Korea's ODA Policy
- Past, Present and Future -

Hyunghwan Joo
Director General
International Economic Affairs Bureau
Ministry of Strategy and Finance
1. Current Status of Korea's ODA
One of the poorest countries in the world - Per capita income US$ 82 (1962)

During 1945~1999, a total of US$ 22 bn From UN, WB, US, JPN…

Made good use of aid - Building economic (social) infrastructure


"In less than half a century"

1987: Established “Economic Development Cooperation Fund (EDCF)” Concessional Loan

1991: Established “Korea International Cooperation Agency (KOICA)” Grant

2010: Joined OECD Development Assistance Committee (DAC)
Korea's ODA Volume shows a **steady increase**

**Sustained growth** despite two major crises
Overview of Korea’s ODA (2009)

- Bilateral (71%) vs Multilateral (29%)
- Grants (63%) vs Consessional Loan (37%) under bilateral

ODA Total
$ 816 mn

- Bilateral
  $ 580 mn
  71%

- Multilateral
  $ 236 mn
  29%

- Grants
  $ 366 mn
  63%

- Loans
  $ 214 mn
  37%

- MDBs
  $ 161 mn
  68%

- UN & Others
  $ 75 mn
  32%
Regional and Sectoral Allocation

Regional Allocation

- Main recipients – Asian countries
  - Geographic proximity and potential for economic cooperation
  - Especially Southeast Asia
- Diversify aid to African and Latin American Countries

Regional Allocation 1998-2009

2009

- Asia: 16%
- Africa: 10%
- Latin America: 10%
- etc: 54%

Sectoral Allocation

- Continued attention on socio-economic infrastructure
  * economic infra: 61%, social infra: 28% (2009)
- (Concessional Loan) For economic infrastructure (transportation, energy…)
- (Grant) For social sector programs (education, health…)

Sectoral Allocation 2009

- Transportation: 8%
- ICT: 10%
- Energy: 10%
- Education: 9%
- Health: 5%
- Water and Sewage: 5%
- etc: 44%
Committee for International Development Cooperation
(Chaired by PM)

Governance Structure

Ministry of Strategy and Finance
- (Bilateral) Concessional Loan
  - Key implementing agency
    “Korea EXIM Bank”
- (Multilateral) IFIs

Ministry of Foreign Affairs and Trade
- (Bilateral) Grant
  - Key implementing agency
    “KOICA”
- (Multilateral) UN…

Coherent, coordinated ODA programs while utilizing expertise of relevant ministries
2. Future Directions of Korea's ODA
Policy Direction - Based on G20 Development Agenda

Poverty Reduction through "Sustainable Economic Growth"

Support Capacity Building

Comprehensive Support

Provide Integrated Support Package (KSP + EDCF + Grant)

Encourage Private Sector Development

Compassion

Warm-hearted and attentive aid

Contents

Expand Knowledge Sharing
1. **Contents : Knowledge Sharing**

**Why Korean Development Experiences?**

- **Waning interests in “Washington Consensus”**

  - Global Economic Crisis

  - Demand for Alternative Development Models

- **Growing interests in the Asian, particularly in the Korean model**

**1. Source of inspiration**

- Experienced civil war
- Achieved industrialization and democratization in a generation

**2. Higher adaptability**

- Started from scratch with poor initial conditions similar to developing countries

**3. No hidden agenda**

- Good will for cooperation
  - From recipient to donor
  - aware of recipients’ perspective
1. Contents: Knowledge Sharing

Background: Knowledge as a Key Element of Economic Development

- Development is not just a matter of finance, but more a matter of knowledge
  - Building a right set of legal, institutional and infrastructural framework is key for development

- Korea’s economic development
  - Result of incessant innovations in policies, institutions, laws and regulations

Key Features: Knowledge Sharing Program (KSP)

- Development Consultation program designed to provide practical solutions for partner countries in key policy areas based on, but not limited to, the Korean development experiences

- Implemented in 22 countries on 200 projects between 2004~2010
  - In 2010, provided consultation to 17 countries including 4 core partner countries (Vietnam, Cambodia, Indonesia, Uzbekistan)

Korea’s Development Experience Sharing is “teaching how to catch a fish, not just giving a fish”
1. Contents: Knowledge Sharing

Establishing DB of Korean Development Experiences

- Identifying Innovative Experiences
  - Current & past experiences
  - Lessons from both failures & successes
  - Innovations in public & private sectors
    ※ Examples (tentative): Export promotion (KOTRA, Korea EXIM), Educational Broadcasting System (EBS), Aid management, IT policy, Green growth

- Organizing Experiences into a Database
  - Summarize a specific experience into “why”, “what”, “how” and “evaluation” format
    - Background (Why), Details of programs (What)
    - Implementation Process (How), Performance (Evaluation)
  - Engaging policymakers + researchers + academia + practitioners

- Building a database full of practical experiences
  - 100 “Star” contents until 2012

- 20 cases in 2010, 60 cases in 2011, 100 cases in 2012
2. Comprehensive Support (From A to Z)

- Policy Consultation (KSP)
- Main Projects (Building Infrastructure) (EDCF)
- Technical Assistance (Grant)

Example:
- Identify specific projects through KSP
- Provide Concessional Loans for supporting Infrastructure building
- Provide Grants for technical assistance for operation & maintenance
- Provide consultation to draw up a plan to “increase accessibility to medical services”
- Construct a hospital through concessional loans
- Provide training for doctors, nurses and medical supplies through grants, link with a Korean hospital

Maximize Aid Effectiveness
Increase impact of knowledge engagement & sustainability of specific project
3. Compassion : Warm-hearted and Attentive Aid

Aid “by and for” Recipient Country

- Introduce program loans (general budget support)
- Encourage participation of local consultants
- Expand policy dialogue to fully reflect recipient country’s needs

Reciprocate What We Received

- Priority support for countries that stood by South Korea during the Korean War
  (e.g. Turkey, Philippines, Ethiopia and Columbia → sent troops
  Brazil, Peru, Chile, Mexico, Panama → humanitarian relief)

Increase Untying and Grant Elements of ODA

- Increase untangling: (Concessional loan) 34% → 50%, (Grant) 43% → 100% by 2015
  - Encourage local procurement
- Raise the portion of grant elements in concessional loan: 87.4% (2009)
  * (Average interest rate) 0.1%, (Average maturity) 38.5 years, (Grace period) 12.0 years
Asia as the key region for support
- more than 50 percent of total bilateral ODA
Diversify aid to Africa, Latin America and CIS

Select 26 priority partners countries (will continue to lower the number of priority countries)
Formulate Country Assistance Strategy (CAS) for each priority partner, channeling more than 70 percent of total bilateral ODA

Emphasis on IT, Green growth, infrastructure and knowledge sharing
Focus 2~3 priority areas by reflecting partners’ policy circumstances and demands
Coordination with International Players

Expanding International Cooperation with Other Donors

- Expand contribution to international organization (MDB/UN)
  - Participate in addressing major global issues (climate change, food security, etc)
    * e.g. committed $50 mil to Global Agriculture and Food Security Program (GAFSP)
- Enhance development partnership with MDBs through co-financing and co-consulting
  - Increase MDB co-financing ratio of concessional loans up to 20% or beyond
  - Implement co-consulting with MDBs (WB, IDB, ADB, AfDB, EBRD)
- Participate in donor consultative group in recipient countries

Enhancing partnership with Asian Donor Countries

- Exchange information on ODA policy priorities, Identify potential areas of collaboration and improve aid harmonization between Asian countries through venues like “Asian Development Cooperation Meeting (ADCM)
- Identify salient features of Asian development models and articulate theoretical and practical framework that can complement existing development models
Coordination with International Players

Expanding Cooperation with Private Sector (PPP)

- Expand **infrastructure investment** in developing countries through **Public-Private Partnership (PPP)** projects.
- Support **establishment of trade infrastructure** with EDCF loans (Aid for trade).
  - Use aid as **catalyst** to enhance enabling conditions for sustainable development driven by **private sector development**.

Contributing to International Discussion on Development

- Follow-up on **G20 Multi-Year Action Plan on Development** by further developing framework and solutions.
- Develop post PD agenda through **HLF-4 in Korea**.
“We want Asia to be less dependent on aid,
We want Asia to be a continuing source of growth and new jobs for the world as well as itself”
Thank You !!