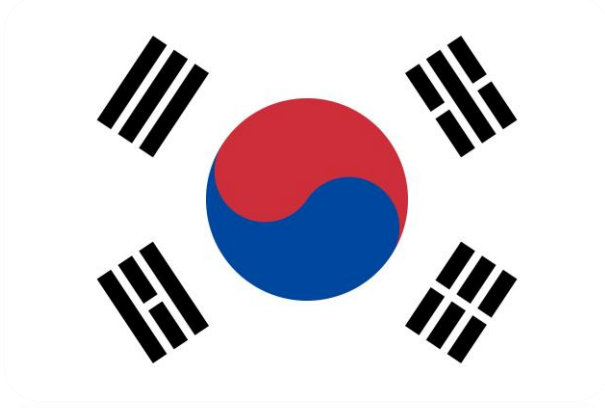


# **South Korea's Aid Policy and Official Development Assistance to the Global South: Issues and Way Forward**



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**KOREAN AID POLICY AND OFFICIAL  
DEVELOPMENT ASSISTANCE TO THE GLOBAL  
SOUTH: ISSUES AND WAY FORWARD**

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## INTRODUCTION

South Korea is a country with a rapidly growing advanced economy in Asia. However, due to the COVID-19 effect, South Korea's economy has been adversely affected, which is why the country faced a negative growth rate of -3.4 % as of 2020. The economy grew by 4% in 2021 due to a strong recovery in consumption from both public and private sectors. Success in COVID-19 containment, mass vaccinations, eased mobility restrictions, and labor market recovery had bolstered private consumption (ADB, 2023). However, its GDP growth declined to 2.56% in 2022 and is further projected to decline to 1.3% of its GDP for 2023 due to its sluggish exports and investment (Times Korean, 2023).

South Korea currently has the 11<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), a fund, established by the World Bank that supports the poorest countries (Sigdel, 2020). In 2022, Korea ranked 16 out of 30 OECD Development Assistance Committee country members on aid volume (Hill, 2023).

## SOUTH KOREA'S FOREIGN AID POLICY

The Republic of 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 sharing its experience with developing countries as the only country that successfully made the transition from the least developed country to a developed country with a far more stable economy. Concerning that, it held two important events that shaped the new policies of International Development Cooperation; the Seoul Development Consensus (SDC) which shared its growth in 2010, and the Fourth High-Level Forum on Aid Effectiveness (FHLFAE) which was held in Bussan and as a result of this the 'Bussan Partnership for Effective Development' was adopted in 2011 (Deguenonvo, 2019).

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 a financial subscription or any kind of grant contribution made to 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).Provision of Commodities, Capital, and Facilities. The Global Financial Crisis of 2008 made OECD members reduce the budget for international aid. However, South Korea contributed to increasing its aid budget 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 the 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 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 the 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 proposes 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 a strong focus on transparency, accountability, and sustainability. 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., 2019).

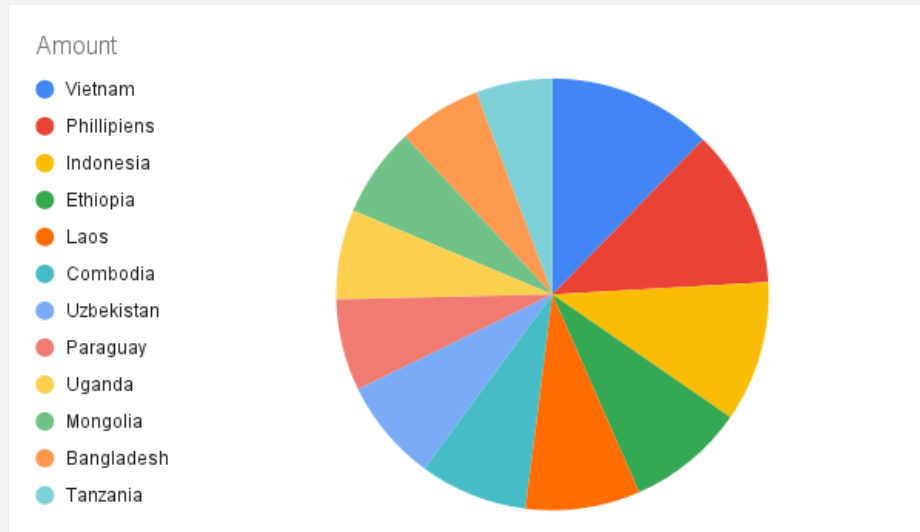
## SOUTH KOREA'S ODA ALLOCATION TO DEVELOPING COUNTRIES: MAJOR BENEFICIARIES

Soon after joining the OECD platform, Korea's ODA to countries of the world increased over the years. In 1991, South Korea provided US \$ 136 million worth of ODA to developing countries of the world. This figure rose to US \$ 1967.3 million in 2010 (Lee H., 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. However, its ODA declined and remained at US\$2883 million in 2021 (Refer to Annex Table No.1).

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 of setting up 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 to support sustainable development and reduce 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) totaled 0.14% in 2020 (Yonhap, 2021).

The data depicts the Asia and African regions are major beneficiary 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 Annex 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 Annex Table No.3). According to the 2019 ODA planning of Korea, Asia had received 39% of its ODA and Africa received 20.6%. In 2020, 43 % bilateral ODA of South Korea went to Asia, significantly above the DAC average 14% (Traker, 2023)

*Figure 1: Countries Receiving the Largest Amount of Aid from South Korea 2021: Pictorial Representation of Annex Table No. 5*



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 Annex Table No. 4, and Table No. 6). In 2021 South Korea’s major aid recipient countries were: Vietnam, Philippines, Indonesia, Ethiopia, Laos, Cambodia, Uzbekistan, Paraguay, Uganda, Mongolia, Bangladesh, Tanzania, etc. Vietnam had received US \$ 28.7 million aid from Korea while this figure for Tanzania was US \$ 13.4 million only (Refer to Annex Table No.5). South Korea's priority partner countries in Asia Pacific in 2021 were; Indonesia, Philippines, Vietnam, Laos, Mongolia, Bangladesh, followed by Pakistan, Sri-Lanka and Nepal.

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).

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. 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).

### ISSUES AND WAY FORWARD 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% of their GDP. Political, economic, humanitarian, and social concern motivates especially bilateral influx of aid from developed to developing countries (Sigdel, 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 the United States 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). In 2021, South Korea ranked 32nd out of 36 DAC members with 0.8% (Dirir, Kadir, 2022).

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 country by South Korea.

KOICA can access the state of governance of the recipient country. KOICA also can allocate some portion of its grant aid to enhance the 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 have 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 more private investment to the recipient countries, it will have good effect for development of the finance.

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).

Despite the issues raised by academicians and researcher on Korea's aid program; the continuation of its assistance packages is a must for the majority of developing countries to fetch the SDGs goals in the decade to come. Majority of the Korean assistance recipient developing countries including Nepal have been benefiting from such concessional assistance on socio-economic transformation drive. Livelihood has been upgraded and progress in social sectors has been witnessed with the presence Korean aid in such recipient developing countries. Similarly, infrastructure extension activities in recipient developing countries have found to be speeded up. Additionally, Korean aid has been supporting to mitigate resource gaps in such aid recipient developing countries. Selected development model of South Korea could be replicated by the developing countries especially in industrialization, agriculture extension and infrastructure expansions drive. As Korea's workable population is shrinking rapidly over the years, it is dire need host such workable population for South Korea from such aid recipient developing countries to lubricate its economy under its EPS banner. Thus, South Korea should allocate an additional aid packages on training and human resource development heading in forthcoming budget targeting labor exporting aid recipient developing countries in the years to come.



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## ANNEXES

**Table No. 1: South Korea's Total ODA (2017-2021) (USD in millions)**

Year	2017	2018	2019	2020	2021
<b>Total ODA</b>	2226	2355	2909	3115	2883

Source: DT (April 13, 2021), *Pandemic Spreading Brought Global Foreign Assistance to an all-time high in 2020-South Korea, Germany, Donor Tracker.OECD*(April 2023), [www.oecd.org/dac](http://www.oecd.org/dac).

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

	ODA Volume			%age of Regional ODA (USD in millions)		
	2010	2014	2021	2010	2014	2021
<b>Asia</b>	552.9	654.5	212.5	61.4	47.0	33.4
<b>Africa</b>	139.9	331.1	48.5	15.5	23.8	23.4
<b>Latin America</b>	64.5	109.0	70.9	7.2	7.8	11.1
<b>Middle East</b>	34.3	74.6	20.7	3.8	5.4	3.3
<b>Europe</b>	38.7	9.9	31.5	4.3	0.7	5.0
<b>Oceania</b>	5.6	7.6	-	0.6	0.5	-
<b>Others</b>	64.7	204.7	151.8	7.2	14.7	23.8
<b>Total</b>	900.1	1391.4	635.9	100	100	100

Source: Diplomatic White Paper, OECD, (2016) *International Development Statistics, Online, DB, Compiled.KOICA*(2022),*KOICA ANNUAL REPORT-2021,KOICA,Seoul,145,www.koica.go.kr*.

**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>% In 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.

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

<b>Countries</b>	<b>Amount</b>
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: Countries Receiving the Largest Amount of Development Aid from South Korea – 2021 (US Dollar in Thousands)**

<b>Countries</b>	<b>Amount</b>	<b>In percentage</b>
Vietnam	28766	4.5
Phillipiens	27743	4.4
Indonesia	24713	3.9
Ethiopia	20654	3.2
Laos	20089	3.2
Combodia	18963	3
Uzbekistan	18022	2.8
Paraguay	16098	2.5
Uganda	15795	2.5
Mongolia	15728	2.5
Bangladesh	14554	2.3
Tanzania	13443	2.1

Source: KOICA (2022), 2021 KOICA: Annual Statistical Report, Seoul, pp. 5-6, [www.koica.go.kr](http://www.koica.go.kr).

**Table No. 6: Korea's Priority Partner Countries in Asia Pacific- 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>*