

Korea's Regional Cooperation and ODA Policy in Asia: Performance and Challenges

Yul KWON Deputy President, Center for International Development Cooperation (ykwon@kiep.go.kr)

Aila YOO Senior Researcher, Development Evaluation Team, Center for International Development Cooperation (ailayoo@kiep.go.kr)

I. Introduction

The COVID-19 pandemic and ongoing geopolitical conflicts have deteriorated socio-economic conditions all around the world. As developing countries in Asia have made enormous progress in economic and social development based on the stable ground for growth, the development gap within the region has also been expanded. In addition, the region's socio-economic conditions have become worse after the pandemic. Along with the pandemic crisis, there are several issues that have negatively influenced the region's sustainable growth, such as climate change and climate-related natural disasters, and conflicts. These multiple crises change the development needs in the region, and cannot be solved through the efforts of any sole country but must be tackled through regional cooperation.

While Korea strengthens its strategic approach for regional economic cooperation to

expand its partnership with emerging countries and its Official Development Assistance (ODA) volume is highly concentrated in Asia region, Korea still focuses on cooperation with each country based on priority countries' Country Partnership Strategy (CPS) without any integrated regional cooperation strategy. Strengthening inclusive partnerships would be a key to reduce the development gap in the region, by supporting regional programs such as the ASEAN Connectivity and Mekong Subregion development projects. To improve policy coherence and tackle the region-wide problems, Korea should adopt an integrated regional cooperation approach by reflecting the characteristics of Asia. This study analyzes changes in the socio-economic conditions and development environment in the Asia region and provides policy implications for preparing regional cooperation strategy for Asia.

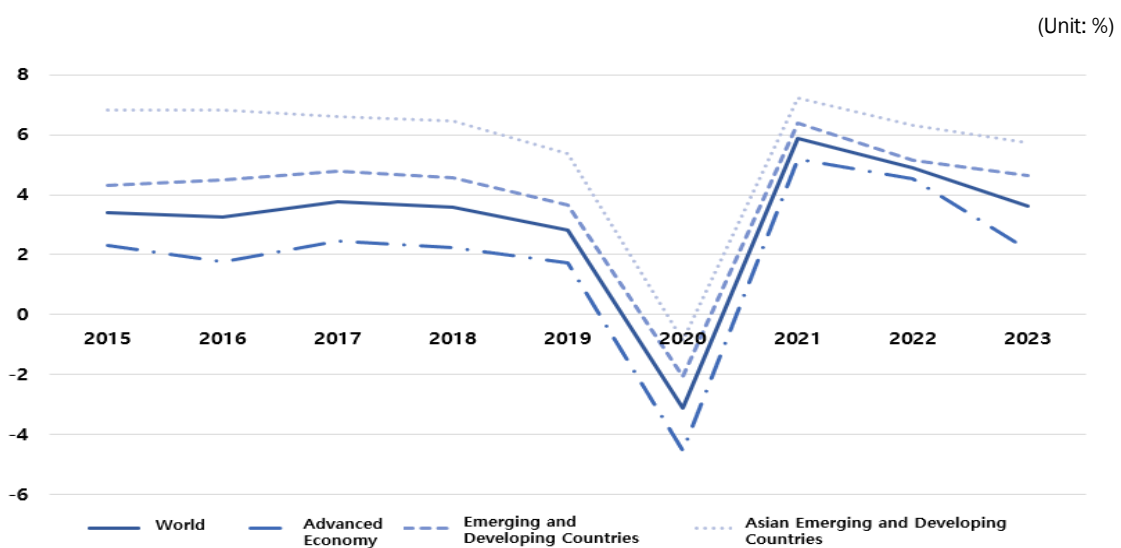
II. Development Challenges in Asia after Pandemic

The COVID-19 pandemic has changed socio-economic conditions in the Asia region dramatically. Due to the spread of COVID-19 and emergence of new variants, lockdowns, and mobility restriction, economic recession has led to even more profound impacts on economic and social uncertainty. Uncertainty in socio-economic conditions exacerbates fragilities in all spheres of the economy and society. UN (2021) predicts that the pandemic will cause an increase in extreme poverty worldwide for the first time after 2000. Especially, more than 60 percent of the increased number of people in extreme poverty are expected to be concentrated in South Asia. This section analyzes changes in socio-economic conditions and shifts in development needs after the pandemic.

1. Economic Vulnerabilities

In response to the COVID-19 pandemic, most of Asia's developing countries implemented lockdowns to prevent spread of the virus. Lockdowns led to decreased services and manufacturing production, investments, trade volume, as well as labor hours and employment. Shrunken economic activities intensified economic vulnerabilities for emerging and developing countries in Asia. In 2020, the COVID-19 outbreak caused negative GDP growth in the region, by -0.9 per cent, falling by -6.2%p compared to the previous year. In 2021, due to factors such as vaccination, the growth rate was predicted to turn positive again. However, UN (2021) analyzes that emerging and developing Asia countries still face the possibility of economic recession due to their lower vaccination rate. In addition, the persistent emergence of new variants also hinders economic recovery.

Figure 1. Trends in GDP Growth



Source: IMF (2021).

Excluding China and India, most of emerging Asia's foreign direct investment (FDI) inflows decreased because of expanding economic uncertainty and delayed investment projects. Trade volumes also have been negatively affected by restrictions on travel due to the pandemic. Goods and services trade both decreased, but the negative impacts were bigger for the services trade because travel restrictions and lockdowns had direct negative influences on the tourism industry as well as transportation services. Lockdown measures and travel restriction decreased labor hours. According to the ILO, labor hours decreased by 8.8%, and more than 255 million jobs were lost in 2020. Specifically, lower-middle income countries faced working hour losses the most.

2. Social Vulnerabilities

The pandemic induced higher social vulnerabilities, such as poverty, food insecurity, deterioration in educational outcome and health status, and inequality.

According to UN (2021), the number of people in extreme poverty has begun to increase for the first time since adoption of the Millennium Development Goals (MGDs). The most affected region was South Asia, with more than 60 per cent of the increasing population in poverty concentrated in the region.

With increasing poverty, food insecurity in Asian developing countries has also risen. In

Asia 418 million people suffer from food insecurity and this accounts for more than half of people under food insecure situation (UN 2021, p. 28; FAO 2021, p 13). Food insecurity particularly affects children's nutritional condition the most, and this could cause negative impacts on children's health status and educational outcome in the future.

The COVID-19 pandemic has also exacerbated vulnerabilities in the health sector. Concentration of financial and human resources to tackle COVID-19 by the pandemic hinders the society from investing resources to support other diseases and illness, such as maternal and child health. Furthermore, the heavy workload for healthcare workers to cope with the pandemic could cause degradation of quantity and quality in healthcare services.

The pandemic has also had a bad influence on educational outcome. Due to the pandemic, most countries shut down their schools. Some countries in Southeast and South Asia shut down schools for more than 41 weeks. As a result, more than 100 million elementary and middle school students in the world face lower reading skills as well as graduation rates (UN 2021, p. 11, p. 34). According to UN (2021), almost half of the students who face lowered reading proficiency is predicted to be concentrated in the Asia region.

The issue of inequality was also aggravated by COVID-19, in particular in terms of gender inequality. UN (2021) estimates that violence

against women and girls as well as child marriage has increased due to the economic downturn, lockdowns, and poor reproductive health services. Furthermore, due to lockdown measures, women could experience a higher burden of household chores and face higher possibility of unemployment.

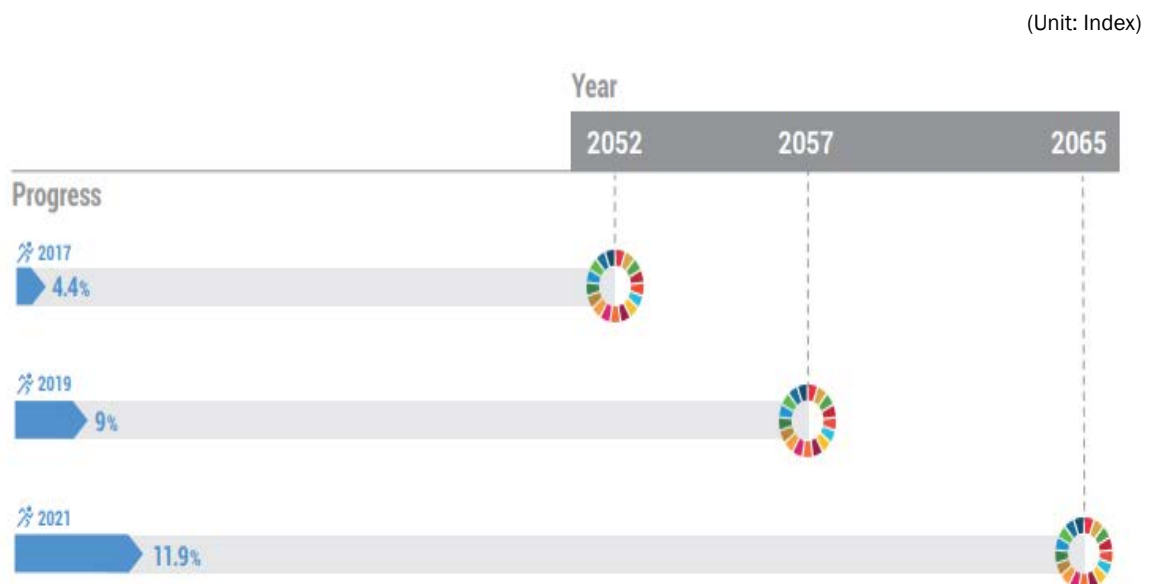
3. SDGs Progress in Asia and Investment Needs for SDGs Achievements

Even without COVID-19, it would be hard for the Asia-Pacific region to achieve the Sustainable Development Goals (SDGs). However, due to the pandemic, it has become much harder to reach targeted SDGs by 2030. According to the UN ESCAP's estimates, it will

be 2065 before the SDGs can be achieved in the region under the current pace of progress (Figure 2).

UN ESCAP (2022) analyzes that the Asia-Pacific region failed to achieve the 2021 target for any of the SDGs. There is meaningful progress in affordable and clean energy (SDG7) and industry, innovation and infrastructure (SDG9). However, the region retrogressed for climate action (SDG13), responsible consumption and production (SDG12). Other goals show some or little progress. By subregion, most of the region faces reversed trends in environmental-related SDGs. As environmental issues cannot be tackled by one country, it is necessary to expand regional cooperation.

Figure 2. Estimated Year to Achieve the SDGs at the Current Pace in Asia and the Pacific, 2017–2021



Source: UN ESCAP (2022), p. 2.

The investment needs for the region to achieve the SDGs is 1.5 trillion USD per year (UN ESCAP 2020). However, the actual inflows are insufficient to meet these investment needs. In 2017, only 652 billion USD flowed into the region for development finance for SDGs achievement.¹ The region will need an extra 800 billion USD for its investment needs. Regarding pandemic, environmental issues and ongoing conflicts, development needs for the Asian developing countries are expected to increase and the insufficient inflow of development finance will likely persist. Therefore, it is important to expand the volume of development finance through diversified cooperation channels with various stakeholders.

III. Policy Implications

The COVID-19 pandemic crisis has revealed its structural vulnerability, intensifying socio-economic inequality in the region. Along with the pandemic, environmental degradation, climate change and ongoing conflicts increase the risk of economic and social uncertainties in the region. Increasing food prices, commodity prices and inflation could possibly set back progress in the region.

As globalization deepens, the impacts of the crisis do not remain within one country but influence each other. The current “multiple crisis” will also have transnational effects.

¹ See OECD DAC, Development Finance inflow composed: 311 billion USD of Foreign Direct Investment (FDI), 244.4 billion USD of remittances, 62.6 billion USD of Official Development Assistance (ODA), 25.6 billion USD of

Therefore, it becomes more significant to expand and strengthen regional cooperation to solve the cross-border development challenges.

In order for Korea to make more contributions toward tackling Asia’s development challenges by the multiple crisis, Korea should adopt an integrated regional approach and make regional cooperation strategy towards Asia.

Furthermore, as each Asian subregion has different development needs and regional communities, Korea should strengthen partnerships and integrated cooperation with regional communities by supporting regional programs. Support for ASEAN Connectivity and Mekong Subregion development projects could be good examples. In response to the pandemic and future health crises, Korea could contribute to establish the ASEAN Center for Disease Control. Diversification of development cooperation modalities could help Korea to strengthen a regional integrated approach. Specifically, it is important to extend collaboration with the private sector in the form public-private partnership (PPP) and to increase infrastructure development with multilateral development bank (MDB) in the region. **KIEP**

Other Official Flows (OOF), 7.8 billion USD of portfolio investments, 4.6 billion USD of export credits, and 1 billion USD of private support.

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