

# Analysis on Latin America's Aid Demand and Suggestions for the Priority Sectors

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## Current Development Cooperation Environment

In recent years, the relatively high incomes achieved by countries in Latin America have ruled them out as partners for development cooperation. However, 30% of its population still lives under the poverty level, while both income disparity and rural-urban disparity remain high, which point to a high demand for development cooperation. Therefore, this study conducted a quantitative analysis to identify priority sectors and suggest sectoral

plans for the official development assistance (ODA) toward Latin American countries.

For a more effective analysis, we take into consideration the region's political and economic situation, its progress in Millennium Development Goals (MDG) and related achievements, and possible benefits for the region. Lastly, based on this analysis, we evaluated the environment of the development cooperation of the region.

## Aid Demand and Potential Cooperation Sector

In this study, quantitative analysis is conducted in order to verify the aid demand of the region. Out of thirty-three Latin American countries, seven countries are selected as priority countries for cooperation, including El Salvador, Honduras, Paraguay, Bolivia, Ecuador, Peru, and Colombia. Among these seven countries, four of them (El Salvador, Honduras, Paraguay, and Bolivia) are lower-middle income countries and the other three countries (Ecuador, Peru, and Colombia) belong to the upper-middle income category.

Major development indicators of the seven countries are compared with those of higher-income countries and this gap is defined as

“aid demand.” In addition, the indicator gap between Korea and the said countries are accounted for in order to assess the feasibility of the development aid. According to this demand and feasibility study, priority sectors are designated out of nine sectors. If both demand and feasibility level is high, those sectors are categorized as the primary sector, and when they are both low, they are classified into the potential sector. If demand is high but feasibility is relatively low, they are classified as the secondary sector, while vice versa, they are classified as the tertiary sector. Based on these demands and feasibilities, out of the selected seven countries, the priority sectors selected are infrastructure, environment, education, and ICT. Specific results are shown below in Table 1.

**Table 1. Priority Sector of Selected Latin American Countries**

Country	Primary Sector	Secondary Sector	Tertiary Sector	Potential Sector
<b>Bolivia</b>	ICT, Environment, Infrastructure	Market Efficiency, Development of Financial Market	Agriculture, Education	Health Care, Institution
<b>Paraguay</b>	Infrastructure, ICT, Education	Institution, Health Care	Agriculture, Environment	Development of Financial Market, Market Efficiency
<b>El Salvador</b>	ICT, Education	Health Care, Institution, Market Efficiency	Agriculture, Environment, Infrastructure	Development of Financial Market
<b>Honduras</b>	Environment, Education, ICT, Infrastructure	Market Efficiency	Agriculture	Development of Financial Market, Institution, Health Care
<b>Colombia</b>	Agriculture, Environment, ICT, Infrastructure, Education			Health Care, Market Efficiency, Institution, Development of Financial Market
<b>Peru</b>	Environment, Education, ICT, Agriculture, Infrastructure	Health Care		Market Efficiency, Institution, Development of Financial Market
<b>Ecuador</b>	Infrastructure, ICT, Education	Development of Financial Market, Institution	Agriculture, Environment	Health Care, Market Efficiency

Source: author

## Priority Sectors and Sectoral Analysis

Sectoral analysis is conducted in the following for three sectors, with the exception of infrastructure, as the infrastructure sector requires huge capital and it is sometimes not appropriate for the development aid because it involves complex economic interests. In education, vocational training is selected as the priority sector as demand for this is relatively high within the region.

Three priority sectors out of the four mentioned earlier were examined in detail in terms of its cooperation status and its implications. In particular, this study probes the national development plans of the seven countries in order to examine their demand for development cooperation in the environment, in their vocational training, and in the ICT sector, and thereby proposes some policy implications for Korea.

### Environment

As sustainable development is highlighted as a global issue, environmental issues, marked as preserving Mother Nature and the climate change that LACs are confronting, is now being discussed globally. Thereby, the ratio of the environment sector in ODA toward Latin America is increasing recently. Particularly in environmental protection and management, related systems and administrative management are, in general, very poor in the region even when there are abundant biological resources. LACs, therefore, are now developing regional regimes and supplementing existing international environmental agreements. Nevertheless, the environmental indicators of the region tell us that most of the LACs, except Costa Rica, Colombia, and Uruguay, have a long way to go. Seven countries examined in

this study have national development plans and they state very explicitly that sustainable development is one of their own concerns. Considering this, the possibility to cooperate with LACs in the environmental sector is high.

### Vocational Training

Latin American countries' demand on vocational training sector tends to be high in each country's strategic industrial sectors. However, the connection between the education and training institution and the industrial sector is not that efficient, and what is actually taught in the educational field is excessively far from what needs to be used in the industry practically. In addition, the capability of the teachers is insufficient for them to be able to teach in an appropriate level. More importantly, vocational training for the vulnerable social group is considered important in the region.

### ICT

The general infrastructure level of the ICT sector in the Latin American region is poor. The amount of investment on ICT infrastructure is still small, and there are not enough experts in the ICT sector because of the education deficiency. In addition, the environment for R&D investment is yet to be ripened. However, the demand on ICT education in each Latin American country is very high. So far, Korea has been taking the initiatives of ODA in the ICT sector in the region, wherein its absolute size and portion are the highest. Canada and Spain also present the leading position in the ICT sector in the region but their ODA size is 1/2 and 1/9 of that of Korea, respectively. Even though the size is not that big, one important thing that we should benchmark from these two countries is that they have pursued development cooperation through uniting the ICT sector and other sec-

tors, such as education or the agricultural sector.

## Evaluation of Korea's ODA Policy toward LACs

This study finally scrutinizes the major projects that Korea worked on in the priority sectors, including performance and the problems. There are three major policy implications through this. First, Korea's ODA toward Latin American countries is relatively small in size and is scattered without a long-term goal. Therefore, it is suggested that a mid- and long-term strategy is essential when providing aid. It is one of the urgent issues that need to be addressed in order to expand the scope of the ODA area gradually so that efficiency can be maximized. Second, Korea has continued to provide aid to Latin America in the form of a short-term invitation program. This type of short-term cooperation needs to be connected more systematically to the related aid program and research so that this could be developed into a more organized technical cooperation. This might contribute to the dissemination of knowledge in economic development, which in the end can support recipients more efficiently. Last but not least, in order to overcome the physical and cultural obstacles, Korea will need to diversify the cooperation body.

## Policy Implications for Future Cooperation

Based on the above analysis, several suggestions in the environment, vocational training,

and ICT sectors are made below in order to promote development cooperation.

In the environmental sector: ① enhancement of the country's image in environment ODA ② educational programs for environment protection and the diversification of supporting areas ③ expansion of cooperation with the regional development banks ④ triangular cooperation.

As for the vocational training sector: ① more active vocational training in the donor country's strategic industries ② foundation of Korea-Chile industrial technology training center ③ empowerment of the teachers in vocational training ④ cooperation between companies and aid agencies ⑤ collaboration with the regional development banks of the region.

Lastly, in the ICT sector: ① foundation of Korea-Latin America ICT cooperation forum and fund-raising ② establishment of ICT R&D Think Tank Initiative in Latin America ③ Korea-Latin America industrial cooperation on ICT Convergence ④ taking the initiative in the Forum for East Asia-Latin American Cooperation (FEALAC) ICT cooperation program. **KIEP**