

Korea's ODA policy for Southeast Asia

The following is the first in a series of articles focusing on ways to promote cooperation between Korea and the 10 member countries of the Association of Southeast Asian Nations on the occasion of the Korea-ASEAN summit scheduled for June 1-2 in Jeju. — Ed.

By Kwon Yul

Korea has successfully transformed itself from being an aid recipient to an emerging donor through rapid economic development. About 130 countries receive official development assistance from the Korean government each year. Korea's development assistance has been steadily growing, recording \$699 million in 2007, which jumped from \$212.1 million in 2000. The major share of bilateral assistance was channeled to the Asian region (60.8 percent), including Southeast Asia, followed by Africa (14.2 percent) and Latin America (11.1 percent).

Trends of Korea's ODA in Southeast Asia

A large share of Korea's official development assistance has been directed toward Association of Southeast Asian Nations members to strengthen development cooperation as a top priority. From 1997-2007, ASEAN was the largest destination of Korea's ODA in cumulative terms and \$719 million was disbursed to the region. In 2007, 25.8 percent of bilateral official development assistance was disbursed to Southeast Asia. This high level of concentration is partly due to the geographical and cultural proximity between Korea and the countries in the region. In particular, Korea has maintained close economic and diplomatic relationships with ASEAN, as Korea's trade and investment partners. So, there is undoubtedly potential for further cooperation between Korea and ASEAN.

Development issues in Southeast Asia spread over various fields including poverty, health, the environment, digital divide, energy and regional integration. The region comprising the ASEAN area is characterized by wide development gaps. In this regard, Korea is focusing on promoting development cooperation between the relatively well-off ASEAN members and the CLMV countries (Cambodia, Laos, Myanmar, and Vietnam) to address the wide development gap within the region. Vietnam, Indonesia, the Philippines and Cambodia were selected as mid-term strategic partner countries through close analysis of aid recipients' needs and the optimal assistance methods based on Korea's comparative advantages.

As shown in Table 2, ASEAN members took a 35.9 percent share of the soft loans in cumulative terms, amounting to \$1.2 billion. From the total budget, 9.8 percent was allocated for Vietnam as the top recipient of



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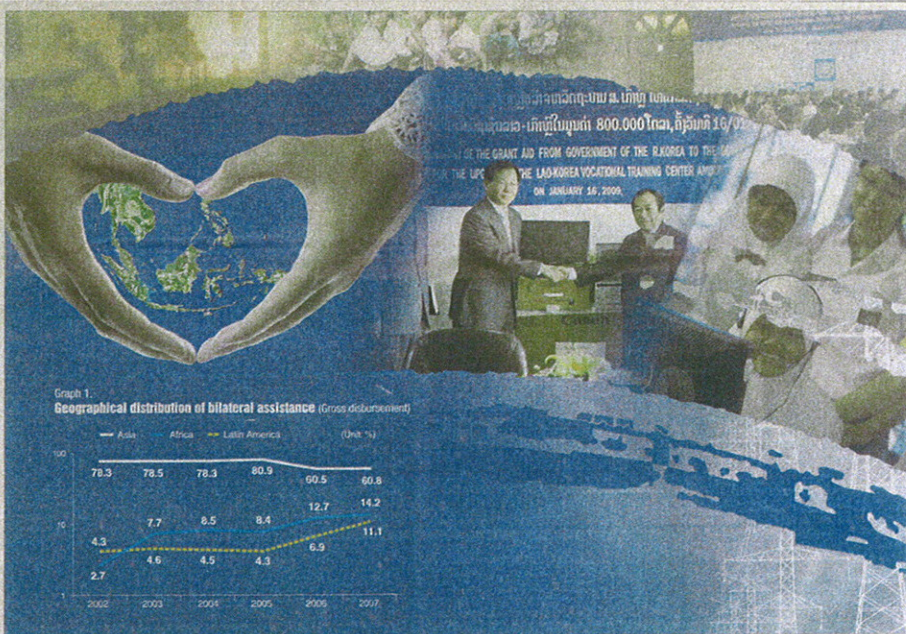


Table 1. Bilateral ODA provision records towards ASEAN members (1997-2007: Net Disbursement) (Unit: Million Dollars)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	97-07
Vietnam	6.75	11.62	7.17	16.03	38.13	22.81	12.68	31.35	15.29	10.08	24.67	196.38
Cambodia	1.78	0.30	0.25	0.68	1.13	22.71	10.76	23.88	17.77	13.83	35.29	126.35
Laos	0.61	0.22	0.30	0.60	0.67	1.47	2.11	3.64	9.77	13.55	17.90	51.04
Myanmar	16.45	12.30	7.78	0.84	0.42	7.20	6.64	2.93	8.11	8.53	-	72.21
Indonesia	15.38	19.55	9.33	3.79	23.0	14.87	30.17	16.93	16.32	18.90	28.78	185.83
The Philippines	0.76	0.40	1.05	3.0	3.38	4.54	80.4	8.20	7.52	7.06	28.16	72.11
Sub-total (a)	41.94	65.39	25.89	24.92	66.73	75.20	68.40	66.83	76.78	71.95	134.70	715.92
a/b (Share, %)	37.7	36.4	19.7	19.0	36.9	36.4	27.9	26.3	16.6	19.1	27.3	25.8
Bilateral ODA(a)	111.3	124.7	131.4	131.2	171.5	208.8	246.2	330.6	453.3	376.1	493.5	2,785.6

Source: Compiled by Author based on the OECD DAC Database

Table 2. EDCF to ASEAN members (1987-2007)

Rank	Country	Number of Projects	Amount (US\$ Million)	Percentage (%)
1	Vietnam	17	470.75	14.1
2	Indonesia	12	255.20	7.8
3	Cambodia	6	159.59	5.4
4	The Philippines	6	130.78	3.5
5	Laos	4	85.35	2.6
6	Myanmar	6	84.70	2.4
Total of ASEAN aid			1,186.07	35.9

Note: * Percentage of EDCF's total budget. Source: EDCF Annual Report

the Economic Development Cooperation Fund with 17 projects amounting to \$450.8 million.

Korea's increasing role for poverty reduction in Southeast Asia

Korea is a prime example of a country that successfully overcame poverty in a relatively short period of time through development assistance. Korea's ODA experience is unprecedented. Korea is thus ready to share its own experience with developing countries in Southeast Asia. Internationally, Korea's history of good governance is credited with its successful development. The great lack of such good government is the most critical impediment for the development of Southeast Asian countries.

Despite the possible risk when applying one's own development policy to other develop-

ing countries facing different conditions, Korean experience could be a valuable reference for developing countries in Southeast Asia in some areas.

Since developing countries in Southeast Asia usually lack the funds to support their domestic development, promoting trade and attracting foreign investment is something all developing nations must do. Korean ODA could help them do this by establishing an environment that encourages trade and foreign investment in Southeast Asian countries. Korea could assist these developing nations in areas such as economic policy, institution building, education and training.

Korea has already played an important role in capacity building and human resource development, or HRD. As part of such efforts, Korea has conducted a variety of projects such as building training institutions, as well

as providing education equipment and technical cooperation.

Korea, as an IT-industry leader, has recently been participating in regional efforts to narrow the digital divides in Southeast Asian countries by building IT centers, transferring IT technology, and consulting on related policies.

The technical cooperation focused on transferring knowledge is the most effective assistance an emerging donor with relatively limited resources can provide. The technical assistance in the establishment of the stock exchange market in Vietnam is a good example for capacity building as well as knowledge transfer. The Korean government launched a project to assist in the establishment of the stock exchange market in Vietnam and provided financial support worth \$1.6 million in three installments between 1996 and 2002. The project supported the Vietnamese government's efforts

to adopt a market economy and industrial growth, and contributed to the improvement in economic ties between the two nations.

HRD has also been regarded as one of Korea's comparative advantages. Support for developing countries in the area of HRD was provided through inviting trainees, dispatching experts, and building vocational training centers. In addition, healthcare and education services were provided to fulfill basic human needs and offer a social safety net. Particularly, education is crucial to the long-term development of poor countries in Southeast Asia. Education allows them to stretch their potential and tackle such issues as reducing poverty, increasing industrial development, regional development and organizational efficiency of public offices. In this regard, Korea has been providing various technical cooperation projects such as building educational institutions, providing teaching materials and curriculum as well as training teachers.

Challenge and opportunities

Korea's aid operation lags far behind those of other Development Assistance Committee member countries with little domestic support from the public. Under these circumstances, Korea faces the formidable task of meeting the high standards in terms of both quantity and quality.

The Korean government is taking steps to join DAC by 2010. Joining DAC will improve its ODA management and help promote the greater harmonization of aid policies with other advanced countries.

The Korean government is currently reviewing its ODA poli-

cies and practices. The review will enhance its effectiveness and help it cope with the challenges Korea will face as its ODA increases significantly in the coming years. The first step is to substantially reform the ODA management system to improve aid effectiveness in Southeast Asia. Also, Korea's ODA policy will focus on strengthening CLMV's capacity in designing and managing poverty reduction strategies under an aid coordination mechanism.

Recent initiatives of the Korean government to implement the development assistance with a strong regional focus give us some future perspectives. After the 1997 financial crisis, Korea actively participated in the ASEAN+3 Economic Ministers Meetings, proposing three on-going cooperation projects such as the Conformity Assessment Development Program in Industrial Standards.

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