

## KEY QUESTIONS

### the big six

# 6



## 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 2016, the South Korean government channeled US\$1.6 billion bilaterally, well above the average of the OECD Development Assistance Committee (DAC) members (62%). The government plans to keep the share of ODA spent bilaterally at about 70% for the period 2016 to 2020. Core contributions to multilaterals increased by 57% between 2015 and 2016 (to US\$698 million in 2016).

Loans accounted for 39% of South Korea's bilateral ODA in 2016, more than four times the DAC average of 9%. 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 had with this instrument as an ODA recipient. The Ministry of Foreign Affairs, on the other hand, is in favor of disbursing ODA as grants to prevent higher levels of debt in partner countries. Nonetheless, the government plans to maintain a stable, high share of loans.

South Korea channels the majority of its bilateral grants and loans through its own implementing agencies (84% in 2016), mainly the Korea International Cooperation Agency (KOICA) and Korea Eximbank. It also seeks to diversify its activities by promoting public-private partnerships such as the Global Corporate Social Responsibility Program, which promotes the involvement of the South Korean private sector in development cooperation. Despite this goal, the share of funding channeled through public implementing agencies increased by four percentage points between 2015 and 2016.

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

Key recipients of South Korea's core contributions to multilateral organizations in 2016 were regional development banks (52%), the World Bank Group (27%), and United Nations (UN) agencies (17%; including 5% to the UN Office for Project Services (UNOPS), 2% to the World Health Organization (WHO), and 2% to the Food and Agricultural Organization (FAO)). In addition, the country channeled US\$203 million, or 9% of its total ODA in 2016,

### 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.

through multilateral organizations for programs earmarked for specific thematic priorities or regions (this is reported as bilateral ODA, see figure).

South Korea is also progressively 'untying' its funding, which means that ODA no longer must be spent on goods 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' ODA 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 48% of bilateral ODA between 2014 and 2016. The largest recipient over this time was Vietnam, which received around 13% 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 2018 International Cooperation Action Plan, which allocates 37% of bilateral ODA to the Asia-Pacific region, 18% to sub-Saharan Africa, and 12% to the Middle East and 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 (35%) of South Korea’s bilateral ODA in 2016, well above the average of OECD Development Assistance Committee (DAC) members (19%). With 37%, South Korea’s funding to low-income countries (LICs) is also far above the OECD average (25%).

### 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

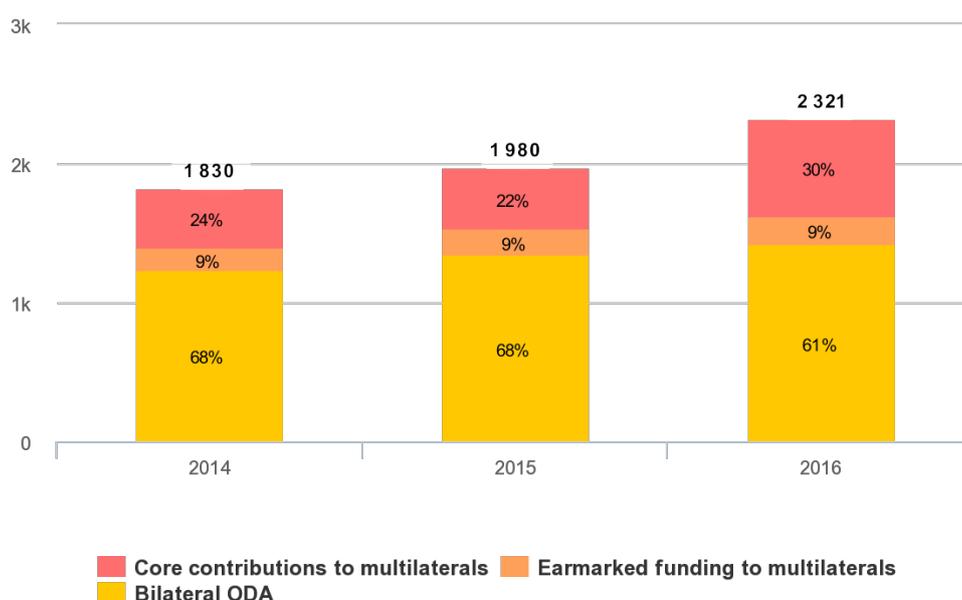
and Finance (MOSF) is responsible for loans to partner countries. This process is coordinated by the CIDC. In its 2018 Peer Review, the OECD found that CIDC involvement in priority setting has supported strengthened quality assurance and results management in South Korea’s development cooperation.

Priority sectors at the country level can be influenced through engagement with 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

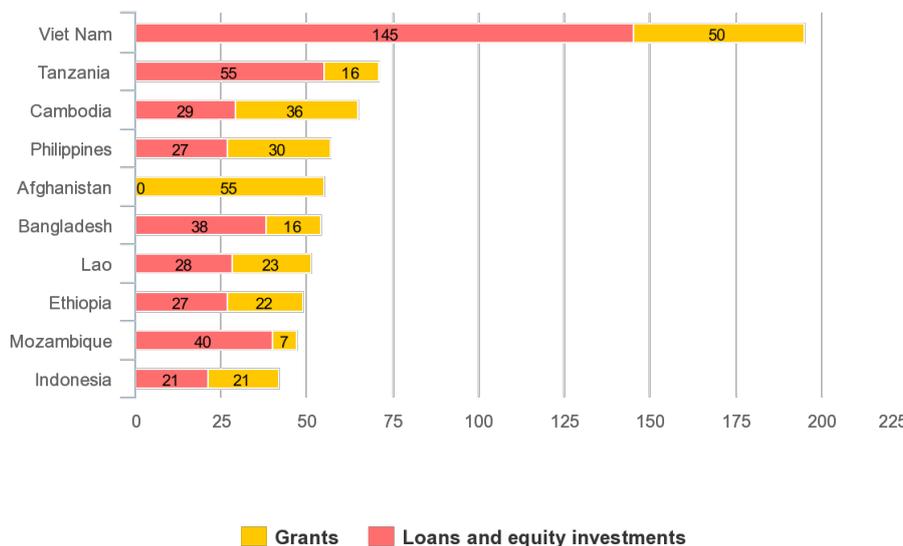
US\$ millions



OECD DAC 1 table. Gross disbursements; in 2016 prices.

### THE TOP 10 RECIPIENTS OF SOUTH KOREA'S ODA

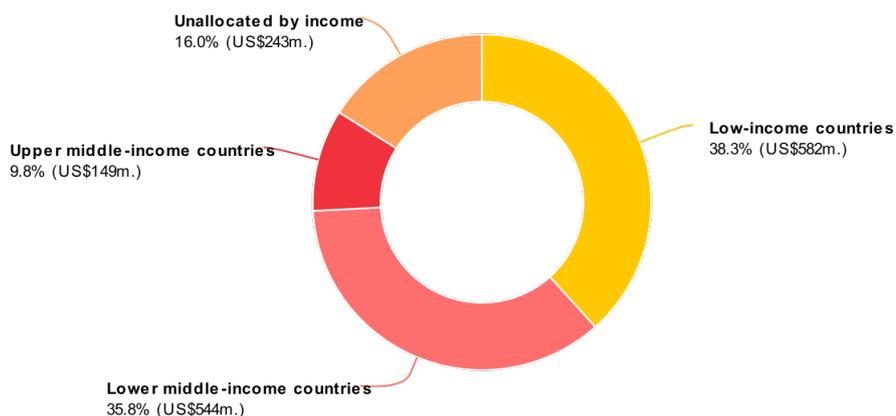
average 2014-2016, excluding debt relief; US\$ millions.



OECD CRS. Gross disbursements; in 2016 prices.

### SOUTH KOREA'S BILATERAL ODA BY INCOME-GROUP, 2014-2016

Average 2014-2016: US\$1.5 billion



OECD CRS. Gross disbursements, in 2016 prices.