

Key Development Needs of South Asia and Priority Sectors of Korean ODA

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South Asia as a Development Cooperation Partner

South Asia is a region with the largest demand for development cooperation in the world, and its importance as a development cooperation partner for Korea and other aid donors is increasing. South Asia, as of 2011, is home to 23% of the world population. With per capita GDP at only USD 1,400, it is also home to the largest number of the poorest people on Earth. Accordingly, South Asia's proportion in

the worldwide ODA (Official Development Assistance) is on the rise, from 10.9% in 2006 to 15.8% in 2010. Korea is also increasing the proportion of its ODA for South Asia and is seeking effective development assistance policies.

In response to this state of affairs, this study quantifies the development demand, by country, in South Asia and Korea's aid capacity in order to determine the focal areas for cooperation. This study also presents suggestions for effective ODA policies in South Asia.

Table 1. Comparison of Populations and Incomes between South Asia and Sub-Saharan Africa

	South Asia	Sub-Saharan Africa
Number of Countries	8	48*
Population (2011, in billions)	1.65	0.81
Nominal GDP (2011, in billion dollars)	2,313	1,107
Per capita GDP (2011, dollars)	1,402	1,367

Note: * Forty-seven (47) by Global Insight count.

Source: Based on data from Global Insight, Oct. 2012.

Table 2. Status of Least-Developed Countries

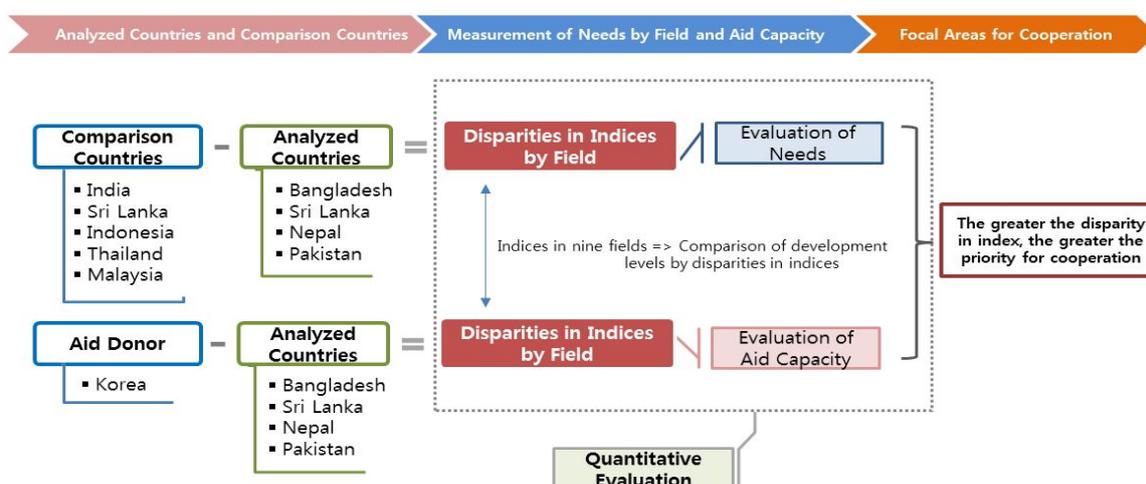
	Number of Countries	Population (millions)
Africa	33	526
Asia	10	303
- South Asia	5	211
Central and South America, island nations	6	4
Total	49	833

Source: Based on the least developed countries report 2011 of the UN (2011), p. 130

Focal Areas and Programs for Development Cooperation by Country

This study analyzed the four countries that Korea has focused its South Asian ODA on: Pakistan, Bangladesh, Sri Lanka, and Nepal. It made use of the World Economic Forum's (WEF) national competitiveness indices

by field, the WEF's Environmental Performance Index (EPI), and the Food and Agricultural Organization's (FAO) agricultural data and selected nine fields for possible areas of cooperation, including institutions, public health, economic infrastructure, market efficiency, financial market development, education and training, technology and information and communication technology (ICT), environment, and agriculture.

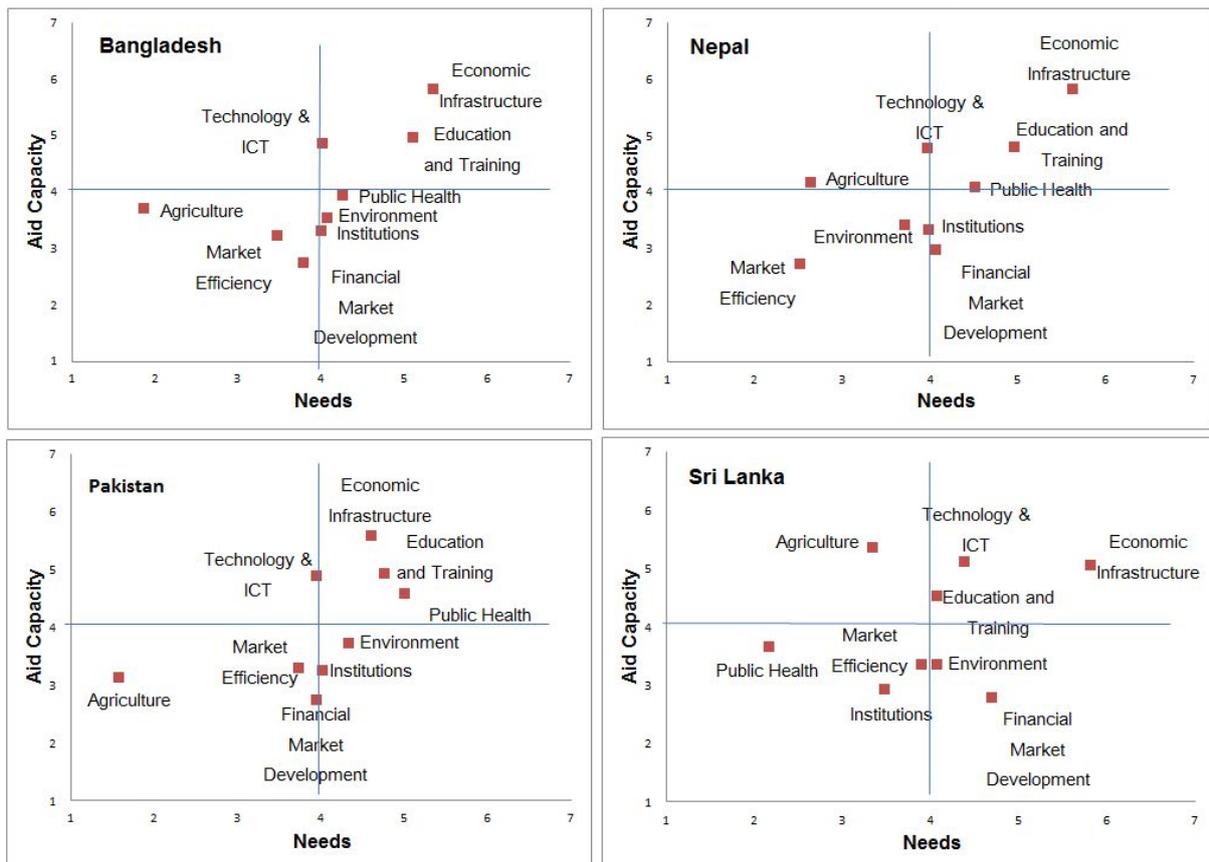
Figure 1. Methodology for Determining the Focal Development Cooperation Areas by Country

Source: Prepared by author.

After quantifying the development cooperation needs of the four South Asian countries in the nine fields together with Korea's aid capacity, the highest priority (first order) was given to the fields where the need and capacity were both high. The areas with a high level of need but comparatively low capacity were ranked in the second order of priority, the areas with low need but high capacity were ranked as areas for potential aid (third order), and the areas with low levels of both need and capacity were classified as ones where aid is deferred.

Development cooperation needs was measured by comparison between the analyzed ODA recipient countries and the comparison countries. Aid capacity was measured by the disparities in indices in the possible areas of cooperation. It was assumed that the greater the disparity in a field, the greater the need and the capacity. Of the analyzed countries, Pakistan, Bangladesh, and Nepal were compared with India, Sri Lanka, and Indonesia, while Sri Lanka, which has a comparatively higher level of income and development, was compared to Thailand and Malaysia. Figure 2 shows the results of the Focal Areas for Development Cooperation in South Asia Analysis.

Figure 2. Results of the Focal Areas for Development Cooperation Analysis by Country



Source: Prepared by author

The analysis also suggests development cooperation programs that may be applied as a priority in each country, taking into comprehensive account the focal areas for cooperation selected by the quantitative analysis, aid environment, and the Korean model of ODA. First, in economic infrastructure, which is among the focal areas of development cooperation with Bangladesh, the analysis considered 20 programs for the economy at large, 19 for public works, and 12 for the industry and energy within the Korean ODA model, in conjunction with the development characteristics of Bangladesh and the aid environment,

for the feasibility of application. It was determined that the development of industrial complexes, support of light industry, and electrical infrastructure programs were feasible for application. Using the same methodology, construction of cable and wireless broadband networks, the establishment of a computer network for government institutions, and programs for training technical personnel, were applicable in the technology and ICT, and education and training fields. The priority application programs for Pakistan, Sri Lanka, and Nepal were also determined with the same methodology.

Table 3. Focal Areas for Development Cooperation and Programs for Priority Application by a South Asian Country

Country	Focal Areas for Development Cooperation	Priority Programs
Pakistan	Economic infrastructure	Electrical infrastructure Industrial complex and innovation cluster Green industry support
	Education and training	Technical personnel training Support of skilled labor development
	Public health	Modernization of public hospitals in core regions
Bangladesh	Economic infrastructure	Electrical infrastructure Support of light industry Development of industrial complexes
	Technology/ICT	Cable and wireless broadband Public institution computer networks
	Education and training	Technical personnel training
Sri Lanka	Economic infrastructure	Establishment of free economic zone Green city policy Support of green industry
	Technology/ICT	Waste processing and management Basis for green R&D
	Education and training	Technical personnel training
Nepal	Economic infrastructure	Construction of multipurpose dams Airport infrastructure Development and planning of historic and cultural city
	Education and training	Technical personnel training
	Public health	Emergency medical system

Source: Prepared by author, including as references the Korean ODA model and other information.

The Direction for ODA in South Asia

Development Cooperation Based on South Asian Characteristics

ODA in South Asia should, first of all, seek development cooperation based on regional characteristics. As the largest poverty-stricken region in the world, South Asia should be a focal point for development cooperation. Korean ODA, however, has formerly focused on lower-middle income countries and should be expanded to least-developed countries, such as those in South Asia. Assistance to South Asia should also move toward development cooperation that makes use of South Asian countries' potential and the presence of nearby high-growth countries. Since the 2000s South Asia has maintained a higher growth rate than Southeast Asia, and this trend is projected to be sustained in a medium- and long-term period. In particular, South Asia adjoins not only India, the fastest-growing country in the region, but also other fast-growing economies, such as China and the ASEAN countries. Development cooperation that links to rapid growth in adjoining regions is expected to be highly effective. Furthermore, development cooperation should be customized to each country, taking into consideration the national development characteristics. Though South Asian countries are part of the same South Asian culture, disparities of income exist between, for instance, Sri Lanka where per capita GDP amounts to USD 3,000 and Nepal, where it is USD 600. The stages of development also differ between these countries, as do the barriers to development, such as being an island country versus being landlocked.

Development Cooperation to Maximize Aid Effectiveness

Another basic principle in ODA to South Asia should be the maximization of aid and development effectiveness. To this end, efforts should be made to improve on the low efficiency and sustainability that come to light in the evaluation of prior South Asian aid. Furthermore, economy of scale should be sought in aid. With the separation between credit assistance and grants, their respective averages for the past 20 years only amounted to USD 24 million and USD 1.7 million, with a corresponding vulnerability to overlapping programs and administrative inefficiency, which are problems that need to be addressed. There should be greater links between capital and technological cooperation, and aid should take the form of programs whenever possible. In addition to the distinction between credit assistance and grants, the Knowledge Sharing Program with South Asia has been launched in 2011, heightening the necessity for linkages between cooperation programs. In addition, the current project form of aid should participate in the recipient countries' development programs or the packaging of individual projects for a programmatic approach to aid. The recipient countries should be given a greater sense of ownership, and harmonization with international aid should be pursued more aggressively. South Asian countries, despite the generally low level of income, boast of their robust systems of politics and market economy based on parliamentary democracy. They also have a strong sense of ownership when it comes to aid. Korea's aid programs, therefore, should seek harmonization not only with the recipient countries' systems, procedures, and processes of project operation and bidding, but also with other institutions and countries that provide assistance.

The Constitution of a Consultative Body for South Asian Aid

Lastly, we suggest an establishment of a consultative body for South Asian aid. Korea is currently operating consultative bodies for aid to Southeast Asia, Africa, and even the Asia-Pacific islands. However, there is no such body for South Asia, which includes four countries—Pakistan, Bangladesh, Sri Lanka, and Nepal—that are focal countries for Korea's ODA cooperation. If a consultative body

is constituted for aid to South Asia, Korea can not only participate in South Asia Subregional Economic Cooperation (SASEC), a regional development cooperation program for the subregion of South Asia, but can also seek mutual development cooperation with India that not receiving aid from Korea. Moreover, economy of scale in aid, heightened efficiency, encouragement of private-sector participation, and reduction of trial and error, may be more efficiently sought through such a consultative body. **KIEP**