter-Korean relations. It is confessed that the underlying structures sustaining South Korea’s foreign policy formations are generally sound. The bigger challenge here seems to be management of the domestic politics in such a way that it could promote public confidence about the direction and accountability of the presidential leadership in foreign policy (Snyder, Lee, Kim, & Kim, 2018).

### **South Korea’s Foreign Aid Policy**

In the 1980’s, South Korea’s outward ODA took off with the creation of new technical assistance and knowledge transfer programs, driven by efforts to advance Seoul’s economic interests for fostering relations with partner countries. Notably, the early 1980s saw the development of several programs that moved the early initialization of South Korea’s outward cooperation (Calleja & Prizzon, 2019). In 1982, for instance, South Korea’s outward cooperation was partly formalized with the launch of the International Development Exchange Program (IDEP). Implemented by the Korean Development Institute (KDI), this was an invitation training program to share South Korea’s development experiences. Moreover, in 1984, two government departments – the Ministry of Construction and Ministry of Labor launched technical and

vocational training programs to share its knowledge to the recipient countries abroad (Korea ODA, 2017).

South Korea emerged as a net donor in the 1990s, when the scale of its Official Development Assistance (ODA) disbursement increased rapidly. This followed the creation of its two main implementing agencies; The Economic Development Cooperation Fund (EDCF) and Korean International Cooperation Agency (KOICA) and accession to The Organization for Economic Co-operation and Development (OECD) in 1996. Since it became a member of the OECD Development Assistance Committee in 2010, South Korea has been committed to share its experience with developing countries as the only country that successfully made the transition from the least developed countries to a developed country with far more stable economy. In respect to that, it held two important events that shaped the new policies of International Development Cooperation; the Seoul Development Consensus (SDC) that shared its growth in 2010 and the Fourth High Level Forum on Aid Effectiveness (FHLFAE) which was held in Busan and as a result of this the ‘Busan Partnership for Effective Development’ was adopted in 2011 (Deguenonvo, 2019). After intensive discussion, the Development Assistance Committee (DAC) reached an agreement to change the ODA reporting method for the first time in over 40 years at the High-Level Meeting held on Paris, on December 14 headed by second Vice-Minister of Foreign Affairs. This then implied and resulted to a conclusion that public development resources should be provided at more favorable terms and conditions to countries having low income or are least developed. And decision was made to adequately recognize the effort of the donors who provide concessional loans (Diplomatic White Paper, 2015).

With the foundation of the Economic Development Cooperation Fund (EDCF) and the Korean International Cooperation Agency (KOICA), the Korean Government established a regular assistance system for a more efficient and effective operation of its ODA. Korea’s ODA consists of three types of aid: 1.) Bilateral Grants 2.) Bilateral Loans and 3.) Multilateral Assistance. Bilateral grant comprises of technical cooperation and various types of transfers (made in cash goods or services) with no obligation for repayment. Bilateral loans on the other hand are provided on concessional forms, under the name of EDCF. Lastly, multilateral assistance is delivered either as financial subscription or any kind of grant contributions made to the international organizations (Korea ODA, 2017). Most of the grant has been committed by KOICA. The KOICA grant aid program includes the following: a.) Invitation of trainees’ b.) Dispatch of experts and volunteers c.) Research for development studies d.) Emergency and distress relief activities e.) Emergency and distress relief activities and f.) Provision of commodities, capital and facilities. Global Financial Crisis of 2008 made OECD members reduce the budget of international aid. However, South Korea contributed to increase its aid budget in order to support the growth of developing countries (Lee & Jeon, 2018).

Korea enacted the “Framework Act on International Development Cooperation (Framework Act) and the Presidential Decree which came into force in July 2010, and laid basis for a more effective ODA system. This Act (Article-3) identifies the following five basic principles of



Korea's International Development Cooperation: a.) Reduced poverty in the developing countries b.) Improve the human rights of the women and children, and achieve gender equality c.) Realize sustainable development and humanitarianism d.) Promote cooperative economic relations with the developing partners and e.) Pursue peace and prosperity in the international communities (Korea ODA, 2020). This strategy was revised in 2020 by Korean Government. The newly established 3<sup>rd</sup> Mid Term Strategy in 2021 incorporates a clearer vision and goals based on the 5Ps of Sustainable Development agendas (people, peace, prosperity, planet and partnership). Under the vision of "Realization of global values and shared prosperity through partnership of solidarity", the strategy purposes four goals namely; inclusive ODA, ODA for shared prosperity, innovative ODA and partnership-based ODA (Jung & Yoo, 2021).

South Korea's second strategic plan for International Development Cooperation for 2016-2020 prioritizes economic infrastructure, environmental policy, alignment with the Sustainable Development Goals (SDGs), girl's health and education, and agricultural development. It also focuses on places and has strong focus on the transparency, accountability, and sustainability. According to the 2021 International Development Cooperation Plan (IDCP), South Korea will be focusing on five key sectors: 1.) Transport 2.) Education 3.) Health 4.) Agriculture and Fishery and lastly 5.) Humanitarian Assistance (Donor Tracker, 2021). The grant-based ODA of Korea is primarily executed by the KOICA. The agency operates in six focus sectors: health, education, public administration, technology – environment – energy, Agricultural Rural Development (ARD), and emergency relief (Lee H. , Comparison between Korea's Grants-based ODA in Agriculture and Status of Food Security of its Recipient Countries in Asia, 2019). Korea's ODA also facilitates the process to setup enabling environment for the promotion of trade and foreign investment in recipient developing countries by assisting capacity building in areas such as economic policy, institution building, education and training.

## **SOUTH KOREA'S ODA ALLOCATION TO DEVELOPING COUNTRIES**

Soon after joining OECD platform, Korea's ODA to countries of the world increased over the years. In 1991, South Korea had provided US \$ 136 million worth ODA to developing countries of the world. This figure rose to US \$ 1967.3 million in 2010 (Lee H. , Trends In South Korea's Grants-Based Aid For Agricultural Sector In Developing Countries, 2017). In 2017, South Korea's ODA to developing countries stood at US \$ 2226 million. By 2020, South Korea's ODA figure ballooned up to US \$ 3115 million (refer to Table No. 1). Korean Official Development Assistance (ODA) which includes the amount of loans and grants awarded by Economic Development and Cooperation Fund (EDCF) and KOICA, has increased significantly since the beginning of 2000s, when the country sought to assert itself on the international stage as a middle power. It multiplied tenfold over the course of roughly 15 years, going from US \$ 212.07

million in 2004 to US \$ 2.4 billion in 2017. Korea's ODA is overwhelming (around 70%) bilateral in nature (Nicolas, 2020).

**Table No. 1: South Korea's Total ODA (2017-2020) (USD in millions)**

<b>Year</b>	2017	2018	2019	2020
<b>Total</b>	2226	2355	2909	3115

*Source: DT (April 13, 2021), Pandemic Spreading Brought Global Foreign Assistance to an all-time high in 2020-South Korea, Germany, Donor Tracker.*

South Korea is a prime example of a country that successfully overcame poverty in a very short span of time through the development assistance. Korea is ready to share its own experience of poverty reduction with the developing countries of the world. Korea's ODA could thus facilitate the process to setup the enabling environments for the promotion of trade and investment in developing economies by assisting capacity building in areas such as; economic policy, institution building, education, training; etc. KOICA's primary goal is to help the transition out of fragility and to support sustainable development and reducing the poverty (Kwon, Lee, & Yoo, 2016). South Korea's overall ranking among the DAC members (29 members) in terms of assistance volume stood at 16<sup>th</sup> position while its ratio of ODA against the Gross National Income (GNI) was totaled at 0.14% in 2020 (Yonhap, 2021).

In fact, the 2015 diplomatic white paper published by the South Korean Ministry of Foreign Affairs included an explanation of its priority listings of countries which had been receiving the official aid from South Korea: geographic proximity and political ties are the main factors behind aid relation with the Asia-Pacific region, whereas African continent is in need of South Korean ODA as large number of poorest countries in the world are located there (Rezraz & Andaloussi, 2020).

**Table No. 2: Korea's ODA: Regional Breakdown**

	<b>ODA Volume</b>		<b>Percentage of Regional ODA (USD in millions)</b>	
	2010	2014	2010	2014
<b>Asia</b>	552.9	654.5	61.4	47.0
<b>Africa</b>	139.9	331.1	15.5	23.8
<b>Latin America</b>	64.5	109.0	7.2	7.8
<b>Middle East</b>	34.3	74.6	3.8	5.4
<b>Europe</b>	38.7	9.9	4.3	0.7
<b>Oceania</b>	5.6	7.6	0.6	0.5
<b>Others</b>	64.7	204.7	7.2	14.7
<b>Total</b>	900.1	1391.4	100	100

Source: Diplomatic White Paper, OECD, (2016) International Development Statistics, Online, DB, Compiled.

**Table No. 3: Republic of Korea's Aid – 2018 (In Hundred Million KRW)**

	Type	Asia	Africa	Latin America	Middle East	Oceania	Others
<b>Volume</b>	<b>Loan</b>	5,192	2,366	886	2,136	-	-
	<b>Grant</b>	4,038	2,483	1,096	798	185	7,108
	<b>Total</b>	9,230	4,849	1,982	2,934	185	7,108
<b>Proportion (%)</b>	<b>Loan</b>	49.1	22.4	8.4	20.2	-	-
	<b>Grant</b>	25.7	15.8	7.0	5.1	1.2	45.2
	<b>Total</b>	35.1	18.4	7.5	11.2	0.2	27.0

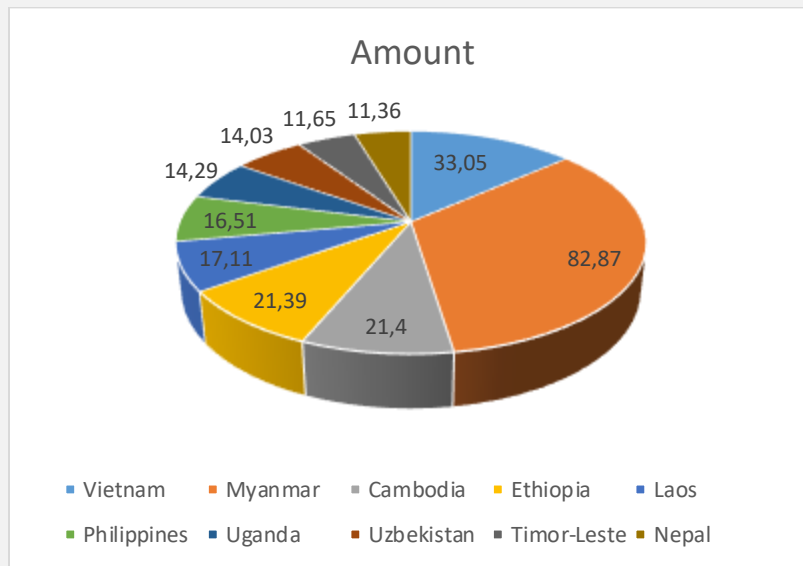
Source: Meon, Kyangyon, (2019), "South Korea's Policy towards the Least Developed Countries", Korean Association of International Development and Cooperation, ESCAP, NP.

The data depicts the Asia and African regions are major beneficiaries 'continents who receive most of the South Korea's ODA. The other regions of the world as Latin America, Europe, Oceania, Middle East, are comparatively receiving less amount of Korea's ODA. In 2010, the regions such as; Asia, Africa, and Latin America had received 61.4%, 15.5% and 7.2% of the total ODA allocated by South Korea. In 2014, this scenario changed a bit; Asian region got 47.0% of the Korea's ODA while the regions such as Africa and Latin America succeeded at obtaining 23.8% (increased) and 7.8% of the total ODA respectively (refer to Table No. 2). In 2018, Asia, Africa and Middle East region obtained more South Korea's ODA by receiving 35.1%, 18.4%, and 11.2% each respectively (refer to, Table No. 3). Strategically Korea has been supporting, countries of Asia and Africa more than rest of world from the very beginning of the time. According to the 2019 ODA planning of Korea, Asia had received 39% of its ODA and Africa received 20.6%. In addition, these two regions fall under as Korea's most prioritized partner countries as such partner countries are selected in every 5 years and are claimed to be critically important since approximately 70% of Korean bi-lateral ODA is allocated to such selected countries (Korea ODA, 2018). Besides the goal of poverty reduction, donor may have certain strategic consideration about where should they determine their aid allocation. In terms of aid distribution across income groups, South Korea favors LICs while Turkey favors UMICs (Song, 2015).

**Table No. 4: Countries Receiving the Largest Amount of Development Aid from South Korea – 2017 (US Dollar in millions)**

Countries	Amount
Vietnam	33.05
Myanmar	82.87
Cambodia	21.4
Ethiopia	21.39
Laos	17.11
Philippines	16.51
Uganda	14.29
Uzbekistan	14.03
Timor-Leste	11.65
Nepal	11.36

Source: SRD, (March 5, 2020), Major Recipient of Development Aid by South Korea, Statista Research Development, [www.statista.com](http://www.statista.com).



**Table No. 5: Korea Priority Partner Countries- 2018**

<b>Countries</b>	<b>Total Aid Amount (US Dollar in thousands)</b>
Vietnam	46,200
Philippines	29,137
Myanmar	23,069
Laos	20,195
Cambodia	23,081
Bangladesh	16,311
Nepal	12,665
Mongolia	14,292
Sri Lanka	11,662
Indonesia	10,086
Pakistan	19,909

*Source: KOICA (2019), 2018 KOICA Annual Report, Korea, Korea International Corporation Agency, pp. 109-110, <http://www.koica.go.kr>*

The countries such as Vietnam, The Philippines, Myanmar, Laos, Cambodia, Ethiopia, Uganda, Bangladesh, Uzbekistan, Timor, Mongolia, Sri Lanka, Indonesia, Pakistan, etc.; are the major beneficiary countries of South Korea's development assistance. These countries have been receiving more amount of Korea's development aid as well. In 2018, the aforementioned countries as Vietnam, The Philippines, Myanmar, Laos, Cambodia, Bangladesh received US \$ 46.2 million, US \$ 29.7 million, US \$ 23.0 million, US \$ 20.1 million, US \$ 23.0 million, US \$ 16.3 million, US \$ 12.6 million worth of Korea's economic assistance in 2018 (refer to, Table No. 4, and Table No. 5). Knowledge transfer is one of the features of South Korea's ODA policy that goes beyond providing financial assistance for delivering the aid. Instead, the focus has come to be on development cooperation based on knowledge sharing and institutional learning (Kalinowski, 2011). It is more worthy to mention that South Korea had announced to provide additionally about US \$ 21 million humanitarian assistance for 65 countries in addition to assistance of about US \$ 20 million so far.

The assistance was expected to offer particularly to 34 countries with vulnerable health systems in Africa and the Middle East, including Yemen, Sudan, and Mozambique, as well as 10 in Europe and Central Asia, 12 in the American, and 9 in Asia and the Pacific (Jung S.-Y. , 2020). As part of its commitment to join the global efforts for timely achievement of the Millennium Development Goals (MDGs), South Korea has increased its allocation of assistance for African continent, where Highly Indebted Poor Countries (HIPCs) are concentrated, with an emphasis on poverty alleviation and capacity building.

Countries such as Pakistan, Bangladesh, Sri Lanka, Nepal, etc. are the major beneficiary countries of South Korea's ODA in South Asia. South Korea has been providing ODA

substantially to the Asian Countries, including all of the eight South Asian Countries. In 2015, 39.7% of South Korea's total ODA went to countries of Asian. Among them Bangladesh, Nepal and Sri Lanka were in the list of the top 20 recipients' countries on the basis of the volume (Shin, 2017).

These countries received US \$ 19.9 million; US \$ 16.3 million, US \$ 11.6 million, and US \$ 12.0 million Korea's ODA in 2018 (refer to, Table No. 5). At the beginning of 2021, South Korea through KOICA committed to contribute US \$ 21 million to support Bangladesh government in terms of entrepreneurship development, intelligent transport system, and safer cyberspace for safer Bangladesh. KOICA is implementing over 20 development projects in Bangladesh with US \$ 20 million worth of grant per annum. And this project covers areas such as; ICT (Innovation), education (TVET), and public health, etc.(UNB, 2021). Similarly, KOICA is supporting Pakistan on vocational skill development, education, health, water, and sanitation related issues through its aid program. By 2019, Pakistan had received US \$ 38.24 million worth of grant aid from South Korea. Likewise, Pakistan also had got US \$ 444.95 million worth assistance via EDCF also to achieve its development goals in the fields of energy, transportation, communication, water resource development and infrastructure (Embassy of the Republic of Korea, 2020). South Korean government had decided to extend US \$ 500000 to Pakistan during the pandemic last year in order to provide the people of Pakistan with essentials required during these times such as; test kits, masks, medicines, etc.(Web Desk, 2020).

It is learnt that South Korea's ODA to Sri Lanka has exceeded US \$ 2 billion in total since 1987. South Korea is involved in projects related to education, transportation, water resources, sanitation, regional development, etc. in Sri Lanka. Indeed, Sri Lanka is now one of the principal ODA partner countries of Korea (Jeong, 2020). South Korea prefers India as trade and investment partner rather than assistance partner. Korea-India total trade volume increased from just US \$ 17.6 billion to US \$ 20.6 billion in 2019. Likewise, Korea's investment in India stood to US \$ 340 million as that of 2019(Embassy of Republic of Korea, 2020). India and South Korea had launched an initiative named 'Korea Plus' as it was proposed by the Indian Prime Minister Narendra Modi in June 2016 in India to promote and facilitate Korean investments in India. India sees Republic of Korea as an indispensable partner in its 'Act East' policy. Similarly, Republic of Korea aims to further strengthen bilateral relations with India, which is a central pillar of Korea's 'New Southern Policy' (Lee K.-S. , 2020).

## **ISSUES ON KOREAN AID TO DEVELOPING COUNTRIES**

Foreign aid is one of the most original politico-economic phenomena of the 20<sup>th</sup> century. In addition, foreign aid has become a foundation to North-South relations, which emerges as one of the principal levers for the influx of foreign aid to developing countries from the developed ones. It is still diminutive in comparison to their economies, which falls between 2 to 3 percent of their

GDP. Political, economic, humanitarian, and social concern motivates especially bilateral influx of aid from developed to developing countries (Sigdel, Dimensions of Nepalese economy, 2010). A long-standing United Nation's target is that the developed countries should devote 0.7% of their Gross National Income (GNI) to ODA. Even USA and Korea have failed to meet this target, despite of being the 15<sup>th</sup> largest donor country spending US \$ 2.5 billion on ODA in 2019. This amount is 0.15% of Korea's Gross National Income (GNI).

For the South Korean government, by linking its foreign aid with South Korean corporation, the activities reflect on the soft power of the government as the 'national brand'. This partnership might indirectly affect diplomatic relation between governments as their image and relations is mostly reliant on another actor's behavior (Watson, 2013). Thus, the governance situation of aid recipient countries should be first viewed intensively before having an aid agreement with the recipient countries by South Korea.

KOICA can access the state of governance of the recipient country. KOICA also has the ability to allocate some portion of its grant aid to enhance governance status of needy developing countries. Local NGOs can be selected by KOICA for the sake of rendering the grants to the developing countries. Some research paper indicates that "Korea fails to understand the substantive aspect of the conceptualization of gender mainstreaming. Development workers here lacked the awareness of the twin track approach" (Kim & Shim, 2018). Under SDGs, KOICA is rendering some portion of the grant aid for women's empowerment when it comes to the developing nations. In depth orientation on gender mainstreaming by KOICA to its staffs is a must job that has to be done, so as to be involved and render more grant aid to developing nations. If aid paves the way for private investment to the recipient countries, it will have desirable effect for development of the finance. This is because public aid alone is not enough to finance the sustainable development of a poor country; the catalyzing effect of aid needs to be reinforced for that to happen.

It would be worth for the least developed as well as developing countries to have more Korean assistance in their infrastructural extension programs. Investment in hydropower, road, railways, port, etc. especially facilitates the expansion of internal as well as external trading activities for the recipient countries. Aid for trade includes all kinds of programs which can help the countries to build the trade capacity and development infrastructures. Korea as a donor has comparative advantage in the 'Aid for Trade' by having gained knowledge from its own experiences unlike other developed countries passing through different stages of development without receiving any type of ODA (Noh & Heshmati, 2017). Channeling aid to sectors that are likely to improve export capabilities in developing countries could likely improve the way that aid can be used to drive growth in an effective manner. It has been suggested that, aid for trade should be motivated by the imperative to create 'effective market accesses' by removing any kind of internal barriers (Stiglitz & Charlton, 2006).

One of the studies reveals that “overall result shows that Korean aid allocation is followed by Korea’s economic and political strategy rather than humanitarian motivation. Certainly, humanitarian motivation to reduce poverty and improve economic growth in recipient nations could also be driving the Korean ODA but Korea’s own economic strategy here outweighs all of the humanitarian motives (Kim S. , 2016).

## **SOUTH KOREA’S AID TO NEPAL**

Nepal and Republic of Korea established a diplomatic relation on May 15, 1974. Since then, both the countries have enjoyed excellent bilateral relations. Both the countries have enhanced bilateral cooperation through concluding the agreement on Korean youth volunteers in January 1992, EDFC agreement in September 1997, the agreement on Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income in October 2021, Air Service Agreement in March 2005, the Cultural Agreement in April 2005. Similarly, in 2007, Nepal and Korean Governments signed an MOU on Employment Permit System (EPS), for recruiting Nepalese workers according to the Korean labor related law (International Economic Cooperation Coordination Division, 2014). South Korea’s major assistance sectors in Nepal are: water management, health, sanitation, education, energy, and rural development. Between 1991 and 2018, a total of US \$104.7 million aid was provided by South Korea to Nepal, including 29% in education, 28% in health, and 20% in public administration. These areas are chosen by KOICA as per their development strategy for Nepal (Park , Korea Will Strive To Transfer Industrial Technology To Nepal, 2019).

The Korean government has been carrying out several development project through KOICA in Nepal (refer to, Table No. 9). Currently, there are various ongoing projects which is worth around US \$ 65.3 million across the country in many areas including Information Communication Technology (ICT), health, childcare, rural development, empowerment of women and young girls, disaster recovery and technical and vocational education (Park , Korean Government Has Put Nepal In The Priority List, 2019). With the joint initiative taken by UNDP and KOICA, the project ‘Value Chain Development of Fruits and Vegetables”, was initiated in hilly districts of Nepal for targeting poverty reduction and social inclusion in 2018. To launch this project KOICA had allocated US \$ 0.5 million (UNDP Nepal, 2018). KOICA has been extending its activities in Nepal in health, education, and agriculture with an annual outlay of US \$ 13 million. With little geo-strategic interest in Nepal, Korean overseas development assistance has been more altruistic than most of other bilateral help which could have been provided to the country (Choe , 2015). Korean government provided the Nepalese government US \$ 1,224,942,300 to uplift and heal Nepal after it was struck by a massive earthquake which occurred in April 2015. Such a huge amount of money was given as a recommendation assistance to support Government of Nepal for the reconstruction activities (refer to, Table No. 8)



**Table No. 6: Disbursement of Korea's (KOICA) ODA (1991-2010)  
(In US Dollar, Ten Thousand)**

<b>Year</b>	1991	1992	1993	1994	1995	1996	1997	1998	1999
<b>Amount</b>	27.4	39.1	123.9	71.6	86.1	114.9	107.0	23.8	59.0
<b>Year</b>	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Amount</b>	114.2	114.0	163.8	120.9	137.8	152.8	168.4	438.5	486.3
<b>Year</b>	2009	2010							
<b>Amount</b>	371.1	731.2							

*Source: Acharya Divas; (August 2017), Impact of ODA on Capacity Development: A Case Study for Nepal (Master Thesis), Seoul, Seoul National University, pp. 29-49*

**Table No. 7: Actual Disbursement of ODA from China, Japan and Korea to Nepal (In million US Dollar) (2010- 2018)**

<b>Year</b>	<b>Nepal's GDP (Current Price)</b>	<b>Total ODA to Nepal</b>	<b>China's ODA</b>	<b>Japan's ODA</b>	<b>Korea's ODA</b>	<b>Percent Stake of Korea on Total ODA</b>
2010	16,000	1,079.71	18.84	58.69	22.20	2.05
2011	19,010	1,045.29	28.34	44.09	4.71	0.45
2012	18,850	959.95	34.12	65.75	14.24	1.48
2013	19,270	1,036.64	41.38	40.59	8.75	0.84
2014	20,000	1,020.75	37.94	39.86	16.68	1.63
2015	21,410	1,074.06	35.36	45.91	11.45	0.54
2016	21,190	1,394.60	41.24	77.65	7.63	0.54
2017	25,180	1,622.78	58.72	106.20	6.87	0.42
2018	29,040	1,578.48	150.37	110.50	7.65	0.48

*Source: MOF (2019), Development Corporation Report, Kathmandu, Government of Nepal, Ministry of Finance, pp. 54-57, Statista (2020), Gross Domestic Product in Nepal 2025, [www.statista.com](http://www.statista.com).*

South Korea started to provide aid through KOICA for Nepal from the late 1980. Its assistance began to take shape only after 1990's. For example, Korea's ODA to Nepal in 1991 was US \$ 27.4 thousand which increased up to US \$ 731.2 thousand in 2010 (refer to, Table No. 6). KOICA's involvement was basically in Nepal's health and education sector at the beginning. However, after 1990's; Korea provided Nepal its assistance on the other sectors such as: governance, development, e-governance, ICT, gender, agriculture, poverty, energy, etc. By 2018, Korea's ODA stood at US \$7,652,068.00. In 2018, Nepal had received US \$ 1,578,485,262.00 worth bilateral as well multilateral ODA. South Korea's stake to the total ODA received by Nepal in 2018 remained at 0.48% only. Its ODA stake in Nepal total which had been received was US \$ 1,079,710,554.00 in 2010 was promising, i.e., 2.05% (refer to, Table No. 7). The

countries such as China, Japan, India, Germany, and UK are the premier bilateral donor countries for Nepal.

Besides KOICA, ADB and World Bank are the major multilateral aid donors for Nepal. KOICA got involved in Nepal's development efforts through its support on MDGs initiatives. Later on, it also introduced the SDGs initiatives in Nepal. Thus, South Korea's support through its assistance program is helping to uplift the socio-economy of Nepal, and this initiative is very much applaudable indeed.

**Table No. 8: Post-Earthquake Reconstruction Aid to Nepal (In US dollar).**

<b>Partners</b>	<b>Commitment</b>	<b>Disbursement</b>
ADB	322,564,797	151,891,791
China	766,927,000	20,318,621
EU	194,290,233	111,529,030
Germany	34,000,000	9,462,916
IMF	50,000,000	-
India	1,078,820,849	6,823,839
Japan	360,377,747	226,157,778
Korea	8,400,000	12,249,423
UK	165,500,000	70,412,611
USA	159,863,223	42,544,817
World Bank	498,970,853	470,167,692

*Source: MOF (2019), Development Cooperation Report, Government of Nepal, Ministry of Finance, Kathmandu, pp. 30-31, Table-5*

**Table No. 9: List of Projects Completed under Korea's Economic and Technical Cooperation in Nepal.**

<b>S.N.</b>	<b>Projects</b>	<b>Tenure</b>
1	Sericulture Development Project	1978 – 1992
2	Khopasi Sericulture Center Construction	1993 – 1995
3	Sericulture Training Center (Itahari)	1996
4	Feasibility Study of Modi Khola Hydroelectric Project	1993 – 1994
5	Preliminary Study of Kanti Rajpath Improvement	2002 – 2003
6	Computerization project at Ministry of Foreign Affairs	2001
7	Feasibility Study of Chamelia Hydroelectric Project	2000 – 2002
8	Establishment of Korea-Nepal Friendship Hospital Project	2006 – 2008
9	Government Integrated Data Center Project – GIDC	2007 – 2009
10	Support to 45 Korean NGOs Activities in Nepal	-
11	Soft Loan for Modi Khola Hydroelectric Project	1997
12	Nepal-Korea Institute of Technology, Tamnagar, Butwal	2008 – 2011
13	Health Insurance Models Activities and Leveling Up	2010 – 2012
14	Establishment of the ICT Center, IOE, Pulchok Campus, TU	2010 – 2014
15	Modernization of Custom Administration in Nepal	2010 – 2014
16	Health Service Improvement in Tikapur	2011 – 2014
17	Establishment of Technical Training Center at Kathmandu University	2011 – 2014
18	Disaster Recovery Center at Hetauda	2013 – 2015
19	National Health Insurance Support Programme	2013 – 2017
20	Improving Maternal and Child Health Care in Mugu	2013 – 2015
21	Integrated Rural Development Program in Nawalparasi	2014 – 2017
22	MDGs Development Effectiveness Enhancement Project, UNDP, Kathmandu	2014 – 2018

*Source: MOF (2020), Ministry of Finance, Kathmandu, 2020*

## CONCLUSION

South Korea came in the front of international assistance program from 1990s, and it was the time when the scale of their ODA disbursement increased rapidly. Creation of EDCF and KOICA and accession to OECD in 1996 institutionalized Korea's ODA program which had been basically targeted to developing countries of the world. Korea's ODA consists of bilateral grants, multilateral loans, as well as multilateral assistances. Invitation of trainees, dispatch experts and volunteers, research for development studies, relief activities and provision of commodity, capital, etc.; are the components of Korean grant which the developing countries have been receiving to this very day.

The main objectives of Korea's ODA program are: reducing the poverty level of the developing countries, improving the human right status of women and children such countries, supporting the motto of SDGs, and promoting economic cooperation in order to pursue peace and prosperity in the international community. South Korea is supporting developing countries to fetch their Sustainable Development Goals (SGDs) through its ODA initiatives. KOICA implements grants aid oriented programs in developing recipient countries by focusing on the key success sectors such as: transport, education, health, agriculture, fishery, humanitarian assistance, etc.

Korea's ODA which amounts to developing countries has increased significantly over the decades. It stood at US \$ 3115 million in 2020. South Korea's overall ranking among DAC members in terms of ODA volume stood at 16<sup>th</sup> position with ratio of ODA to its GNI remained at 0.14% in 2020. Asian region remains as the major beneficiary of Korean ODA which is followed by Africa, Latin America, and Middle East. Asian and African regions received US \$ 9,230 million and US \$ 4,849 million worth of Korean ODA in 2018. Strategically, Korea has been supporting both Asian and African regions of the world. The developing countries such as; Vietnam, Philippines, Myanmar, Cambodia, Laos, Ethiopia, Uganda, Bangladesh, Uzbekistan, Timor, Mongolia, Sri Lanka, Indonesia, Pakistan, etc.; are the major development assistance. South Korea's ODA has been concentrated more towards poor and highly indebted countries of Asia and Africa over the years in order ease the highly increasing ratio of poverty and to maximize their effort for the capacity building initiative.

South Asian countries as; Pakistan, Bangladesh, Sri Lanka, and Nepal; are the major beneficiary countries of South Korea's ODA. KOICA is launching 20 plus development projects of ICT, public health and education sectors in Bangladesh. It is also involved with vocational skill development, education, health, water, and sanitation related project in Pakistan through its ODA programs. Likewise, Sri Lanka has been receiving Korea's ODA to initiate projects related to education, transportation, water resources, sanitation, regional development, etc. However, Korea's relation with emerging India has been concentrated more on trade and investment rather than in such assistance programs. Korea has been expanding its economic relation with India by using philosophy of NSP as one of its bases.

Nepal is one of the beneficiary South Asian developing countries which have been receiving the South Korea's ODA from a very long time now. South Korea has been supporting Nepal's development activities through its various assistance programs since the late 1980s. South Korea's ODA to Nepal in 1991 was US \$ 27.4 thousand, it rose up to US \$ 731.2 thousand by 2010. By 2018 Korea's ODA to Nepal stood at US \$ 7.65 million which is 0.48% to total ODA received by Nepal by this time. With the establishment of diplomatic relation on May 15<sup>th</sup>, 1974; Nepal and South Korea enjoyed excellent bilateral relationship among each other. South Korea has been assisting Nepal through its aid program on the sectors such as; water management, health, sanitation, education, energy, and rural development. South Korea in fact also has been supporting Nepal on developing Millennium Development Goals (MDGs). South Korea is assisting on SDG programs for Nepal through its ODA funds. From 1990s onward Korea's assistance further concentrated in Nepal on the sectors such as governance, agriculture, poverty, energy, etc. South Korea's support on Nepal's development initiative is praiseworthy at this juncture.

South Korean ODA has been criticized on the ground because despite its robust growth and satisfiable level of GDP; it lags to allocate enough funds in ODA activities. South Korea is contributing just 0.15% of GNI on ODA that has been provided for the developing countries of the world. It has been suggested that South Korea should visualize recipient country's governance level before allocating any kind of assistance. Corruption may swallow the assistance provided by South Korea for the socio-economic betterment of developing as well as less developed countries. If the governments are corrupt; the KOICA could spread its hand to needy local NGOs through which the best use of grant aid of Korea can be a possibility for the betterment of needy and the poor segment of the population in the developing countries.

Before providing assistance, the absorptive capacity should be enhanced for the recipient countries through orientations and purposive trainings to the manpower involved in proposed KOICA sponsored projects. KOICA volunteers should be oriented especially on gender empowerment initiatives prior to their involvement on such projects to be launched in the developing countries.

Being one of the industrialized and advanced economies of Asia; South Korea should focus its aid activities on supporting and expanding in other infrastructure sectors of the developing countries of Asia, so that more production and expansion of internal as well as external trade can be looked up as a possibility. As South Asian countries have abundant labor; South Korea should come up with a specific investing initiative, which in turn would help to create a win-win situation for South Korean and host South Asian developing countries economically as well as financially. Continuation of the South Korea's assistance on human resource development and skill development programs for South Asian developing countries under the heading of South Korean ODA is a must in coming decades onwards. And this support and effort made by South Korea will help them to win goodwill and to nest more labor forces from South Asian developing countries as its workable population is shrinking very rapidly. Additionally, South Korea should

play active role on the containment of Covid-19 in developing countries through its assistance programs allocating an additional fund in its forthcoming ODA budget. South Korea could disseminate its best practices adopted to contain Covid-19 in its aid recipient developing countries. Similarly, continuation and dissemination of its past development experiences to aid recipient developing countries is equally desirable to upgrade their state of growth as well.

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