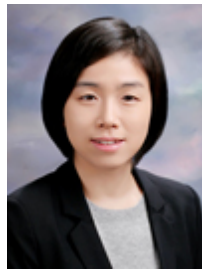


# Korea's International Development Cooperation in the New Administration



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In May 2022, the newly elected President Yoon presented the national vision of “a reemerging Korea, a country of people living well together” and pledged to contribute substantially to solving global challenges by promoting international cooperation based on the values of liberal democracy. Under this vision, “a global pivotal country that contributes to freedom, peace, and prosperity” was set as one of the six goals to be accomplished during his administration. It is understood that the Korean government will fulfill its responsibilities in the international community to solve global issues such as pandemics, climate change, and conflict, and provide official development assistance (ODA) befitting the nation’s stature in both quantitative and qualitative terms.

Convening in June 2022, the Committee for International Development Cooperation (CIDC)<sup>1</sup> announced the policy direction of the new administration

<sup>1</sup> Established under the Prime Minister's Office, the CIDC serves as a central control tower for decision making and coordination, overseeing and directing all ministries and agencies responsible for ODA.

on international development cooperation. The resulting document encompasses several tasks to achieve the national goals of: i) pursuing the status of an advanced ODA donor country, ii) strengthening the linkage between individual projects implemented by each ministry or agency, iii) vitalizing ODA ecosystem, and iv) upgrading the overall system. The details of the document can be summarized as follows.

***Toward an advanced donor country.*** In order to establish Korea's status as an advanced donor country, its ODA volume will be expanded to match the size of the economy, which is ranked 10th in the world. No quantitative target has been set yet. Since Korea currently ranks the 15<sup>th</sup> in absolute numbers and the 25<sup>th</sup> in the ratio of ODA/GNI, scaling up is not an easy task. To expand influence and visibility in the international community, Korea will participate actively in discussions taking place in the United Nations and multilateral development banks, and cooperate with other donors including emerging donors in the field. Through this, it will contribute to compliance with the recommendations of the international community and to the formation of norms on universal values such as SDGs, human rights, peace and so on. In addition, a five-year roadmap is to be prepared to lead global initiatives on the agendas in which Korea has strengths, such as digital transformation, green growth, and health care. Lastly, based on the comprehensive foreign policy of Yoon's administration yet to be developed, sector- and region-specific ODA strategies will be prepared to seek synergies.

***Enhancing ODA effectiveness.*** By linking more individual projects, the government intends to enhance the effectiveness of Korea's overall ODA. Korea has a unique ODA system in which more than 40 ministries and agencies execute their own ODA projects. The existence of many stand-alone projects and fragmentation in the field is an issue frequently pointed out. If their contents, components, or targets are similar, the projects executed by different entities can be packaged into one bigger project. Cost-effectiveness can be achieved, and the packaged project can become more visible on the site. Due to the distinctive characteristics of Korea's ODA system, about 65% of the ODA projects (a total of 1,155 cases as of 2022) are under one billion won or far less than one million US dollars. In response to an increase in the demand for economic and social infrastructure in developing countries, the Korean government tries to promote large-scale projects by using both concessional and less concessional loans and even by utilizing a blended finance scheme to mobilize financial resources from the private sector. It has been more than 10 years since Korea was recognized as a donor. However, it is not yet clear what the typical features of Korea's ODA are, partially because of the fragmentation (i.e., many small fragmented projects) within the ODA system. Under the new administration, Korea will seek to establish its own brand of ODA, taking into account the needs of partner countries, Korea's strengths and comparative advantages, and the sustainability of the brand.

***Vitalizing the ODA ecosystem.*** ODA projects are performed in the public domain, but the actors participating in the projects mostly hail from the private sector. If the private sector can be utilized, this would enable ODA projects to proceed in a more efficient and professional manner. From this point of view, the Korean government will strive to vitalize the ODA ecosystem so that the private sector can fully utilize its capabilities in developing and managing ODA projects. In particular, it seeks to promote the development consulting industry which takes part in providing expertise, policy advice and technical assistance. On the other hand, in terms of managing human resources in the ODA community, instead of existing policies that focus on the beginner level, the government will consider mid-career development so that even beginners can find positions at the junior level or higher. Considering the field expertise specifically in the area of humanitarian aid and health care, the Korean government continues to cooperate with civil societies.

***Upgrading the system.*** The new administration considers the implementation of a digital platform government as one of its major national tasks. In line with this, the information related to Korea's ODA are to be digitalized. Currently, there are two separate portals managed by the Directorate for Development Cooperation Policy in the Office for Government Policy Coordination, one for the ODA-executing agencies and another for the general public. The demand for transparency and accuracy of the information on the portal and user-friendly interface has continued to grow. A new ODA digital platform will improve users' accessibility to the information in need. If possible, the digital platform could be utilized in managing the ODA project cycle. The results management system continues to be improved by both enhancing the self-evaluation capacities of each implementing agency and focusing more on strategic-level evaluation (i.e., country or thematic evaluation) by the CIDC.

Over the past few months, KIEP has conducted several rounds of expert meetings on the ODA policy direction set under the new administration. With no remarkable disagreement on the direction established by the government, many experts communicated their common hopes to see major progress in the new administration regarding the following issues. First, for the linkage between ODA policy and foreign policy, a mechanism or decision-making structure is needed. Foreign policy, particularly when related to cooperating with developing countries, could consider the nation's ODA as a major policy measure, not ad hoc-based but systematic. The needs of our partner countries should be clearly identified and reflected in foreign policy. Many developing countries show interest in Korea's ICT-based economic and social infrastructure. Key partners in the Indo-Pacific Economic Framework and Korea's global value chains are also ODA priority countries. This points to the need for high-level representation for ODA issues within the national decision-making process of international policies.

Second, development finance must play more of a role. Although Korea's ODA is ranked 15<sup>th</sup> among OECD DAC countries, its volume of foreign direct investment into developing countries ranks 5<sup>th</sup>.<sup>2</sup> Korea is the only country in the world with the experience of developing from a recipient to a donor. This means that Korea can cooperate with developing countries based on its economic development experience and world-class technologies, with development finance playing a role in mobilizing financial resources and expertise from the private sector. Despite the current consensus on the utilization of development finance, further progress is not visible. Two different opinions co-exist, as whether to establish a new development finance institution or to expand the business areas of existing institutions such as the Export-Import Bank, which is responsible for the administrative operations of the Economic Development Cooperation Fund (EDCF). Aside from the absence of a dedicated organization for development finance, experts emphasize making a first case where the capital and expertise of a private company can be utilized in a sustainable development project taking place in developing countries while leveraging development finance. To plan a development finance business and close a deal, recruiting project developers with experience in developing markets will be necessary from the earliest stage.

Third, most think it desirable to take a packaging approach, where projects focusing on similar sectors or sharing project components are packaged together, and look upon such packaging as an alternative to overcoming the fragmentation of the increasing number of government agencies involved in delivering ODA. The key is to approach joint project development from the field by assembling the sector expertise of each ministry and the know-how of aid agencies such as KOICA and EDCF together. A special sub-committee could be set up in the CIDC to develop a strategic ODA package in a top-down manner that reflects the government's national agenda. As described above, the government is working to establish a national brand that effectively communicates the characteristics of Korean ODA. The special committee would select a key agenda area (e.g., digital transformation), develop a package that includes policy and technical advice, capacity development, hard and soft infrastructure, etc., and thus formulate the package under the name of this brand.

Finally, it could be necessary to establish a think tank or research institute specialized in international development cooperation. Korea has been a self-confident donor with a proud story of economic development which many developing countries hope to emulate. However, the global environment is rapidly changing from that facing Korea during its period of development. The experiences and knowledge accumulated at that time may not be useful anymore. Rather, it is time to deliberate how to apply the current strengths and comparative advantages for international development cooperation. It seems urgent that a dedicated institute be established to support the

<sup>2</sup> Author calculation based on FDI Statistics by partner country (OECD Stat., accessed on November 1, 2022)

government's ODA policy implementation, evaluate the performance of its ODA projects, and address a global agenda to lead the international development community. **KIEP**