

KEY QUESTION

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How is South Korea's ODA spent?

Focus is on bilateral ODA; new multilateral ODA strategy highlights aim to enhance effectiveness

South Korea provides most of its ODA in the form of bilateral funding. In 2015, the South Korean government channeled 81% of its ODA bilaterally, well above the average of the OECD Development Assistance Committee (DAC) members (61%). The government plans to keep the share of ODA spent bilaterally at about 70% for the period 2016 to 2020.

Loans accounted for 40% of South Korea's bilateral ODA in 2015, almost four times the DAC average of 10%. South Korea's emphasis on loans can be explained by the Ministry of Strategy and Finance's (MOSF) strong preference for promoting fiscal discipline in recipient countries and by the positive experience South Korea itself has had with this instrument as an ODA recipient. The Ministry of Foreign Affairs, on the other hand, is more in favor of disbursing ODA as grants to prevent higher levels of debt in developing countries. Nonetheless, the government plans to maintain a focus on loans.

South Korea channels the majority of its bilateral grants and loans through its own implementing agencies (80% in 2015), mainly through the Korea International Cooperation Agency (KOICA) and Korea Eximbank. However, it has started diversifying its channels by promoting public-private partnerships such as the Global Corporate Social Responsibility Program, which spent US\$127 million between 2014 and 2016 to promote the involvement of the South Korean private sector in development cooperation.

Key recipients of South Korea's core contributions to multilateral organizations in 2015 were the World Bank (39%), UN agencies (25%), and regional development banks (24%). In addition, the country channeled US\$257 million, or 12% of its total ODA in 2015 through multilateral organizations for programs earmarked for specific thematic priorities or regions (this is reported as bilateral ODA, see figure above).

South Korea's multilateral ODA is based on three principles: 1) creating synergies with bilateral funding, 2) enhancing effectiveness and ensuring sustainable development of developing countries, and 3) enhancing mutual cooperation among stakeholders.

South Korea is also progressively 'untying' its funding, meaning that ODA no longer has to be spent on goods

South Korea's 24 priority countries

- **Asia (11):** Bangladesh, Cambodia, Indonesia, Laos, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Vietnam
- **Africa (7):** Ethiopia, Ghana, Mozambique, Rwanda, Senegal, Tanzania, Uganda
- **Middle East/Central Asia (2):** Azerbaijan, Uzbekistan,
- **Latin America (4):** Bolivia, Colombia, Paraguay, Peru.

produced in South Korea or services provided by South Korean companies. The Strategic Plan 2016-2020 states that South Korea will increase the share of 'untied' aid to 55% of concessional loans and 95% of grants by 2020; until 2006, 98% of South Korean ODA was 'tied'.

Who are South Korea's ODA recipients?

South Korea's bilateral ODA is concentrated on Asia

South Korea's bilateral assistance has a clear focus on Asia and on its Southeast Asian neighbors, in particular. Funding to Asia made up 51% of bilateral ODA between 2013 and 2015. The largest recipient over this time was Vietnam, which received around 15% of bilateral ODA, predominantly as loans.

South Korea has 24 priority countries for ODA. Eleven of them are in the Asia-Pacific region, seven in sub-Saharan Africa, four in Latin America and two in Central Asia (see box). The focus on Asia was reaffirmed by the 2017 International Cooperation Action Plan which allocates 57% of bilateral ODA to the Asia-Pacific region, 25% to sub-Saharan Africa and 11% to the Middle East/Central Asia. South Korea's priority countries are mostly neighboring countries, many of which are lower middle-income countries (LMICs). LMICs received more than a third (36%) of South Korea's bilateral ODA in 2015, well above the average of OECD Development Assistance Committee members (20%).

How is bilateral funding programmed?

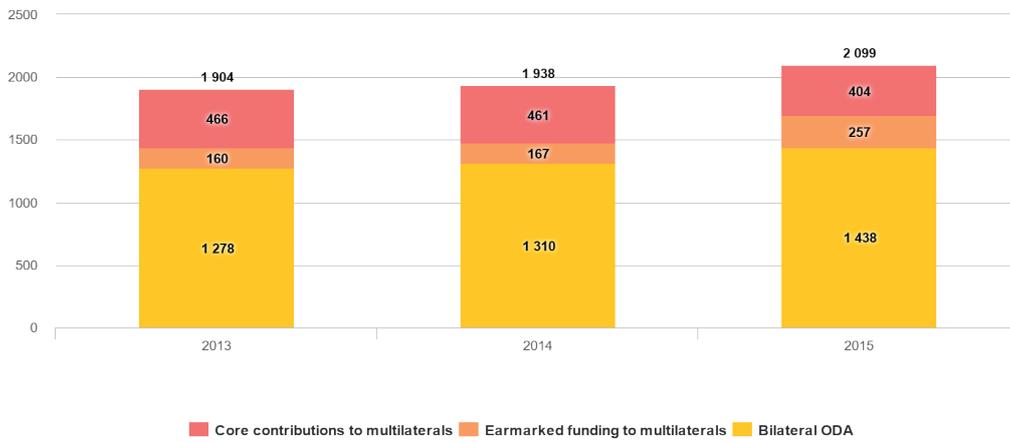
Committee for International Development Cooperation sets priorities; country partnership strategies outline country-level priorities

Bilateral ODA priorities are articulated by the government in the Strategic Plan for International Development Cooperation for 2016 to 2020. The Committee for International Development Cooperation (CIDC) concluded its review of the list of priority countries in early 2016. Programming of bilateral funding for priority countries is set through Country Partnership Strategies (CPS). CPSs cover periods of three to five years, to match recipient countries' national planning cycles; the strategies set out two to three priority sectors. Within ODA management, the Ministry of Foreign Affairs (MOFA) controls grants and technical cooperation, and the Ministry of Strategy and Finance (MOSF) is responsible for loans to developing countries. This process is coordinated by the CIDC. Priority sectors at country level can be influenced through engagement with involved desk officers during the update of the CPS (every three to five years). In December 2016, new CPSs were announced for Cambodia, Ethiopia, Ghana, Laos, Mongolia, Mozambique, Myanmar, Nepal, Pakistan, Peru, Philippines, Senegal, Sri Lanka, Tanzania, and Vietnam.

Based on a CPS, South Korean policy-makers develop concrete project proposals for the following year; a minimum of two consultations are undertaken with each priority country. This process is coordinated by inter-agency committees led by MOFA and MOSF, as well as the CIDC. The development of proposals takes place between July and September. However, once proposals are developed, the MOSF can still veto any grant or loan; this has happened repeatedly in the past.

SOUTH KOREA'S BILATERAL AND MULTILATERAL ODA

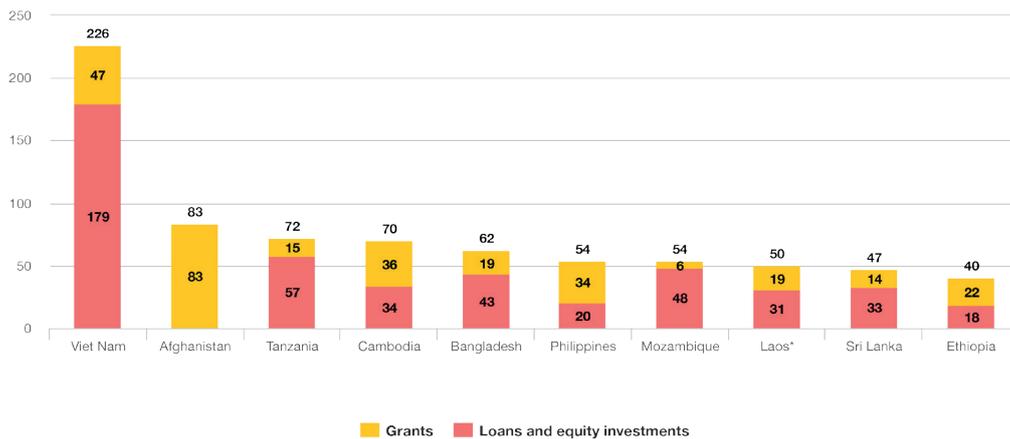
US\$ millions, 2014 prices



Source: OECD DAC. Gross disbursements.

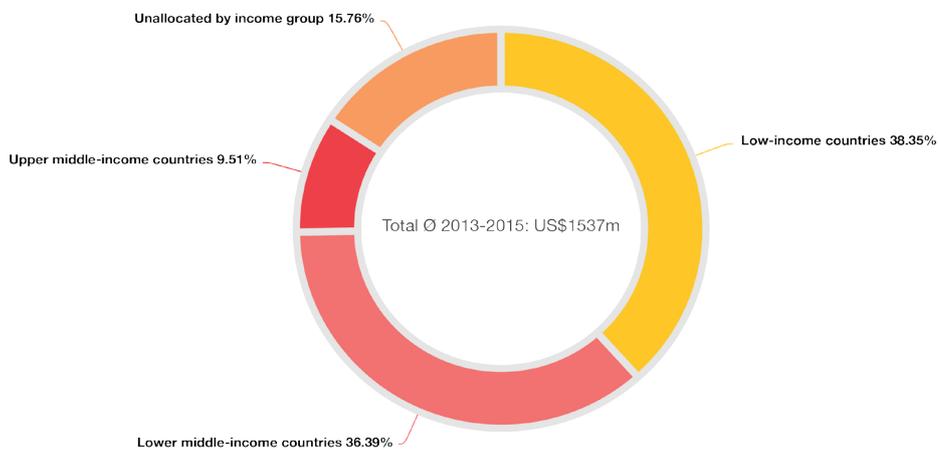
THE TOP 10 RECIPIENTS OF SOUTH KOREA'S ODA

average 2013-2015, excluding debt relief; US\$ millions; in 2014 prices



Source: OECD CRS, in 2014 prices. *Lao People's Democratic Republic

SOUTH KOREA'S BILATERAL ODA BY INCOME GROUP OF RECIPIENT



Source: OECD CRS.