

KOREA

Development challenges as investment and business opportunities: Korea's policy and practices

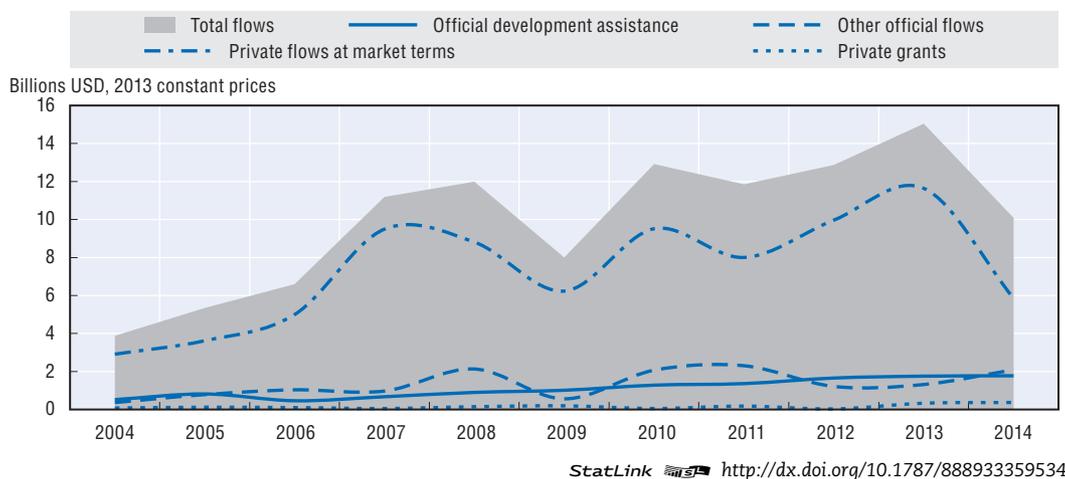
Korea's second mid-term ODA Policy (2016-20) focuses on diversifying partnerships with the private sector and contributing to an inclusive business model. Building on its own experience with public-private partnership (PPP) and Korean businesses' corporate social responsibility in developing countries, Korea is stepping up efforts to translate innovative ideas and partnerships into business opportunities to generate income and create markets in developing countries. Korea is engaged in private sector development mainly through the overseas loans and investment programmes of the Export-Import Bank of Korea (Eximbank) – the official export credit agency. Its mission is to develop the Korean economy by promoting international economic co-operation. Eximbank's primary services include export loans, trade finance and guarantee programmes.

A key priority for the Eximbank's Economic Development Cooperation Fund (EDCF) is to support the private sector through PPP loans, equity participation, etc. Since creating a PPP team in 2012, the EDCF has designed several PPP pilot projects, built up a Social Overhead Capital Council in developing countries, introduced a guarantee programme and is preparing a legal framework for low-concessional loans whose financial resources are provided by the private sector.

The Korea International Cooperation Agency (KOICA) supports business opportunities and market creation in partner countries through partnership with social enterprises, co-operatives and micro-financiers. For example, in 2015, KOICA launched its Creative Technology Solutions Program, providing seed grants and mentoring to social entrepreneurs with ideas and prototypes for inclusive and innovative technology that tackle development issues in partner countries. It is also piloting impact investment through a revolving fund with a partner philanthropic foundation to improve access to financing of small and medium enterprises (SMEs) in partner countries. Through its Inclusive Business Opportunity Creation programme, KOICA leveraged around USD 4.3 million from the private sector in 2015.

Financial flows from Korea to developing countries

Figure 24.1. Net resource flows to developing countries, 2004-14, Korea



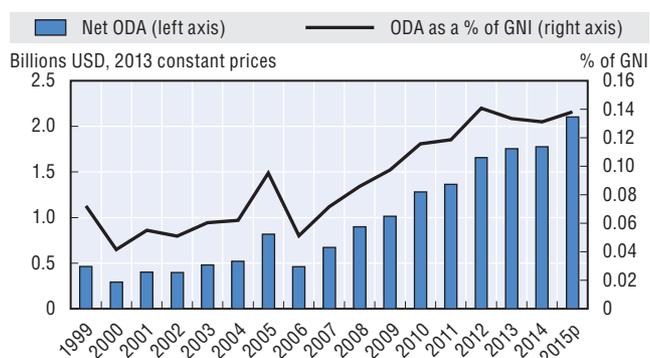
Korea uses ODA to mobilise other resources for sustainable development

- Korea contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Korea committed USD 4.2 million of its official development assistance (ODA) to tax-related activities in partner countries.
- It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 1.1 billion (46.4% of its sector-allocable ODA) to trade-related activities in 2014, a 45% increase in real terms from 2013. The trend has been fluctuating over the past few years.
- Korea is the host of the Green Climate Fund, to which it has pledged USD 100 million.** The fund plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

Korea's official development assistance

In 2015, Korea provided USD 1.9 billion in net ODA (preliminary data), which represented 0.14% of gross national income (GNI) and an 8.3% increase in real terms from 2014.* Korea is the 24th largest Development Assistance Committee (DAC) provider in terms of its ODA as a percentage of GNI, and the 14th largest by volume. Korea missed its ODA/GNI target of 0.25% by 2015 due to several reasons: the global economic downturn, tighter fiscal policy in Korea and a change in the calculation of GNI. It has, however, set a new target of 0.30% ODA/GNI by 2030. To help reach this target Korea plans to publish an ODA growth plan with milestones. Korea's share of untied ODA (excluding administrative costs and in-donor refugee costs) was 53.2% in 2014 (down from 55.1% in 2013), compared to the DAC average of 80.6%. The grant element of total ODA was 95.1% in 2014.

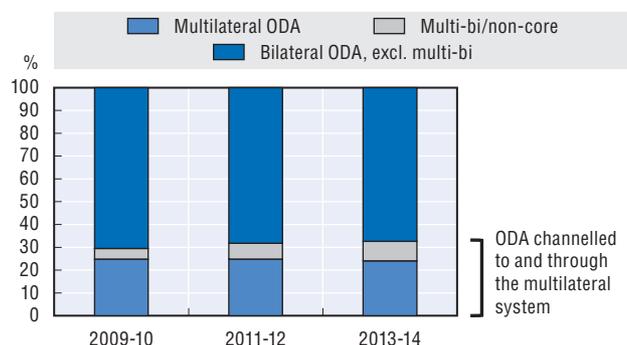
Figure 24.2. Net ODA: Trends in volume and as a share of GNI, 1999-2015, Korea



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In 2014, 76.2% of ODA was provided bilaterally. Korea allocated 23.8% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 11.3% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

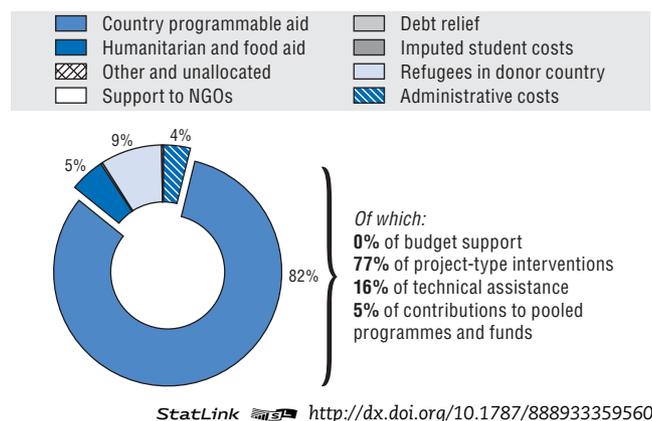
Figure 24.3. Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Korea



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In 2014, 82% of bilateral ODA was programmed at partner country level. Korea's bilateral programme is characterised by a high proportion of country programmable aid (CPA), which was well above the DAC country average of 52.9% in 2014. This is explained mainly by its low levels of other bilateral expenditures, such as in-donor refugee costs, humanitarian assistance and debt relief. Project-type interventions amounted to 77% of CPA.

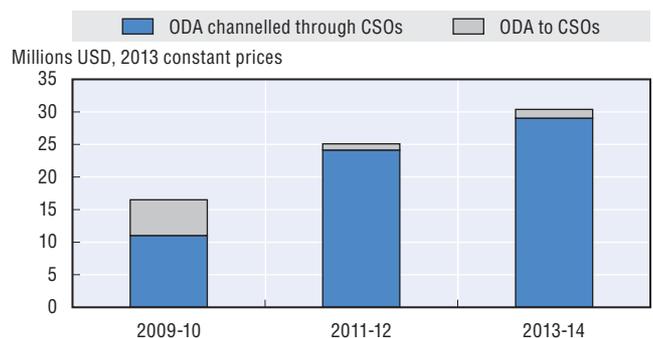
Figure 24.4. Composition of bilateral ODA, 2014, gross disbursements, Korea



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In 2014, USD 34.6 million of bilateral ODA was channelled to and through civil society organisations (CSOs). Korea's ODA channelled to and through CSOs has increased in volume in recent years (+19.4% between 2013 and 2014). It has, however, been relatively steady as a share of bilateral ODA since 2010. This share amounted to 2.3% in 2014, compared with the DAC country average of 17.4%.

Figure 24.5. Bilateral ODA to and through CSOs, two year averages, gross disbursements, Korea

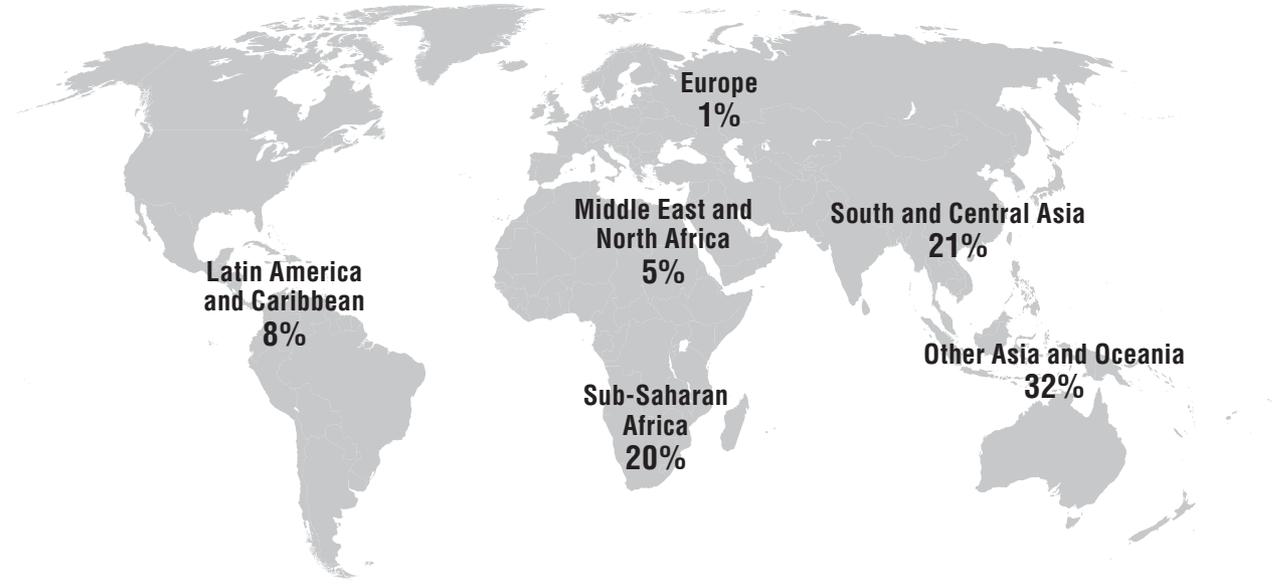


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* Korea does not report to the DAC on ODA-eligible assistance to the Democratic People's Republic of Korea (DPRK). The ODA-eligible portion of its assistance to the DPRK was estimated at approximately USD 13.3 million in 2014.

Bilateral ODA was primarily focused on Asia. In 2014, USD 426.9 million was allocated to Far East Asia and USD 283.3 million to south and central Asia. USD 317.7 million was allocated to sub-Saharan Africa.

Figure 24.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Korea**

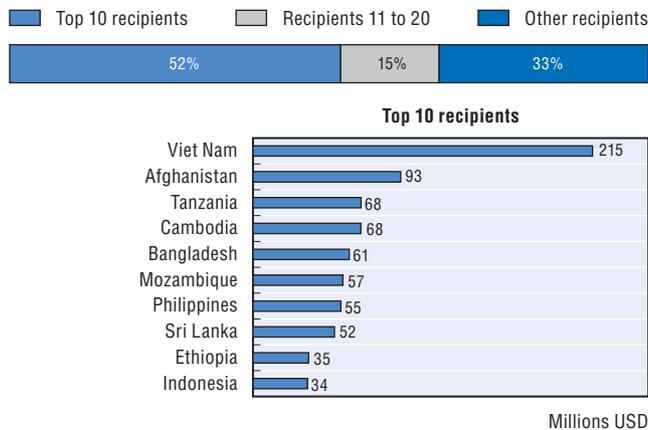


Note: 13% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

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In 2014, 49.8% of bilateral ODA went to Korea’s top 10 recipients. Seven of its 26 priority partner countries are among its top 10 recipients. Korea’s support to fragile states reached USD 436.6 million in 2014 (29.6% of gross bilateral ODA).

Figure 24.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Korea**

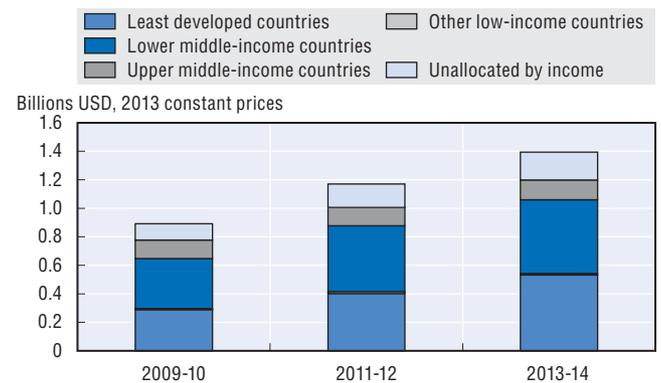


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In 2014, 38.1% of bilateral ODA was allocated to least developed countries (LDCs), reaching USD 562.6 million. The share remained stable from 2013 and is higher than the 2014 DAC average of 25.6%. LDCs received the highest share of bilateral ODA in 2014.

At 0.05% of GNI in 2014, total ODA to LDCs was lower than the UN target of 0.15% of GNI.

Figure 24.8. **Bilateral ODA by income group, two year averages, gross disbursements, Korea**



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In 2014, 40.7% of Korea's bilateral ODA was allocated to social infrastructure and services, amounting to USD 967.1 million, with a strong focus on support to health (USD 292.7 million), education (USD 228.7 million), and water and sanitation (USD 225.4 million). USD 812.9 million (34.2% of bilateral ODA) was allocated to economic infrastructure and services, with a strong focus on transport and storage (USD 771.3 million).

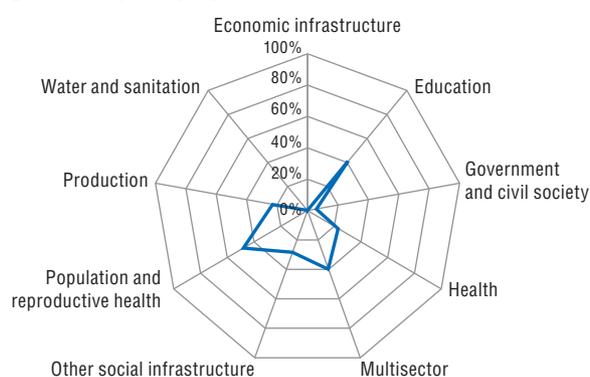
Figure 24.9. Share of bilateral ODA by sector, 2013-14 average, commitments, Korea



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USD 308.3 million of bilateral ODA supported gender equality. In 2014, 13.4% of Korea's bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This is up from 2.4% in 2009 and 9.9% in 2013. Population and reproductive health and education are the only sectors in which the focus on gender is important. Through its 2015 Gender Awareness Guidelines, Korea is stepping-up efforts to better mainstream gender equality into its projects and to report on the gender marker.

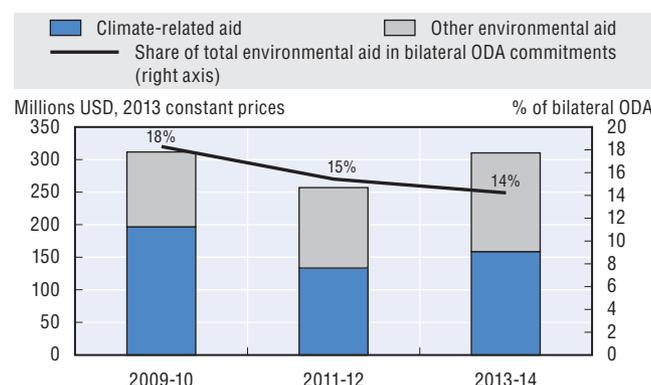
Figure 24.10. Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Korea



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USD 241.8 million of bilateral ODA supported the environment in 2014. Korea committed to increase its green ODA to 30% by 2020 and is making an effort to improve the integration of the environment and climate change into its development co-operation. In 2014, 10.5% of its bilateral allocable aid supported the environment and 3% (USD 69.3 million) focused specifically on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 24.11. Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Korea



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Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".



From:

Development Co-operation Report 2016

The Sustainable Development Goals as Business Opportunities

Access the complete publication at:

<http://dx.doi.org/10.1787/dcr-2016-en>

Please cite this chapter as:

OECD (2016), "Korea", in *Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities*, OECD Publishing, Paris.

DOI: <http://dx.doi.org/10.1787/dcr-2016-30-en>

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